

Understand what to report upon and how to convey quality occupancy information to underwriters that will influence the insurance proposition.

This is one in a four part series related to reporting on COPE (construction, occupancy, protection, exposures). Historically, property underwriting has focused on COPE as the core principal of risk assessment.

The table at the end of this article is a common approach in the insurance industry and will assist in the design of your own tables that may include all COPE elements.



Our message to brokers

Understand that underwriters may respond to scant information by a straight decline, or the underwriter may default to the least desirable occupancy information provided to price the risk. Thus, the more detailed information that can be provided in the insurance submission, the better the outcome will be. Here are a few tips:

- It's important to reveal your source of information, as per examples in the table at the end of this document (e.g. as viewed, per drawings, as indicated by the insured etc.).
- Support your conclusion with documentation if available (e.g. process flow diagram, plans, specifications).
- Don't worry if you are unable to provide elaborate information. Just let us know and through your provision of photos or documentation, we will be able to qualify. If this can't be achieved, and it's important, we will seek an alternative means to qualify.
- Provide plenty of photos to support your conclusion as these will assist determination by underwriters. Don't forget to obtain the permission of the insured to take photos.

- Include a survey report by others if available and note any changes.
- Provide similar levels of detail on the hazards of occupancy regardless of whether insuring the tenant or the property owner.
- If you have identified a shortfall, discuss this with the insured, seeking their implementation of a corrective action and timeline to complete. The inclusion of this initiative in your report is an indication to the underwriter that the insured is willing to embrace risk mitigation and provide solutions.

Details (reference numbers may be found in the table at the end of this document)

1. **Business activity:** A brief description here is acceptable, as you will be providing elaboration in the following sections. The insured may provide you with their preferred occupation description. In turn, it may be provided on various plans, other documentation or from their website for example.
2. **How long has the business been operating?:** Pretty self-explanatory. Per the example in the table at the end of this article, this business has a long family history which instils confidence in underwriting.
3. **Changes to occupancy:** Per the example in the table at the end of this article, no changes indicated other than taking advantage of technology developments over the years to improve handling etc. Remember, frequent change of occupancy is less desirable than a stable one.
4. **Storage:** This is where you can elaborate upon the ways and means of storage within the facility. Note the percentages used in the table example which assist underwriters in determining the overall and most appropriate occupancy classification which will influence the insurance proposition.
5. **Type of goods in storage:** Again, the more information provided here will assist underwriters in determining the most appropriate occupancy classification.
6. **Hazardous goods:** An extension of the above (4 and 5) information. The example in the table details the defined area of the warehouse for aerosols. It would be a good idea to delve further into this as aerosols, if involved in fire have a tendency to fly across the area and start spot fires in other areas making it difficult to control. Typically, these cans would be restrained within a chain-link style enclosure to prevent this. The most important thing is that the insured actually recognises the risk and provides some form of mitigation.

7. **Single or multi-tenanted:** As detailed in the 'A broker's guide to Understanding Construction, tenants in co-existence with the insured may present exposure and thus it's important to clearly identify if this is the case or not. Detail what they do, where they are in the insured's premise and how much space they occupy. Don't forget details about fire separation and/or spacial separation between the tenant and insured if available.



8. **Presence of ignition sources:** In the table example, a warehouse typically has goods moved by forklift trucks wherein the charging station is the main risk. Include plant and equipment that may have their own inherent ignition sources and provide details of any protection mechanisms such as temperature cut-outs etc.
9. **Computer systems:** In the table example it's important to note that the logistics has its own computer system and back-ups. Also, if the system fails, what would happen. Consider the worst case scenario: what would happen if the computer system broke down? Would all or part production cease and for how long? This focuses on business interruption.
10. **Storage of perishable goods:** The table example indicates that there are no perishable goods. If there was, you need to identify the goods, storage, location, refrigeration equipment, temperature monitoring, alarms and maintenance regime. How long could the perishables survive without refrigeration and what would be the monetary loss at peak time?
11. **Plant, machinery and equipment:** Self-explanatory in the table example and elaborated upon in the 'A broker's guide to understanding occupancy'.
12. **Dust extraction:** Self-explanatory in table example.
13. **Goods movement:** Self-explanatory in table example. Forklift truck charging hazards.
14. **Electrical system:** Report upon age, condition, maintenance.
15. **Purpose built buildings:** Are the premises designed for the occupancy? (e.g. cold storage).

16. **Days/Hours of business:** Provides an indication if the business could work more to overcome lost time from an unfortunate event. Identifies extended periods of unoccupancy.
17. **Other business locations:** Indicates if there could be support or reliance upon one location to another.
18. **Loss history:** Need to indicate actual claims history and nice to include incidents that did not give rise to an insurance claim. What recovery action took place and indicate if there is a formalised business recovery plan. Include this in your submission.
19. **Multi-tenanted properties:** Underwriters need to understand the tenancy of all units and in turn need to be advised of changes to tenancies as they occur. Changes could affect available capacity for insurers. Provide occupancy details of all tenants, how the insured reviews the risk and influences risk mitigation. Responsibilities for maintenance of the property, grounds and fire systems should be clearly defined in the leasing contract. Refer to the example in the table at the end of this article.



