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## BREXIT STOCKPILERS FACE 'HUGE RISK OF UNDERINSURANCE'

**Businesses that stockpile goods in preparation for potential Brexit related disruptions are leaving themselves at risk of being underinsured.**

Uncertainty about what will happen when the UK leaves the EU on 29th March means some large firms as well as SME businesses are stocking extra resources. Although a withdrawal agreement has been approved in Brussels, there is still no guarantee the deal will be approved by parliament, causing fears in supply chain management.

In one example, retailer Majestic Wine is reportedly stocking up an extra £8m worth of wine in its UK warehouses as a contingency against a no-deal Brexit\*. There have also been reports of increased demand for cold-storage space in food warehouses.

Graeme Trudgill, executive director for the British Insurance Brokers' Association (BIBA), said: "It's really important that it's disclosed to their broker, so the broker can make the insurer aware, because obviously they're insured for a particular amount and if they go beyond that amount then there's a huge risk of underinsurance. If there's a claim and there's a massive amount of stock value compared to what they were insured for then there's clearly an issue for the claims award they're going to receive."

Trudgill added, "These days, we also have a 'just-in-time' ordering culture and we don't tend to necessarily have huge stockpiles in many different sectors and because that just-in-time system is under threat

due to uncertainty, many firms are choosing to stock up on extra supplies of materials."

Mark Brannon, Commercial Director, Towergate Insurance Brokers commented, "Increased stock levels will not only require higher policy limits, but may also require the need for enhanced security or additional protection, such as alarms or possibly sprinklers. It can also result in other policy terms, such as a stillage condition.

Some insurers may not be willing to underwrite the higher value, which would cause significant issues in the event of a claim. There could also be knock-on effects to the business interruption section of the policy."

If underinsurance is found present in the event of a claim, the 'condition of average' or other remedies will often apply, resulting in a lower claims payment amount or an additional premium due.

Joe Thelwell, CEO, Towergate Insurance Brokers added "We've talked extensively about the danger of underinsurance and this is the latest risk. We would urge Clients not to leave it to renewal, but to advise us immediately if they order a higher amount of stock. We will not only be able arrange adequate policy coverage, but will help explain and ensure compliance with any requirements."

\*Source: Investor's Chronicle, November 22, 2018.

For more information or for a full review of your needs, please speak to your usual Towergate Insurance Brokers contact or email us at [advisorymarketing@towergate.co.uk](mailto:advisorymarketing@towergate.co.uk)