



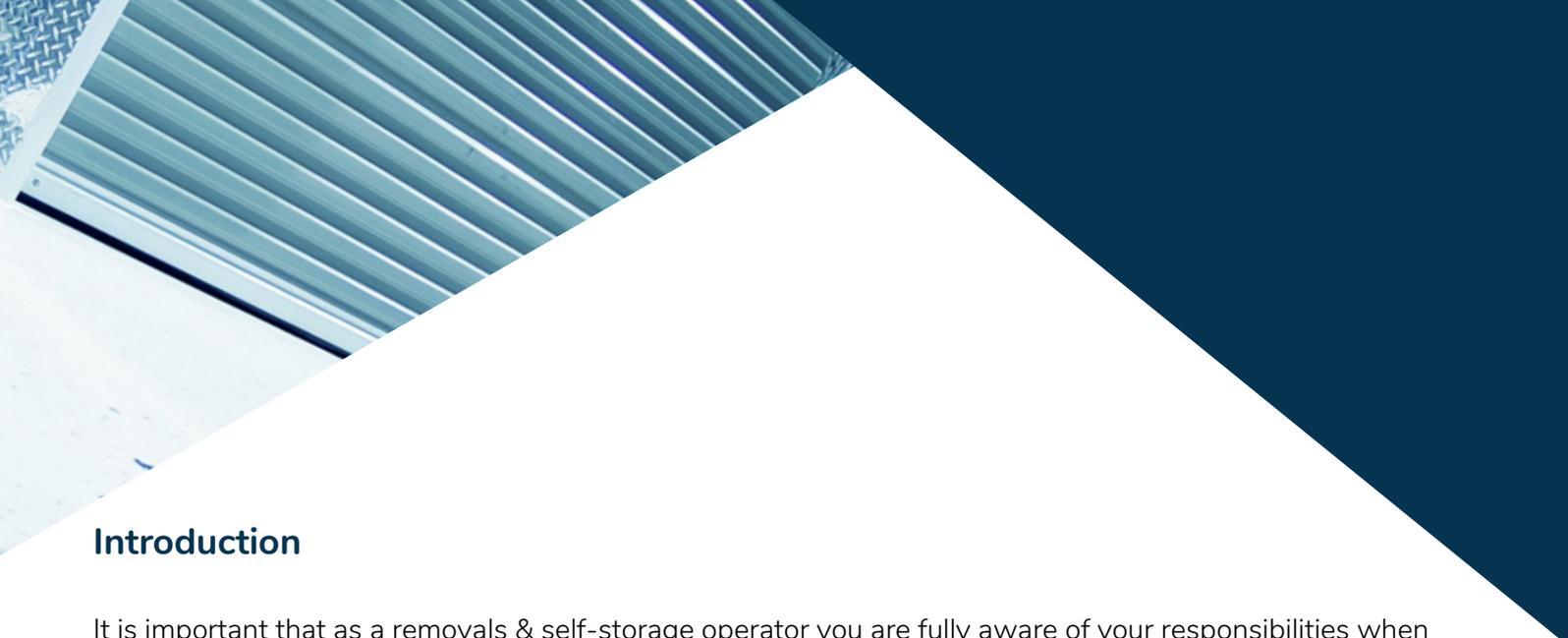
---

# SELLING INSURANCE SOLUTIONS

---

Frequently Asked Questions

**POUND | GATES**  
CHARTERED INSURANCE BROKERS



## Introduction

It is important that as a removals & self-storage operator you are fully aware of your responsibilities when selling an insurance solution to your customers. Your insurance provider will expect you to understand what cover is provided and that you can discuss the various options with your customers. This will ensure that you protect your customers, but it will also give you an opportunity to increase your revenue.

## Why should you sell insurance?

The most important reason to sell insurance is to offer your customers a way of protecting their goods. Secondly, you are able to increase your revenue on insurance sales.

## What options are available?

1. Offer "Insured Contractor" option. You offer to buy insurance to cover your customers' goods and issue appropriate Terms & Conditions and Summary of Insurance. No insurance is sold and no insurance advice is given.

Your customer has no rights under your insurance policy. You cannot represent this solution as selling insurance, you are simply including your customers' goods under your insurance policy.

2. Extend rights under your Open Cover insurance policy to your customers. To do this you must have an appropriate insurance policy and appropriate documents to issue to your customers. You can offer limited insurance advice to your customers.

You must also sign up to the Voluntary Jurisdiction of the Financial Ombudsmen Service, have a complaints procedure in place. You must also sign your trade association's Code of Conduct/Practice.

Operating under this option is subject to pre-approval by your insurance company/broker.



## Do all goods need to be insured?

Self-storage is not a compulsory class of insurance like employers' liability or motor insurance. However, the Self-Storage Association (SSA) recommends that all goods in a self-storage facility are insured and that members must have a solution available to all of their customers, giving them the option to purchase insurance for their goods whilst in store.

