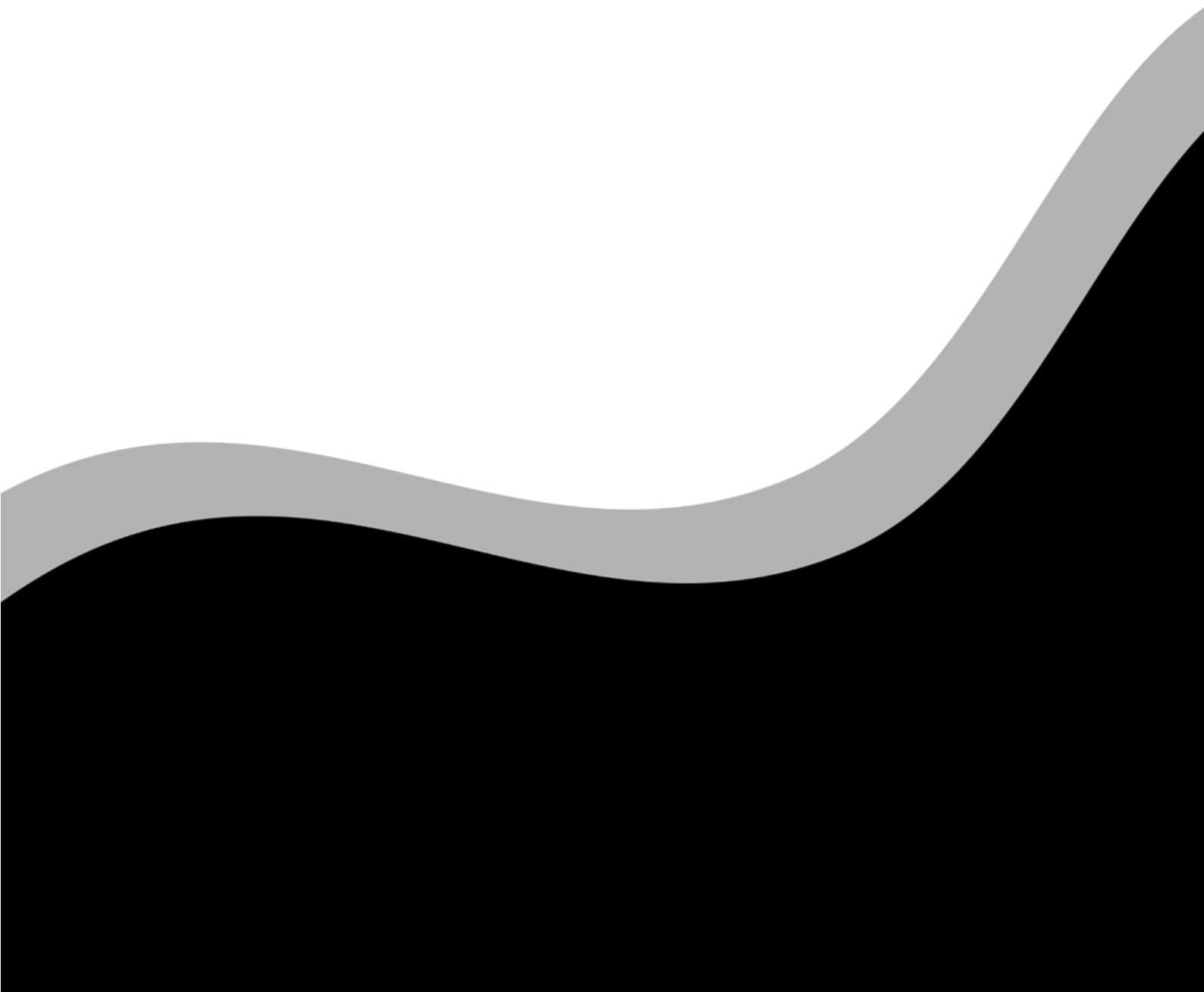




Instant Risk Guidance

TR 21 Under-Insurance



TR 21 Under-Insurance

Under- insurance in the UK SME sector is widespread presenting a serious threat to UK businesses sustainability. Under-insurance generally centres around:

- Failure to purchase adequate cover
- Unawareness of specialist covers available
- Failure to update cover as needs change

Key measures to guard against under-insurance include, but are not limited to ensuring that:

- A professional valuation service is employed to determine the reinstatement value of the buildings to be insured, which can often be considerably greater than the market value. This should include any special features of construction, together with incorporating costs in relation to compliance with local byelaws and stipulations, public authority regulations, architects or surveyor's fees and debris removal.
- All contents, machinery, plant, and equipment is insured for the replacement as new value, not the value stated on the balance sheet.
- The sum insured on stock represents the cost of raw materials, work in progress and finished goods. Where customer goods are held on site, the cost of these should also be included.
- Careful consideration is given to arranging adequate business interruption (BI) cover remembering that accountancy and insurance policy definitions of annual gross are different. Sums insured and the indemnity period should be correctly assessed. In most cases, 24 months is likely to be the minimum period needed for a business to fully recover its trading level and to rebuild its customer base. Purchasing declaration- linked BI cover should be considered.

- Policy documentation is checked to ensure that there are no errors or omissions. When buying a simple package policy, check that the business interruption indemnity period, liability insurance limits of indemnity and other standard policy conditions are sufficient.
- Careful consideration is given to correctly assessing the full spectrum of legal liability risks faced by a business including employer's liability, public and products liability, plus more specialised insurance such as director's or officer's liability, environmental liability, etc., for which suitable cover is arranged.
- An ongoing awareness is in place concerning emerging risks such as cyber risk and data protection.
- All insurance covers are routinely reviewed and updated both annually and when alterations to the premises or business operations are made.

Find out more about underinsurance with RebuildCostASSESSMENT.com 's article '*Understanding Underinsurance: Protect Your Property and Finances*' <https://www.rebuildcostassessment.com/post/understanding-underinsurance>