
# insideview

Winter 2023

# The ongoing problems around high end vehicle insurance

Owners of high-end vehicles will already be familiar with the additional cost that their luxury cars add to their motor insurance. This is partly because the insurance company will need to pay out more in claims for expensive repairs and parts, but also due to the fact that it will cost a lot more to replace the car if it is lost or stolen. But with the increased theft-rate of high-end vehicles, careful drivers - especially those in London postcodes - are seeing their premiums rise even higher.

On top of the spate of supercar thefts that are causing premiums to rise, insurers also have to account for inflation, the increased costs of labour and any supply chain issues that impact the manufacturing of cars and their parts. As the UK continues to feel the impact of Brexit and the Russia-Ukraine conflict, it is likely that costs will keep rising for a time.

## An increase in supercar thefts

Summer 2023 in London saw an increase in supercar thefts, with Ferraris being targeted by criminals following a ransomware hack of Ferrari's IT systems earlier this year. According to the Sunday Star, car insurers have told owners that the stolen vehicles are being shipped to Russia due to a shortage of new cars. There have also been several cases of criminals using jammers to steal cars and drive them erratically throughout the capital.


https://www.thisismoney.co.uk/money/cars/article-12315663/Londons-supercars-threat-Spate-Ferrari-thefts-affluent-owners-scrambling-secure-storage-struggling-cover.html

https://www.astonlark.com/news-and-views/the-best-car-trackers-for-your-supercar-insurance

https://www.ft.com/content/b8c7dfe4-6b61-4849-bc11-8f7dce9e4185

## Installing tracking devices

For luxury car owners, having the correct cover in place while these thefts are ongoing is more important than ever. However, some insurers are refusing to cover certain vehicles unless they meet certain new requirements, such as installing trackers in their cars or secure bollards on their driveway. Tim Earnshaw, founder of the boutique vehicle storage company Windrush, told This is Money: "More supercars are going missing, and a lot of insurance companies simply will not insure one in London unless it is garaged overnight or a secure bollard has been installed on the drive irrespective of tracker or immobiliser, clients tell us."

But not all high end car owners are agreeable to these terms. Speaking to the Financial Times, Nicola Waite (head of individual business at Monaco insurance broker Jutheau-Husson) pointed to supercars as an example of premiums to insure high-value items increasing and restrictions on their use tightening. "On higher-value cars, insurers are asking for specialist trackers on the vehicles - those fitted by the manufacturers aren't acceptable. But some customers don't like the idea of being tracked," she says.

While many modern cars are fitted with GPS trackers, the signal for these can easily be cut off, meaning that if the car was stored underground or in a shipping container, it will be difficult to trace. Conversely, the radio frequency of VHF trackers makes them easy to track, even if the car is underground, which increases chances of recovery. 'Thatcham-approved' trackers often incorporate VHF tracking and are required by many supercar insurers.

## Insuring your high-value vehicle

If you own a high-value vehicle and are becoming frustrated with the rising insurance costs, please get in touch to discuss the different options available to you, including reviewing whether you're with the right insurer for your requirements and if there are any changes you can make to reduce your premium.

https://www.gocompare.com/car-insurance/guide/vehicle-value/#:~:text=One%20of%20those%20is%20the,for%20expensive%20parts%20and%20repairs.

# ‘Eat that frog:’ why you shouldn’t wait to claim

‘If it’s your job to eat a frog, it’s best to do it first thing in the morning’, goes the popular Mark Twain saying. In other words: stop procrastinating, and just get the dreaded task over with.

As it happens, there are a few good reasons why you might want to follow Mark Twain’s advice when it comes to filing a claim.

## Business as usual

The quicker you report your claim, the sooner you can return to business as usual. Holding off on filing a claim forces you to continually reevaluate how much time is left before the claim is inadmissible, creating unnecessary anxiety. It’s better to file promptly and to know the damage...

