

# Underinsurance claims scenario

## Underinsured Stock



When considering your cover, it's important to make sure your Sum Insured is accurate and up to date, taking into account seasonal ups and downs of a business and how changing circumstances can impact insurance needs. Policies should be reviewed regularly, especially during times of change or significant growth, to avoid a nasty shock if a claim is made.

### Garden Centre



#### Background

A garden centre arranged insurance cover to include theft of stock. The Sum Insured was based upon normal stock levels throughout the year, not taking into account the seasonality of the business. With increased demand over the Christmas period, the garden centre was required to store a 40% higher level of stock. This situation is similar year-on-year.



#### Incident

Given the increased stock stored within the garden centre in the run-up to Christmas, it became a target for thieves. They broke in, taking advantage of the heightened stock levels.



#### Outcome

Because the stock value at the time of the theft was significantly higher than the Sum Insured, the claim was settled on a proportionate basis, covering 71% of the stock value. Not having sufficient funds available to make up the 29% shortfall, the garden centre could not fully restock, impacting their Christmas trade levels.





Risk less

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## Key takeaways



### **Underinsurance is a false economy**

Being underinsured can put your business at risk. If you need to make a claim and your level of cover isn't adequate, it may mean you won't get the sum needed to recover after a loss.



### **Changing circumstances demand changes in cover**

Whether diversifying, downsizing, expanding or adapting business models, these shifts will inevitably impact insurance needs.

## How to avoid this scenario



### **Expert support**

Your broker can work with you, and their expert underwriters, to help understand and recommend suitable levels and periods of indemnity for your business.



### **Regular dialogue**

If the business had notified their broker that they were carrying more stock than anticipated when the policy was taken out, the cover could have been amended to suit the business's changing requirements.

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Macbeth Insurance Brokers and Aviva are working together to help protect businesses against the risk of underinsurance.

The scenario shown in this document is fictitious and has been used for illustrative purposes only.

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