



**British
Insurance
Brokers'
Association**

Managing the cost of living crisis –

Helping you to help your customers

May 2023

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May 2023



How can you help your customers to save money on premiums without sacrificing important cover?

At a time of high inflation and the growing prospect of a recession, people and businesses are all looking at ways to reduce or contain expenditure. Insurance is no exception while premiums in general have been increasing.

The consequences can be serious: a greater risk of customers cutting back on essential cover, a rise in the pervasiveness and level of underinsurance and a greater potential for non-disclosure and fraudulent claims.

The purpose of this guide is to help you explain to your customers the dangers of reducing vital insurance protection, the reasons why premiums may have increased, and how they can potentially contain or reduce their insurance spend without sacrificing cover.

The aim is to help you help your clients to build financial resilience and also demonstrate the value of using an insurance broker.

Jane Kiely
BIBA Deputy Chair
Chair of the Insurance Brokers' Standards Committee

4 | Cutting back on cover – a false and dangerous economy?



In the autumn of 2022, premium finance provider, Premium Credit Ltd (PCL) issued the results of a survey* which looked at the impact of the recent uncertain economic period on insurance buying behaviours of SMEs. They found:

- 51% of businesses have stopped buying at least one insurance cover in the past year.
- 26% of SMEs stopped buying employers liability insurance (despite its mandatory nature).
- 22% stopped buying professional indemnity insurance.
- 21% stopped buying public liability insurance.
- 19% stopped buying business interruption insurance.

**Part of the PCL Insurance Index, undertaken by Consumer Intelligence in a survey of 681 SME owners and managers.*



Pre-pandemic, the level of underinsurance was dropping and less than 20% of claims exhibited the problem. By early 2021 the level had risen to 40% and this was before inflation had really taken hold. A current estimate would be closer to 50%. New statistics from the Chartered Institute of Loss Adjusters reported in our 2023 Manifesto, estimate that in 2022, 48% of business interruption insurance policies were underinsured, and the degree of underinsurance was around 41%. Only 44% have an indemnity period of 24 months or more. BIBA members often suggest 24 months as a minimum indemnity period.

You can refer to other BIBA guides for more tips and information.

[How to avoid underinsurance](#) written in collaboration with Allianz.

[Valuations](#) written with QuestGates.

6 | Being uninsured – closing the protection gap



As well as customers reducing cover and/or becoming underinsured, the risk of not having the right insurance is a linked problem. This is illustrated by the continued low uptake of cyber insurance by SMEs.

The supply of robust cyber insurance is key for the digitalisation of the UK economy to progress. Despite the availability of broad cyber insurance products, the vast majority of UK businesses, in particular SMEs, do not have a standalone policy in place (only 5% have a standalone policy and 43% having some cyber cover as part of a wider insurance policy according to the Department for Digital, Culture, Media & Sport [Cyber Security Breaches Survey 2022](#)). Yet SMEs are the very businesses that are targeted by cyber criminals. BIBA scheme provider and leading cyber insurer, CFC states that SMEs account for 96% of all cyber-attacks. Often, they lack awareness and resources to protect themselves, which is where cyber insurance as a service becomes so important.

To help you discuss the need for good cyber insurance, with CFC, we recently published an updated guide to [cyber insurance](#), which will also be shared by the FSB with its members.



At a time of financial vulnerability proper insurance protection has arguably never been more important. Recognising that many SMEs may not understand all the covers they need, we issued guides for SMEs on both [business insurance](#) and [employee protection insurance](#).

As well as showing what good insurance looks like, these guides highlight why using a broker is an important strategy to obtain suitable cover at competitive terms.

8 | Explaining premium increases



It is important for customers to understand why premiums have increased in recent years. This was explained in a [guide created in 2020](#). Since then, new pressures have emerged which have meant that premiums have continued to rise.

The chief pressure on premiums is inflation which, in spring 2023, is hovering at 10%. Within this average number there have been areas of super-inflation, notably the cost of building materials and parts where global supply chain issues have combined with post-Brexit and post-pandemic issues to see costs rise by 20%. Looking at building valuations over the past year, the average cost to reinstate a building has increased by 20%. As a result, most insurers have understandably moved away from modest index linking at renewal to some quite significant uplifts in the form of indexation to reflect true rebuilding costs. When these are added to any underlying rate increases the customer sees it as a double hit. It is therefore important to be able to explain to customers the role of indexation and that it is not just another way of increasing premiums.

