



Media release

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Demand for insurance solutions grows as volcanic ash disrupts supply chains... again

London, 14 May 2010 – Traditionally, insurance coverage for supply chain disruption has required physical damage to the insured's assets to trigger a claim. However, following ongoing air traffic disruption caused by the eruption of Iceland's Eyjafjallajökull volcano, as well as industrial action in key transport sectors and civil unrest overseas, Marsh has seen increased interest from organisations wanting supply chain insurance that includes coverage for losses from non-physical damage.

As they reduce costs and improve efficiency, organisations are creating supply chains that are both increasingly global and more complex; however, the volcanic eruption has exposed their inherent fragility. Organisations that depend on air for transporting materials, semi-finished products, finished goods, or those that use air to expedite the flow of goods to customers, are at significant risk from the restrictions.

Such disruptions highlight the potential losses organisations can suffer from non-damage business interruption, especially in relation to loss of production or income and interruption to service provision. Traditional property damage and business interruption policies are not equipped to respond to these losses and will not pay out unless actual damage is incurred.

Caroline Woolley, Property Practice Leader, Europe, Middle East and Africa (EMEA) at Marsh, said: "We have seen a significant increase in interest for specialist non-physical damage supply chain insurance, such as those Marsh has created with leading insurers. Supply chain insurance would provide cover for some of the business interruption losses suffered by companies when the volcanic ash cloud disrupted their supply chain. As a result, an increasing number of organisations want to bolster their supply chain resilience through a supply chain assessment and the use of such innovative insurance solutions."

By utilising Marsh's non-physical damage insurance policy wording, businesses may be able to obtain broad coverage throughout a company's supply chain, including loss of a supplier, stoppage of the supply itself, or a related interruption in service. The coverage can apply to supply chain interruptions stemming from a wide range of perils, such as strikes, political risks, the outbreak of a pandemic, or delay in supply from a variety of causes.

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