Vineyard Protect

After Bumper Harvest, Vineyards Urged to Tread Carefully and Review Their Insurance Cover

UK vineyards reaped the benefits of a bumper harvest last year, with a warm, dry June followed by plenty of rain in July leading to an early and strong fruit set, then a sunny September allowing for a long, slow ripening. Fantastically high yields were the result, up about 40% on the average.

But after the bumper crop, do vineyards now have adequate cover? The vast majority of British vineyards are either underinsured or uninsured for their risks, having insurance policies not fit for purpose and not specific to the terroir of wine production.

This is the view of specialist wine and spirits insurance broker, Ascend Broking, which has examined the policies of some leading vineyards and identified huge gaps in cover that require an instant 'bung', if major losses are not to be incurred.

"The insurance world has tended to view vineyards as just an extension of agriculture in general, rather than businesses that have an agricultural element but also many other aspects, such as manufacturing, transportation, storage, hospitality and retail," says Ascend Broking's Nigel Holmes. "This has led to vineyards being insured on general policies that simply do not cover key areas of the vine to vendor journey."

A clear example can be seen in terms of business interruption cover. If vineyards examine their policy's small print, they will typically find that, should their business have to close, due to a major event such as a fire or flood, they would only be covered for 18 months. This is an irrelevance in a world in which the loss of vines, the restoration of production and the release of product into the market would be more of a six-year process.

Many of the policies held by vineyards also have no per-hectare cover, no protection for trellises and no means of addressing eventualities such as vat contamination. When English sparkling wine producers are using a champenoise process that could see product in a vat for 3-5 years, this is an incredibly worrying situation.

The off-the-shelf insurance protection is also sadly lacking in terms of cover for stored product and stock levels. Many policies will only provide cover for around £250,000 of stock, whereas a vineyard could easily have £25 m tied up in stored product. Any loss to that product would potentially be one from which the business simply could not recover.

Similarly, the policies currently being relied upon by vineyards are inflexible in terms of uplift of stock. After the good harvest this year, many vineyards have increased production beyond expectations but will, in many cases, simply be producing product that is uninsured, as the limits on their insurance policy will be exceeded.

State-of-the-art manufacturing equipment, on which production is wholly reliant, is similarly often ignored, when it should be protected with engineering insurance cover. Shockingly, some of those who simply grow the grapes, and then have the raw product transported to a processing plant, actually have no insurance protection for the product whilst it is on the road. One collision enroute and the whole vatted lorry load of product could be lost, with no means of gaining compensation.

Other loopholes apply to those who allow the public to help harvest the product or who hire part-time staff for duties such as catering, or assistance with wine tastings. Too little attention is paid to the 'what if' and what would happen should someone be injured. Vineyards also fail to consider whether their promotional vehicles and events are adequately covered by insurance and may also have loopholes in liability covers including employer's liability, management liability and product liability.

In a time of climate change and flash flooding, few question whether their labels would be covered in the event of water ingress and dampness. Little or no attention is paid to the huge costs that would surround a product recall.

Ascend Broking is addressing all of these hugely worrying gaps in cover on an ongoing basis, meeting with vineyards to review their protection and analyse all of the aspects to the business that require immediate attention. It is a bespoke, not a generalist, approach and is taking vineyards from situations that are highly perilous, from a loss point of view, to one in which there is peace of mind that the business could actually continue to trade and operate, should the worst occur.

Ascend Broking Group Ltd
21 Springfield Lyons Approach, Chelmsford, Essex CM2 5LB
Tel: 01245 449 060 | Email: info@ascendbroking.co.uk
www.ascendbroking.co.uk

"At the present time, the majority of vineyards are paying for insurance cover that is actually worthless in many instances, as it simply would not pay out for the degree of loss incurred and might not pay out at all, if the business were found to be underinsured," says Nigel Holmes.

"We are providing these vineyards with fit-for-purpose protection, which covers every aspect of the very specific business carried out and which typically offers double the limits on cover that come with other policies in the market.

"We have leading insurers working with us, who are willing to provide the policy wordings required to suit each individual client. We can swiftly ensure that clients breathe easier, once they have discovered the truth about their current cover and asked us to rectify the situation. Our team is providing vineyards with insurance protection worth paying for, rather than a meaningless insurance certificate for cover that is not really worth having."

Ascend Broking is happy to review existing insurance arrangements held by any vineyard, large or small, or anyone simply producing grapes that are then sold on to a client. This quickly helps identify where the holes exist and where quick action is a must.

We may or may not have another bountiful, bumper crop this year, but the over-riding message here is for vineyards to tread very carefully with their insurance protection. At the present time, only a very small percentage would find that their existing cover would yield the insurance payout they anticipated.

Any questions? Please don't hesitate to contact one of our team.

Matthew Collins

Managing Director

Matthew.Collins@ascendbroking.co.uk

01245 449061

Simon Horton

Transport & Logistics Director

Simon.Horton@ascendbroking.co.uk

01245 373626

Nigel Holmes

Development Executive

Nigel.Holmes@ascendbroking.co.uk

07761 285173

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21 Springfield Lyons Approach, Chelmsford, Essex CM2 5LB
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www.ascendbroking.co.uk