

Here to speak about under insurance. I'm joined by Chris Andrews, director Risk Management Solutions at Aviva and Mark Briggs, managing director Barrett Corp and Harrington.

**So coming to you, Chris under insurance is not a new issue. Why is it such a high risk right now?**

So, you're right under insurance, isn't new. We've always seen elements of under insurance. I think what is new is the fallout from covid. We've seen the impacts on supply chain Brexit, further impacting supply chain, but equally impacting the workforce and labour. Uh, and then more recently, obviously, we've seen the war in Ukraine. So three major events having impact impact on the cost of materials, parts, labour work force, um, bleeding through to then We've got the energy crisis. All of that increases the cost of getting work done. You know, everything from the construction materials through to bringing people in to actually do the work. Um, and actually, how long it then takes to get done. So in this case, it would be rebuilding cost valuations or indeed replacement cost of machinery or parts. But actually also how long it takes to get that work done.

**So it's sort of multiple factors all at the same time. By the sounds of it?**

Lots of factors impacting each other, all interconnected, then having the impact on inflation. I mean, we saw cost of materials increased back in 2021 of course, inflation has significantly increased since then. I think that's a good way to describe it, Chris. It's almost the perfect storm of anything in construction and now the economy as well. That just brings this issue even more of a problem than it's ever been. And you said it, Sofia. At the start, Chris alluded to it. It's always been an issue, but now people are more at risk than they have been before, kind of drifting into it accidentally if they don't do something about it.

## So, Mark, how can businesses get it right?

Yeah, I mean, the key thing really is to have evaluation. That is the bottom line. It's a tricky message to give ultimately, because there's a cost associated with that, Um, certainly at times like now, but really it's getting that basis right? The day one, the declared value at the origin is the important point. We've all talked about index linking and inflation as well. But if the number at the start isn't right, no percentage that you add on annually is really going to help. So the key thing it's not the market value of the property is how much it would cost to rebuild it as far as we're concerned. And that's the important point. If the business is the insured, has that information to work with their brokers and insurers, they've got the grounding right at Day one and then any reviews thereafter and will be looked after. But you can't just leave it on a shelf and forget about it. You've got to look after it, and that's what we need to see happening in today's world. Regular updates, regular reviews, making sure you stay on top of it, but have that origin at the start. Correct. So it's that sort of initial valuation, which is the most important. It's certainly the key thing to get yourself on the right path. If you haven't had that in the first place, perhaps you've based your original insurance cover on a market value that they're not actually related. So having that first survey done and then working with your insurers to stay on top of it year on year and certainly in line with the recommendations in the policy will just help make sure, in these unusual times that you're not accidentally falling into it. So get yourself right at the start, then review it regularly and keep on top of it. Don't ignore it. Yeah, I think just to sort of add to that point, you know, we would recommend that you know, a property has its assets regularly reviewed from our own data. 28% of SMEs haven't even with inflation where it is that they haven't reviewed their sums insured in the last 12 months. So if you haven't had it done going back to your point at all, where's your starting figure? Then we urge you to get it done. Um, but equally if you haven't had it done in the last 12 months, now is now the time to get that reviewed

**Is the frequency, is that something that should be increasing with these factors at play?**

Personally, I believe so. From a risk management perspective, ensuring that you're assets are correctly insured, but equally with the changing times, knowing how long it would take your business if you if you know, if you were to suffer a loss to actually get back into that position prior to a loss. So in this case, rebuilding it or indeed replacing critical machinery, whatever your business needs to make sure I can get back up and running as quickly as possible. And how can brokers work with you, Aviva, to sort of help their clients with under insurance? So I mean brokers ourselves, you know, we all have a responsibility. I think our responsibility really is to make sure that customers are educated so they understand what what needs to be done, why it needs to be done. Ultimately, the responsibility is with the customer to make sure that their assets are correctly valued to make sure that sum insured is therefore correct. But as I said, you know, we need to make sure they have the right tools, the right services and, you know, we have our own solutions that we can provide to customers to actually help them, such as working with our specialist partners like BCH, that can actually work with customers and give a truly independent view of what are some insured should be. Yeah, I think that's really important to say, and it goes back to that point of that. Have that survey right in the first place, Chris said. It there. It's the insured responsibility to set that number. It's not the brokers, it's not the insurers. Insurers will increase, perhaps for indexation year on year. But at actually getting that number right at the start is critical, and it's often forgotten about some. Some statistics that are out there say that people haven't thought about the cost of inflation on construction, but we all know anecdotally how much it costs to buy some timber. If we've done a D I Y job, for example, so we all know it's there. But applying it to the rebuild of your building that you need to ensure is really important and not forgetting about it, thinking that it won't happen, it does. So I have that valuation. Talked to the brokers about that regular review. At least look at it every year. I think you said there, should it be looked at more more regularly, R. I. C s guidance and a lot of policy wordings will say it needs to be reviewed at a minimum every three years, properly reviewed every three years with annual indexation in between

times. So if you're not doing that now, in times of more steady inflation, arguably less of an issue still an issue but arguably less of an issue. But now you've really got to follow that for that period, possibly have more surveys, but at least be thinking about it every year and following the guidance in those policies. Chris, Mark, that's all we've got time for thank you so guidance in those policies. Chris, Mark, that's all we've got time for thank you so

Thank you very much. Thanks for having us. And thank you for watching.