




Irish Distillers:

Risk Insights and Insurance Market Update



Following on from our webinar in October focusing on bonding solutions and risk challenges faced by the drinks sector, we are keen to keep you updated on how some of these challenges may impact your business as we enter 2022.

Maturing Stock & Business Interruption Risk

Given the long maturation process associated with whiskey production, consideration should be given to insuring maturing stock on an “agreed value” basis. It is also important to review the adequacy and suitability of your business interruption cover and in particular indemnity periods. Insufficient or inadequate cover may result in significant financial consequences in the event of a claim.

Product Recall & Reputational Risks

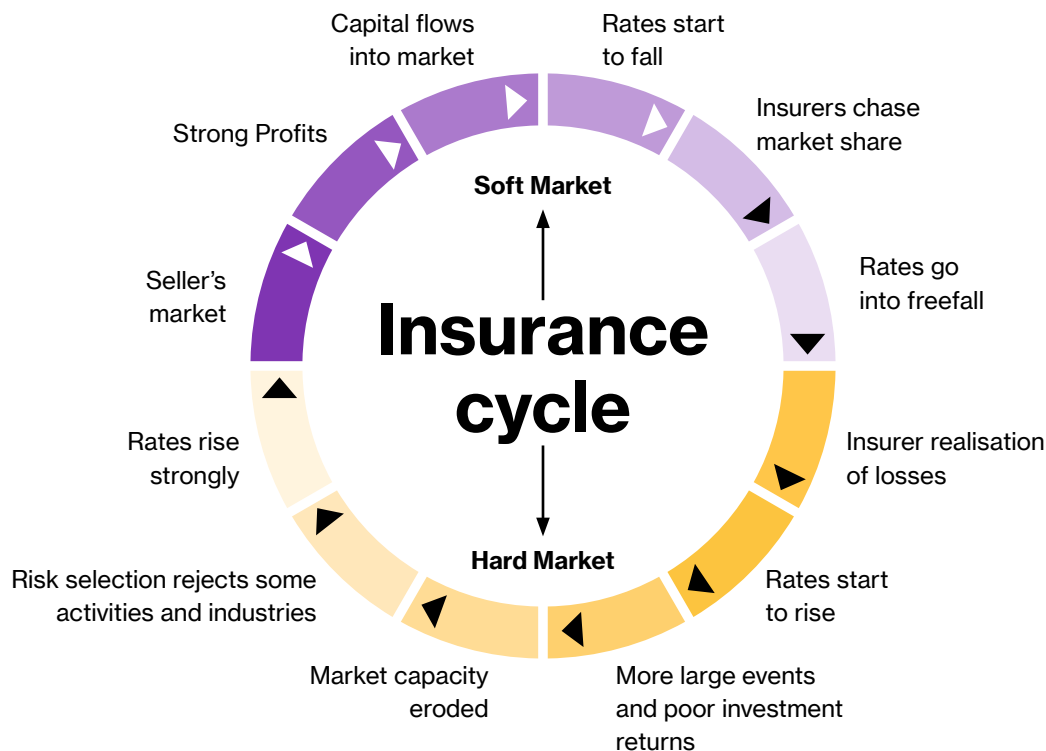
Your brand is your biggest asset! The consequence of either accidental or malicious contamination of product can have a profound impact on both your business and reputation. Investing in the correct risk transfer solution can provide you with protection from the associated costs of product recall or disposal, loss of profit and brand rehabilitation costs.

Business Continuity Planning

Having a robust business continuity plan in place should be one of the primary considerations for any business and will greatly assist in your risk transfer strategy and insurance programme design. It could be key to your ability to recover from a significant loss in a timely fashion. To make your plan as robust as possible, we would advise that you evaluate your dependency on others; for example, how a loss at a customer or supplier's premises could impact your business

Cyber Risks

Cyber-crime is one of the biggest growth areas in terms of both insured and uninsured losses. Claims resulting from Malicious Data Breach & Ransomware have increased globally by circa 400% since 2019 with most IT security breaches occurring because of human error. Protecting your business from the impact of cyber-crime should be one of your priorities in 2022.



General insurance market overview – food & drink sector

Although, we have identified several risks which may impact your business. We feel it is important to review these alongside key trends in the insurance market generally and more specifically in the food and drinks sector.

The insurance market is at the “hard market” stage of the above cycle model and continues to be challenging across sub-sectors of the food and drink industry.

With the pandemic lockdown measures continuing in 2021, there was reduced activity particularly across wholesale, distributors and food service providers. The reduction in activity decreased attritional losses particularly within employers’ liability and motor fleet classes of insurance. A return to normal loss trends is anticipated as restrictions continue to relax and the economy recovers.

Insurers’ growth plans for 2022 envisage positive rate momentum. Currently, we anticipate the pace of rate increase to moderate during 2022.

Property

Market appetite for food and drink is restricted and continues to be more limited than for most other sectors, albeit we have seen a small number of new entrants to the market over the past 12 months.

Insurers are still seeking increases across their client book, as they are tasked with moving rate forward, but this is more measured and in line with portfolio strategy, requiring a rate growth of 5% to 15% for more benign risks and in excess of 20% for more challenging risks.

The ability to evidence good risk management standards continues to be fundamental to the result achieved, along with a well-planned, structured approach to renewal and the ability to design a programme that will secure market capacity.

Liability

On 9 March 2021, the Irish Government approved the amendment of the Judicial Council Act 2019 and the Personal Injuries Assessment Board Act 2003 to bring the new Personal Injuries Guidelines into effect. The amendments to both Acts determine the manner in which the new guidelines will replace the Book of Quantum and came into effect on 24 April 2021. It is expected that this long - awaited reform will eventually lead to lower claims costs and premiums however, challenges are expected.

Although appetite for food and drinks risks within the market remains strong. It is important for all business to continue to prioritise good risk management and claims performance.

Bonds

We have continued to have significant engagement with many similar organisations to yourself, providing information and support on the purchase of surety bonds as opposed to bank guarantees as a viable and more effective solution to satisfy requirements from Revenue.

Currently, there is plenty of capacity and competition amongst surety and insurance companies, making it a good time to start discussions on identifying the right solution for your business.

We hope you find the information detailed, insightful and valuable for your business. If you would like to discuss any of the above information please contact:

Mark Millar

Account Director, Corporate Risks

m: + 353 (0) 86 0266804

e: mark.millar@willistowerswatson.com

Andy Petherbridge

Head of Surety and Bonding

m: + 353 (0) 87 3911773

e: andy.petherbridge@willistowerswatson.com

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