

The importance of having adequate commercial insurance cover

By Steve Legge

When it comes to owning a business, whether it be a small dress shop or a large trucking operation, the necessity for commercial insurance is a no-brainer. Incidents such as theft and damage can have a potentially fatal impact on your company, resulting in having to close your doors and leaving you with a mountain of debt. Insurance can be a life-saver when it comes to protecting your enterprise and the livelihoods of your employees. How can you ensure adequate insurance for your company?

Quite simply, you need to get the right advice. Commercial insurance can be an extremely complex maze to navigate, and no-one should enter it without the assistance of an experienced intermediary. The recently introduced Financial Services Board (FSB) Regulatory Exams, which are now compulsory for brokers, are aimed towards almost guaranteeing the expertise of intermediaries, ensuring that brokers with suspect methods and questionable experience are no longer permitted to practise. Professional qualifications and on-going development are now routine requirements.

In today's business climate, advice is something which a commercial client should not go without. The risks and exposures to businesses are significant and forever changing and business owners need to keep abreast of these changes. If you do not seek a broker's advice regularly then your insurance cover for your business risks may be considerably inadequate. Without the right counsel, you are risking your enterprise and the livelihood of your employees. After considering your business, your people and the process flows that drive turnover and profit, addressing the risks which could harm these essential elements is paramount.

The true value of advice does not only lie in ensuring adequate protection against obvious hazards such as theft and damage, but rather against dangers which are less visible to the inexperienced eye. One of these risks is the economic context which needs to be taken into account. The recent crisis in Europe, such as the bad debt situation in Greece, has resulted in a negative knock-on effect not just in the

northern hemisphere, but in countries like South Africa too. Any business losing market share or clients in this harsh climate is going to be particularly hard hit. Whether it is recovering from a large fire with associated business interruption, or risks from increased business liability, or even exposures that exist following the introduction of consumer legislation, adequate protection against these kinds of hazards must be put in place through appropriate insurance.

Insurers also respond to these changing variables of context by introducing appropriate insurance solutions. The Consumer Protection Act, for example, has led to insurance products which focus on Director and Officer Liability. The average business owner needs to be continually appraised of these new risks and the tools to combat these, which makes the broker so valuable.

Another factor which could lead to insufficient protection and reduced claims settlement is the escalation of values. Consideration has to be given to the adequacy of sums insured which should always allow for Rand depreciation against other currencies, for example in the case of increased cost of imported equipment. The rand has of course deteriorated this year and exposures and inadequate sums insured therefore become an increased risk if not reviewed.

Furthermore, the lead time for supply of replacement of damaged equipment, for instance, must always be borne in mind. These are in addition to local inflationary measures. Provision of information around values can always be obtained from your intermediary or insurance company.

In conclusion, then, I would advise business owners to protect what is important to them and their enterprise. Protect your company against all those risks that could hurt your business the most. Do not make your own call, speak to your broker to ensure adequate cover.

Steve Legge is General Manager: Sales at Mutual & Federal, a member of the Old Mutual Group and one of southern Africa's leading short-term insurers.

Issued by: The Firehouse Communications
Craig Atherfold
011 447 1805

On behalf of: Mutual & Federal Insurance Company
Vuyo Lee, Group Executive: Brand, Customer & Transformation
011 374 2893