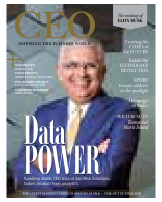

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The risk factor

Aon Risk Solutions' CEO of Asia, Sandeep Malik, believes introducing sophisticated risk solutions to the region is not risky business — quite the contrary — and he has the data and analytics to back it up.

IMAGES **YEW KWANG**

"Frankly, it's easier to say where I don't see opportunity in Asia, as opposed to where I do." Sandeep Malik, the CEO Asia of Aon Risk Solutions, spots opportunity for growth in the region everywhere he looks. "The reality of our business is that, even though the Asian economy may be slightly slower and duller than what we've been used to in the last decade or so, the insurance industry is still growing faster than most parts of the world. The distinction needs to be made, therefore, between segments that are growing especially quickly and those that are growing at a slightly slower pace."

Aon Risk Solutions is the risk management insurance brokerage and consultancy arm of Aon, with regional headquarters in Singapore. An engineer by training, Sandeep was appointed to the role in 2010, bringing with him decades of experience in management consulting in Europe and the US. In addition to his CEO responsibilities, he is also the Global Head, Speciality, overseeing Aon's Industry and Specialty Practice Groups. Before joining Aon, he held the position of CFO and then CCO at Prudential Corporation Asia, his first experience working in both the region and the insurance industry.

"This is the longest time I've ever been in a position," he smiles. It's a hot seat with a history of longevity: his predecessor clocked up 15 years in the role. "Hong Kong was home for a year and a half when I first joined the company," he says. "I moved to Singapore at the time when Aon started to build a global configuration centred around three cities: Chicago, London and Singapore." >>

AON
Empower Results®

Name Sandeep Malik
Company Aon
Position CEO Asia, Aon Risk Solutions
HQ Singapore, Singapore (regional)
Employees 2,600+ (Aon Risk Solutions, Asia)

This global platform was what attracted him to the position and offered a new direction away from the regional nature of his previous role. That's not to say that Aon Risk Solutions has always had such a cohesive approach to business. "A decade ago, we were working with hundreds of insurers around the world. Some were local, some were regional, and some were global. It was very uncoordinated and driven primarily from the client and the front lines of our organisation back towards the insurer."

The system appeared to be one lacking unity. "It wasn't uncommon for us to be sourcing the same kinds of insurance products from many different insurers, sometimes in the same market," he continues. "There were even occasions when we were working with the same insurer in different markets but not actually connecting the dots."

Sandeep is keen to emphasise just how much progress has been made. "As a company, we've undertaken a significant amount of internal change over the last seven years, from how we organise our leadership across the region to how we approach key aspects of our business, how we think about which clients to work with, and the approach we use to serve them."

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A focus on communication and technology has led Aon Risk Solutions to where it's positioned today as a globally connected risk-management consultancy and insurance brokerage.

"We've established a network of three global broking centres, in Bermuda, London and Singapore. All our sizeable client risks get fed into these centres so we can ensure we're offering our clients the best products and pricing. This has all been underpinned by the Aon GRIP platform."

The GRIP he is referring to is Aon's Global Risk Insight Platform, a database of analytics designed to provide an empirical perspective for risk-management strategists. The platform reflects Aon's significant investment in analytics, more than >>

"Aon is diversity — of geography, cultures and disciplines — in action. That's how they think both globally and locally for customers, continually innovate, and deliver meaningful risk solutions throughout Asia and around the world."
– BHSI Asia Team

"Aon 'walks the talk' of customer focus. They look not only at what customers need today — but what's coming down the road. And they invest and innovate to prepare customers for the journey ahead."
– Chris Colahan, President, BHSI Australasia

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US$350 million to date. Singapore, along with Dublin, is the site of the Aon Centre for Innovation and Analytics (ACIA), staffed by a team of actuaries, computer programmers, financial analysts and accountants.

