

How to gain the right Business Insurance

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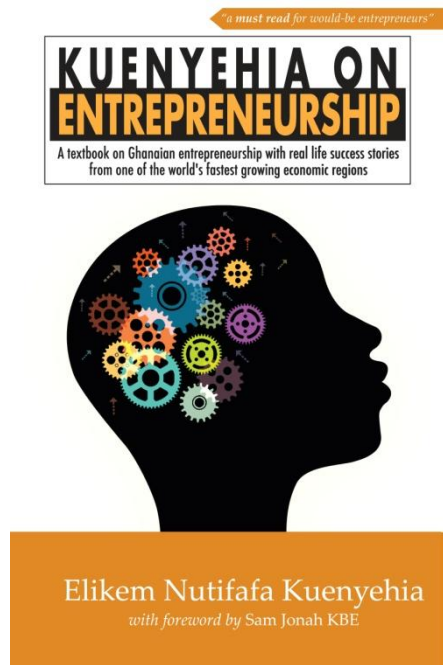


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Introduction

Business Insurance is needed in order to reduce or eliminate business risks. Elikem Nutifafa Kuenyehia, a Ghanaian Lawyer by profession, has outlined a step by step guide to explore the various types of insurance that may be required from general liability to public liability.

How to gain the right Business Insurance

There are different types of risks associated with operating a business. Risks include the office building or goods catching fire, damage to goods in transit, loss of revenue due to the occurrence of a natural disaster such as flooding, refusal of clients to pay for services rendered, the owners of the business getting sued by clients for damaged goods, etc. The kind of risk a business entity may face varies according to the industry and location of the entity.

These risks are often unforeseen and when they occur, they cost the business entity a lot of money and other resources. To reduce the risk therefore, we strongly advise that all businesses should have some form of business insurance. Business insurance is a special contract (called a policy) between a business entity and an insurance company in which the insurance company agrees that, when certain events happen, it will pay for the cost of any losses incurred by the business entity. In return for the assurance of payment in case of the specified loss, the business entity will make payments, called premiums, to the insurance company.

Types of Insurance Cover

a. General Liability Insurance

This is an insurance cover that will protect your business in case an injury or property damage occurs as a result of your business activities. For example, if a customer slips on a pool of water in your reception and breaks his leg when he falls down, a general liability claim could arise. When this happens, the insurance company will pay a specified amount (which is usually agreed on at the time of taking out the policy and will determine your premium payments) for any damage caused.

b. Public Liability Insurance

This type of insurance is usually required by law and may involve different types of coverage. Under Ghana law for instance, every commercial building must have fire insurance. Also, every vehicle must have insurance cover against accidents to third parties. Some peculiar types of insurance cover may be mandatory for your industry and it is therefore important for you to know the requirements for your industry.

c. Professional Liability Insurance

Where a person is an expert in a particular area and can be sued for professional negligence, malpractice, or misrepresentation, this type of insurance is advisable. It is not the same as general liability insurance because general liability insurance usually does not cover situations which are peculiar to specific professions. Examples of persons or organisations that need professional liability insurance are lawyers/law firms, doctors/hospitals, and accountants/accounting firms.

d. Product Liability Insurance

This type of insurance offers protection for the business entity against financial loss arising out of the liability incurred because of an injury or damage that occurs from using the product which has been insured. For example, where a business which produces ice cream is sued by a customer who consumes their product and gets food poisoning as a result of a bad ingredient, an insurance company will pay for the cost of any damages awarded by a court to the customer, as well as the legal fees of the business entity, but only if the ice cream has been insured.

e. Employers Liability Insurance

It provides coverage to the business entity or employer for liability to employees for work-related bodily injury or disease. For instance if your business produces fried chips and an employee who is frying the chips gets burnt by hot oil, the insurance company will pay for the injury if you have this type of insurance cover.

f. Health Insurance

Some companies in Ghana allow employees to present receipts of their medical bills for a refund. Although this may seem cheap because your employees do not get ill often, there may be situations where the cost of treatment may be very high and will therefore affect your cash flow. Also, a refund system does not enable you to plan. Putting your employees on health insurance and paying a determined amount as premium is thus better.

g. Property Insurance

This type of insurance usually protects the business against fire, burglary, property damage, and other defined occurrences such as flooding, wars, etc.

