

# Your insurance premium, explained



There are many factors that can impact your insurance price. Some are personal to your organisation, while others are influenced by global conditions or fluctuations in the insurance market. Our team of experts analyse many factors when calculating the cost of your insurance, in order to provide you with the most accurate price possible. The purpose of this document is to highlight the factors we consider and how they might affect your premium.

## How internal factors affect your charity's insurance premium:



**Your location:** When calculating your insurance premium, we undertake a thorough review of your postcode, taking into consideration factors such as flood risk, crime rate, instances of theft or malicious damage, and the rate at which claims occur in your area.

The frequency of incidents often correlates with increased claims in a particular area. As a result, insurance premiums in those locations are likely to be higher.



**Historic Buildings & Designated Landmarks:** The cost of claims is on the rise, particularly when it comes to listed or heritage properties. Repairing and restoring these beautiful, often historic, structures can be quite complicated. It requires a unique set of skills that can sometimes be hard to come by and this may be reflected in your premium.



**Construction Materials:** The kind of materials used in the construction of your property can have a direct impact on your price. The key factor here is the potential risk of fire.

In essence, the more susceptible to fire a material is, the higher the chance of a claim and therefore the higher the cost to insure it, for example, properties with timber frames will attract a higher premium than brick-built buildings, due to their increased fire risk.



**Claims History:** When we review your claims and insurance history, we're also looking at any incidents or any situations that could potentially lead to a claim. This helps us better understand your needs and risks. It's also important that we know if your organisation has been subject to an official investigation, denied insurance, had a policy declined or had any special terms were applied. This helps us gain a clearer picture of your insurance status.

Don't worry, it's all part of our process to ensure we can offer you our best possible service and protection.



**Activities run by your organisation:** When calculating your premium, we need to understand the types of activities you run, to evaluate the associated risks. This could include the level of physical activity involved in your projects, the number of individuals who interact with your organisation, or if you're involved in any high-risk activities like working at heights or handling flames.



**The type & level of cover you need:** You may already know that the more insurance you require, the higher your premium will be. When you add extra coverage or increase your insured amounts, it typically results in a higher cost. We provide an online insurance package specifically aimed at smaller charities. This package is aimed at organisations with an income of less than £300k. Sometimes the package may not meet your needs, or you may need extra lines of cover not included online. If this is your organisation, our team is ready to create a customised quote just for you.



# How the world affects your charity insurance premium:



**Raw Materials & Labour Shortage:** during COVID-19 we saw an increase in delays due to shortages of raw materials and labour, which has since continued. These have been made worse by the inflationary pressures tied to global events including the invasion of Ukraine.



**Large Losses:** We have seen an increase in the frequency and severity of larger losses, with two subsidence events in 2018 and 2022, summer 2022 wildfires, December 2022 freeze and Q4 2023 storms and floods.



**Escape of Water:** This continued to be a significant issue for property in 2022, with a total of £987 million worth of claims made across the year, a 15% increase over 2021<sup>1</sup>. This equalled to an average of £2.7 million worth of escape of water losses every single day, not including those where damage costs amounted to less than the policy excess.

The cost of repair has risen in the past few years, largely due to the cost of living crisis which has seen an increase in the cost of labour and parts, but also due to the increased time needed for drying out where modern methods of construction materials have been used.



**Modern Construction Methods:** The construction sector has made advancements in materials and methods, including timber frames, whole-wall panels, and modular builds, resulting in faster construction and cost savings.

However, if something goes wrong, an entire section can often need replacing, rather than the broken or damaged part. This can sometimes result in an overall higher cost.



**Law & Legislation:** Every insurer, including us, is required to follow guidelines set by the government and industry regulators. When new laws or regulations are put in place, it can sometimes result in changes to our pricing.



**Fraud:** Many voluntary organisations face internal fraud. The current estimate indicates that fraud costs were as high as £2.3bn in 2022<sup>2</sup>. This is an ongoing issue that can have a ripple effect, affecting insurance premiums. Fraudulent insurance applications and claims can eat away at the funds in the communal pool, reducing resources available for genuine claims made by honest customers.



**Increasing Claims Frequency:** People are more aware of their legal rights, and with access to lawyers who will pursue claims on a “no win no fee” basis, there has been a rise in these types of claims. The increase in law firms directly advertising to people who have been injured at work has also contributed to an increase in claims as well as the associated costs with defending customers.



# How the world affects your charity insurance premium:



**Increasing Medical Costs:** The medical profession is continually learning new techniques and improving procedures, which is beneficial but also increasing costs. Claimants have the right to request treatment in the private sector, which can result in higher costs. For example, advances in prosthetics significantly improve quality of life but increase costs.



**Long-Term Care Costs:** Care costs are increasing due to longer life expectancy. Advances in medical treatment mean many more seriously injured people are surviving accidents that would have resulted in fatality in the past. Both of these factors, combined with the growing number of bodily and catastrophic injury claims requiring long-term treatment, mean there's additional pressure on insurance premiums. According to The King's Fund, nearly half of social care expenditure goes towards working-age adults.



**Changes in the Workplace & New Technology:** While this can eliminate some traditional workplace risks, it could also result in more claims arising from altered working environments. This can lead to ergonomic issues and changing working patterns leading to stress, including technostress. Investigating and defending these claims can be expensive.



**Emerging Trends:** Funding pressures on the voluntary sector are resulting in an emerging trend of personal injury claims, including psychological trauma and workplace stress. With an increase in older workers and volunteers as life expectancy increases, our workforce is changing, bringing new risks. Although fatal accidents in this sector are rare, slips, trips, and falls do happen, resulting in more severe fractures and injuries.



**Safeguarding:** As a society we are more aware of Safeguarding risks than ever, and the potential for future claims. Claims funds are needed to ensure we can adequately pay those claims, and need to reflect the increased pressure on organisations to protect and support the vulnerable.



## CII Chartered Insurer status

### Did you know?

We were the first composite insurer to achieve the prestigious Chartered Insurer status from the Chartered Insurance Institute (CII).

## How to get in touch



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## References

<sup>1</sup> Escape of Water: A property managers guide, 2023. <https://www.zurich.co.uk/news-and-insight/escape-of-water-property-manager>

<sup>2</sup> The Civil Society, 2022. <https://www.civilsociety.co.uk/news/charity-fraud-losses-up-44-in-2022-data-shows.html>

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