If a customer has arranged their own insurance, it is recommended that all operators request copies of the insurance schedule, from their customers. This ensures that cover is in place, at the right level, and will support a subrogated claim.

Many operators initially charge their customers for insurance until an alternative insurance confirmation is produced. At this point, insurance charges can be stopped.

## What cover does the insurance provide?

The insurance is designed and tailored to each operator. The most common perils cover include: fire, lightning, aircraft, explosion, earthquake, riot, strike, civil commotion, malicious damage, moth, insect or vermin (caused by an external source), storm, flood, water ingress, bursting and/or leaking pipes, ingress of water or other liquid substance, impact by vehicles, and theft (only following forcible and/or violent entry to or exit from the building or unit).

Goods can be covered on either an 'indemnity' or on a new for old basis, and this is down to the preference of the operator. Cover starts from the time the property is placed into the storage unit, until it is finally removed from storage.

## How much can goods be insured for?

There is no single limit or maximum amount of cover a customer can purchase (subject to your policy sum insured). Customers must ensure the declared value is accurate and reviewed on a regular basis to ensure the cover reflects the total value at risk, and in line with the basis of claims settlement on the policy (i.e. indemnity or new for old).

It has been proven that customers will under-declare the value of their goods, and this may result in Average being applied to an insurance claim and only a partial claim being made. The average clause on the policy is described as:



If you fail to declare the full market value of your property on the acceptance form, you will only be entitled to recover from insurers, the same proportion of the loss as the declared value bears to the actual value of your property in the event of a claim. For example: If at the time of a loss, a customer's goods are found to be valued at £10,000 and they have only insured for £2,000, they will only be entitled to 20 per cent of any insurance claim.

## **How much should I sell insurance for?**

The charges differ throughout the country, but the latest SSA survey revealed rates are in the region of £1 per £1,000 of goods in store, per week. For example, £2,000 of cover would cost £2,000 x £1 - £2 per week.

We always recommend that you offer discounted charges for higher declared values, as this will encourage customers to provide a true value. For example, your charges could be as follows:

Up to £5,000 Declared Value = £5.00 per £1,000 per month  
£5,001 - £10,000 Declared Value = £4.50 per £1,000 per month  
£10,000 - £30,000 Declared Value = £3.50 per £1,000 per month  
Over £30,000 (rates available upon request)

If you are selling insurance on an 'Open Cover' basis, charges should state if the price is inclusive or exclusive of Insurance Premium Tax (IPT) at 12%.

We also recommend minimum levels of cover per storage room, not standard minimum levels. You cannot insist on the same minimum insurance charge for a 20 and a 200 square foot space.

Whilst we do not make suggestions about what level your charges should be, we do recommend that you mystery shop local competitors to ensure that your prices are competitive.

When selling insurance, the charge should be specified separately and any IPT should be passed back to your insurance broker so this can be passed onto HMRC.



## Ensuring the declared value is accurate

Customers should be reminded that the declared value needs to be enough to cover the repair or replacement of their goods, based on the claims settlement approach set out in the policy (indemnity or new for old), should they be lost or damaged whilst in store. The value should represent the total amount in store, not an amount they will be happy with should a claim occur.

Again, customers' attention should be drawn to the average clause on the insurance summary. Advise them that in the event of damage, insurers will assess any claim on the goods in store at the time of loss.

Customers should be reminded that the declared value should be reviewed every time goods are taken from the unit or added to the unit.

## Document storage

Insurance can be sold for document storage and the total declared value should represent the cost of reconstituting or recreating the documents, and not any other financial value the records may have.

Some facilities state that they are liable for a set sum insured, i.e. £50 or £100 per box, which may be acceptable. However, we recommend you ask customers to opt for their own declared value.

## Increasing prices year on year

Like storage charges you can increase the insurance charge as and when you feel it is acceptable, or when your facility is above a certain rate of occupancy.

We always recommend 30 days' notice by email. This ensures customer contact details are kept up to date, as you can monitor if any emails are undelivered. We also recommend placing a notice on all customer facing documents reminding them of their responsibility to ensure their sums insured represent the value at risk at all times and the date that your annual rent review will take place.



## Customer documentation

To ensure that the contract is enforceable, all customers must receive a copy of the terms and conditions. This confirms both parties responsibilities, a copy invoice confirming your charges and confirmation of how storage charges are to be paid. In addition, the following documents should be provided:

- A policy summary confirming which perils are insured
- Details of the settlement basis, i.e. new for old or indemnity
- Details of policy exclusions, i.e. what is not insured
- The duration of the cover
- Terms and Conditions of the insurance, i.e. Average, Pairs and Sets clause, Non-Contributions clause
- Details of any excess payable
- Confirmation of how claims are to be submitted

The invoice should list the storage charges (and VAT if applicable) and insurance charges separately. Insurance charges are subject to 12% IPT, if you are selling on an 'open cover' basis.

## Queries or claims

If you have any queries please contact your relationship manager at Pound Gates, or your client executive. Alternatively call 01473 346046 and ask to speak to the removals & self-storage team.