



NEWSLETTER

ADVICE ON LOOKING AFTER YOUR PREMISES IN THE WINTER, UNDER INSURANCE AND CYBER COVER

ADVICE ON LOOKING AFTER YOUR PREMISES IN THE WINTER.

Along with leaks and flooding, burst pipes are a common cause of water damage. Allianz data shows that **the cost of an escape of water claim in a commercial property last winter was on average £5,330**. This type of incident can be very disruptive for a business, as affected areas need to be dried out – which can take weeks – before repairs can start.

Rising costs are affecting 89% of small firms, according to the Federation of Small Businesses (FSB), with utilities and fuel as the primary cost factors. In this context, some pubs have considered closing for the cold season, while other businesses are looking at their heating costs. These steps come with some risks that need to be mitigated.

To stop pipes from freezing, businesses should consider:

- Lagging their pipes or having low-level heating near exposed pipework and tanks; keeping the thermostat at 12°C or 13°C maintains a consistent heat level that stops pipes from getting too cold.
- Ensuring a frost stat is fitted in areas vulnerable to freezing temperatures

- Shutting and draining the water system in unused areas but keeping sprinkler systems active and suitably protected from freezing
- Following manufacturer guidelines for shutting down and restarting the heating

While some businesses might contemplate alternative means of heating, they should avoid portable heating, wood burning stoves, waste oil heaters or other appliances which can create increased fire hazards. In the first instance, it's important to discuss the options with their broker or insurer.

If you decide on alternative heating, these should be fixed, purpose-designed systems, installed and maintained by a competent person and operated according to the manufacturer's guidelines. Advice should be sought from your broker as to whether the installation will be acceptable to your insurer.

All heating appliances should be positioned clear of combustible materials. Surplus fuel supplies should be stored separately, spillage controls in place and refueling and cleaning carried out according to manufacturer guidelines.

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UNDER INSURANCE

WHAT IS UNDERINSURANCE AND HOW IT COULD AFFECT YOU?

Underinsurance occurs when you do not have enough insurance cover to meet your needs. So, if the declared values of property and assets are not correct, or when the time it would take to get your business back up and running after a loss is underestimated, you could be underinsured. Unfortunately, the unexpected can happen and you may need to make a claim. If you do, the last thing you want to hear is that the level of insurance cover you have won't cover your costs.

THE STATISTICS:

- **Aviva estimates 42% of SMEs who insure buildings with them are underinsured.**
- **Sedgwick report underinsurance in 85% of commercial properties**
- **Cardinus found 80% of properties surveyed were underinsured by more than £750,000**
- **10% of SMEs – that's more than half a million UK businesses – believe they wouldn't survive if they had to pay up to £10,000 towards a claim that wasn't fully covered by insurance**
- **19% of businesses haven't reviewed their interruption indemnity period in the last 2 years**

HOW COULD I BE UNDERINSURED?

Incorrect Sum Insured

It's not nice to think of, but if you were to suffer a large loss tomorrow, how much would it cost to completely rebuild and reinstate your business? This is what your Sum Insured limit covers. And it's not just the bricks and mortar. This covers the cost of replacing key components including plant machinery and equipment

Inadequate Business Interruption (BI)

If you've thought about the cost of rebuilding and reinstating your business, how long do you think it would take to get all of that building work agreed and completed, and your equipment ordered and installed? Not to mention the time it will take to build back your customer base to previous levels. This is where your business interruption period comes into play. If your BI limit is not adequate, you may not be able to cover the full estimated loss of earnings during a period of reinstatement, leaving you financially vulnerable.

Not reviewing these limits regularly

If you have not had an independent professional valuation done in the last 12 months, we'd highly recommend you do so. It can be difficult to understand exactly how much cover you need at the best of times, but right now, it's trickier than ever – inflation, increased cost of building materials, supply chain disruption and a shortage of skilled workers are all causing the cost of getting back to business to go up.



UNDER INSURANCE

WHAT ARE THE CONSEQUENCES?

When you're considering what being underinsured could mean for your business, think about the wider impacts, not just the shortfall you might have to pay:

- Production delays
- Loss of revenue
- Loss of key employees
- Employee wellbeing issues
- Supply chain problems
- Disappointed customers
- Cash flow problems
- Impact on share price
- Reputational damage.

HOW LONG WILL IT TAKE TO GET BACK TO NORMAL?

We call this the 'period of indemnity'. Making sure you have calculated this correctly protects your income and cash flow if anything impacts normal operations. It can often take longer than you think to bounce back.

For instance, if a business needed to rebuild a warehouse after a fire, attaining planning permission could delay work for months. If just one piece of specialist equipment breaks down, it could mean they cannot run properly until a replacement can be sourced.

A recent analysis of large claims (over £100,000) settled by Aviva between 2018 and 2021 found that the average lifecycle to close a claim was **385** days. **However**, on average, SMEs said it would take just under **SIX MONTHS** for their business to be able to return to normal operations following a major loss, such as a fire or flood. If you're not sure what your period of indemnity should be, speak to your broker.

HOW TO AVOID BEING UNDER INSURED:

Get a professional valuation

Working out how much accidents, and other business interruptions, could set you back can be complex. But having to pay more than you bargained for – or waiting longer than you thought to get back up and running – could leave your business struggling. An expert valuation can help you get a true idea of the total value of your assets, so you can choose an appropriate level of cover.

Have regular catch-ups with your broker

It can also be difficult to stay on top of the market conditions that could affect your insurance policy – such as labour shortages, rising material costs, or wider supply chain issues. Regular catch ups with your broker can help you understand how much cover you need. It's also important to tell us about changes you've made. New plant and machinery, property alterations and inflated stock levels can impact the level of cover required.

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TACKLING CYBER RISKS

WHAT IS CYBER INSURANCE?

Cyber insurance assists with managing your data risks. With Cyber Insurance, you have the comfort that in the event of a cyber attack, your policy will help pay for any financial losses.

Some insurers can also provide support and knowledge to manage cyber risks.

EXTENT OF CYBER INSURANCE

- Investigating the cyber crime.
- The recovery of lost data
- The repair of computer and digital systems.
- Covering legal costs and awards resulting from claims brought against the business for loss of third party data or breach of privacy.
- Some policies can help with income loss through the period of disruption.
- Cover in respect of extortion and ransomware.
- Advice and knowledge prior and post attack, including offering simulated 'phishing' attacks to identify employees prone to clicking on suspicious links.

WHO NEEDS CYBER INSURANCE?

Many businesses are unprepared for the possibility of a cyber attack.

"32% of businesses and 24% of charities in the UK have experienced security breaches or attacks."

- *The 2023 Cyber Security Breaches Survey.*

Any organisation that stores and sends electronic data could benefit from cyber insurance. Often small businesses and charities lack the protection and facilities that larger organisations have in-house, making them easy targets for hackers.

TIPS FOR CYBER SECURITY

- Use strong and unique passwords that contain numbers, letters and special characters; do not write them down or share them with others.
- Keep your software up to date
- Be aware when using any devices in public and when using public wi-fi hotspots. It is much easier to have your information stolen when out and about.
- Make sure your internet connection and remote access arrangements are secure.
- Remember to back up important data.
- Stay alert to phishing emails the techniques used by hackers and identity thieves.