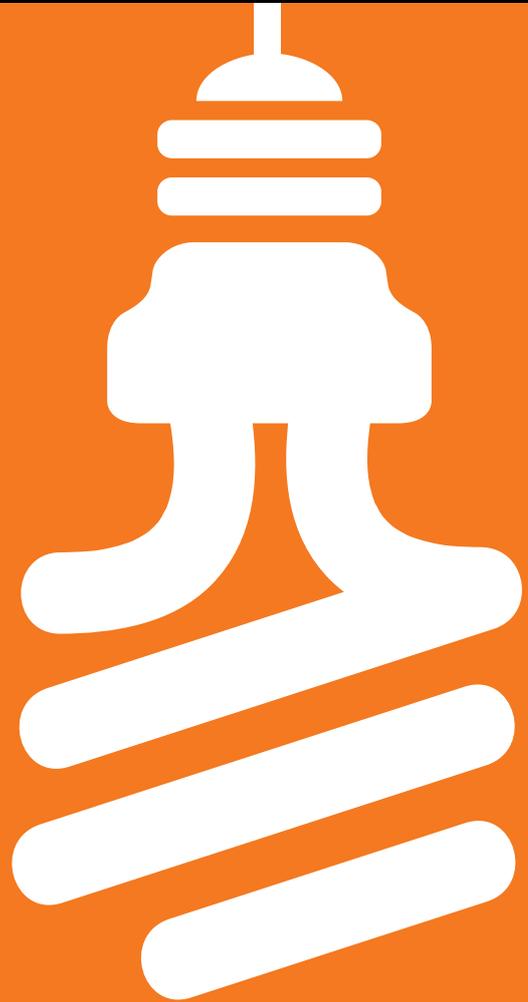
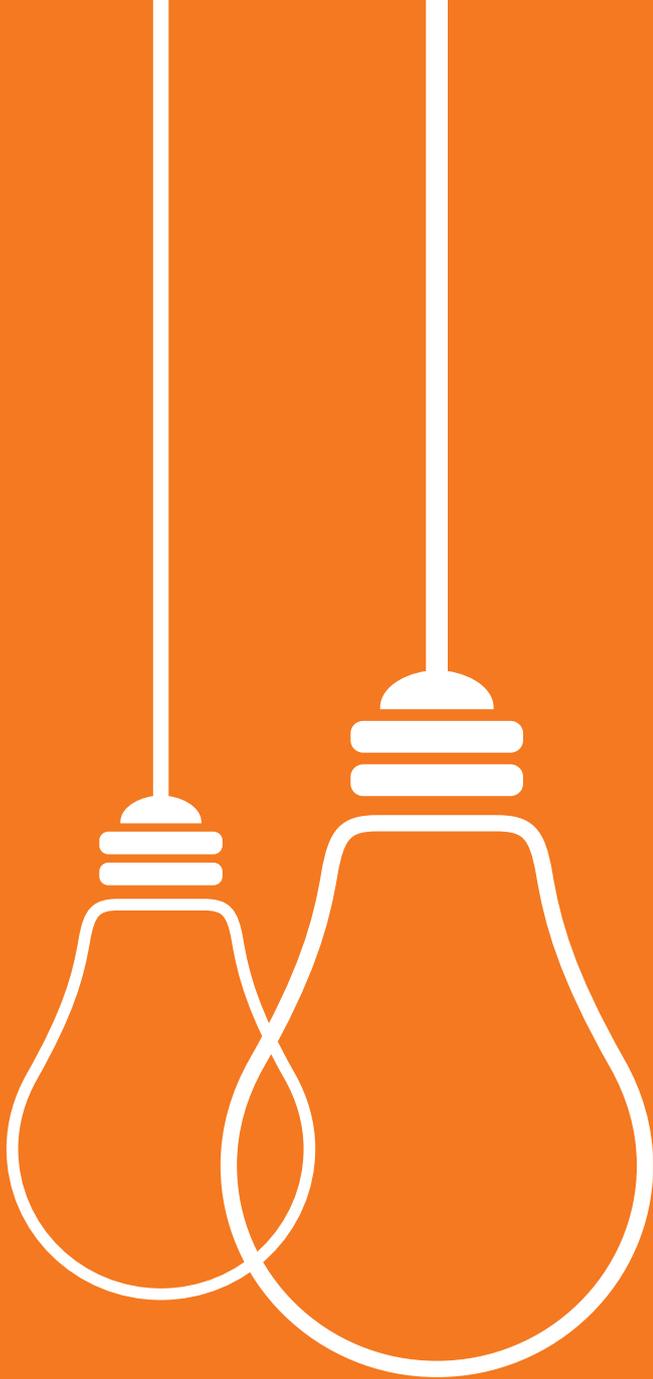


XL Group
Insurance



Stepping Forward,
Stepping Up

Innovation and growth involves taking risks. We cover risk. From the everyday, to the new and complex.

