

Working Together to Manage Energy Risks

The energy sector is high stakes. For oil and gas, petrochemical and power generation companies, every risk is amplified by the sheer number of people reliant on its services.

“In most industries, if property damage is suffered, finding ways to continue production or sales may be relatively easy, and the effects on customers are minimal. If a power plant goes down however, it could leave millions of people without power. The stakes are much higher,” said Joe Tinetti, head of U.S. energy property and marine, Zurich Global Corporate in North America (GCiNA).

Insurers face their own challenges in this industry — the perfect storm of overcapitalization, an influx of new carriers and pressure to grow portfolios and results at a time of reductions in available premium income.

At the same time, risk managers in the energy sector face pressure from the C-suite to cut expenses as the organization deals with the challenge of falling oil prices.

“This situation creates an imbalance between supply and demand that perpetuates soft market conditions,” Tinetti said.

“The risk management departments at energy companies are already running lean, even at Fortune 100 companies,” said Jeanne Jankowski, head of energy and marine at Zurich GCiNA. “As insurers, we have to listen to what risk managers’ needs are so we can tailor solutions that reduce their total cost of risk.”



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CRAFTING A COLLABORATIVE SOLUTION

With such high stakes and challenges on both sides of the risk management equation, energy companies need an insurer with a long history in the business, with the experience and expertise to enable a true partnership.

“While new players enter and exit the market, Zurich has been very consistent,” Jankowski said. “We have had a dedicated energy practice in North America for over 25 years. Since many energy companies have international exposures, we are able to provide access to one of the largest global networks in the insurance industry, reaching more than 200 countries and territories around the world.”

Zurich’s risk engineering and claims teams also come with decades of experience among them.

On average, each of Zurich’s risk engineers brings a minimum of 15 years of industry experience to the table. These engineers, along with underwriters and claims professionals, collaborate with risk managers and brokers to gain an understanding of the specific risks they face and the type of solutions they need.

“Every team member knows the client, because underwriters, risk engineers and claims professionals all have a different perspective of the risk,” Jankowski said. “Working together, they can develop the best solution to help the customer address them cost-effectively. Our underwriters know our customers and our risk engineers understand how to help them identify and mitigate risk. By collaborating on behalf of our clients, we can build holistic solutions that include insurance and other effective risk mitigation strategies.”

Facility maintenance and safety are two top priorities for risk managers in the energy industry, but it can be difficult to prioritize the budget. Should more dollars go to safety training,

or to the upkeep of a slightly aging processing plant?

Risk management often has to fight for its share of the budget — a challenge that risk engineers and underwriters can address by developing cost-effective programs and by crafting creative ways to present them to senior management.



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“One top concern for risk managers is the price of risk transfer, so we help them develop solutions to mitigate costs while also managing the maintenance and improvement of their facilities,” Tinetti said. “We help them determine where to allocate their resources. When you prioritize maintenance, you mitigate future loss costs.”

THE IMPORTANCE OF RELATIONSHIPS

Zurich reinforces its integrated and holistic approach through its annual stewardship meetings, which bring together insureds, brokers, underwriters, claims managers and risk engineers.

Not only do these meetings offer an opportunity to engage with customers and deepen relationships, they also serve as a “mid-year assessment” to help Zurich ensure that it is delivering on its promises to customers and meeting clients’ needs and expectations.

“If we know our clients better, we can serve them better,” Tinetti said. “This is an extra opportunity for face-to-face discussion, which is so important in building relationships.

“We hear directly from risk managers what their pain points are,” Tinetti said. “This gives us insight on the risks we need to pay attention to, and helps us craft solutions to meet their needs.”

Based on their feedback, and the observations of the claims team, Zurich provides thought leadership and market insights with the goal of anticipating and proactively mitigating emerging risks.

“If our claims professionals identify recurring issues, we can conduct a broader portfolio analysis to identify trends and share these industry insights with our customers,” Jankowski said.

If trends emerge in particular loss types or frequencies, Zurich can respond with specific risk management

recommendations, such as maintenance plans or formal safety programs.

Having a true risk management collaboration with an insurer will prove increasingly valuable as challenging market conditions persist and C-suites grow more involved with risk management. In the energy sector, the consequences of failure are often severe and very publicly visible.

“We are dedicated to offering long-term solutions for our clients so they can effectively manage their risks and expenses in the continued soft market,” Jankowski said. “We’re here for the long haul.”

For more information about Zurich energy & marine solutions and services available, visit zurichna.com and the Zurich Virtual Literature Rack, zurichvlr.com



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