



INSURANCE GUIDE FOR BUSINESS



What is insurance for business?

Business insurance refers to insurance coverage designed for commercial entities / businesses.

Businesses seek insurance to safeguard against various risks that may cause losses while doing business.

Why should I insure my business?

Businesses face different risks every day. Risks such as accidents, theft, loss of income, professional errors, lawsuits, employee injuries or illnesses, property damage due to fire, floods, or vandalism etc.

Business insurance cannot stop bad things from happening, however, it can help protect your business from financial loss caused by such risks. Insurance will compensate you if such risks occur and protect your business from closing if the losses are more than you can handle.

What to consider before insuring your business

Small business owners need to carefully consider and evaluate their business insurance needs since they are financially exposed in the event of business loss.

Below are some key considerations.

- **Understand the risks your business is faced with.** The risks your business faces are determined by the industry you operate in for example a manufacturing and a consulting business face different risk. The location of your business, some areas are more prone to theft, vandalism, floods, or fires. Size of the business and the number of employees also determine the type of risks a business faces.
- **Loss prevention practices-** Insurance cannot cover everything. There are some risk elements of your business that you need to manage on your own. Good risk management reduces the cost of insurance. For example, the risk of theft can be managed by installing CCTV cameras and security alarms. The risk of fire can be managed by installing smoke detectors and fire sprinklers. Training employees on workplace safety will reduce accidents and therefore reduce losses / damages.



- **Understand what your industry insurance obligations are.** Some industries have a legal obligation to insure some aspects of their business. For example, lawyers and doctors are required by law to have professional indemnity insurance. Building contractors are required to have Contractors All Risk insurance.
- **Seek professional guidance.** If you do not feel like you can assess business risk to determine what kind of insurance you require, consult with an insurer, agent or broker. Be sure that these professionals are licensed by the Insurance Regulatory Authority
- **Shop around.** Get several proposals or quotations from various insurance companies to ensure you get the right fit, both in terms of coverage and premium, for your business needs.
- **Read your business insurance policy.** Ensure you clearly understand what is covered, not covered as well as the terms and conditions of coverage. Avoid the temptation of auto-renewal when the time comes. Business processes, people, assets, products change over time, all these factors should be factored into your insurance to always ensure adequate cover. No one knows your business better than you, so make it your business to ensure proper coverage.
- **Cost vs Coverage.** Your business needs the best possible insurance cover, but can your business afford it? Consider, and negotiate for, flexible policy terms and any available discounts that could save you some money. You need to strike a balance between cost and insurance coverage.
- **Be careful not to take a cheap, but inferior policy with poor coverage that will not cover you in case an insured risk occurs.**



What insurance covers exist for my type of business?

There are different types of business insurance covers based on size, location, industry, number of employees and others. Overall, insurance covers the following main areas.

- **Property-** Businesses have property in various forms. For example, motor vehicles, motorcycles, furniture, buildings, machinery and equipment, stock etc. Insuring business property is important as it is expensive to replace when damaged or stolen making it difficult for your business to recover.
- **Employees-** If your business has employees, then you are required by law to compensate them should they be injured in the line of duty. Work Injury Benefits Insurance is a legal requirement for businesses under the Work Injury Benefits Act (WIBA). Work Injury Benefits Insurance provides compensation to employees for work-related injuries and diseases contracted in the course of employment.
- **Liabilities-** This is coverage against claims resulting from injuries and damage to other people or property. For example, a customer gets injured or sick from using products from your business and they sue the business. In this case, product liability insurance will cover for legal costs and pay-outs if the insured party (your business) is found legally liable.

What are the benefits of insuring your business?

Reduce business uncertainty- Taking out business insurance makes you more aware of the risks your business faces and getting your business insured helps you to manage these risks effectively and efficiently. It ensures that, as a business owner you plan for the uncertainties or risks and continuity of your business in case of any adverse situation. For example, should your machines get damaged in a fire or are stolen, with insurance, you can plan for resumption of business since your machines will be repaired or replaced. Without insurance, it will be a struggle to have alternative cash flows to repair or replace the machines and reopening the business becomes difficult.

