

Is your business adequately insured during the Coronavirus Pandemic?



During the Coronavirus Pandemic, many Social Farms & Gardens organisations have closed their doors for the time being, to protect staff, volunteers and visitors. Through these difficult times, it is just as important that you make sure your organisation is adequately insured.

Closing the doors to your organisation could leave you vulnerable to theft and property damage. Follow our tips below to help ensure you have your business adequately insured through these uncertain times.

The issue of underinsurance

Underinsurance is a common mistake, and usually happens when the cover you purchase doesn't match your organisation's needs. This is determined by the 'condition of average' clause. If the sum insured at the time of a loss is less than the insurable value of the asset, the amount claimed under the policy will be reduced in proportion to the underinsurance.

Condition of Average Clause in practice

You have insured your buildings at £200,000 and following a loss they are valued at £200,000 means there is no issue.

However, if you have insured your buildings for £100,000 and the actual value to reinstate the property is £200,000, you have underinsured by 50%. This means, should you suffer a loss of £100,000, you would receive a claims settlement of only £50,000 (i.e. 50%).

Below shows how insurers calculate a settlement payout.

$$\text{Payout} = \text{Claim} \times \text{Sum Insured} / \text{Actual Value}$$

$$\text{Payout} = 100,000 \times 100,000 / 200,000$$

$$\text{Payout} = 50,000$$

Preventing underinsurance

- The most accurate way to calculate the reinstatement value of your property is to get the appropriate quote done by a RICS qualified surveyor. They will take into account site clearance & debris removal, Architect & Surveyor costs, planning permissions, sourcing specialist materials/manufacturers (listed buildings/planning restrictions) etc. Having a property report including reinstatement value means you ensure you have your property insured for the correct amount and should not be penalised by the condition of average in the event of a claim. It also speeds up the claim process and demonstrates good risk management of your assets.
- Contents & Equipment – your insurer will replace items with a modern-day equivalent in the event of a valid claim. Therefore, you should be insuring items for the value of a new modern-day equivalent; this also applies to donated equipment.
- McClarrons Inventory Document – calculate how much your items will cost to be replaced using the McClarrons Inventory Document. In the event of a claim, this document will

assist us in processing your claim efficiently and accurately. This can be found on the Social Farms & Gardens website.

- If you have closed and are considering cancelling your policy as a result, please remember that if you are employing individuals or you have volunteers on site assisting with the care of animals, we recommend you keep at least Employers and Public Liability in force. Employers Liability, in particular, is a legal requirement for any employed staff. For buildings and contents, we would also advise cover remains in force as the site is still susceptible to storm damage, break-ins, malicious damage etc.

Other things to consider

- Site management – ensure you are checking your assets on a weekly basis, check the security of the premises and that all valuable items are secure. It is good practice to record these checks, making a list of any repairs, maintenance and new risks.
- Maintain your property for wear and tear – claims stemming from gradual wear and tear, lack of maintenance and property in a poor state of repair is excluded from cover, as is standard insurance industry practice.
- Check in with your broker – it is important to let your insurance broker know if you are closed for business; this will help us re-evaluate your risks, which may change due to being closed. It is worth noting that insurers may want to double check security measures if you are temporarily closed as they will likely have minimum standards of security, dictated by the policy. You will need to make sure you are in line with these to ensure you are covered, should the worst happen.

The Care & Social Welfare Team are still here for you during this difficult time. If do need to speak to us, you can call 01653 600477 or by emailing care@mcclarroninsurance.com.