

Businessworld

THE SME WHITEBOOK

Essential Handbook for Small and Medium Enterprises

2009-2010

MONEY TO HELP IDEAS GROW

OPERATIONAL EFFICIENCY TOOLS FOR SMES

SME CREDIT RATING

Insurance Planning

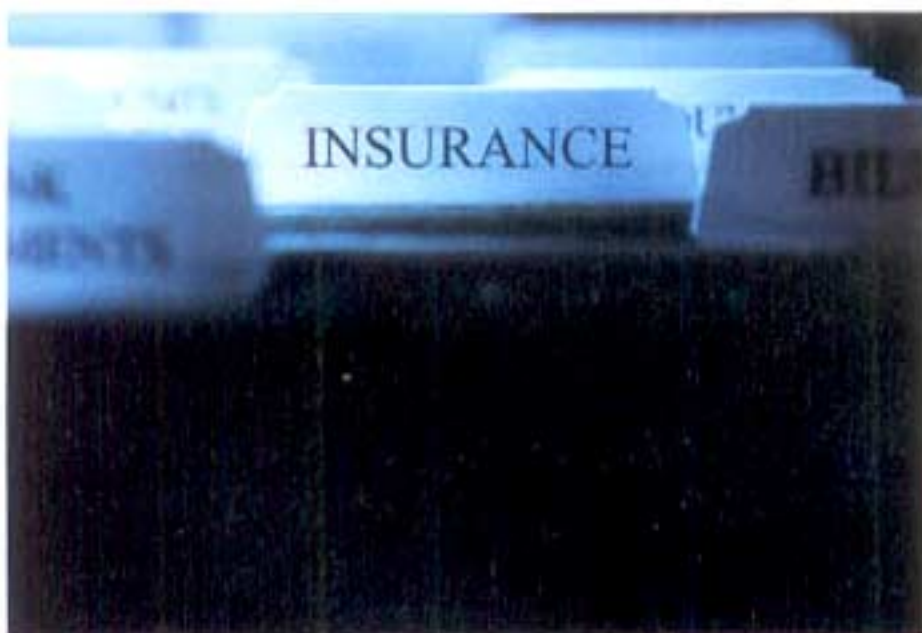
Insurance, often a neglected area, can be a substantial cost for SMEs.

Suresh K. Sethi, Vice President and Director, Insurance Brokers Association of India, advises SMEs to think clearly about their business risks before planning for insurance, and to take the help of insurance experts while taking insurance-related decisions

For a long time, the insurance industry focused on large clients where the premium cheques were large. As a result of this, small and medium enterprises (SMEs) did not get the attention that they deserved. However, rather than blame the insurance industry, it is often SMEs themselves that accord little importance to insurance and are often unable to even put a figure to the insurance costs they incur.

Insurance can be confusing

There is a reason for the confusing scenario in insurance. Today, there are multiple insurance companies and SMEs are often in situations where one vehicle is insured with one insurance company, another with another insurance company. The travel agent issues the overseas travel policy and the marine policy is issued by a third insurance company. Many small amounts are being paid through too many people. As a re-



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sult, SMEs do not get the advice on risk assessment, products, lodging claims and claims settlements that they should get.

Need for experts

When insurance brokerage firms came on the scene in 2003, the scenario changed a bit because for the first time, firms were ready to consolidate all policies, formulate strategy and get the best price for all products at all times for SMEs. These experts were able to assist SMEs in insurance-related tasks like lodging of claim and settlement of claim and that too without charging any consultancy fee.

Combined packages

Many insurance companies have combined several relevant features and named the policy as 'office package policy' or 'industry care policy'. These are a combination of several risks being covered in one policy. The advantage of such a policy is that it is economical in comparison to the sum of many individuals' policies taken separately.

Advise

SMEs should analyse what is their insurance cost incurred during the year. If it is more than Rs 25000 in a year, then it is suggested that the SME should appoint an insurance brokerage firm to handle all aspects of insurance. They will be able to buy right insurance from the right insurance company at the right price.

Evaluate risks related to business and assets

SMEs must evaluate and think clearly about what risks they are facing with respect to their business/assets. These could be some of the areas of concern:

Asset	Risk to be Covered
Building	All Risks + Fire + Terrorism
Office furniture, computers, refrigerator, phone	All Risks + Fire + Terrorism
Plant and machinery used in any manufacturing activity	All Risks + Fire + Terrorism
Stock	Marine policy covers all material inward/outward import/export within India. Also stored in warehouse branches
Liability insurance	Third-party insurance damage caused to any one visiting your plant/office
Fidelity	Unethical activity done by any employee of yours
Cash in transit	Cash being brought from bank or being sent to bank
Motor vehicle	Own damage and third-party insurance
Medicclaim/health insurance	Up to certain salary level covered by Employees' State Insurance Corporation (ECIS)
	Those not covered can be covered under a group health insurance policy. Even maternity cover/pre existing disease can be covered. Family members can be covered. Even parents can be covered. Full details are available on www.health-insuranceindia.org
Gratuity	If the company comes under the Gratuity Act this can be taken from one of the life insurance companies
Superannuation	If the company comes under the Superannuation Act this can be taken from one of the life insurance companies
Overseas travel	If frequently traveling for short durations then annual multi-trip policy can save you money
Keyman insurance	The owner/entrepreneur/keyman can be covered under a term plan. In the event of the death of the keyman, company gets sum assured that can be used for paying loans/settling liabilities with claim amount