## Mitigate disasters

...so that you can minimise the damage. Reporting a claim quickly gives your claims manager more time to investigate the incident so that you don’t overpay. Filing late puts any area of investigation that could save you money at risk of being rushed, potentially leading to costlier outcomes.

## Reputation

Particularly if you believe that you’re at fault for the incident behind the claim, your best and most controllable asset is your reputation. Filing a prompt claim demonstrates to the other party and their insurer that you’re taking the matter seriously and may favourably influence their approach.

## Get ahead of future costs

How do you know that your unreported claim won’t put you over your policy limits? You don’t, which is why you should file the claim as quickly as possible: doing so will allow your claims manager to highlight if you’re in the red – or going to be – so that you can control outgoing costs.

## Identify avoidable costs

You don’t know what the future holds, which is why filing your claim should be a priority; high claims inflation prices mean that submitting your claim a few months down the line could lose you money compared to filing the claim today.

# ‘Eat that frog:’ why you shouldn’t wait to claim

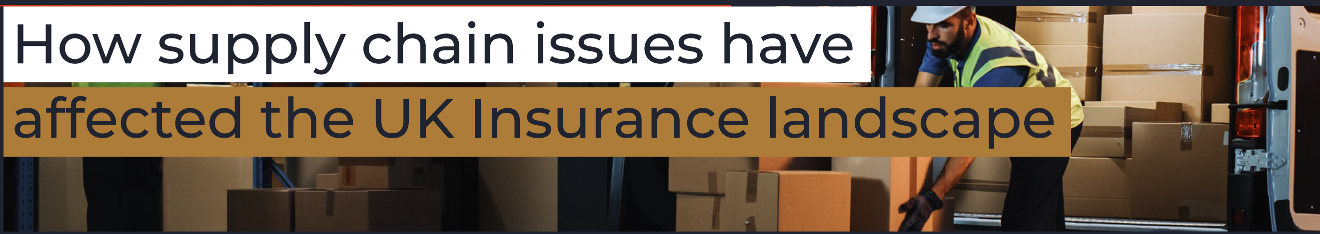
## Back to work

Did you know that the longer someone is off work, the more difficult it is to get them to return? If your claim relates to an employee injury, you’ll want to file the claim straight away so that the employee can get rehabilitated sooner and make a quick, safe return to work.

## The frog isn’t that big

Filing a claim can seem like a big task, but most of the time it’s not. If you keep putting it off, try setting aside a short amount of time to do it so you don’t have time to overthink or procrastinate. You can always go over what you’ve done later.

# How supply chain issues have affected the UK Insurance landscape



Several factors can disrupt supply chains. Economic problems such as Brexit, the COVID-19 pandemic, the war in Ukraine, labour shortages, the cost-of-living crisis and rising energy costs. Even natural disasters and climate change can play a part.

These factors can cause a ripple between supply and demand, and as a result can impact your insurance should you need to claim.


## What is a supply chain?

A supply chain comprises every individual step that is taken to get a finalised product or service to the customer. This includes sourcing raw materials, assembling the product, and transporting the product to the retailer or distribution centre where they can then be purchased by the customer.

When the supply chain is disrupted, this leads to shortages which in turn inevitably results in a rise in prices for the UK public.

## What issues have had the biggest impact on the UK's supply chain?

In a survey conducted by Ivalua (2022), 80% of UK businesses blamed Brexit for being the biggest disruptor to the supply chain, followed by the war in Ukraine (76%), the rising energy costs (71%) and COVID-19 (59%).

According to the UK Trade Policy Observatory (2023), Brexit introduced several challenges for UK businesses including "increased red tape, bureaucracy and costs, as well as shipping and transport issues".

COVID-19 acted as one of the biggest disruptors to the supply chain, impacting almost every sector of the economy. As the hysteria set in, consumers hoarded household essentials like toilet paper and a new demand for masks, wipes and sanitiser kicked in.

# How supply chain issues have affected the UK Insurance landscape

Coupled with quarantines, companies suspending business and employees being put onto furlough schemes there was a huge disconnect in supply and demand.

