

By Faridah Kulabako

Businesses are suffering high rates of fraud. These are committed by consumers through misconduct, asset misappropriation, cybercrime and corruption, according to the 2018 PricewaterhouseCoopers (PwC) global economic crime and fraud survey report for Uganda.

Although businesses acknowledge the existence of such, not many have paid attention to what would save them from sinking as a result of such acts.

Fidelity Insurance

Although it is an important policy that every business must have, fidelity guarantee is less common among many Ugandan businesses.

Fidelity insurance is designed to protect business owners against losses that would have been incurred as a result of infidelity of one's employees through fraud or theft. Although there are readily available statistics for this class of insurance (it is covered under miscellaneous), the Insurance Regulatory Authority (IRA) Director Planning, Research and Market Development, Protazio Sande, says the uptake is still low. The Uganda Insurers Association (UIA) public relations and advocacy officer, Faith Ekudu, says fidelity guarantee is a

How far can insurance polices protect clients?



Businesses need Public Liability Insurance to protect against costs for lawsuits brought by the public

- must-have for all businesses as they are increasingly getting exposed to financial
- losses due to crimes committed by employees.
- According to Ekudu, the

policy is intended to cover all employees and not necessarily those exposed to cash and stock, since collusion is always an eminent risk that is also covered. "All businesses that make money, including small ones, should have at least some kind of protection against losses as a result of employee fraud and theft. Crime is a reality and the financial loss involved can drastically affect a business. It is thus essential to mitigate these risks with proper insurance coverage," Ekudu warns.

She, however, notes that businesses should always make proper background checks on employees and, most importantly, conduct regular system checks and internal audits in place to protect businesses against such risks.

Deciding how much fidelity insurance one needs requires an adviser to give them an estimate of how much they should include in the policy.

This is based on the business' risk profile and other relevant variables, including the number of staff, stock flow and possible incentives to commit fraud. If a business deals in selling luxury items to the public, for instance, the value of stock is high and susceptible to crime. Thus, the controls one has in place in terms of business processes will affect how much fidelity insurance to buy.

What is covered under fidelity insurance?

For one to be compensated,

ALL BUSINESSES THAT MAKE MONEY SHOULD HAVE AT LEAST SOME KIND OF PROTECTION AGAINST LOSSES

the employee that committed fraud must have gained something, be it financially, or using stolen goods for personal purposes.

Also, if one discovers fraud that has been going on for years, the insurer will only cover the preceding two years, even if a business had fidelity insurance for decades. Also important to note is that the insured will not be covered for any losses sustained before the commencement of the cover.

Experts, however, indicate that fraud within a business is hard to detect and can in some cases carry on for years, resulting in loss of millions.

Other little known products include the following.

Professional indemnity

Professional indemnity is an insurance policy that helps protect professional advice and service-providing individuals and companies from bearing the full cost of defending against a negligence claim made by a client and damages awarded in case of a lawsuit.

The coverage focuses on alleged failure to perform or

financial loss caused by an error in the service or product sold by the company.

Coverage sometimes provides for the defence costs. Without the professional indemnity insurance, a company could be liable for millions of shillings worth of legal fees and compensation payments, not to mention lost income from the time spent defending any allegation.

Thus, the professional indemnity policy helps a business settle the costs without destabilising its financial muscle.

Public liability insurance

It is a policy that protects a business from costs for lawsuits brought by members of the public who may be injured or who may lose property within one's premises. It covers the costs of defending a business lawsuit and payments of claims by a member of the public.

"Businesses need such insurance to guard against incurring huge costs, which may arise out of court cases. If you do not have a policy, you will have to get that money from your coffers and a single suit can completely wipe out a business," Sande says.

"There is a bit of laxity because of the nature of our society, but businesses need to take it up because society is getting increasingly litigious," he adds.

Key man insurance

This is a life insurance policy for the main person in a business. If insurer's people who are crucial to a business, whose absence would sink the company. This could be the owner, founders or a key employee. This is also less bought.

In case of unexpectedly death of the key person, the company receives the insurance payoff.

According to Ekudu, the cover is crucial because the death of a key person, especially in a small company, often leads to the collapse of the business.

Thus, the policy helps the company survive the blow of losing the person who makes the business work.

The proceeds can be used for expenses until it can find a replacement or to pay off debts, where necessary.

Computer and electronics insurance policy

This provides coverage to electronic equipment, such as computers, against sudden damage in a manner necessitating repair or replacement.

Electronic equipment constitutes all electrical gadgets that consume low electrical current.

Thus, the cover includes mechanical or electrical breakdown, faulty material and design, lightning and over-voltage incidents.

The New Vision • @NewVisionWire • www.newvision.co.ug



Discover the best business and investment tips to keep you ahead of the game every **Thursday** only in the New Vision.

Get yourself a copy from any outlet countrywide OR Check it out online at epaper.visiongroup.co.ug



Download the Vision Group Store from Google Play today!



A product of Vision Group.