Access to credit- Insured businesses have a better chance at accessing credit facilities compared to uninsured businesses. Insured businesses can obtain a loan by pledging their insurance policy as collateral for the loan. Similarly, insurance companies can also offer loan facilities especially to their clients using the life insurance policy as collateral.





Attract skilled and qualified employees- A business that provides insurance cover for its employees is more likely to attract and retain skilled employees compared to one that does not. Businesses that are heavily reliant on human capital should consider providing insurance covers such as medical, life insurance, Group personal accident insurance and pensions as part of their employee benefits package. This makes your business an attractive employer and you can retain staff.

Increases your business' credibility- If your clients or customers know your business is insured, it gives them peace of mind and increases your credibility score. Business insurance can help you in contract negotiations and in some instances, you will be required to have some form of insurance before a contract is awarded.

What about life insurance cover?

Life insurance is also equally important, especially for a business owner or the key people who ensure smooth running of the business. It is also an attractive and important benefit that can be extended to employees. As a business owner, you play an essential role in your business. Keyman Life insurance can help your business cover financial loss because of your passing away.

This cover can also be extended to key people in your business whose loss can cause financial strain to the business for example, directors, key salespeople, key project managers or people with specialised skills.

Covers under life insurance include individual or Group Life Insurance cover.

Can I combine different business insurance coverage in one policy?

Yes. Insurance companies offer combined business insurance covers. These covers vary from one company to another, and they vary from one business to another. Combined insurance covers make it easier to manage and save on cost. It is therefore important to get several quotes and proposals to help you identify the best value for your money.

What is the average cost of insuring my business?

Each business and its set-up is unique. Therefore, there is no fixed cost for insuring your business. An insurance company will consider several things while assessing the risks and calculating the premium.

These considerations will broadly include;

- Type of business.
- How long the business has been in operation.
- Financial characteristics of the business- size, sales value, assets, turnover.
- Prior financial behaviour – credit ranking, loan repayments history.
- Prior insurance claims.
- Number of employees.
- Geographical location and type of building occupied.
- Loss prevention or risk management practices.
- Safety/security systems.



Planning for retirement

We all grow old and slow down. We cannot work forever, even if it is your business. It is therefore important to plan for that time when you will not be able to work like you used to.

Regularly putting aside some money during your active years through pension plans is a practical and wise personal financial management strategy. Pension plans can also be extended to employees as a group, through a group pension plan.

Money saved through a pension plan will provide you with a stable income when you retire, and you can maintain the same standard of living as when you were working.

Medical Insurance

As a business you need a medical insurance cover for you and your employees. We all desire to enjoy good health, but from time to time we fall ill and need medical attention. The cost of medication in Kenya is high and it is therefore critical to have medical insurance to help you manage the cost. A group medical cover can be purchased and embedded in your business policy.

Critical Illness Cover

Critical illness has become prevalent, and it is affecting many families leaving them financially drained. Sufficient protection against the financial shocks brought about by critical illnesses requires more than a usual medical cover.

Critical illness cover provides protection in the event one is diagnosed with critical illness such as cancer, heart diseases and others. With this cover, one can access lifesaving medical attention and good hospital care. It will also provide financial support during the recovery phase.

The cover provides a lump sum amount equal to the sum assured in the event one is diagnosed with any of the defined critical illnesses.





CONTACT US



AKI Centre, Mimosa Rd, Muchai Drive
off Ngong Road



P.O. Box 45338 -00100 Nairobi



0709 640000
0722 204149
0733610325



info@akinsure.com



www.akinsure.com/ www.understandinsurance.co.ke



AKIKenya



AKI_Kenya



AKI Kenya