20. **Property owners:** (Per the above item 19) The underwriter needs to understand how the insured manages the tenants regarding risk control/risk management. Provide occupancy details of the tenant, how the insured reviews the risk and influences risk mitigation. Responsibilities for maintenance of the property, grounds, waste and fire systems should be clearly defined in the leasing contract. Refer to the example in the table at the end of this article.

Resources

LMI RiskCoach: internet based risk management and insurance resource.

Factory Mutual Global Property Loss Prevention Data Sheets.

Example: 'Occupancy' table and example input for a large-scale warehouse

Business activity ¹	As indicated by the insured and within sales/marketing literature. The insured provides 'Logistics Management' for a variety of third party goods from within their owned and operated large-scale warehouse. This includes the acceptance of goods to the warehouse, storage, retrieval and packaging, to despatch.
How long has the business been operating? ²	As viewed in literature, the business was established in 1920 and has been at this current location since 1980. The grandson of the original owner is now in charge and other relatives hold senior positions in the group.
Changes to occupancy ³	As indicated by the insured, the logistical activity has remained consistent since 1920 however advances in technology such as IT systems, high-bay racking and automated goods movement have transpired for advantage.
Storage ⁴	As indicated by the insured, some 90% of the available floor space in this single building is occupied by double-row racking to 7 m. The clearance to the roof from the top of storage is 3 m. (confirmed by plans and discussions with the insured).
Type of goods in storage ⁵	The 'goods manifest' indicates the following are stored within the double row racks: <ul style="list-style-type: none"> • 50% of the goods are reams of copy paper, in cardboard boxes on timber pallets • 20% are aerosol cans (fly spray) in cardboard boxes on timber pallets • 30% are metal automotive parts in cardboard boxes on timber pallets.
Hazardous goods ⁶	Aerosol cans – label upon can indicates flammable contents. As viewed, pallets of aerosols are stored within a defined area of the warehouse.
Single or multi-tenanted ⁷	As indicated by the insured, the entire facility is occupied by the insured.
Presence of ignition sources ⁸	As viewed, battery forklifts X 3 for goods movement. Charging station is dedicated to the north-west corner and is clear of combustibles by at least 6 m. Steel fencing is provided to prevent encroachment of combustibles. Well ventilated (natural) area and housekeeping is good.
Computer systems ⁹	As indicated by the insured, an IT platform is dedicated to logistics. Record/system back-up is nightly and stored off-site. Insured indicates that in the event of system failure, manual control may be provided but will incur significant increase in time.
Storage of perishable goods ¹⁰	Insured indicated that there are no provisions for perishable goods such as foods or medical supplies that warrant cool room storage.
Plant, machinery and equipment ¹¹	Insured indicates that other than the forklifts, there is nothing of this nature other than a small air-conditioning plant for the offices. Well maintained.
Dust extraction ¹²	Nothing.
Goods movement ¹³	Refer item 8 above.
Electrical system ¹⁴	The insured indicated a modern system that is maintained under contract. We viewed thermal imaging reports for the last 3 years (conducted yearly) and found no adverse conditions.
Purpose built buildings ¹⁵	The insured indicated that the building was specifically designed for them and their occupancy.
Days/Hours of business ¹⁶	Insured indicates that they operate 24 hrs per day, 7 days per week, 365 days per year.
Other business locations ¹⁷	Insured indicates that this is the only location for them.
Loss history ¹⁸	Records indicate no loss history. Insured notes that there was a malicious damage incident 12 months ago where a person graffitied the southern fence line. No claim.
Multi-tenanted properties ¹⁹	<p>The insured owns a factory unit complex consisting of 3 units, each about the size of a tennis court. Unit 1 is for the storage of empty plastic bottles on timber pallets and block stacked to a height of some 3 m over 90% of the floor area. A battery powered forklift provides for stock movement and the charger is located near the front door in a well ventilated area and in turn it stands clear of combustibles by at least 4 m. Unit 2 is vacant and well secured. No idea of likely tenants at this stage. Unit 3 is a machine shop producing door hinges. Typical machinery and a welding booth is provided in a clear area. All hot work is undertaken within the welding booth.</p> <p>In terms of management, the insured inspects all units every 6 months and provides tenants with opportunities to improve risk management. Records of these are provided with the submission.</p>
Property owners ²⁰	<p>The insured owns a property located at XYZ location. The entire space is leased out to a marine mechanic working on the engines aboard the vessels (outboards and inboards). Combustible and flammable liquids are within approved safety cans and storage cabinets.</p> <p>In terms of management, the insured inspects the premises every 6 months and provides the tenant with opportunities to improve risk management. Records of these are provided with the submission.</p>