

# 6 insurance types you may need to safeguard your business

 By Johannes Masiteng

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Small businesses are drivers of economic growth and development in South Africa. They play a key role in combating unemployment in the country as the formal sector continues to shed jobs. But, for most entrepreneurs, business insurance might seem like just another unnecessary expense.



Gerald Mwandambira, acting CEO and chief strategist at Sasi | Image supplied.

The recent spate of violence that gripped parts of KwaZulu-Natal and Gauteng proved that business insurance is an important safeguard for small businesses, its owners, employees and clients against any unforeseen circumstances. Business owners must ensure that they purchase appropriate and adequate insurance products as not having the right insurance products can be the same as not having it at all, leaving businesses with no protection against many types of risks.

During the *Money Matters for Entrepreneurs* webinar hosted by the South African Saving Institute (Sasi) in partnership with Absa, Gerald Mwandambira, acting CEO and chief strategist at Sasi, unpacked various business insurance types entrepreneurs can consider and the protection they provide:

## Third party liability insurance

This type of business insurance is important for businesses that come into contact with the public and compensates for losses suffered due to actions or negligence of the business. Third parties include clients, suppliers and any other member of the public who could make a compensation claim against your business if they are injured or their property is damaged.

## Cyber insurance

The move to digital has changed the way businesses operate and has also created a new set of risks. Cyber attacks target businesses of all sizes and this can be devastating to your business, both financially and in terms of reputation. Cyber insurance helps businesses cover costs of getting IT systems back to normal, recover from financial losses and repair reputational damage caused by cyber attacks, online fraud and data breaches.

“You and your small business must realise that you have a legal responsibility on the information which you keep for your clients. You can’t lose your clients’ details. You can actually end up with serious liability,” Mwandambira elaborates.

## **Workers compensation**

Work-related injuries happen even in the safest of workplaces. This type of insurance protects your employees from job-related accidents and illnesses. It pays for medical bills, lost wages and other costs if an employee is sick or injured due to their job.

“There are state insurances that are available which you need to subscribe to, but you can also have your own additional private policies,” Mwandambira says.

## **Professional indemnity insurance**

Professional indemnity insurance safeguards businesses, freelancers and the self-employed who offer professional services if clients claim they are unhappy with their work.

As a professional or a business offering professional services, Mwandambira explains, you may give bad advice or make a mistake that cost your client money and professional indemnity insurance helps protect your business from such unexpected scenarios. “In many instances, professional bodies require you to have professional indemnity insurance, but make sure it is something you have,” Mwandambira says.

## **Directors and officers liability**

This insurance type protects the personal assets of directors and officers should they be personally sued for actual or alleged wrongful acts in running the business. It also helps compensate businesses for legal fees or other costs incurred in defending such individuals against lawsuits.

“Many small businesses do not see the risk, but the moment there is a second person in your business, it’s a risk. If you are the business owner, the liability will end up with you, so have directors and officers liability insurance,” Mwandambira says.

## **Key persons insurance**

People are a key aspect of a business, and most businesses have key persons. Should the key person be unable to work as a result of death, illness or disability, the business could suffer financial loss. “If you are booked for a gig and something happens and you can’t make it, who do you send? Who covers for you?” Mwandambira asks.

Key person insurance compensates businesses if the business owner, a partner or any employee who plays a key role in the business dies or is unable to work due to illness or disability. Mwandambira emphasises that freelancers and self-

employed individuals should look into building networks of skilled, reliable freelancers to cover for each other should one be unable to work.

“If you are a key person in your business and you can’t work, you need to have a person nominated to do your work. Key person insurance pays that person market-related rates to do your work. It means that your company doesn’t fall, especially if you are a key person,” Mwandambira explains.

Mwandambira concluded by advising entrepreneurs to do their homework, compare insurance policies and take their time before deciding on which insurance products to take for their businesses.

## ABOUT JOHANNES MASITENG

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