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PRODUCT PROTECTS FOREIGN SUPPLIERS

ACE team takes on the hot topic of liability for U.S. companies with overseas suppliers.

In April 2008 at the Risk and Insurance Management Society Inc.'s annual conference in San Diego, ACE USA launched the ACE Foreign Supplier LiabilitySM product, a solution for U.S.-based companies and multinationals that manage risks associated with foreign suppliers.

The product was a joint effort by Mitchell Schmidt in the Custom Casualty division and the Foreign Casualty division, notably Clint Johnson and Rick David.

Schmidt said he saw a need in the marketplace for this product.

"Getting verification from a Chinese manufacturer that insurance is in place can be very difficult," said Schmidt. "Either they can't provide evidence for it or

they send over a certificate that's written in Chinese."

According to Paul Smith, executive vice president with Willis North America, only a few carriers are developing similar products and ACE has done a good job in its due diligence before releasing their product.

"It's worked very well for Willis and our clients," said Smith. "The product is custom tailored to a very niche group of clients that have this exposure. ACE has a broad understanding of the exposure, they utilize resources effectively to bring solutions to our clients, and they really understand the needs of the marketplace."

The limited amount of interest among carriers in developing a foreign supplier liability product of their own isn't that difficult to

explain. When insuring a U.S. company, it is easy to send out staff to perform all the necessary checks and balances. Checking in with a manufacturer in China is much less easy.

"It's a big underwriting risk," said Schmidt. "There are a number of U.S. carriers that are leery of jumping into this."

It helped that ACE did its homework over the course of two years before releasing the product. Early in the development, the team engaged a group of U.S. clients in a disciplined online feedback cycle to test the concept.

"They were very open to suggestions and dialogue early on, before it was launched, to get that feedback," said Smith. "They didn't create it in a vacuum. I give them a lot of credit for that."

The joint effort component between the Custom Casualty and Foreign Casualty divisions of ACE is partly

what makes the product so innovative. The product team brought two separate lines of business together to co-author policy forms, design a single submission process and application, and sell with a single marketing message. The process involved a coordinated effort among underwriting teams in different segments of the company, which could serve as a model for other emerging global risk products in ACE's future.

In a highly competitive global market, ACE says this product gives U.S. companies an edge—they are now easier to do business with from the perspective of a foreign supplier, along with the potential to reduce the total cost of operation for both.

While interest level has been high since announcing the product a few months ago, Schmidt said that given the type of product, there will be a significant amount of lead time to sign up new clients.

"It's a new concept so there has to be some level of education that goes on," said Schmidt. "That's the key component. We're not sure that every risk manager that has these exposures recognizes it. If it's an insured we know and we're talking with the broker, it's easier for us to talk to them. If it is a new client it takes more time to understand them and how they operate."

—By Erin Gazica

About Risk Innovator:

The Risk & Insurance® Risk InnovatorTM Award recognizes winners in 13 different industries who have, in the past year, demonstrated innovation and excellence in risk management. These key individuals see risk differently and have resolved risk-related problems in a unique or innovative way. They view risk not only as a threat, but also as an opportunity for their organizations. In 2008, 56 individuals received the Risk Innovator Award.