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## SWA INSURANCE SPECIAL: AUGUST 2019

# A FAMINE AHEAD FOR THE UK FOOD & DRINK INSURANCE MARKET?

**CCRS BROKERS LTD, SWA's affiliate insurance provider, provides an update on the current insurance market challenges facing Scottish food & drink businesses, an overview of the punitive actions taken by insurers on the sector and the solutions available to businesses in order to minimise the impact of the 'hardening' market.**

Following several years of falling insurance premiums and a luxurious availability in the number of insurers willing to provide cover to UK businesses, the UK insurance market is beginning to 'harden'. Rates are increasing, policies becoming subject to higher excesses, insurers are applying strict terms and conditions of cover, while some insurers are reducing capacity or simply walking away from businesses they have insured for years.

The change in market conditions has been caused by a perfect storm of an increased frequency and severity of natural catastrophes across 2017 & 2018, with increasing re-insurance premiums and low investment returns during the same period. Resulting in two of the most unprofitable years in recent history for insurers.



**Insurers face big claim as Ocado reveals £110m factory fire damage**



**Fire crews battle Bakkavor factory blaze**

**A London snacks factory has been severely damaged following a massive fire over the weekend**

**Explosions rock meat processing plant**

**Thomas Foods International's giant abattoir near Murray Bridge hit by devastating fire**

**Major blaze at Masons Yorkshire Gin**

# INSURANCE MARKET CHALLENGES FACING SCOTTISH FOOD & DRINK BUSINESSES

The 'hardening' market is particularly becoming a problem for the food and drink sector. When insurers are faced with profitability challenges, part of their strategy is to focus on sectors that have caused, or have the potential to cause, the largest volume and/or value of claims.

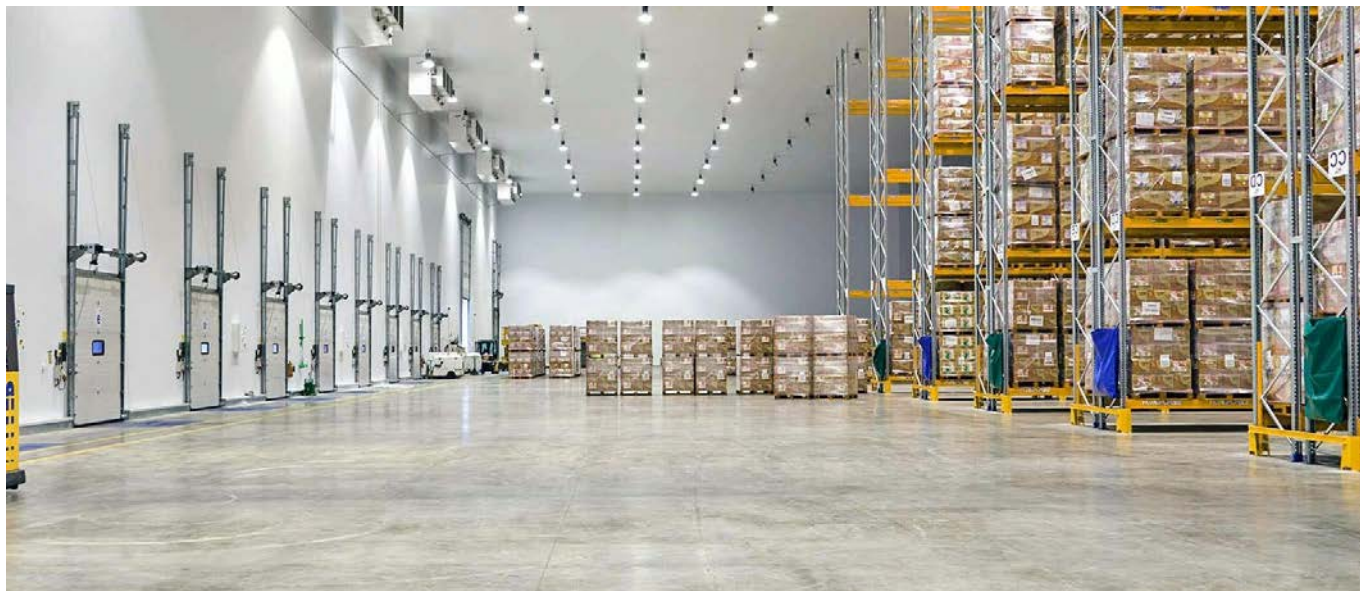
A number of high-profile fires affecting food & drink businesses across the past 24 months, in addition to the ongoing impact of the Grenfell Tower fire, has magnified insurer focus on this sector and in particular the use of composite panels in cold storage and food processing.

