



Insurance premiums increasingly do not reflect the actual values at risk. In addition, business interruption exposures are often underestimated which can result in significant coverage and quantum disputes when a claim is made. This is particularly the case where the insured business is subject to commodity price fluctuations or has a high degree of interdependency.

Our Business Interruption Coverage Diagnostic (BICD) is a cost-effective insurance review package which provides support to insured companies and underwriters in the development and modelling of maximum probable loss exposures. With a focus on financial loss elements arising from complex and catastrophic loss scenarios the service is designed to provide an accurate reflection of the values at risk and the key risk exposures, over the maximum indemnity period.

Risk transfer pricing in a changing world

The premium cost of insurance is directly related to the level and extent of policy cover. Claims are becoming more complex and often result from loss scenarios that were not contemplated at the time the risk was being considered.

The BICD review is conducted alongside engineering and property underwriters and is designed to give insureds, insurers and captives, independent information and financial modelling support to assist in understanding complex risk exposures and identifying an accurate maximum probable loss.

Approach

Our Forensic team have extensive experience with major and complex losses gained over many years across all industry groups. We have the experience to comprehensively review maximum probable business interruption loss exposures.

Our review includes:

- Analysis of maximum foreseeable loss scenarios
- Catastrophe modelling, worst case outcomes
- Adequacy of declared values
- Appropriate limits and sub limits
- Alignment of policy wording with claim methodologies
- Self insured retentions (deductibles)
- Appropriate deductible methodologies and wording (ADV / time, value)
- Contingency plans and exposure to increased cost of working
- Business interdependency
- Contingent covers including suppliers and customers
- Commodity price fluctuations
- Seasonal uplift or fluctuations

Forensic advisory services division

Business Interruption Coverage Diagnostic



Maximum probable loss

Catastrophic losses can have a regional or even global impact on an insured business and often this is only fully understood after the event. As a result it can be challenging for insurers to understand the level of indemnity which reflects the values declared at policy inception and the commensurate level of premium paid.

We see business interruption claims far exceed the maximum probable loss calculated at inception.

Some reasons for this include:

- Economic or operating conditions that exist at the time of the loss not fully considered or modelled
- Catastrophic impacts underestimated in particular disasters involving wide area damage
- Commodity price fluctuations not aligned with policy sub-limits
- Contingent risks not comprehensively modelled
- Risk concentrations of key suppliers and/or customers not fully considered
- Internal business interdependencies not comprehensively evaluated

How does it work?

Initially we will develop a client specific brief outlining the scope to be included in the BCID review. We will then assist with information gathering including all relevant financial, operational and business details.

To facilitate the process it is preferable to conduct a workshop with the broker and the insured. Loss scenarios are developed in conjunction with all stakeholders.

The Forensic advisory services division provides detailed financial models to reflect the likely outcome of the various scenarios adopted. We focus on worst case outcomes from catastrophic losses.

We will review specific policy conditions relating to business interruption recovery. This will include sub-limits, indemnity periods, self insured retentions, increased costs of working and deductibles.

If appropriate, we will engage with industry specialists in relation to specific risk exposures such as commodity price variations, estimated rebuild times and loss of attraction anticipated across the maximum indemnity or interruption period.

The information is rationalised and a comprehensive report containing our detailed models and recommendations is provided.

For more information on how we can help you, please contact:

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