

Buying online business insurance: Be careful

By [John Kerby](#)

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As South Africans become more accustomed to transacting online, coupled with an increase in brand awareness by direct insurers across multiple digital channels, we are noting a marked increase in SME owners purchasing business insurance online.



John Kerby. (Image extracted from the [Risk Benefit Solutions](#) website)

However, obtaining the appropriate type of business insurance policy is more complex than personal insurance and business owners are urged to educate themselves on the terms and conditions of policies before purchasing online, in order to ensure that they are covered for all risks.

A recent survey by Deloitte of small-business owners found that about one-in-five would very likely buy insurance direct from carriers online if given the opportunity, while another third would be somewhat likely to take the plunge.

Online insurance purchases for businesses are best made by small businesses with ordinary business models and no unusual risks. There are many products currently available in the insurance market, varying in policy wording and many are often tailored to suit a specific type of industry. Business owners need to be particularly selective and ensure that they are purchasing the correct limit and type of cover and at a competitive premium.

Big businesses need broker advice

However, owners of large commercial operations should seek the guidance of a professional broker who is able to provide a comparative and educated quote based on the specific needs of a business.

A broker also has access to multiple insurers and their products and is well versed in the comparative differences, so is able to guide business owners and structure the correct cover to suit a business' needs.

Going online or a call centre is often one-dimensional and can only offer one product. In comparison, a broker will conduct a needs analysis and exercise due care when establishing and explaining the correct values and sums insured, as well as making sure the business owner is aware of what is insured, thereby not exposing the business to unnecessary risk.

Compared to online, a broker will also be responsible for reviewing a business's existing policy to ensure that the cover is exactly in line with what the business requires and that there are no gaps in cover or unnecessary wasted premiums for cover not required.

There is often a misperception that direct is cheaper, saving monthly premiums, but it can be more costly, mainly due to the competitive environment that brokers operate in locally, which continually drives down premiums. There is also a belief that cutting out the middleman will allow a client to save on broker fees but clients should not be fooled by this, as commissions are already built into an insurance quote.

Policy wording can limit claims

Policy wording can be another downfall for businesses when purchasing insurance online as no two policies have the same wording. Online insurance cover usually has limited cover or restricted wording, whereas brokers will usually negotiate wider cover for their clients to ensure clients are not underinsured.

Lastly, a broker will also provide guidance through the process of claiming from insurance and will assist in the formulation of the claim. Should a claim be complicated or rejected by the insurer, the broker is on the client's side and is able to establish if the repudiation is fair and legitimate. If not, a broker will present an argument on the client's behalf and will often challenge and obtain legal opinions on behalf of clients.

Businesses need to proceed with caution when purchasing online insurance, as the more complex the structure of cover needed for a business, the less likely they will be covered correctly. It is recommended that only very simple, small businesses attempt to place their commercial insurance online or via a call centre and that more complicated businesses rather seek expert advice due to the complexities involved.

ABOUT THE AUTHOR

John Kerby is a director of Risk Benefit Solutions

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