

Guidance Notes for Sums Insured on Allianz Complete Policies

It is important our SME customers have the correct sums insured so they are fully protected in the event of a loss or damage. The individual circumstances for each customer will vary; however, our guide covers most customer needs.

Property Sums Insured

Buildings

It is important the sum insured for buildings represents the full rebuilding cost of the property and not the market value. The sum insured should include:

- cost of materials
- labour costs
- professional fees, such as surveyors and architects
- site clearance / removal of debris costs.

Building sums insured should also include, but not be limited to, the following if the insured has responsibility for them:

- tenants' improvements
- landlord's fixtures and fittings
- walls, gates and fences
- fixed glass and sanitary ware
- small outside buildings, annexes, gangways, conveniences and other small structures
- extensions communicating with the buildings
- roads, car parks, yards, paved areas, pavements and footpaths
- security cameras and lights
- fixed fuel oil tanks and fixed diesel tanks, piping, ducting, cables
- wires and associated control gears and accessories and extending to the public mains.

Consideration should be given to the type and method of construction required to rebuild the property. For example, if the buildings are listed, it may increase the cost of materials, time and labour required to rebuild the property.

Enquire whether the insured has obtained a recent professional valuation for insurance purposes, as this will provide an accurate assessment of the rebuild costs.

Contents

The contents sum insured (excluding stock) should reflect the total value of machinery, plant, equipment, furniture, shelving, racking and all other contents at the insured's premises.

Stock

Stock items are the goods or products sold by a business in order to generate revenue. The stock sum insured should represent the value of all stock and materials in trade belonging to the insured, or for which they are responsible.

The stock sum insured should reflect the cost to the insured to replace the items and not the retail price.

When setting the sum insured, consideration should be given to the maximum value at risk during seasonal or other peak trading periods.

Business Interruption Sums Insured

Gross Profit

The gross profit sum insured is the amount by which the sum of the turnover, closing stock and work in progress exceeds the sum of the opening stock, work in progress and uninsured working expenses:

| | | | |
|---|-------|--|----------------|
| Turnover + Closing Stock (at end of financial year) + Work in Progress (at end of financial year) | MINUS | Uninsured Working Expenses + Opening Stocks (at beginning of financial year) + Work in Progress (at beginning of financial year) | = GROSS PROFIT |
|---|-------|--|----------------|

Uninsured Working Expenses

Uninsured working expenses are costs or specified expenses that vary directly with the level of trading, i.e. they will decrease in direct proportion to the turnover in the event of a business interruption. As these costs will no longer be incurred as the turnover reduces, there is no need to reimburse them, as such they are called 'uninsured' working expenses.

One major uninsured working expense for SME's is purchases (raw materials, components, goods for re-sale) and may indeed be their only uninsured cost. However, other uninsured working expenses could include:

- packing materials
- carriage (if charged on a unit cost basis)
- commissions
- discounts allowed
- bad debts.

Revenue or Loss of Income

Revenue or Loss of Income sums insured should simply reflect the turnover figure (total sales or fee income) for the indemnity period selected.

Loss of Rent

Loss of Rent sums insured should reflect the anticipated rental income of the indemnity period selected and take into account any forecast increase in rent received.

Indemnity Periods

When calculating business interruption sums insured on an annual basis they must be increased accordingly if an indemnity period greater than 12 months is selected. In most circumstances, a minimum indemnity period of 24 months should be considered for SMEs to take into account site clearance, design and planning applications, rebuild time, replacement of plant and machinery, sourcing stock and rebuilding the customer and supplier base.

Further Information

Our team of SME underwriters are available 9am-5pm Monday to Friday should you require assistance:

- Tel: 0345 078 9898
- Email: sbt@allianz.co.uk

Alternatively, please contact your local Allianz Commercial representative.