

# THE PITFALLS OF UNDERINSURANCE FOR BUSINESSES



You work hard to ensure your business runs smoothly and you've taken the steps to ensure it is protected if the unforeseen happens such as fire, storm, wind or explosion.

**BUT are you covered fully?**



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## Have you had your building **re-valued** recently?

The cost of building has risen sharply over the last few years. Steel alone, as example, is 40% dearer than this time two years ago.

Inflation and general building costs have also risen over time.

Ask yourself the following questions:

- Have you recently changed premises?
- Have you bought new stock or equipment?
- Has your annual turnover increased?

If you answered yes to any of these questions, it could mean that you're currently underinsured.

As your insurance broker, we strongly recommend a review of the values currently insured for your buildings, contents, machinery and stock values.

“ If you're not fully insured, what's the point of being covered at all? ”

Here are just two examples of the **impact underinsurance** has had on **small businesses**.



### Example 1:

A restaurant fire costing the owners over \$1.5 million

A fire broke out in a restaurant building which was part of a large heritage estate.

This building was insured for \$400,000.

The loss adjusters calculated the replacement value of this building to be \$3 million.

Given the high level of underinsurance, the owners were left with an out of pocket expense of \$2,600,000. The client has to find \$2,600,000 to rebuild or simply go out of business.

If the property had been adequately insured, their policy would have covered them for the full extent of the damage caused by the fire.

“ In the event of a crisis will your sum insured be enough to fully cover your business and get your business back on its feet without any hassles? ”

### Example 2:

Insuring more than just stock

The insured was in the business of manufacturing portable cement mixers and wheelbarrows. A fire in an external skip bin caused substantial damage to stock and contents.

The total sum insured for the risk was \$325,000.

The cost of repairing the machinery alone was independently assessed and well exceeded \$1 million, with two items of machinery alone being valued at over \$260,000.

In addition, the destroyed stock was valued at \$300,000.

These combined figures were significantly more than the sum insured, leaving the insured well out of pocket.