Across more than 140 countries. Discover how we can help you to keep your business moving forward.

Stepping Forward, Stepping Up

Innovation is key to businesses moving forward to where they want to be. Today, stepping forward is about more than just products. It's about process, strategy, operations and management.

Yet the road to innovation is unmapped and can take you into the unknown. And the unknown can bring new risks.

Companies look to insurers to help manage and mitigate these risks... but what are insurers doing themselves to innovate and make sure they are ready to give guidance when the road takes a fork? Or support when it gets rocky? Are they up to speed with the pace setters?

Central to taking a leading position is investment in talent. Success for an insurance company means operating in a way that attracts the best talent, both nurturing existing talent and attracting new. Increasingly this means encouraging a positive and engaging culture and providing a flexible operating platform, utilizing superior data and tools to underwrite risks.

For years insurers have been providing products and pricing risk based on the lessons and losses of the past. In today's technological driven, globalized world, this is no longer the way we work. Today's prototype could be tomorrow's mainstream product. The world is changing and risk is changing. We don't have 50 years of data to look at to assess the risk, so having top talent equipped with cutting edge tools, and looking to future risks, is key to providing risk solutions for our business clients.

Today businesses rank the risks they are facing in the following order: (source Lloyd's Risk Index 2013)

- Business and strategic risk
- Economic, regulatory and market risk
- Political, crime and security risk
- Environmental and health risk
- Natural hazard risk

The insurance industry has stepped up and is innovating too...

Here we look at these risk categories and some of the risk solutions that are available:

Business and strategic risk include:

Complex risks

A new product innovation can look very risky; it's a risk some insurers are not happy to take.

Our solution

We set up a specialist unit to consider the risks others won't. A dedicated team with analytical know-how, creative intuition and unparalleled technical underwriting expertise – known as our Complex Risk team – provide insurance solutions equally as innovative. Ultimately, they work to make it work.

Financial institutions risks

Look back ten years, and hardly anyone was using online banking services. Now it's common practice. Over recent years, financial institutions have changed fundamentally and now have far greater reliance on IT infrastructure for services and distribution.

More recently with continuing uncertainty in financial markets, changes have become even more pronounced. This has become evident with increased regulation and increased regulatory activism.

Our solution

In response we undertook a major overhaul of our insurance cover; introducing new products and rewriting our policy wordings to offer the most up-to-date and relevant cover – acknowledging the reliance on IT infrastructure and modern methods of distribution of financial services.

Underinsurance risks

According to our property valuation experts, on average 7 out of 10 properties they survey are underinsured by 45% or greater of the correct insurance value. This means that should a property be damaged or destroyed, the owner would need to find 45% or more of the costs of repairing or rebuilding the property under the terms of a typical commercial insurance policy.

Our solution

For clients who use our valuation service and discover that they are underinsured, we will deal with this sympathetically. Where clients are less than 25% underinsured, our product provides full coverage at the correct value, for no additional premium, until the following renewal date.

These product features allow clients flexibility and gives assurance that their property asset is fully covered.

"If you want something new, you have to stop doing something old"

Peter F. Drucker

Economic, regulatory and market risk include:

Global expansion risks

Economic reports have stated that the UK needs to re-orientate its exports to growth markets including Brazil, Russia, India and China if it is to maintain reasonable growth in the long run. Reports also suggest that the share of total UK exports going to these countries has the potential to double to around 16% by 2030. Key industries identified include: aerospace, design services, pharmaceuticals, tourism and branded consumer goods.

Moving into new markets and territories can bring risk. Insurance needs to be considered because expansion can be fraught with issues around local coverage, changing regulation, compliance, premium payments, foreign exchange, and claims handling, to name but a few. Specialist insurances covering liabilities, assets and people may all need to be purchased.

Our solution

The risks are manageable; the key is to understand them and to protect your business and its assets. A good solution for this is a Global Program. A global insurer experienced in providing Global Programs can help ensure the insured's coverage is clear, consistent and compliant. We participate in over 2,200 Global Programs and of these we lead over 75%.

“They always say time changes things, but you actually have to change them yourself”

Andy Warhol

Political, crime and security risk include:

Political risks

As companies in both the US and the Eurozone find traditional opportunities for growth limited at home and in their traditional markets, they naturally seek investment opportunities in those areas where returns on capital will be more attractive. Since the developing economies of Asia, South America, the Middle East and Africa are all expected to outperform the economies of the United States and the Eurozone in terms of GDP growth, opportunities for trade and investment in these markets are now being considered where in the past they perhaps would not.

