FACING THE RISK

Marsh Korea has expanded its insurance broking and risk management business alongside Korea’s economic growth.

Sven R. Tyldum, the CEO of Marsh Korea, was in Japan after the March 2011 earthquake. What this risk management expert was surprised to find at the time was that the number one risk for companies there was not buildings collapsing or other physical damage, but rather, supply chain disruption.

Supplier A, for example, was the only company in the world to provide a certain product. Operations were down. No one could get that product for two, three months.

“Supply chain, cyber security, that’s a big issue,” said Tyldum, naming just a couple major risks for companies nowadays. “So how do we handle that in terms of not just buying insurance, but using other methods to alleviate the risk?”

The answer: Contact a company like Marsh.

“A global leader in insurance broking and risk management, the New York-based Marsh started its Korea operations in 1979, when clients in the United States and elsewhere were expanding into Korea.

And so when those global multinational banks opened up and actually create business here, have assets, we ended up following them so that we could serve them here locally,” said Tyldum.

Back then, more than 90 percent of Marsh Korea’s clients were multinational or joint ventures with Korean clients. Today, 70 percent of the company’s clients are Korean, with the remainder being multinational.

One of the Marsh & McLennan Companies’ four global companies – the others are Guy Carpenter, Mercer and Oliver Wyman – Marsh provides insurance broking and risk consulting services and solutions, in addition to consultative advice, brokerage and claims advocacy services in a diverse range of areas.

Marsh Korea’s main business practice is risk management for areas including infrastructure and energy. The company also specializes in marine-related risk, employing health and benefits and, most recently, affinity, handling extended warranty-type products.

What is risk management? It’s when a company gets advice on what kinds of risk it faces, whether it has sufficient protection and how to properly insulate itself. Hank Lee, chief operating officer of Marsh Korea, says it’s also about narrowing the gap between the insurer and the insurance seeker, who often doesn’t know what kind of insurance is best nor whether they are getting the best deal.

“When you buy insurance, you are not a professional in insurance, and you’re buying from a professional insurer. So is that an equal level of negotiation?” said Lee. “Our role is to bring our customers to the same level of the insurance company.”

Tyldum and his staff use what they call the “3D process”. First, they define the risk with the client. The types of risk are many, including physical, reputational, political and related to trade credit/balance. Then the company designs a risk management program for the client. The traditional method is to design a policy and then transfer the risk to an insurance company. Alternative risk financing options include using analytics to take a more holistic view of the client’s comprehensive risk and self-insuring it. Finally, Marsh Korea delivers, meaning they service the client on a daily basis.

Marsh Korea’s services go beyond helping clients buy insurance. The company’s specialized engineers can go to a client’s facility and ensure it has the right fire protection system and evacuation plan. Through better protecting the client, Marsh helps reduce its insurance premium. As different organizations and industries face different risks, Marsh has specialists who understand each client’s needs.

In addition to serving companies domestically, Marsh Korea works with those expanding overseas. These clients need to understand the risks in the countries they are entering. Marsh Korea works with Marsh offices in more than 100 countries to support clients in this regard. The Korea office also has employees in Marsh branches in key areas, including London, Shanghai, Singapore, Chicago, New York and Los Angeles.

“Korean companies, if they just have an operation here in Korea, they can pretty much handle that quite safely on their own a lot of times, but it’s when they go overseas they really need a Marsh that has expertise,” said Tyldum.

Over the past 35 years, Marsh Korea has grown not only in client numbers and revenue, but also in risks managed.

“As the world of risk evolved, our clients needed a lot more in terms of advice. A lot more technical capabilities had to come,” said Tyldum.

With Korea’s leading industries, high trade volume and free trade agreements with 52 countries, including one with China set to go into effect this year, the CEO sees double digit growth for Marsh Korea in 2015 and on.

“According to the Global Risks Perception Survey 2013-2014, the “Ten Global Risks of Highest Concern in 2014” include “fiscal crises in key economies,” “structurally high unemployment/underemployment,” “water crises,” “severe income disparity” and “failure of climate change mitigation and adaptation.”

Interview

Facing the Risk (cont.)

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Did you know?

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