

# Warehousing and Distribution Insurance



Warehouses are the vital links between businesses and their customers. Without the support of proper warehousing and distribution services, businesses' already tenuous supply chains can snap under the pressure. This could result in products not being able to find their way to customers and businesses subsequently collapsing.

Because they are important transfer points that are integral to forging a solid supply chain, warehouses and distribution centres are abuzz with activity. They are filled with workers using vehicles to haul heavy loads of valuable merchandise.

This flurry of activity makes warehouses particularly dangerous and susceptible to a host of perils, including heightened fire risks. But purchasing a comprehensive warehousing and distribution insurance policy can protect against these risks and more. The following covers are the main components of the average warehousing and distribution policy.

## Property Cover

You can insure material damage to your premises under property cover, and because warehouses safeguard a large amount of valuable merchandise and equipment, property cover is essential. The sums insured, or the specified maximum amount that an insurer will pay under the policy, can be very high due to a warehouse's large size, its high concentration of stock and its specialised equipment. Property cover is typically broken down into several main types of cover:

1. **Buildings** can be insured by the warehouse operator/distributor or the landlord, depending on

whether the facilities are owned outright or leased. Debris removal is usually included as part of your buildings or stock cover.

2. **Plant and machinery** are typically insured by the warehouse operator/distributor. Be sure to accurately calculate the worth of your plant and machinery, as specialist plant, machinery and stock are often imported and exchange rates tend to devalue certain items.
3. **Stock** cover is crucial. Depending on the stock you store—such as a large quantity of goods regulated by strict hygiene standards—debris removal costs following an incident can be astronomical, so plan your sum insured accordingly.

Due to the diversity of property housed in warehouses, insurers usually offer a wide range of property covers:

- Accidental sprinkler leakage
- Damage to lifted goods and collapse of racking
- Impact by own vehicles
- Deterioration of stock
- Terrorism
- Breakdown

## Business Interruption Cover

One disaster can put a kink in your business' supply chain and bring your operations to a grinding halt. Business interruption (BI) cover can help recoup lost

### Provided by Sirelark Risk Services

The content of this Cover Overview is of general interest and is not intended to apply to specific circumstances. It does not purport to be a comprehensive analysis of all matters relevant to its subject matter. The content should not, therefore, be regarded as constituting legal advice and not be relied upon as such. In relation to any particular problem which they may have, readers are advised to seek specific advice. Further, the law may have changed since first publication and the reader is cautioned accordingly. © 2014 Zywave, Inc. All rights reserved.

# Warehousing and Distribution Insurance

profits due to an insurable peril, providing indispensable funds in the face of a disaster.

BI cover should account for the full range of material damage perils in addition to breakdown risks. It should also include theft, as customers may be less willing to store their goods at your warehouse following an instance of theft.

## Transit Cover

If you handle the transport of goods to and from your warehouse, you are likely liable for goods in transit. Transit cover helps protect against this liability. If you contract out with a haulier to move goods, the contract between you and your haulier will assign liability. Standard contract terms, such as those of the Road Hauliers Association, restrict the carrier's liability and set a maximum compensation limit.

Your contract conditions will determine the best kind of transit cover to purchase. For example, a contract that grants you all of the liability may prompt you to purchase transit cover on an 'all risks' basis, which covers every non-excluded risk.

## Liability Cover

Insurers provide several different liability covers:

- **Employers' liability** cover is mandatory if you have employees. It covers your liability for employee injury or death stemming from work.
- **Public and products liability**, although not compulsory, is also a must-have. It safeguards against third-party injury and damage arising from your business or its products.
- **Product recall insurance** covers the expenses associated with recalling a potentially injurious product from customers. This cover is especially important for warehouse operators/distributors who work in the food and drink industry.

## Motor Cover

Providing any distribution services will require you to purchase motor cover for your vehicles. Motor cover insures your vehicles and the liabilities that arise from your employees using them. If you work with haulage contractors, they may supply their own vehicles for distribution, in which case they will also insure them.

Working in the food and drink industry increases your vehicle risks, as you will likely be required to use refrigerated vehicles to transport goods.

## Additional Covers

To satisfy a diverse industry, insurers offer additional covers to help properly protect warehouses, including:

- Loss of money
- Directors' and officers' liability
- Environmental impairment
- Legal expenses

## Store With Confidence

Being responsible for a warehouse filled with valuable merchandise can be overwhelming. But with a warehousing and distribution insurance policy from the insurance professionals at Sirelark Risk Services, you can be confident your warehouse is protected on all sides.