Mitigate risk for business longevity.

It is crucial to ensure that a venture in the hospitality industry is adequately protected against any risk related to business operations.

In its tourism report for 2024, Statistics SA (StatsSA) reports that South Africa remains a top destination recording 8.92 million international tourists visiting the country, a 5.1% increase from 2023.

A labour-intensive sector, with a supply chain that links across sectors, the hospitality industry is regarded as a modern-day engine of growth, contributing 8.8% to the GDP growth in 2024 and supports 1.68 million jobs.

Unforeseen incidents

Although these statistics bode well for the hospitality industry, there are a number of pitfalls in running a hospitality business. These include loss of income due to fire, theft, cybercrime, public and third-party liability, business interruption, and natural catastrophes, to name but a few.

A recent example is that of a restaurant's kitchen that was ruined by fire, forcing the business to close its doors. No income was received during the repair period, but overheads such as rent, electricity, water, salaries and payments to suppliers remained due at the end of each month.

An incident like this has the potential to ruin a business. Fortunately for the restaurant owner, the loss of income and renovations were covered under the business interruption extension of his policy.

Minimum protection

In addition to comprehensive cover, the minimum insurance protection any hospitality business should consider relates to:

- all property, such as contents, equipment, improvements, electronic data processing equipment, outdoor property and stock;
- business interruption, to protect against financial loss should the business be faced with a setback following a loss, and
- machinery breakdown, to cover the repairs or replacement of business machinery following a breakdown of or material damage to the unit.

Juan Fourie

Expert advice

Juan Fourie, head of the Hospitality Division at Santam, explains: "The hospitality industry is diverse, which means that business owners in this industry are exposed to different forms of risk. It is therefore important to understand the unique exposures faced by each business owner, tailormake insurance solutions to match the needs, and put risk mitigation plans in place to protect business owner's assets, reputation and livelihood.

Fourie concludes: "Reviewing as well as updating your insurance regularly is one of the simplest ways to mitigate risk and to protect your venture against potentially devastating financial losses. This is one of the areas where the value of a good broker with specialist expertise and knowledge of this industry becomes critical."

"It is important to also protect against general liabilities that come with the territory of hospitality or entertainment. One of the most critical areas of liability involves food poisoning, should your operation supply catering, to cover the risk of incidents such as a client getting sick or injured while in your establishment," **says Fourie.**

Speak to your broker for more information on the Santam guesthouse and tourism insurance solutions or visit santam.co.za.