

Date: 5.11.2018

Publication: Moneycontrol.com

[Must have insurance covers for your small business](#)

It is necessary to get a risk assessment done for the insurance needs

Last Updated : Nov 05, 2018 03:57 PM IST

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Small businesses, retailers and enterprises are considered the key to India's economic growth and the cornerstone of entrepreneurship wave taking over India. In fact, the small and medium enterprises (SME) sector alone employs over 111 million people and contributes nearly 31 per cent of India's gross domestic product (GDP).

Most of such entrepreneurs are usually busy with daily operations, which leaves little time for them to think about identifying and managing the various associated risks.

Economics speaks of growth keeping all factors constant, but risks certainly aren't, especially with climate change and the increase in natural catastrophes. Much of a small business' success is based on its resilience through adversity. Hence, it is vital for them to have insurance to safeguard their business from various adversities.

Many entrepreneurs view it as an unnecessary expense, while others believe it to be important but perceive it as a luxury. SMEs need to realise that insurance is a necessary investment, rather than an ancillary cost.

It is advisable for them to take adequate risk management steps to ensure their business will prevail through the most likely perils, and especially the ones they expect the least. Even the ones that do take insurance do so selectively on assets and stocks hypothecated to their bank.

Natural calamities are also increasing in intensity with every passing year, and a well-rounded insurance protection for your property and business projects is a must have for your disaster emergency kit.

It is first necessary to get a thorough risk assessment exercise done, either through professional service providers or insurers themselves who provide this as a complimentary service.

Below are some covers which according to me are critical for small businesses:-

Property Insurance:

Whether a business is conducted in your own premises or a leased one, property insurance is a must. It covers building, equipment, signage, inventory and furniture in the event of a fire, riot, malicious damage, floods, cyclones and other allied perils. However, mass-destruction events like earthquakes and terrorism are generally not covered under standard property insurance policies.

If the area is prone to these perils, it is advisable to get these covers too, which are add-ons to the standard fire & special perils policy. This should be a default policy for any business, irrespective of scale and size.

Business Interruption insurance:

In addition to basic property insurance, you must also get a Business Interruption (BI) cover for yourself. For instance, in case your shop or office premises gets flooded, your property insurance covers the physical damage caused. However, the loss of income due to your office rendered as unfit for use is borne by you.

You will have to take extra efforts and start from scratch to restore your business, like renting a temporary premise (while refurbishing the original location) which is not taken care of by your basic property policy. Such expenses are bound to occur, increasing your out of pocket expenses, which at a time of a calamity can be a costly affair.

In the unfortunate event of a disaster or a catastrophic event, a business' operations will likely be interrupted. During this time, your business will suffer from lost income due to the employees' inability to work in the office, manufacture products or make sales calls. Business Interruption Insurance compensates a business for its lost income during these events, it ensures that standing expenses are taken care of appropriately.

Workmen Compensation Insurance:

This will cover medical expenses, disability and death benefits in the event an employee is injured or succumbs to injuries because of activities related to his work and during work hours, as defined by the Workmen's Compensation Act. Even if employees are working in a seemingly low-risk environment, sometimes small injuries could result in big payments. In case of an unfortunate event, if an employee passes away due to a work-related injury or illness, benefits can be paid to his or her family.

Group medical cover & group personal accident cover:

The first thing that comes to your mind is to protect yourselves and your loved ones from any unfortunate medical exigency through a health insurance. Have you ever thought of protecting your employees who have been investing their time to make your business a success? You can cover your employees which are your biggest assets through a Group Medical Cover (GMC) and a Group Personal Accident cover (GPA).

GMC is a plan that offers medical coverage to the group of people, in this case your employees. Medical benefits offered under this cover are uniform for all employees. A GPA is a policy specially designed to protect your employees from the consequences of an unexpected accident like death and disability.

The premium rates of GMC & GPA are quite low, especially for small businesses.

Group cyber cover for employees:

Individuals today are susceptible to various cyber-attacks and threats. Having a cyber-cover helps in safeguarding their reputation, potential data breaches and losses in case any vital, financial or sensitive information is stolen or misused. A group cyber cover will protect/compensate your employees in case they face a cyber-attack on their digital devices.

Vehicle insurance:

Vehicle insurance is important if the owner or his employees use company-owned vehicles like mini trucks and light commercial vehicles. Currently, around 40 percent of the commercial vehicles remain uninsured despite the law making third party liability insurance mandatory.

In case of injury or death of someone due to your vehicle, the liability of the same is unlimited which can ruin the business completely as you may end up paying crores. Hence, the vehicles must be fully insured to protect against liability if an accident occurs.

Other covers you can opt for:

Once you have these primary covers in place, you also need to consider the risks that are unique to your business. These include covers like loss of rent, burglary insurance, cash in safe & cash in transit, public liability, fidelity guarantee for employees among others to fill in the risk gaps.

Companies need to be prepared to handle uncertainties. Here, insurance is an important tool to safeguard the business.

(The writer is MD & CEO, Bajaj Allianz General Insurance)