

## A Single Policy Insuring the Life Cycle of Stock

### FREQUENTLY ASKED QUESTIONS

#### IS THIS A NEW CONCEPT?

No. This is a tried and tested concept which has been around for over 30 years and is commonly referred to as a Stock Throughput Policy (STP). It's current, growing, popularity is a result of easier administration, seamless coverage, and premium rate reductions.

#### WHAT HAPPENS TO MY EXISTING PROPERTY POLICY?

Your existing property policy remains in place for your buildings, personal property, and business interruption. The stock is removed from this policy and insured under the STP with a corresponding premium reduction.

#### DO I STILL HAVE BUSINESS INTERRUPTION COVERAGE ON MY STOCK?

The STP does not provide business interruption coverage for the stock. However, the basis of the stock valuation under a STP is usually "final sales price" which includes gross profit making the final calculation of a stock and business interruption loss much simpler.

In addition, your existing property policy may be amended to provide business interruption coverage arising out of loss to the stock exposures covered under the STP. This is referred to as "wraparound" protection.

#### IS STP COVERAGE ALWAYS MORE COST EFFECTIVE?

It depends on the type of product insured. In many instances, the STP can significantly lower cost, particularly when earthquake and flood are insured, through a mixture of reduced rates and deductibles. Since this policy replaces freight-forwarder policies, there will always be a savings if you have been purchasing coverage from the freight company.

#### DOES COMBINING MY CARGO AND STOCK EXPOSURES MAKE CLAIM SETTLEMENT MORE COMPLEX?

No. It is generally easier as the cargo has a pre-agreed value in the event of a loss, whereas the traditional insurance policy may require a more complex analysis of the replacement costs involved.

#### WHAT ARE THE BENEFITS OF USING A STP TO INSURE STOCK?

- Worldwide coverage that integrates transportation, inventory storage, material handling and packaging
- Loading and unloading protection...and it eliminates the need and cost for freight-forwarders insurance coverage
- Includes catastrophic perils such as earthquake, wind, and flood
- Selling price valuation to protect your profit in the event of a loss
- Most forms of product rejection upon delivery
- Perishable and non-perishable goods
- Premium rates that are similar to those of basic BPP property coverage

#### HOW IS STP PREMIUM CHARGED?

Typically, an initial deposit premium is set-up which is adjusted at expiration based on a single rate applied to values insured or sales turnover.