"We wanted to establish ourselves as the leader in using data and analytics within the insurance world to better serve our clients and to better work with insurers," Sandeep explains. "Aon GRIP captures 90 per cent of our trades around the world and yields tremendous insights for both clients and insurers.

"The result is that we've gone from having a disjointed and extremely local approach to one that is coordinated and universal, underpinned by data analytics, and very aggressively coordinated from the centre," he reveals.

"We're really changing our world from one that was largely based on relationships to one that is largely based on providing superior content and managing Asia not as a portfolio of different country markets but as one unified business."

Asked to comment on how the industry has evolved during the decade he has been in it, Sandeep reflects for a moment before carefully choosing just one word: consolidation. It feels like a fitting choice in many

ways. "Both in terms of the organisations that underwrite the risk, the insurers, and the intermediaries, like Aon."

He cites some of the significant mergers and acquisitions that have occurred in the past two years as examples. These include XL Catlin, Chubb, and Aon's very own acquisition of Hewitt Associates in 2010 to create Aon Hewitt, the human capital and management consulting branch of the company. "Today, risks are much more connected globally, which is why, to serve those risks, you need a global footprint that is on the underwriting side or on the risk advisory side."

He names Aon and its competitor Marsh as the only two players in the industry to have this global footprint, an attribute which offers his company a competitive advantage. "If you go back to the 70s and the 80s, Aon undertook some very early consolidation. Local companies merged to become regional and ultimately international forces." Aon, in its current incarnation, has been formed by more than 450 acquisitions in the past 25 years, according to Sandeep. "Imagine the leverage that provides us." Both the worldwide reach and reputation of Aon affords Sandeep's team in Singapore leverage to pursue the myriad opportunities he has identified across Asia.

Construction and power, energy and mining, and marine and aviation are just some examples of the industries Aon Risk Solutions supports to navigate the risks involved in realising their business objectives. "The coverage of risks in Asia is still relatively shallow," he says, "so there's a lot of scope for solutions that allow for risks to be covered appropriately. We're working hard to bring to the region solutions for risks that may be well addressed in more developed markets but are still relatively new in this part of the world."

Aon Risk Solutions has a presence in 13 markets across the region, and its client base includes international and local companies, regulatory bodies, professional associations, and small to medium enterprises. Each client requires a tailored approach, although Sandeep acknowledges that there are types of risks that all organisations face, whether they're large, medium or small in size. Along with property and casualty insurance, he identifies health and benefits as one such segment. "In Asia, the coverage for employees that employers have historically tended to provide has been very thin, especially among local corporations, so that's one of the fast-growing areas," he says.

It's hardly a surprise when he names new and emerging risks as another. "We continue to move in a direction where the world in general is getting riskier, and new types of risks are appearing." While the obvious political risk may spring to mind, Sandeep prefers to single out another, equally topical: cyber risk. As 'bring your own device' policies, big data, social media and cloud computing build a permanent presence in the workplace,

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Sandeep has noted an increase in companies wanting to actively address the potential liabilities inherent in such innovations. "Aon recently acquired Stroz Friedberg, the leading global cyber risk-management firm," Sandeep says. "The combination of Aon >>

"At our core, both organisations share common ideals, an ambition to use our deep understanding of risk and the data which surrounds it, to enable our clients to move forward in the knowledge that their assets are secure and that risks are contained." - Paul McNamee, Asia Pacific Regional President, Chubb

and Stroz Friedberg will complement our existing capabilities and extend our leadership position in cyber risk management, a topic of critical importance to our clients and a key area of growth for Aon."

As the region evolves in its risk sophistication, Aon has a big role to play in educating both established and prospective clients. "Our priority remains helping large corporations, particularly large, local corporations, mature and evolve on the risk maturity spectrum. How do they think about risk? How do they quantify risk? This leads ultimately to which risks they transfer out into the insurance markets, and which risks they keep internally. That's a really big priority for us."

