

Marsh News Philippines

News for Marsh clients in the Philippines



Marsh Ranked Number One Broker for 36th Consecutive Year

Marsh & McLennan Companies, Inc. (MMC) has been ranked as the world's largest insurance broker for the 36th consecutive year by *Business Insurance*, which published its annual 2007 brokerage report earlier this month.

MMC's 2006 brokerage and related services revenue of US\$10.474 billion was more than US\$3 billion ahead of its nearest competitor, and was roughly equivalent to its three largest rivals combined.

"We're proud that the numbers validate our industry leadership, but the main reason clients choose Marsh more than any other broker is our people," said Marsh Chairman and CEO Brian Storms.

"In truth, our revenues measure the greatness of our colleagues – specifically, their expertise and passion for serving clients better than anyone else. This honor again belongs to them."

Business Insurance, published by Crain Communications for all sectors of the risk and insurance services industry, has a total qualified circulation to more than 43,000 subscribers in finance, risk management, insurance, employee benefits, and related disciplines.

Marsh was also recently given Best Insurance Broker Award in the Trade Finance Awards for Excellence.

A key differentiator for Marsh, was how the firm approached future opportunities in Asia. For further information on Trade Credit risk, contact Richard Green on +65 6332 0288.

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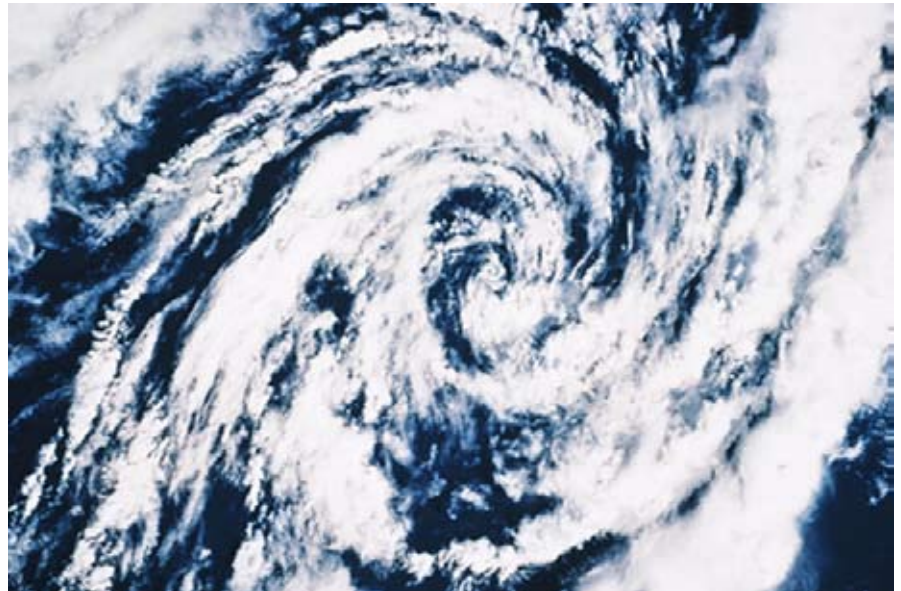
Typhoon Season - How Protected Are You?

The 2006 monsoon season was devastating for many communities and businesses in the Philippines and across Asia. Many businesses were unprepared for the super-typhoons which hit last year and subsequently suffered more dramatically than they would have done if they had reviewed their risk exposures and implemented some basic risk management measures.

To ensure you and your business are prepared for the 2007 season, it is time to review your risk exposures to Natural Perils, particularly Typhoon and Flood. Evaluating the adequacy of your risk management measures designed to address these exposures will help you to be better prepared in managing this volatile risk, this includes business continuity planning and business interruption insurance, planning and recovery.

Typhoon & Flood Coverage under Motor Vehicle Insurance

Despite the term "Comprehensive", the standard Motor Vehicle Insurance Policy form available in the market carries an exclusion for Typhoon, Flood and other Convulsions of Nature. This is stated under General Exceptions No. 3 of the standard Motor Vehicle Insurance Policy form. However, it is possible to broaden the basic coverage under the Own Damage portion to include these Natural Perils, usually at additional premium.



Property Insurance

Standard Fire (Property) Insurance policies typically provides coverage only against Fire and Lightning. This can only be expanded to cover other Perils such as Typhoon and Flood through an endorsement to the original terms and conditions and usually at an additional premium.

The Typhoon and Flood insuring terms and conditions are governed by a Tariff. Please note these critical features of the standard tariff wordings:

- Flood coverage excludes loss or damage to goods in the open
- The Typhoon and Flood Deductible is calculated at 2% of the actual cash value of the affected item. It is important to note that, notwithstanding the manner in which the Insured has declared values for insurance

purposes and/or presentation in the policy schedule, for purposes of calculating the applicable deductible, the term "Item" is defined as:

- Each building, including machinery, equipment and fixtures normal to its operation
- All machinery and equipment contained in each building
- All stocks in trade, such as raw materials, work-in-process, supplies and finished goods which are contained in each building

Deductibles will be computed on each of the above items, separately.