As the world adjusted to life post-pandemic, it was knocked off its axis once more when Russia invaded Ukraine. In response to the invasion, the UK and many other countries issued sanctions to limit Russia's revenue. Nearly 600,000 businesses worldwide rely on Russian and Ukrainian suppliers (Forbes, 2022) meaning once these sanctions were in place, these businesses had to look elsewhere to meet demand.

## How do issues in the supply chain impact my insurance?

Insurance claims can be, and have been, heavily impacted by the issues in the supply chain. This is a result of the time taken for a resolution to be made and the cost incurred to settle claims. Different sectors have been hit differently, for example:

- **Food and drink** – Stock shortages have been a cause of concern for many restaurants and supermarkets. Due to this, companies may lose out on business when orders are cancelled. An insurance claim may be required to help cover the loss.

- **Property** – Most of us have heard about the huge increase in the cost of building materials. During the pandemic, many took the opportunity to invest time and effort renovating their homes, creating home offices and the like. Some opted for DIY while others turned to the experienced tradespeople to do the work for them. These two factors meant that many homeowners attempting to make a property claim have had to wait for both labour and materials to become available. For some, waiting for the repair to be carried out can take months, resulting in very costly insurance claims as they spend even longer in alternative accommodation than usual.

- **Commercial property** – Similar to property claims, commercial property businesses are facing similar problems with labour and material shortages. For these policy holders though, in addition to the claim for the repair, they can also submit a claim for loss of earnings if they are unable to operate until the repair has been carried out.

- **Motor** - According to Ernst and Young, automotive and industrial supplies companies were some of the worst-hit sectors following the supply chain disruption (Hayes, 2023). Delays in parts and increased costs, have meant that some drivers can be off the road for up to a year rather than the traditional six to eight weeks (Gallagher, 2022).


Ernest and Young as featured in Hayes, A. 2023. The Supply Chain: From Raw Materials to Order Fulfilment. [online] https://www.investopedia.com/terms/s/supplychain.asp

Forbes, 2022. The Ukraine-Russia War's Impact On The Supply Chain: Why MRO Optimization Is A Top Priority. [online] https://www.forbes.com/sites/paulnoble/2022/05/12/the-ukraine-russia-wars-impact-on-the-supply-chain-why-mro-optimization-is-a-top-priority/?sh=13b3f9ff6d2e

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Ivalua. 2022. 80% of UK businesses say Brexit caused the biggest supply chain disruption in the last 12 months. [online] https://www.ivalua.com/press-releases/80-of-uk-businesses-say-brexit-caused-the-biggest-supply-chain-disruption-in-the-last-12-months/

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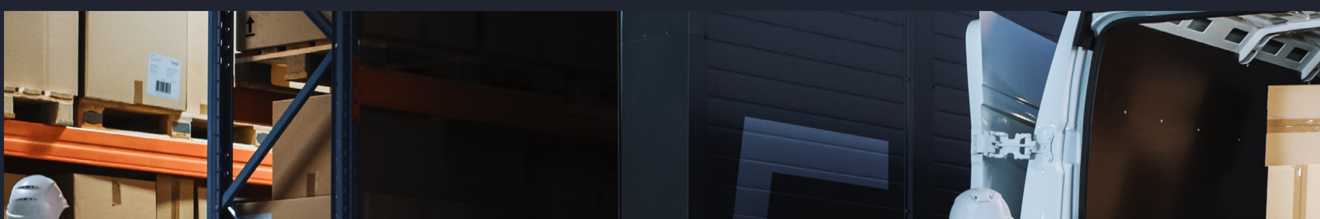

# Why are underinsurance rates rising?

We've teamed up with BCH to explore the key drivers behind the rise of underinsurance rates and what you can do to ensure your property is sufficiently covered.

In the first six months of 2023, our buildings insurance valuation service partners, BCH, found that only one in ten buildings were insured for an accurate amount prior to an accurate reinstatement valuation taking place. Of this, two buildings were overinsured, and seven were underinsured. These numbers are sadly not unusual and are reflective of BCH's experience of current buildings sums insured since launching in 2006.