In 2016, Aon hosted the Aon Risk Symposium in Singapore. An event the company had organised in other markets to much acclaim, the symposium was the first of its kind in Asia, and more than 200 business leaders from around the world attended. "The event in Singapore allowed some of the largest local corporations to come together and share ideas, discuss solutions around the management of risk, and how to most effectively transfer the risks into insurance markets," he says. Successfully fostering dialogue between thought leaders within Aon and the wider client world, he hopes that the symposium will become a much-anticipated annual event in the region. Asia may be overflowing with opportunity, but Sandeep has one concern. "The industry is growing rapidly in some parts of the world, while in other parts of the world it can be best described as entering a maturing phase. There's a real talent imbalance. I'd say there's an excess of talent in Western Europe and, to a lesser extent, North America. On the other hand, there's a definite shortage of talent in Asia and Latin America," he argues. Nurturing locally grown talent is high on his list of priorities. "Historically, this industry has had to bring in a lot of talent from other parts of the world, and it's something we can only sustain up to a certain point," he says. "It's crucial we develop local talent that can continue to fuel both Aon Risk Solutions' growth and that of the market, as a whole, for a long time to come. Increasingly, we measure ourselves against the best standards of professional service firms in how we recruit talent and how we reward that talent, rather than use the insurance industry as our only benchmark," he continues.

A thought leader in his own right, Sandeep has authored opinion pieces on risk for the *Economist.com* and *The Wall Street Journal* and is a sought-after guest on TV channels such as BBC, CNBC and Bloomberg. A highly respected figure, he himself is arguably the secret weapon in his battle to attract local talent to the industry. ■

Hassan Karim,
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Zurich Asia Pacific

RISK MANAGEMENT

How critical are your suppliers to your balance sheet? Leaders should put stakeholders' minds at rest with robust supply chain risk management and insurance.

Financial losses from supply chain disruption can run in the hundreds of millions and have serious ramifications for a company's balance sheet, share price and reputation. Companies such as South Korea's Hanjin Shipping are realising the impact of this now, and disasters such as the 2011 Thai floods have brought to light the impact of a protection gap. According to the *Wall Street Journal*, Hanjin Shipping was said to be carrying more than US$14 billion in goods when the company filed for bankruptcy protection. While losses are still being determined, they will likely be felt throughout Hanjin's entire supply chain. Losses from the Thai floods were estimated at THB1.4 trillion by the World Bank, however insured losses were only an estimated THB337.0 billion. These cases clearly highlight the significant impact of third party supply chain risk in today's interconnected world.

According to the 2015 Business Continuity Institute Supply Chain Resilience Report, half of supply chain disruptions occur beyond the preliminary supplier of goods (the direct supplier), making it extremely difficult to establish exactly where an organisation lies within its suppliers' priorities. Many businesses have increasingly focused on achieving cost efficiencies through outsourcing and reduced inventory, which may have inadvertently driven risk into the business. Complex organisational structures can also create management silos, so it is not uncommon for different functions to pursue separate objectives that may come at the detriment to the overall organisation. For example, while procurement focuses on getting the best price, the significance of critical suppliers to the business may not always be considered, resulting in situations where companies continuously squeeze critical suppliers' profit margins only to have to then buy them out as a result.

Clearly, supply chain risks are a serious concern for the C-suite and having a risk mitigation strategy in place is essential. CEOs need to ask their risk and insurance officers whether they have appropriate management solutions in place in the event of a major disruption. Senior management often assume they are protected from supply chain risks through traditional business interruption insurance. Unfortunately, this does not cover non-physical damage such as failure of critical infrastructure, strikes, cyber attacks et cetera. The solution is third party 'all risks' cover for both physical and non-physical damage-related disruptions as well as cover through the various supplier tiers. The right insurance and risk management solutions can not only provide ease of mind but also free up funds many companies put aside for major disaster, releasing capital for investment.

Leaders should be able to explain to their stakeholders how they will manage their supply chain risks, with robust supply chain risk management and supply chain risk insurance. ■

Find out more about Zurich's Supply Chain solution at *zurich.com*