Another critical avenue that has to be addressed during the typhoon season is Business Continuity Management (BCM).

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Typhoon Season

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“Good Corporate Governance requires that management be proactive in preparing for various contingencies which may cause financial dislocation,” said German Plan Jr., Head of Broking Operations for Marsh in the Philippines.

Many Philippine businesses may be lacking well-defined and structured BCM programs – action plans to respond quickly and effectively to a business interruption such as typhoon, flood, fire or supply chain issue.

Marsh’s risk consultants work with our clients to develop management action plans to enable an organization to respond to an interruption and ensure critical business functions can continue.

“When reviewing your policy coverage, it is a good time to consider your action plan for business continuity – regardless of the potential event – to preserve your company’s profits and even its survival,” Mr Plan said.

Marsh’s Risk Consulting Practice is a specialist group of consultants that provides integrated risk advisory services, offering expert advice and practical tailored solutions in a wide range of industries.

For further information on business continuity planning, please contact Roque Tordesillas, Senior Vice President and Client Development Head at telephone number (632) 7551030 or email roque.tordesillas@marsh.com

The Philippine Anti-Money Laundering Act and Insurance Transactions



The Philippines Insurance Commission (IC) recently issued a set of guidelines designed to help formulate control measures and procedures against money-laundering and financing of terrorism, which will impact on how insurance transactions are handled.

The Guidelines follow the 2001 Anti-Money Laundering Act and stipulate that companies and individuals must provide identification information for insurance transactions.

To comply with the Guidelines and the Act, Marsh clients are asked to provide the following identification information and supporting documentation:

- (a) For Individuals – names, address, contact details, tax identification number, and occupation
- (b) For Corporations – copies of corporate registration papers, such as Articles of Incorporation

These requirements apply across the financial services industry, including broking, insurance, and reinsurance sectors.

Insurers have taken the position that they may decline to bind coverage if certain requirements, particularly under the ‘Know Your Client’ provision, have not been satisfied.

For further information please contact your Marsh account executive or visit www.insurance.gov.ph (Circular Letter No. 32-3006)

Critical Supply Chain: What is your Upside?

Could your business survive a major logistical interruption? Do you know the weaknesses in your supply chain – of your business and that of your suppliers?

In assessing the viability of a supply chain, companies often undervalue the complex nature of risk.

Supply chain disruptions can arise from external sources – such as a natural disaster – or internal sources, including a failure to integrate all functions in a supply chain or in the attempt to create a more efficient, cost-conscious supply chain. Optimizing financial performance demands an ongoing analysis of the key risks spanning the increasingly complex supply network that connects suppliers, manufacturers, distributors, retailers, and customers.

Analyzing supply chains through the risk lens results in a better understanding of the potential sources and the potential costs of a disruption.

The growth in outsourcing and supply relationships with companies domiciled in Asia is an increasingly important growth activity for many Western-based firms. Asian supply chains can offer impressive cost optimization compared with their Western counterparts not to mention usually a reduction in expenditure on working capital and fixed assets.

However, this opportunity frequently comes with significant

Asia Risk Issues

Natural Disasters	Quality and Counterfeiting
Terrorism	Pandemics
Fraud and Corruption	Regulatory Risks
Ethical Risks	Financial Risks
Infrastructure Risks	Social Risks

Sample risk data – product recall and counterfeiting

In 2005, 50% of all non-food recalls in the European Union originated from China

European Commission: Health and Consumer Protection
Directorate - General, January 2006

1 in 10 IT products sold worldwide may be fake, costing companies US\$100bn

KPMG

Counterfeiting goods are worth more than £9bn in the UK with 65% originated from China

The Alliance Against Ip Theft

levels of risk that if poorly understood or inadequately managed, can not only wipe out and invert those impressive headline savings but damage a company's reputation. Marsh is experienced in effectively guiding businesses through the complex nature of risk and interconnected supply chains.

Asia has many risks in nature and severity. These include frequency of property loss and business interruption arising from catastrophic disaster due to floods, typhoon and infrastructure failure, theft of intellectual property and counterfeiting risk (see table above). Other risks related to ethical and cultural disparities, including non-compliance with health and safety legislation and environmental laws, need also to be understood and accounted for.

Due diligence of potential suppliers, vendors and partners is fundamental

prior to entering business critical relationships, as is an in-depth understanding of the risk environment.

Companies must develop a dynamic risk management strategy to ensure they maintain supply chain continuity and operational efficiency.

For further information on critical supply chain risk, please contact Roque Tordesillas, Senior Vice President and Client Development Head at telephone number (632) 7551030 or email roque.tordesillas@marsh.com

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Marsh Philippines on its 10th Year of Service and Operations

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