

INSURANCE: BUSINESS INTERRUPTION COVER

Material Damage and Business Interruption Insurance: do you have the right cover?

How can you be sure your business would survive in the event of a catastrophe? Could you keep trading until things get back to normal? Dan Reynolds, Account Executive at specialist insurance broker Reason Global explains how he makes sure customers have the right level of cover in place.



As with all insurance it's important to ask the right questions and to make sure the customer answers them fully and honestly, there's no such thing as a 'one size fits all' insurance policy," said Dan. "In the case of Material Damage and Business Interruption Insurance we need to know what measures are in place to protect the building and its contents."

Things such as intruder alarms, CCTV, fire alarms, etc. all need to be recorded and it's important that they are kept in working order. Less obvious questions could include how refuse is stored and how often it is collected from the site. A pile of cardboard boxes next to a warehouse for example is a potential fire risk and could attract vandals. "It's all part of building a 'risk profile' so the insurers can assess the likelihood of a claim and calculate a fair premium," said Dan.

With Business Interruption Insurance a good insurance broker will use his experience to help the customer estimate how long it would take to re-establish the business in the event of a major catastrophe such as a flood or warehouse fire. Indemnity periods are available for between 12 and 60 months and it's important to get it right.

"Thankfully most removal and storage companies never have to

cope with a major disaster, but that means they have no experience of dealing with it either," said Dan. "It's part of our job to point out the challenges of recovering from a major incident: how long it's likely to take, damage to reputation, customer confidence, etc. A self

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storage company with a high number of long-term customers for example, is likely to take longer to recover than one with a high rate of churn. There are a lot of things to consider."

All insurance brokers are regulated by the Financial Conduct Authority (FCA) and there are strict

rules in place to make sure customers are treated fairly. One of the requirements of a broker is to adhere to a Statement of Demands and Needs, an extract from the FCA guidelines is shown below:

Prior to the conclusion of a contract, a firm must specify, in

particular on the basis of information provided by the customer, the demands and the needs of that customer as well as the underlying reasons for any advice given to the customer on that policy.

This means the broker needs to know his customers and the

insurance contract must be suitable for their needs. Asking probing questions based on experience is a vital part of the broker's role.

"Simple things like making sure the company's full legal name is correct is very important," said Dan. "A company may be trading as say, ABC Removals, but is actually owned by XYZ Removals Ltd. If that wasn't the name on the policy there could be a problem if a claim was made. Also we need to know if any of the directors have criminal convictions or have run companies that have gone into liquidation. If any 'material information' is not disclosed it could cause difficulties later."

Reason Global works very closely with its customers to help make sure material information that could influence a claim is fully disclosed and kept up to date.

"We've been in this business for a long time and we know how things can go wrong if customers are not guided properly regarding insurance contracts," said Dan. "Insurance companies will always pay out if a claim is valid, but if relevant material information is inaccurate or incomplete they have every right to reject it."

Reason Global is the only Lloyd's of London UK broker solely dedicated to the moving and self storage industries.

Dan Reynolds

Dan has fourteen years' experience in removals and self storage insurance. A qualified Lloyd's broker, he maintains a strong presence in the London marketplace, developing and maintaining productive relationships with specialist removals and self storage insurers for clients across the globe.

