



You insurance policy - what to look out for when your restaurant remains closed

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Under the newly proposed risk-adjusted lockdown rules, businesses in general and restaurants in particular have a lot to consider - not least of which is their insurance cover.

If a business chooses not to open because it would not be financially viable under the COVID-19 restrictions, what would the implications be regarding insurance cover? In this article, we shed some light on the most important insurance issues to consider.

Not all insurance policies are created equal

Not all insurance policies offer the same cover. There are many insurance companies and underwriting agencies in South Africa, each with their own unique policy terms and conditions. What might apply to your neighbour might not apply to you. Some insurers offer more generic, bare-bones commercial insurance cover, whilst others offer more industry specific policies with additional industry specific benefits.

So, it is best to steer clear of the “...yes, but my neighbour said...” decisions. Rather, make some time and call your insurance broker or insurance company for advice applicable to your specific situation and policy.

When your risk changes, always inform your insurer

As a general rule, you must always inform your broker or insurer when your risk situation changes. Most policies contain a specific condition in this regard. Business which remain closed for an extended period during and after lockdown is most definitely a change in risk. Insurers throughout South Africa have been issuing guidance notes on what their underwriting rules are during lockdown, and it would be advisable to call your broker to make sure you know what these rules are.

The above is especially important going forward, when levels of risk-adjusted lockdown rules are applied, and when your decision to open or remain closed becomes a business decision, rather than a compulsory, government enforced regulation. Tell your insurer!

Unoccupied premises

Most insurance policies have a rule regarding premises remaining unoccupied for more than 30 consecutive days. It entails either an increase in your excess, or a suspension of certain covers like theft, malicious damage etc.

Many commentators are expecting an increase in criminal activity and looting due to increased joblessness, so it is very important to make sure that you continue to have the cover in place. Call your broker and tell them about your plans. Find out whether your insurance company has made special arrangement for this situation, and what their unoccupied premises rules are. Your insurer would possibly simply need to make a note on your policy for cover to remain in force.

Stock deterioration

But what about stock? Restaurants carry fresh goods and other stock which expire over time. The news on this front is unfortunately not so good. All insurance policies, as far as we can ascertain, specifically exclude gradual deterioration of goods, alongside the normal “wear and tear” exclusion. This is not unique to restaurants, but also applies to other industries dealing in perishable goods.

It is worth mentioning that certain specialist hospitality insurance products do include an accidental loss of refrigerated stock extension. This extension generally provides cover up to a specified amount for the deterioration of stock as a result of something going wrong with the refrigeration equipment – but only as a result of a sudden, unintended accident or event, but not the gradual deterioration of stock.

Business Interruptions cover

A lot has been said and done about business interruptions insurance since the start of lockdown. For the purposes of this article, we will not attempt to re-hash this debate. For more on this topic, you may download our previous article: [Olive News | Demystifying Business Interruption Insurance](#).

If you did not have a valid business interruptions claim before, then unfortunately nothing will change with phased re-opening. You will also no longer be able to purchase new cover against the risk of pandemics, as almost all insurers and reinsurers globally have discontinued new cover for pandemics and Covid-19.

If you are fortunate enough to have cover, it is very important that you speak to your broker about your decision to re-open or not, and how your decision will impact on the cover that you do have. This will come down to the detailed interpretation of your policy wording, and for that you will need the expert advice of an experienced broker.

Other policy conditions

Restaurant owners and managers must remember that all your other normal policy conditions will continue to apply. These conditions usually have to do with the requirements for burglar alarms, sprinkler systems, surge protectors on electrical appliances and other conditions like additional fire precautions if you are in a thatch building, etcetera. Please check with your broker what your specific conditions of cover are.

Call your broker

Rule of thumb: Always make sure you have a competent insurance broker, who is able to navigate the pitfalls of insurance with you, especially during these uncertain times. Many businesses are looking to reduce cover to cut back on costs, but be very careful where you cut. Crime is expected to increase, and the last thing anyone wants is to have an insurable loss with no insurance cover.

If you need any more information or guidance, you may contact **Olive Insurance Brokers** at 011-462 3393, or willem@olivebrokers.co.za, or visit our website at www.olivebrokers.co.za
