

The Balancing Act of a Financial Director

5 CONSIDERATIONS

RISK, INSURANCE & CASH FLOW

In light of a more challenging trading and commercial environment, as the insurance buyer, you may be feeling the pressure to exercise tighter cost control.

This guide sets out options and offers practical tips to those looking to safeguard their business, achieve suitable available premium outcomes and manage costs smartly.



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Insurance | Risk Management | Consulting

Five considerations for Financial Directors

In our view, the dual impact of a more challenging UK insurance market and the COVID-19 pandemic has seen premiums rising across a number of lines of insurance, and declining insurer appetite to underwrite certain risks. Negotiating insurance cover is currently more challenging than it has been in recent years, requiring longer lead times ahead of renewal discussions. Now, more than ever, insurers will view businesses that can effectively demonstrate their proactive risk management provisions more positively.

By investing the time to evaluate and challenge your current insurance programme, you can define where changes can be made and understand where gaps in cover exist, to help you financially protect your business and ensure a suitable outcome for your insurance.



01. What to insure

- Insurance is only one part of a risk finance and risk management process. Wherever possible, risks to the business should be mitigated or ideally removed. The majority of risks can usually be transferred to insurers as part of a risk management exercise, whereas others can be managed through the balance sheet based on the comfort to do so.
- There may be changes to the scope of your insurance cover, and it is important to check the policy wording as part of any review or renewal of your insurance programme. For example, insurers may elect to charge for cover extensions which previously had simply been included in standard cover. Understanding what this means for your business is a critical part of discussions with both your insurance broker and the insurance partner to give you the information you need to assess whether to adjust or remove elements of insurance.
- Also consider the range of innovative insurance products available that may enable you to improve the cash flow position on your balance sheet, such as risk finance and contingent liability products.



02. Level of cover and programme structure

- Scrutinise the levels of cover required by your business now as they may differ to when they were originally set. Establish how your insurance programme should be structured in order to obtain the necessary limits at the best price.
- Explore insurance products that you may not have considered before e.g. trade credit insurance, which enables a business to feel secure in extending credit to their existing buyers or to pursue new buyers that would have otherwise seemed too risky.
- While care needs to be taken that loss limits are set appropriately, it may not always be necessary to insure to full values or existing levels of cover. Registering unused vehicles as off road via SORN (Statutory Off Road Notification) declarations, and review the impact of furloughing staff in relation to your employers liability coverage, as they may need to be reflected differently in the way your cover is arranged.
- One area to focus on is the potential impact on the business following a major loss, considering potential mitigation factors and contracts with suppliers and customers. Loss limits adjusted to fit risk tolerance and financial scenario planning, can both have a positive impact on overall insurance costs.

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The Gallagher team impressed us with their knowledge and how they were able to use their buying power to get us a great deal that offered us better cover.

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Jim Burke, Managing Director
J A Burke Ltd, 2020.





03. Robust management of claims

As market conditions force higher deductibles on organisations, never has it been more important to work with a broker with in-house claims expertise, to help manage costs and support you through every stage of the claims process to:

- Robustly defend Employers' Liability (EL) and Public Liability (PL) claims.
- Access the services of in-house qualified loss adjusters who are there to represent you, in the event of a large property or business interruption claim.
- Take a proactive approach to motor claims, early notification and management of claims can make a considerable difference to settlement costs.
- Help you avoid common pitfalls, improving your chances of a faster resolution.

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We were pleased to learn that Gallagher have its claims team within the branch rather than outsourcing, as so many brokers seem to do these days.

Colin Walters, Financial Director
Summit Systems Ltd, 2020.

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04. Defining your insurance strategy

In the current market environment, a close partnership with your insurance broker and insurers is more important than in recent years. As insurers place increased scrutiny in renewal discussions, early planning and preparation makes a significant difference. Here are three ways you can enable a positive discussion:

- Being fully prepared to present your insurance and risk exposures to insurers along with a willingness to engage is often integral to a successful outcome.
- Demonstrating robust risk management practices, strong contractual disciplines and being able to highlight how the business has adapted to meet trading and lockdown restrictions during the COVID-19 pandemic whilst maintaining good risk discipline is of particular value and interest to insurers. For example, implementing enhanced Health & Safety measures for employees and customers, adapting Cyber policies to minimise exposures for home workers handling payments and other client information, as well as managing cashflow and creditors.
- If you have a claims loss history, the presentation of a clear remediation plan is essential. Your broker can assist and guide on what is required.

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“Right from the word go, the team at Gallagher acted quickly and professionally, putting forward a plan that helped us start the renewal process early. This began with Gallagher conducting preliminary talks with insurers and compiling the necessary information. The team then arranged calls for me with two underwriters which meant I could discuss the real risks associated with our services, rather than ones they perceived from an insurance proposal form.”

Dr Bill Peacock, Managing Director
GRM Development Solutions, 2020.”





05. Premium payment and adjustment

- One simple way of improving cash flow is to look at spreading insurance premiums over a number of instalments, either via a monthly premium option agreed with the insurer or through a formal premium financing arrangement. Whilst this is now subject to more stringent underwriting criteria, both options are still readily available.
- Other options to consider include adjusting the scope of insurance cover based on estimated figures (turnover, wages, gross profit) onto an adjustable basis and setting Minimum and Deposit premiums at less than 100% of the estimated cost, which will help the initial up-front costs.





Taking Action - The next step

Speak to a Gallagher broker about a confidential, no obligation review process to stress test the fundamentals of your insurance programme. This process sets out where changes or improvements can be made which will deliver better value, and demonstrate that it is fit for purpose.

100% confidential review

Having a fresh perspective and second opinion on your insurance can make a big difference. We are happy to conduct a review of your current insurance and risk management programme confidentially, avoiding disruption to existing relationships.

Avoid renewal chaos

Gallagher can undertake a review of your insurance programme at any time within the term of your current insurance arrangements. Irrespective of whether you have a long term agreement or whether you renew annually.

It's all about partnership

We're here to help. While undertaking a review of your insurance requires your input, we'll aim to make things as straightforward and simple as we can so you can focus on the day-to-day running of your business.



About Gallagher

Founded by Arthur J. Gallagher in Chicago in 1927, Gallagher has grown to be one of the leading insurance brokerage, risk management, and human capital consultant companies in the world. With significant reach internationally, our organisation employs over 33,000 people and our global network provides services in more than 150 countries. We continue to build on 90 plus years of expertise that spans global industries. No matter the size of the organisation we partner with and the challenges presented by the industry, we work tirelessly to provide solutions that maximise value for our clients.

WE HELP CLIENTS FACE THEIR FUTURE WITH CONFIDENCE

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Registered Office: Spectrum Building, 7th Floor, 55 Blythswood Street, Glasgow, G2 7AT.
Registered in Scotland. Company Number: SC108909. FP1447-2020 Exp. 11.11.2021.



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