



## Burning hot 2024

**In the first half of 2024, many companies have been hit by major fires, damage and unpleasant surprises.**

*By Kristine Seest*

When it comes to major fires in Denmark, 2024 has been a record year. Many of the companies that have recently experienced a fire and suffered major damage have experienced first-hand how important it is to ensure that market and price changes are incorporated into insurance policies.

»We have seen examples of companies that have been surprised by the price level when they are faced with replacing the values lost after a fire or other major damage. From 2020 to 2024, prices have increased very significantly, and several companies have overlooked this when determining their insurance sums,« says Head of Property & Construction Lars Vissing from WTW.

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Inflation, wage increases and long delivery times for materials and spare parts, among other things, affect the cost of repairing damages and replacing lost assets.

### **Risk of underinsurance**

If the sums stated on the company's policy are outdated and therefore no longer correspond to the company's actual assets, the company risks being underinsured. This means that the company – even in the case of minor damage – will only receive partial compensation.

»In cases where a company is underinsured, it will receive what is called proportional compensation after a claim. An example could be that the company has paid a premium for a sum that is only 60 percent

of the sum actually at risk, and therefore the insurance company only pays out 60 percent compensation for the total damage,« says Lars Vissing.

Limited sums can also lead to unpleasant surprises. For example, there may be limited sums set to cover the costs of cleaning up after a claim. Wage and price increases can mean that the sums have not kept up with the times and are now insufficient and too low to cover the clean-up work. Once the set sum is exhausted, the company will have to pay the remaining costs themselves.

»In short, the price increases and delivery times of recent years mean that a company risks receiving a significant bill for something that it had actually wanted to insure in full,« says Lars Vissing.

### Need for continuous adjustment

Overall, WTW encourages all insurance clients to continuously and critically consider the adequacy of sums and periods for, among other things:

- The sum insured for personal property
- The sum insured for business interruption and the business interruption interest itself
- The business interruption period – and the excess cost period

The basis on which the sum insured is determined must be continuously reviewed and adjusted, and this adjustment cannot be done with an external view of the company, but rather in close collaboration between the company, insurance broker and typically also an accountant.

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### Fire prevention

In addition to the sums in the policy, the company should always focus on loss prevention – not least the company's precautions for hot work.

»Hot work is one of the main causes of fires – and always has been. When hot work is carried out, the company must be vigilant about ongoing supervision and, not least, compliance with hot work regulations. We find that insurance companies are paying more and more attention to whether the rules have been

followed, and if the company cannot document that the rules have been followed, the insurance company may refuse to pay compensation,« says Lars Vissing.

WTW advises on calculating values and determining sums, and WTW clients can always contact us if they have any doubts about the rules for carrying out hot work.