If reinstatement costs go up by 20%, it follows that this portion of the buildings premium may rise by a similar amount to cater for the increased exposure. This is risk-reflective pricing.

The COVID pandemic resulted in more claims under group life insurance protection policies (which pay a benefit on the death of an employee). The group risk industry body [GRiD reported death claim payments](#) totalling £261.3million were made during 2020 and 2021.

The group risk protection market remains competitive, and it is still possible to mitigate any premium increase by shopping around.



Group risk protection insurers include a range of benefits and services which support and enhance the insurance cover. These include access to Employee Assistance Programmes, virtual GP services and active management of claimants to support them remaining in, or returning to, work when it's possible to do so. See page 18 for more information.

In individual life and disability insurance, inflation is a marginal factor in premium rates, which have not risen through the last few years. Some insurers tightened their underwriting criteria post COVID, but using an independent adviser will enable those seeking cover to avoid insurers who might have done this. As with group life, it is worth explaining to customers that many life and disability policies carry additional benefits available pre-claim. Examples are free access to private GPs and expert second opinions.

During the pandemic and in its immediate aftermath, the one area not impacted by increasing rates was motor insurance which accounts for 50% of UK non-life premium. This was explained by the fact that mileage greatly reduced and with it claims frequency. This is now changing as life returns to normal and profit margins built up in this sector begin to erode. The cost of vehicle repair is increasing rapidly ahead of inflation as the cost of parts soars and delays in obtaining them worsen, leading, for example, to increased temporary replacement vehicle costs while repairs are being carried out. The growth in electric vehicles is also posing challenges to insurers, with repairs taking longer and costing more. As a result, we have seen motor premium increases in recent months.



It is inevitable in a period of financial hardship that instances of non-disclosure and fraud will increase. It is important to discuss the consequences of these with your customers so the risks can be minimised. Non-disclosure can have various shades of gravity from deliberate concealment of information that would influence underwriting acceptance and/or pricing of a risk (this could give grounds for avoidance of the policy), through to innocent non-disclosure where the remedy might be less severe, such as an additional premium. It is worth reading [Chapter H.1](#) of our Good Practice Guide which gives guidance on how underwriting information can be gathered and verified.

It is important to explain to your customers the duty of disclosure and how failure to comply could affect a claim or cover going forward. For business customers the duty is contained in the Insurance Act 2015. The Act was brought into law to give clarity over what must be disclosed and what obligations customers have to their insurer to present the risk fairly to them. In the context of insurance for SMEs, the key points to note are:

- The insurance customer must make adequate enquiries within their business to identify and verify information relevant to the insurance risk(s) concerned.
- These must include all relevant knowledge of the 'senior management' of the business and those involved in buying the insurance (including the broker).
- Reasonable enquiries must also be made of any relevant third parties involved with the business, including external consultants, contractors and anyone insured by the policy.
- The application for insurance must be clear so that the insurer can take a view on the insurance risk.
- The customer must also adequately highlight unusual activities and/or known areas of concern that could affect the risk.

The duty of disclosure is a continuous one and so also applies to any changes to the risk after the policy has been incepted. For example, if a customer's premises becomes unoccupied, then the risk from escape of water, vandalism or other perils increases and the insurer will want to know about this change.

Disclosure in the context of personal lines or retail business is covered by the Consumer Insurance (Disclosure and Representations) Act 2012. The Act requires an individual to take reasonable care not to make a misrepresentation to insurers when taking out an insurance policy. In effect this simply means your customer answering the questions raised by insurers honestly and with reasonable care. If your customer fails to take reasonable care, the insurer might be able to void the policy, or, alternatively, take the position that the entire claim or a proportion of it may not be payable. When setting questions on proposal forms and statement of facts, insurers normally prepare a list of questions that cover all the material facts they need to know.

In terms of business key person and employee risk insurance, the material circumstances and facts that should be disclosed to the insurer will invariably include details relating to the health of employees. This can be problematic as this information is not often shared by employees with their employer or, if they do, it is often only after it has begun to have a serious impact on them. The interpretation and implementation of the Insurance Act is down to individual insurers, which can lead to inconsistencies and the risk of claims being declined which is detrimental for employees and employers.

