

Why business insurance is not just a nice to have

The damage to businesses, especially small- and medium-enterprises (SMEs) - in the aftermath of the recent unrest is estimated at approximately R3bn and climbing, clearly illustrating the importance of business insurance and assurance.



Source: ©filinfo [123rf.com](https://www.123rf.com)

A lot of small businesses do not purchase insurance coverage to save on expenses. But one needs to ask whether a few hundred rands is worth saving versus the total expenditure required to repair the damages caused by the recent rampage.

“There are several types of insurance that business owners need to consider. The appropriate choices will depend on the kind of business, its size, and its potential risks.” says Khumo Mahuma, Founder, Health and Rands Business and Financial Consulting

As a business owner, you need to understand the different types of insurance available to SMEs:

Business insurance

This is insurance aimed at insuring the business operations, business assets, product and services offerings and human capital operating within the business to ensure continuity and avoid liability.

The following are some of the covers that are important to consider:

- **Business insurance:** For movable and fixed assets
- **Business overhead expense:** Cover for overheads should they not be in a position
- **Business owner's insurance:** Broad protection against financial loss from fire, flooding (pipe bursts) and other property damage
- **Commercial Insurance:** Protection against injury claims, cyberattacks and other liabilities.
- **Professional malpractice insurance:** Professionals who give advice and/or provide services require professional malpractice/professional indemnity insurance to protect themselves from substantial liability in the event of a lawsuit for material liability they might have caused their clients
- **Product liability insurance:** This type of insurance, obtained at additional cost, may be a necessity if you sell a product that has the potential to injure a user, even if you did not design, manufacture, or distribute the product.

Business owner insurance

This is insurance aimed at ensuring continuity of the business in an instance where the business owner(s) is/are unable to continue working in or on the business. Events that prompt this include death, temporary or permanent disability or critical illness. When such an event happens, the business must continue to run.

- **Keyman Insurance:** an insurance the business takes on the life of the keyperson (the critical skilled person) to replace him with another equally or more skilled person in the event when they cannot continue to participate performing their role, and the business continues to run.
- **Buy and sell insurance:** The kind of insurance business partners take on each other so that if one of them is unable to continue with their participation in the business, insurance pays them or their beneficiaries, and the remaining partner(s) take(s) over their part of the business and the business continues to run.
- **Contingent liability insurance:** If a business takes a loan, the business partner(s) will need to take an insurance cover equivalent to that loan. If any of the partners cannot continue with their participation due to death, disability or severe illness, insurance settles their loan, and the business continues to run.

Human capital insurance

These are umbrella/group benefits structured and offered by various insurance providers an employer takes on behalf of their employees to address various risks. They may include, among others:

- death benefits
- disability benefits (temporary and permanent disability)
- severe illness benefits
- funeral benefits
- Child education benefit
- Spouse cover

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