

Risk around the clock

The financial crisis has highlighted the need for organisations to operate effective risk management strategies. Yet risk management must be a key priority for corporations at all times, not just during difficult periods, Emmanuel Nivet, chief executive of AXA Corporate Solutions UK, explains to Steve Coomber.

For large multinational corporations, with extended supply chains spanning the world, effective risk management is a significant challenge.

'Providing insurance to large international corporations, whether it is property, casualty, marine, aviation, motor or any of the many other covers required, plus the relevant advice, requires a high level of expertise, as well as specialist services such as reinsurance treaties and the capability to manage risks on a global basis,' says Nivet. 'So the decision was made to have a unit within the AXA Group – AXA Corporate Solutions – dedicated to satisfying the insurance and related service needs of these kinds of clients.'

AXA Corporate Solutions focuses on providing products and services to European multinational corporations with an annual revenue of over €600 million and in addition extends its speciality insurances and risk consulting services offer to smaller companies. With its headquarters in Paris, the company has established centres of expertise in the UK, Germany, Switzerland, Spain, Italy and Benelux as well as others in Asia, the Middle East and the Americas. In addition, a specialist team based in New York is licensed to operate in the US. These centres of expertise are supported by a substantial international network of AXA Group subsidiaries, affiliates and external partners, to ensure a global service capability for clients.

Some firms perceive risk largely in terms of the downside, notes Nivet, but this is the wrong approach. 'Where there is risk, there is opportunity,' he says. 'Risk management is not just about preventing failures, but about understanding and managing the risks taken, and transforming these in an optimal way. Risk management is a useful tool for defining opportunities. There is a direct relationship between risk management and product and service innovation, for example.'

While it is not AXA's role to be the risk manager of an insured firm, says Nivet, the

company uses its knowledge and experience to help provide pragmatic and innovative risk management tools and expert advice. So, for example, climate change means that losses from natural catastrophes, such as hurricanes, earthquakes, tornadoes, floods, wildfires may escalate in future years.

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AXA Corporate Solutions has created VisioRisk, a risk management tool that identifies and measures the probable impact of catastrophic events, in order to help firms mitigate the risk of catastrophe related losses. With the help of web-based applications, in particular Google Earth Pro, companies can chart their facilities around the globe on a three dimensional map of the world.

Add in real-time data from a variety of sources, such as US weather service data, integrate with client specific information, and risk managers can track catastrophic events, and visualise their aggregate exposures within a region. This may enable companies to take precautionary measures, close down locations where possible and if appropriate, for example, or report initial estimates of potential losses back to the board.

There are many areas where insurers can assist corporations with effective risk management. Claims fraud, for example, tends to be more of a problem during an



economic downturn. 'Often, fraud gives rise to problems with liability insurances, and that's not good for the client,' says Nivet. 'In mid-2007 we set up a team to study fraud, and have since investigated many cases, providing savings of over £4m.'

It is essential that insurers keep pace with the fast moving business world that their clients operate in. 'Clients are dealing with increasing numbers and types of risk – pandemic risk, brand protection, environmental issues, differing regulatory and liability regimes, for example,' says Nivet. 'In keeping with our core values, being reliable, available and attentive, we do our utmost to assist clients with managing these risks.'

As Nivet points out, there are risks that are supposed to be uninsurable: those that look insurable but are difficult to assess, poorly understood emerging risks, and unknown, unforeseen risks. Yet, through a thorough understanding of the client's business, most risks can be dealt with to some extent.

'There is almost nothing that is uninsurable, the only problem insurers have is assessing the level of liability,' says Nivet. 'Once we start to understand a risk it can become insurable. So if we are uncomfortable with some of the coverage requested, we discuss it with our clients to find out what product we can develop that will deal with the risk in a manner we understand, and help clients manage their risk in an effective way.' ■

Further information

AXA Corporate Solutions UK

Website: www.axa-corporatesolutions.com