In challenging economic times, we can expect to see more fraudulent claims, ranging from a deliberate act such as arson, through to inflation of a claim amount to recoup more than is owed under a policy. While there is little a broker can do to guard against the former, those that help with presenting claims may remind customers that inflating a claim could still be considered fraud. In any case, it is worth stressing to your customers that insurers share data on fraud and, if identified, it could make finding insurance in the future more difficult to obtain.

Find more information on a broker's role in claims in [Chapter K of our Good Practice Guide](#).



Recognising the economic pressures faced by both consumers and businesses coupled with the rising cost of insurance, the following section suggests how you can advise customers on ways to contain premium expenditure without sacrificing essential cover for home and motor insurance with a separate section starting on page 16 doing the same for business insurance.

7.1 Home insurance considerations

7.1a Security

Having the right security in place can influence home insurance premiums. This can be around safes, alarms, cameras, and locks as well as smart technology. All of these lower the risk for insurers and will give them more confidence to provide their best quotations.

7.1b Leak detection

Escape of water is the biggest single source of household claims both in terms of frequency and quantum. One provider of leak detection devices puts the annual cost at £15 billion across the UK and the US combined and contends that leak detection devices can reduce this cost by up to 70%. It is worth checking with insurers whether they recognise such devices and what discounts are available.

7.1c Higher excess

If your customer has the financial resources to carry a higher voluntary excess and bear the cost of lower level claims themselves this would normally have an impact on premiums. This is usually via an insurer discount or a set percentage off the premium.

7.1d Insuring the excess

For a very small additional premium, customers can choose to protect their excess so that in the event of a claim they receive the full amount back. An excess protection policy will even work if they have a voluntary excess on top of any compulsory excess.

7.1e Claims

Depending on claims history, it might make sense not to submit small claims that could otherwise affect the renewal premium, and you may want to discuss such judgements with your customer. However, as part of the discussion it would be prudent to remind customers that all incidents that could give rise to a claim must be declared whether or not a claim is made. If your customer, for example, comes to you with a spate of incidents, such as small water damage claims, is there simple risk management advice or action that could prevent recurrence?

7.1f Review cover to see if customers can get more for their money

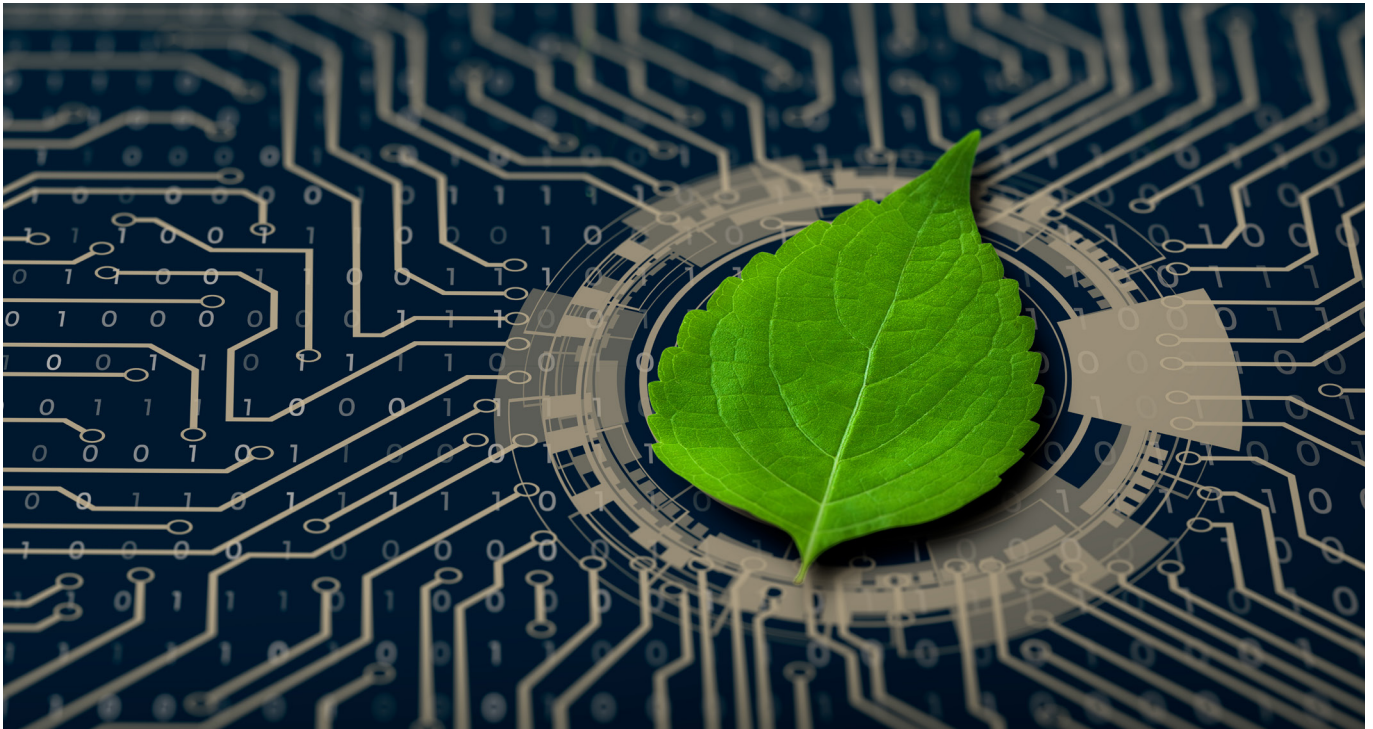
Is there a better policy available for the same cost? Could your customer upgrade to a 'mid-net-worth' policy for example? A mid-net-worth policy does not always cost more than a standard policy. They are designed to protect higher value contents on an 'all risks' basis and will have higher single article limits and inner limits for things like alternative accommodation, tracing a leak, loss of metered water, art and jewellery.

