Special Feature

To Find New Revenue Sources During a Recession Look to Specialty, Niche Coverages

by Steve Connor

A recession is the ideal time to expand the types of coverage your agency offers. Doing so can provide more service to your existing clients and increases your competitiveness when quoting to a prospect. When business is slow you can take the time to find the right market (partner) to provide specialty coverages that you don't currently offer for your clients.

These specialty, niche coverages are often overlooked, perhaps because of a lack of knowledge, unresponsive markets, perception of lower commission rates or not knowing the right questions to ask. Taking the time now, to learn the ropes, will have you well-positioned, when the economy turns around, to provide even more robust service than you already do.

One of those overlooked niches is my specialty: cargo insurance aka transit insurance or transport insurance (and its related products). Cargo insurance protects against loss or damage to cargo (or stuff as I like to call it) travelling from A to Z, sometimes via points B and C. (A and Z can be in the U.S. or point Z could be overseas, as could point A of course.)

The current terminology for the business process protected by cargo insurance is ***the supply chain***. Any insured's supply chain could have many links and, therefore, various points of exposure which puts a customer's assets (and balance sheet) at risk. Understanding a client's supply chain and exposures reveals where there are holes in coverage and the risk for financial loss.

When I speak to agents and producers who provide business insurance for their commercial customers, I always mention cargo insurance to them, even though I know there's every chance I'm going to see that "deer in the headlights" look. Given the mystique surrounding cargo insurance, I'll do my best to clarify how you can determine if placing this specialty coverage is an opportunity for you and your agency/brokerage.

Picture the universe of cargo for a moment – stuff in transit or stuff in the domestic or international supply chain. Every entity that deals in stuff, that is, things you can see, touch and feel has to somehow source their product or manufacture it using other stuff. It is assembled or put through some other process, packaged, stored, staged, transported and any number of a fulfillment steps, before it gets to the end user or point of sale. During some stages or stages of this process the client has financial responsibility for the goods and/or has capital at risk. The product needs to be insured during that supply chain or lifecycle – after all any chain is only as strong as its weakest link and a supply chain has many links.

A typical U.S. export can look like this: the stuff leaves the client's warehouse somewhere in the interior of the U.S. and travels by truck to a warehouse for consolidation purposes where it stays for, say, 7 days. Thereafter, the stuff moves by another truck to an ocean port (or airport) waiting for the ship to arrive (or for the appropriate flight), say another 7 days. When the ship arrives the stuff will be loaded and stowed and the ship will then sail for far distant climes, which can take several weeks. When the ship arrives at the port of destination, the stuff is unloaded and then gets stored, awaiting customs clearance, and transported (sometimes several times) until it finally reaches its destination.

It's easy to see that this cargo is exposed to lots of risks which may result in loss or damage to the stuff, which could easily be valued at a million dollars or more! Additionally, there are cargo imports by air or ocean and distribution risks either domestic or international. There can also be uncertainty concerning who has responsibility for providing insurance and exactly what is covered. A cargo insurance policy, structured to meet the client's needs, taking into account their contractual obligations and broad enough to even cover unusual exposures, will insure the cargo at all times in the supply chain or lifecycle.

"It's my experience that most small and medium agents and producers shy away from talking or promoting this product because cargo insurance is a specialty niche which is often misunderstood, or not understood at all."

It's my experience that most small and medium agents and producers shy away from talking or promoting this product because cargo insurance is a specialty niche which is often misunderstood, or not understood at all. By not talking about or handling this niche, small and medium brokers and agents leave the door open for the client to talk with a larger brokerage who can handle it. Instead of risking a customer going to a competitor and missing out on a potential new revenue corridor consider developing a relationship with a "partner" to provide the expertise for you to sell cargo insurance coverage. Unfortunately, it's a fact that the relatively few insurance carriers that write the class require a minimum annual premium requirement – often $500,000 – and an appointment. Ouch! A small number of wholesalers entertain the class but they can lack the personal service to make the process easy and pleasurable – often too, they look for a minimum annual premium commitment.

So, what is the answer? Partner with a specialist insurance brokerage operation that focuses on the cargo insurance class and has stable, knowledgeable

markets, responsive customer service and proven expertise and experience to help you look good to your customer. If possible, avoid minimum volume commitments or special appointments as they are not compatible with the business patterns of small and medium agents and brokers. That specialist broker should be able to provide you with a handy tool kit of questions to help identify any supply chain risk. For example, simply because the overseas seller of the goods has contractual responsibility to provide insurance does not mean the buyer, your client, is adequately covered. Perhaps a contingency policy would make sense to provide the buyer, your client, with protection in the event the seller's policy is lacking.

The U.S. is the world's largest consumer, the world's largest importer and the world's largest exporter. Over 10% (and growing) of the nation's GDP is made up of supply chains and logistics. Even when the domestic economy shrinks many companies look overseas to source or sell and often have new exposures to insure. As a knowledgeable insurance partner to your clients you have the ability to serve them by selecting the right cargo insurance market and increasing your income as a result. As I said in the beginning, now is an ideal time to consider offering cargo and related insurance coverage.

For a complimentary copy of "The Top Ten Supply Chain Questions to Ask Your Insureds" e-mail Steve Connor at SConnor@WyvernInsurance.com or call 847.852.3160.

Steve Connor is President of Wyvern International Insurance Brokers, a specialist insurance brokerage focusing on cargo insurance and related products for the import/export/transportation/distribution/supply chain sectors. He has over 35 years experience in the commercial insurance field and has devoted many years to leading cargo insurance businesses in both the carrier and brokerage arenas. Contact Steve Connor at 847 852-3160 or sconnor@wyverninsurance.com. Visit Wyvern's website at www.wyverninsurance.com