Operating in these markets is not without risks. We have recently seen war, revolution and civil unrest in the Middle East, governmental expropriation of assets in Latin America, and significant credit defaults by private sector companies, governments and government-owned entities. Systemic country economic and political failure or a combination thereof, is always a risk across the global landscape. The fate of these emerging markets is often strongly tied to commodity prices such as oil, copper, iron ore and the various soft commodities. But increasingly social unrest is hitting the headlines, as a reaction to austerity measures, against governments and in support of political extremism.

Our solution

We have dedicated specialist teams who offer Political Risk and Trade Credit coverage against loss due to asset confiscation/expropriation, currency transfer and credit default; and coverage for property damage and business interruption due to War, Terrorism and Political Violence. These teams provide our clients the risk management support they need to allow them to continue operations and expand into new markets.

Cyber risks

Businesses are more connected than ever before. Technology has advanced at such a fast pace bringing great opportunity but also new threats and risks. Cyber crime is a prime example. Consultancy firm *24 Lockdown* says the worldwide cost of cyber crime totalled £150bn in 2011.

Modern-day hackers, spies, terrorists, corporate raiders, professional criminals, vandals and voyeurs conduct “cyber warfare” exploiting vulnerabilities across networks, intelligent communication devices, and systems used for healthcare monitoring and manufacturing.

The fallout of data loss (both personally identifiable information and corporate), network security breach, digital copyright or trademark breach and loss of business income arising from network failure (hacking/virus) can pose big problems for a company.

Our solution

We have addressed these issues by expanding more traditional cyber products, which first came to market about 10 years ago, to include cover for costs related to data breach notification, credit monitoring, and regulatory actions.

Environmental and health risk

Environmental risks

Companies worldwide need to be aware of how their operations comply with their obligation set out in the applicable legislation. That's no easy task when legislation is also changing rapidly in response to public concerns, for example in the case of environmental issues.

Around 17,000 cases of environmental legislation exist across the world – 30 years ago there were a couple of hundred and most of those were only in the US.

In Europe, for a long time, companies have thought that their general liability/public liability policies will cover them against environmental risk - which is not necessarily true.

Our solution

We have responded by developing standalone environmental policies which take account of legislation and respond to the environmental risks of today.

Taking the product a step further, XL Group developed XL WorldPass Environmental – a Global Program solution which covers a company's environmental risks across borders in over 140 countries. This means that companies can operate and seek growth abroad in new markets knowing that their environmental insurance policy is fully compliant and that they are protected.

Natural hazard risk include:

Business interruption risks

Cash flow can make or break a business. If cash dries up, suppliers and staff don't get paid and a business can sink into the red - forcing many companies into insolvency. If a business' operations are damaged by say, fire or flood, and it cannot keep up production or trading, this decline can happen – fast.

Advance payments for property damage are common in the insurance industry. But property damage is only half the story. Because when a client has a claim, it's not just about their facilities or buildings, it's about the knock-on effects that stop the business functioning.

The key to recovery is cash, keeping the wheels turning so the business can bounce back. This is especially important to mid-sized firms.

Our solution

As insurers we recognised this and so we have designed a solution especially for middle market companies called "Back to Business".

With Back to Business we commit to paying 50 percent of our best estimate of the indemnity payment due for a valid property damage claim up-front – within two weeks of notification up to £5 million. The payment made will not only be a percentage of what our loss adjuster advises the property damage is, it will also include a payment under the business interruption cover which compensates the client for the money it is losing each day it's not able to continue its operations.

"We cannot solve a problem by using the same kind of thinking we used when we created them"

A. Einstein

But as we know innovation is about more than just product...

Understanding and using technology is as important for insurers in their own operations as it is for the industries and clients they serve.

One consequence of globalisation and innovation is that companies are increasingly operating in multiple markets.

Delivering excellence in claims management across markets is an important differentiator in the insurance industry. The better an insurer can make its claims function – and the more effective the technology that supports it – the more likely it is that the customer's experience will be enhanced.

That is why we developed the XL GlobalClaim system – a single platform for claims. It shows the claims as they are being managed and processed from first notification to payment, all of which can be tracked on a PC or a smart phone. This means clients know what is happening with their claim in real time.

So, pursuing new ideas, projects, and product developments is risky. Companies don't always want to take risks, their shareholders may not like it, so we take on the risk which frees up our clients to pursue the new. That's why our tagline is Make Your World Go; because we believe that what we do enables our clients to move forward and progress - driving innovation and ultimately the world's ability to advance.

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From now to new



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