7.1g Flood cover – build back better

Flood Re now offers £10,000 to make a home more resilient following a flood claim. This money could be used to install flood doors, to tile floors or for repositioning electrical sockets higher off the ground.

7.1h Jewellery and watch wearing habits

The most expensive things to insure pound for pound are jewellery and watches. Does your customer have all their high-value jewellery insured on a worldwide basis, all the time? This is often not necessary and results in higher premiums especially for very high-value items. If your customer lets you or their insurer know when they want to wear their high-value items, they can opt for a floating limit. The premium may also be lower if a safe is installed and the customer chooses to limit the amount of jewellery that is kept out of it.



7.1i Green technology

As the UK aims to reach carbon net zero by 2050, new properties are being built with this target in mind, while many homeowners are retrofitting eco systems. However, you may then need to help customers understand why this attracts higher premiums compared with more traditional methods.

Common 'eco' adaptations that impact premiums include:

- Greener sources of electricity, such as solar or wind.
- Non gas or oil alternatives for heating, such as ground-source or air-source heat pumps, or biomass boilers.
- Electric vehicle charging points, which can increase the fire risk if not fitted properly.
- Smart technologies, such as media hubs, bespoke lighting and automatic home functions.
- Green materials resulting in non-standard construction such as straw bales or living roofs.

Listen out for customers mentioning their own energy saving initiatives, which can affect the sum insured significantly.

7.2 Motor insurance considerations

7.2a Telematics

Installing a telematics 'black box' is an established part of the market for young drivers and there is a clear link between the driving behaviour that such policies incentivise and a drop in serious accidents. Many insurers offer significant discounts

where telematics devices are installed. Insurers also offer a variety of 'pay as you drive' apps that reward good driving behaviour with lower premiums. It is worth noting that the 'black box' option can give greater discounts than the apps because insurers deem them to be more accurate and less prone to fraud.

7.2b Mileage and use

Does your customer have a policy that is rated on mileage and is their mileage declaration too high? Is your customer paying for business use when they only need social, domestic and commuting?

Some insurers offer discounts on car sharing on the daily commute which might work for some customers. Customers with low-use annual mileage (estimated at fewer than 6,500 miles per year by the Department for Transport) might benefit from pay-per-mile insurance using telematics or qualify for a low mileage discount.

7.2c Higher voluntary excess

A higher excess will often earn a reduced premium. Before recommending this approach, it is important to check that your customer can afford to pay their part of any claim after an incident. This is particularly important if the customer is deemed to be [vulnerable](#) under FCA definitions.