But why are we seeing such high rates of underinsurance? Recent years have seen influential economic changes that have driven up the cost of construction, and in turn reinstatement. These include;

- Covid saw the manufacture of many construction materials slow down and even halt, at a time when construction remained an operational, essential industry. This reduction in the supply of materials and increase in demand saw construction costs increase significantly.
- Brexit saw increases in the cost of importing materials from the rest of Europe. In addition, much of the UK construction labour force returned to their home countries, reducing the availability of British labour.
- Rising fuel costs have seen the cost of transporting materials to site increase, as well as the cost of utilities on site, including power for construction and site welfare.

## Incorrect Reinstatement Values

In addition to the above, BCH often sees Reinstatement Values set incorrectly. A Reinstatement Valuation should provide the total cost of replacing a building, on a like-for-like basis, following a total loss. This should include the main building, including all fittings such as kitchens, bathrooms, floor, wall and ceiling finishes and fitted storage items. Additionally, the Reinstatement Value should include the cost of site clearance, all external structures including hardstanding parking areas and pedestrian paving as well as boundary markers such as walls and fences. Finally, this cost should also include professional fees such as architects, engineers and planners.

Though this may seem straightforward enough, there are many common origins for an inaccurate Reinstatement Value. Market Values are often incorrectly applied for the cost of reinstatement, though there is no correlation between these valuation methods. Occasionally an outstanding lending balance is used or a historic reinstatement value that has not been reviewed by an RICS regulated surveyor.

## The impact of underinsurance

The potential impact of underinsurance can be devastating for a buildings insurance policyholder, with many running the risk of the insurer not covering the full cost of a legitimate claim where underinsurance is present. In short, were a building found to be underinsured following a loss of any size, the policyholder could see a proportional settlement applied to their claim.

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**This article was written in collaboration with BCH**

# Why are underinsurance rates rising?

## The importance of an accurate Reinstatement Value

For example, if you insured your tenanted property for £200,000 and experienced a loss totalling £100,000 and the property's Reinstatement Value should have been £300,000, you will be underinsured by 50%. This means that the insurer would only be responsible for covering 50% of the claim, or £50,000 of the claim, leaving you with a £50,000 shortfall that you would be responsible for funding to reinstate the property to the condition it was in prior to the loss occurring.

An accurate Reinstatement Valuation forms the basis from which your buildings insurance premium is calculated. Set too high, and you could be overpaying for your insurance premium. Too low, and your insurance may not cover the cost of a legitimate claim in the event of a loss. It is essential that it is correct.

## BCH offer accurate Reinstatement Valuations via two routes;

- A RICS compliant, attended Reinstatement Cost Assessment (RCA), which sees a qualified surveyor attend site to measure the building/s and catalogue all finishes and features. In order to keep within the RICS-compliant RCA lifecycle, the resulting Reinstatement Value should be reviewed annually and adjusted in line with market indexing at years one and two, with a BCH Major Review offered at year three. The major review is a desktop review of the attended site notes, by a surveyor, who will reissue a Reinstatement Value. At years four and five, this value can be reviewed again with appropriate indexed adjustments made, and at year 6 it is recommended that BCH return to site to carry out a revisit.

or

- Benchmark, the desk-based eValuation service is powered by the same process as the BCH RCA. A selection of data sources is cross referenced to ensure that the most accurate area can be remotely determined. This is combined with information provided by the policyholder to ensure the BCH surveyor can most accurately ascertain the features included at the property, resulting in a marketing leading desk-based Reinstatement Valuation.

**To help you find the right buildings insurance, we've partnered with BCH to offer discounted Benchmark eValuations to all customers.**

**Through our partnership with BCH, we are able to offer Benchmark, the eValuation service by BCH, to our customers at the discounted rate of £100+VAT (usually £125+VAT). Want to know more? Get in touch today.**


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