Benefits of Insurance

1. It frees up cash that would have been used to mitigate unplanned losses to be used for the development of the business.
2. It provides the opportunity to assess, manage and reduce risk.
3. It allows businesses to make rational and beneficial decisions without being hampered by the fear of risks.
4. It prevents businesses from collapsing due to predictable and unpredictable losses.
5. It makes it easier to access financing for your business because investors are assured of not losing their investment in the event of certain losses.
6. It ensures business growth due to the management and reduction of risk.

Getting Insured

The Insurance Act, 2006 (Act 724) governs the insurance industry in Ghana. According to the law, an insurance company shall provide either life insurance or non-life insurance. For the purposes of business insurance, you will need to go to a non-life insurance company. Non-life business includes insurance for fire, burglary and property damage; accident; marine and aviation; motor; and general liability. One way to tell the difference between a life and non-life company is by the name of the insurance company. Usually, those companies that provide life insurance have 'Life' in their name e.g. Metropolitan Life Insurance Company.

You may go to an office of a particular insurance company and purchase a policy directly or use an insurance agent appointed by a particular insurance company to sell policies on its behalf.

You may also purchase insurance from a broker or broking company. A broker is an independent person who sells insurance for a commission. Thus, when you call your broker, the broker will determine which insurance company to buy your insurance from and would usually try to get you the best rates at the time of the purchase. Your broker will also ensure that your insurance gets renewed at the appropriate time, and would recommend the best type of cover for your business.

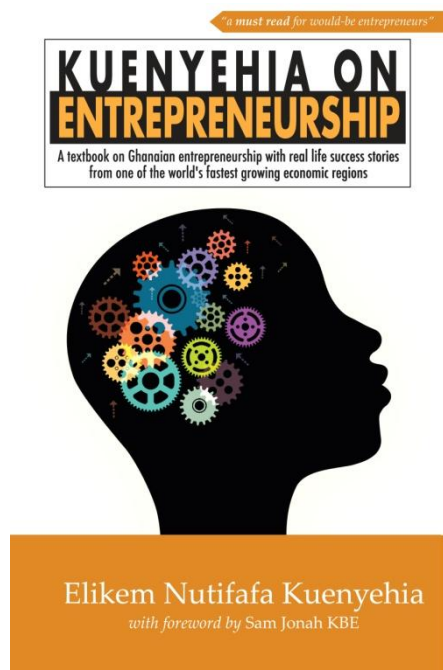
Making a Claim

“ Make sure that you keep insurance policy in a safe but assessable place. When the event which has been insured occurs, do the following: ”

1. Report the incident to the appropriate authority. Example: if your insured item has been stolen, report it to the police and get a police report confirming the burglary. Where there has been a fire outbreak, get a report from the Fire Service Department.
2. Check your policy to ensure that the incident is covered by it. Also, check if there is a procedure provided by the insurance company which you need to follow in order to make a claim. If there is, follow that procedure. For instance, if you have a burst pipe at work and you need it fixed right away, some policies state that you have to use a plumber approved by the insurance company. In that case do not just call your usual plumber – look at your policy, check to be sure you are covered for burst pipes, and then get someone out to fix it who meets the criteria set out in your policy.
3. Have all the documents you need ready. They include your policy document, receipts for any stolen or damaged items, police report, etc. Also, make sure you can fully explain the circumstances of any claim. Answer all questions truthfully. Keep facts which you need to refer to close by, for instance times and dates, details of any other person involved, the exact claim being made, etc.
4. Call or go to the insurance company to make your claim. Where you bought your insurance through a broker, you may want to call the broker who might offer advice and support, or work with the insurance company to get your claim settled quickly.
5. Where there is dispute in connection with settling the claim, you may refer the matter to the National Insurance Commission for arbitration. You may also go to court to seek any reliefs.

Thank you for reading!

Please find more information on how to grow and strengthen your business in Ghana via [Elikem Kuenyehia's book on Entrepreneurship](#).



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**Special thanks to Thelma Tawiah for her significant contribution to this report*