7.2d Modified Vehicles

Customers need to be aware that vehicles that have been modified tend to automatically attract premium loadings. It is also vital that if a vehicle has been modified beyond the original manufacturer's specification to disclose this to the insurer. [Our report](#), written with Ageas has some useful tips.

7.2e Advanced driver training

Some insurers offer premium discounts to drivers who have taken extra training such as the advanced driving course run by [IAM RoadSmart](#).

7.2f Security

Fitting a Thatcham-approved alarm, immobiliser or tracking device to a vehicle can generate premium discounts of around 5%. Thatcham has a useful [tool](#) to check their list of approved devices. Many newer cars have these fitted as standard, so it is important for your customer check whether their vehicle has them and declares this. Leaving aside the potential premium saving, making the vehicle more difficult to steal is good risk management and lessens the probability of a claim. There are also a host of new apps that will help track a vehicle in the event that it is stolen.



8.1 Demonstrating that your Business customer is a well-run business

Insurers are more likely to charge competitive premiums for businesses that are well run and where employees are well looked after in terms of their health, wellbeing and safety. It is important that your customer can evidence this through their own risk assessments, quality control procedures, financial accounts that are filed on time, unqualified audits, accreditations, and the training and ongoing development of directors and employees. Consider if any impacts of the pandemic on recent results can be stripped out to better present 'normal' trading performance to an insurer and to what extent a poorer credit score is directly attributable to the pandemic.

8.2 Focus on safety, health and wellbeing

An effective workplace safety plan can help your customer reduce or eliminate hazards that can lead to accidents, injuries, and litigation. Fewer claims mean more competitive premiums. You may be able to help create such a plan working in tandem with the insurer. Another way to reduce accidents is to use workplace safety technology, like wearables, internet-connected sensors, and smartphones with safety apps. These types of devices can help prevent accidents and improve the health of your customers' employees. Many insurers will have easy access risk management and health and safety advice on their websites. Additionally, for business key person and employee protection insurance, any arrangements that your customer has in place to support employees' health and wellbeing and to encourage better health behaviours will have a positive effect on premiums if the insurer knows about them.

8.3 Classifying employees correctly

Most businesses must buy employers' liability insurance and their cover is assigned one or more classifications to reflect the nature of its operations. For instance, businesses that operate as fast-food restaurants will likely be assigned the classification Fast Food Restaurant. A rate is usually calculated for each

classification by insurers. The rate reflects the riskiness of the operation and the likelihood that workers will be injured. Generally, the riskier the operations, the higher the rates. It is therefore very important to ensure that your customer classifies the operations in which its employees are working accurately.

8.4 Training

Training helps employees to perform their jobs properly and safely, so it is a good idea to check with your customer what training programmes they have in place, especially with regards to Health and Safety Executive compliance, and whether a log of all training is maintained and regularly reviewed. Well-trained employees are less likely to be injured at work or injure someone else. Businesses that suffer fewer losses will normally pay lower premiums as a direct result. Training is especially important for vehicle drivers. Distracted driving is a major contributor to the increase in vehicle accidents in the UK, so it is good practice for employers to implement a written [distracted driving policy](#). Employers can evaluate the effectiveness of their training programme by using telematics to monitor drivers' behaviour. This could lead to a substantial premium discount.

8.5 Claims

It is important to explain any previous claims, especially any large historical losses, and why the likelihood of them recurring is remote. If there is a frequency of smaller, attritional losses, how is the problem being tackled through management of the risk at source? Check if your customer is prepared to carry a larger excess to absorb these losses where applicable?

8.6 Physical security

In periods of economic downturn, it is inevitable that crime rates will climb, so reminding your customer about the need for good physical security is important. Tap into the loss prevention services of your insurer partners for sector specific advice and minimum standards of protection.

8.7 Cyber security

Having specialist cyber insurance has never been more relevant, yet a large proportion of SMEs still do not purchase standalone cover. Depending on the nature of the business and in response to a surge in ransomware attacks during the pandemic, cyber insurers will encourage an SME to have minimum cyber protections in place. For example, having multi-factor authentication on apps and systems as standard and meeting the Government's Cyber Essentials certification.

[Cyber Essentials](#) is a simple but effective, Government-backed certification scheme that will help your customer protect itself against a whole range of the most common cyber-attacks.