As insurers look to limit future losses in the sector, they are taking a fresh look at the businesses they insure come renewal. Risks are being re-underwritten and CCRS are frequently being approached by food and drink businesses facing the following challenges:

- **Premium increase** – Businesses with good claims experiences have received renewal premium increases of up to 100%! Thus hurting profit margins and having a significant impact on cashflow.
- **A reduction in capacity** – Businesses are being informed that their existing insurer is reducing their 'capacity'. This means the maximum value of property and business interruption cover that the insurer is willing to insure is being reduced. Some clients are being forced to look at reducing their property sums insured (increasing their exposure and leaving them in danger of underinsurance...not recommended) or spread cover amongst several insurers to find additional capacity. Some have even been left without a renewal offer at all.
- **Increased deductible** – insurers are applying increased 'excesses' or 'deductibles' – the amount of money you pay when a claim occurs, before insurance coverage kicks in. CCRS have seen deductibles of both £100k and £250k applied to policies. The traditional standard policy deductible is either £250 or £500. Whilst an increased deductible may be a solution for some large businesses this will not suit the balance sheet of every client.







# HOW TO MINIMISE THE IMPACT OF A HARDENING MARKET

- **Proactive Broker** - Demand that your insurance broker starts the renewal process with you at least four months prior to renewal date, this will provide sufficient time to set an effective renewal strategy and allow your broker time to engage with the entire insurer marketplace to ensure you have a solution in place come renewal time.
- **Independent Broker** - Work with an independent broker who has access to the entire insurance market. CCRS recently approached 52 insurers to obtain a solution for a client, too often we see other brokers working with a 'preferred panel' of seven or eight insurers which just won't cut a solution in a hard market.
- **Risk Audit** - Ensure your broker has completed a full survey of your premises. Risk information in a hard market is valuable currency and your broker should be presenting a full understanding of your risk profile to insurers. Doing so assists them in securing the best possible terms for you. The survey should include a walk round of your premises and a drill down on information surrounding fire suppression, risk management, housekeeping and composite panelling. If your broker hasn't asked for this information, then they will be unable to present your business favourably to insurers or satisfy the obligation to disclose all material facts associated with your business.
- **Insurance Policy Structure** - Historically it would make sense for your broker to arrange your entire property and business interruption cover with one insurer. The current market conditions may dictate that your property and business interruption cover is shared amongst several insurers. This can be a complex placement for your broker and you should ensure that they have relevant experience in structuring an insurance placement in this way.
- **Premium Stability** - Your broker should be exploring premium stability agreements and low claims rebates available from insurers to stabilise your insurance expense during difficult market conditions.
- **Risk Management** - An effective risk management strategy is a key factor in increasing the marketability of your business to insurers to guarantee you receive the best possible terms. Your broker should be advising you on effective risk management measures such as thermographic imaging, helping you plan panel replacement programmes and assist you to manage existing panelling to make sure your business is appealing to insurers.
- **Financial Security** - In difficult market conditions, it may be tempting for your insurance broker to compromise the quality of the insurer that they are recommending to you. You should ensure placement is arranged by your broker with an 'A' rated insurer and not an 'unlisted' insurer to avoid any unwanted problems during claims settlement.

CCRS Brokers Ltd have over 10 years' experience in the food & drink sector and look after some of the largest businesses in this sector. We can help guide you through the current market conditions, minimise premium increases and ensure full cover remains in place. We have a number of exclusive food and drink insurance facilities which are not available to any other insurance broker in Scotland. We are proud members of Scotland Food & Drink and are the exclusive Insurance and Risk Management Partner for the Scottish Wholesale Association (SWA).

**To find out more about how CCRS Brokers Ltd can help your business, please contact Scott McLuskey, Account Director on 07419 905 984.**



CCRS Brokers Limited Registered in Scotland Number: SC345403

Registered Office is 15 Newton Place, Glasgow G3 7PY

CCRS Brokers Limited is authorised and regulated by the Financial Conduct Authority

Scottish Wholesale  
Association

## Member Benefits

**FREE**  
HEALTH &  
SAFETY RISK  
MANAGEMENT  
PORTAL

**Save  
£300**

### FREE ACCESS TO THE CCRS HEALTH & SAFETY RISK MANAGEMENT PORTAL 'BUSINESS ASSIST'

Our portal provides members with a simple and cost effective approach to managing H&S best practice and compliance. The portal adds value to members by

delivering a robust and proactive service aimed to; minimise the risk of accidents, reduce claims and achieve long term insurance premium stability. Each licence - normally charged at a cost of £300, is provided free of charge to members and includes:

- Unlimited access to specific wholesale sector health & safety content
- Business hours helpline
- On-going news and alerts service
- Continual updates of content to reflect changes in legislation

### RISK MANAGEMENT SEMINARS

Delivered in conjunction with CCRS and their global insurer partners, our seminars will focus on current Risk Management issues affecting Wholesale businesses and how to mitigate risk from your business.

### ADVISORY INSURANCE AUDIT SERVICE BY CCRS INCLUDING:

- A free risk audit to members highlighting key risks within their business
- Due diligence report highlighting the suitability of existing insurance cover
- A premium benchmarking report illustrating available premium savings

The objective of the audit is to ensure members are adequately protected and are receiving value for money from their existing insurance provisions.

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