ERC Frankona

Case Study

Canned Fruit Company

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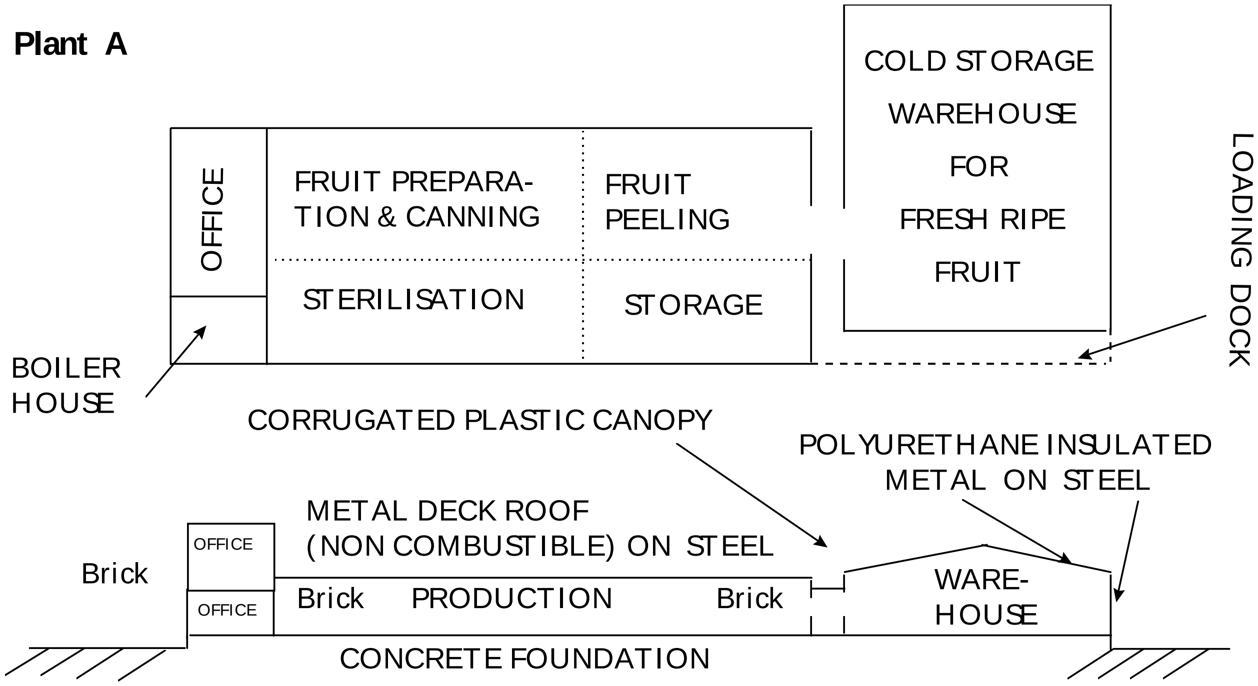
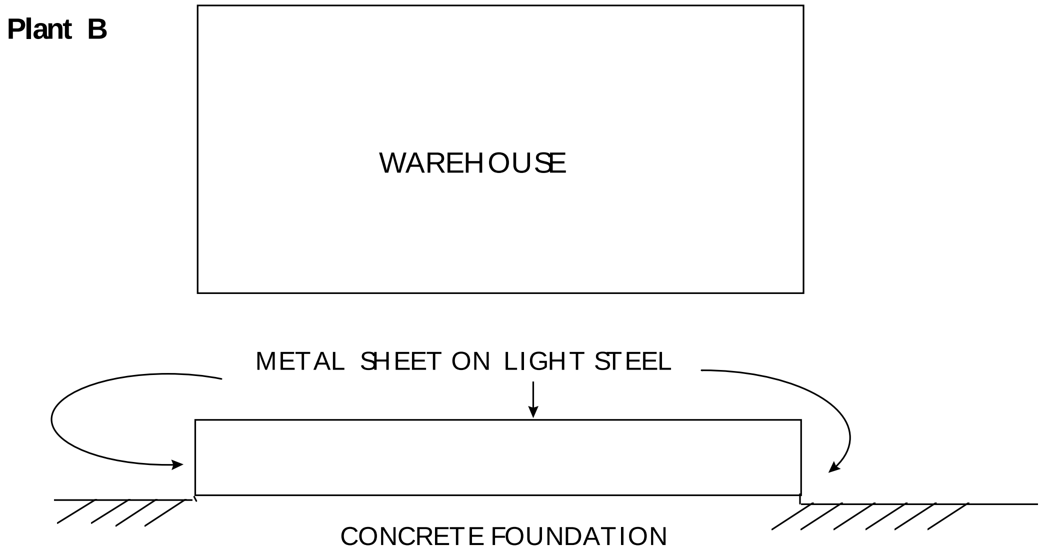
This account has two locations. Location A is a fruit processing facility. The freshly picked ripe fruit is stored in a cold-storage warehouse that is two metres detached from the processing building. Location B is a warehouse situated on the other side of the village and containing the stock of canned and cartoned fruit. The following sketches show the layout of the buildings.

Plant A





At the end of the season, the warehouse is full and the stock is sold during the year, as the Sales table here below shows:

Sales in 1,000 kg	1995	1996	1997	1998	1999
1st Quarter	2,000	2,000	2,500	2,000	2,000
2nd Quarter	1,000	1,000	1,500	1,000	1,000
3rd Quarter	10,000	10,000	13,000	11,000	10,000
4th Quarter	5,000	5,000	6,000	4,000	5,000
Total	**18,000**	**18,000**	**23,000**	**18,000**	**18,000**

The company is insured under a named perils property coverage for the two locations. It wishes a three month BI coverage. Deductibles are USD 20,000 for property and one day for BI. Anniversary is 1 January.

Additional information can be found in the two following tables:

Declared values for property in million USD

	Plant A	Plant B
Buildings	3	2
Machinery	22	0.1
Stock	0	20
Total	25	22.1

Sales price in USD/ kg

	USD/kg
Raw Material	0,5
Utilities	0.45
Salaries	0.5
Administration	0.2
Production costs	0.4
Taxes	0.33
Profit	0.15
Total	**2.53**

Questions

1. Are the property values adequate?
2. What is the sum insured for PD ?
3. What is the sum insured for BI?
4. What is the EML for plant B?
5. Are the deductibles acceptable?
6. Was Canned Fruit underinsured in 1997?
7. Could you help the insured avoid underinsurance in this case?