Specialist cyber insurers can offer 24/7 vulnerability scanning and threat monitoring as part of a security blanket throughout the period of cover. In this way, your customers don't need to make a claim to benefit from the policy.

Our [A guide to cyber insurance](#) offers practical advice to SME's on how to prevent a cyber-attack from happening and can be shared with them or you can ask bibacomms@biba.org.uk for some printed copies.

8.8 Commercial vehicles/fleet – GPS tracking

Insurers like GPS tracking to be installed on commercial vehicles for a variety of reasons, notably to prevent theft. In addition, GPS allows the owner to track where vehicles are at any given time which, in turn, encourages more responsible driving. In addition, the vehicle maintenance tools that come with GPS tracking help keep the fleet safe on the road. Some insurers will offer discounts of more than 30% for businesses that implement tracking solutions. Some insurers may even pay for the implementation of GPS tracking technology.

8.9 Group risk protection policies

If your customer has a group risk protection cover in place, consider shopping around or approaching the current insurer to ask where savings might be made on the policy. However, it is important for you and your customer to remember that any change to contractual benefits will need to be handled with care. The group protection insurance market is very competitive, and insurers will do their best to keep business and will also be keen to engage with your customers in a tri-partite relationship.

If your customers fully engage with the extra services provided with their group protection policy such as HR support, Employee Assistance Programmes, vocational rehabilitation, second medical opinion services, nurse-led support, fast-track access to physiotherapy, online GP services, health apps and so on this can bring savings in

absentee costs and on future premiums.

It is also important in key person and employee protection policies that the nature of a business is correctly and fully described and that occupations, locations and benefit levels for all employees are correctly given so that insurers can properly assess the risk.

If life or protection cover is not a class of insurance you offer to customers, remember that you can signpost to [BIBA](#) or use our introducer protection insurance scheme to help your customer.

8.10 Business continuity planning

Insurance will help your customer get back on their feet after a loss, but it is good practice for them to maintain an up-to-date business continuity plan that complements the insurance you arrange for them and may help avoid or mitigate losses following an event.

8.11 Encourage good record keeping

It is important for your customer to keep accurate records for their business. These can help them to evidence a claim and to get the fullest claim settlement in the event of a loss, notably in the event of a business interruption loss. They are also important with regards to the insured's responsibilities to disclose information under the Insurance Act 2015.

8.12 Changes to the business

Significant changes to your customer's business may have a material impact on their insurance. It is important to remind your customers to tell you about developments such as:

- a significant increase/decrease in stock; particularly pertinent with regards to stockpiling perhaps because of supply chain issues;
- changes in turnover which could affect business interruption cover;
- changes in the number of employees or a change to what they are doing or where they are working;
- diversification into new areas of business;
- building a web presence to distribute products on-line; and or
- any premises that become unoccupied on a long-term basis (usually more than 30 days).

As these may have an impact on premiums and adequate coverage requirements.

8.13 Packaging covers

Combining mono-line covers into a package (commercial combined) can often produce savings.



9.1 Maintaining a good credit history

It is a good idea to advise customers to check their credit history on a regular basis to make sure all information is current and accurate.

9.2 Review how your customer pays the premium

At a time of rising interest rates, it might be worth your customer paying upfront or at least adjusting payment terms. Sometimes, even if it does not significantly reduce premium, paying in fewer, larger instalments may reduce administration fees tacked onto each payment for general insurance products. These savings can add up. Again, while helping cash flow, if a customer can afford to pay all of the premium at inception or renewal, that could save them money.



Customers might think that by going direct they'll benefit from cheaper insurance – however, there are many benefits of your service that you can highlight to your customers.

Brokers have access to a wide choice of products from the majority of insurance markets.

- They give impartial advice on suitable insurance protection.
- Some will represent you in claims settlements.
- They are regulated by the Financial Conduct Authority.
- They access risk management advice by identifying, measuring, managing and controlling risk and where appropriate can give advice on health and safety, fire prevention, health & wellbeing and premises security.
- They provide clear information and documents.
- They have their own professional indemnity insurance protection providing customer confidence.
- They clearly state the costs of the policy including any fees they may charge.
- They give fair treatment to customers in the event of a complaint, with the additional assurance of the Financial Ombudsman Service.



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Member Helpline: **0370 7700 266**
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