



Association of British Insurers

INSURANCE **for your small** **business**

As an employer, you are legally required to have Employers' Liability Insurance. If you use motor vehicles for your business, you are legally required to have Third Party Motor Insurance.

But buying other types of insurance can be much more than a sensible precaution – they can make your business stronger, safer and more efficient. Insurers help you to identify the wide range of risks you face every day. They help you to put systems in place to control those risks and prevent them from turning into serious setbacks. When problems do arise, insurers provide financial help to continue doing business, and get you back on track through replacement, repair or reinstatement.

Insurance required by law

YOU ARE REQUIRED TO HAVE EMPLOYERS' LIABILITY INSURANCE IF YOUR BUSINESS HAS EMPLOYEES.

If your employee is injured at work, or becomes ill as a result of the work they do for you, insurance covers the cost of compensation to a claimant and legal fees. Employees injured due to your negligence can seek compensation even if your business goes into liquidation or receivership.

By law, your insurance must cover at least £5 million but, in practice, most policies offer at least £10 million. Only very few businesses are not legally required to have Employers' Liability Insurance – you can get advice on this from the [Health and Safety Executive website](#).

Your policy should cover all conventional employees, contract, casual and seasonal staff as well as temporary staff, including students or others on work placements. If your organisation involves volunteers, advisers, referees or marshals you should tell your insurer.

The Health and Safety Executive is responsible for enforcing the law on Employers' Liability Insurance. You can be fined up to £2,500 for each day that you do not have appropriate insurance.

For more information, read the [ABI's guidance on health and safety for small businesses \(pdf 44kB\)](#)

YOU ARE REQUIRED TO HAVE THIRD PARTY MOTOR INSURANCE IF YOUR BUSINESS USES MOTOR VEHICLES.

If someone is injured or their property is damaged as the result of a collision caused by you or your employee, insurance covers the cost of paying their claim.

By law, your insurance must cover at least £1 million for property damage, and an unlimited amount for personal injury.

Most businesses take out:

Third Party, Fire and Theft

This includes the same level of protection as third party, but also pays for loss of or damage to your vehicles by fire or theft.

Or

Comprehensive

This includes the same level of protection as third party, fire and theft, but also provides cover for your vehicles against accidental damage. Comprehensive policies will often cover personal belongings left in your vehicles and medical expenses, and may provide personal accident benefits, for example, if the driver dies or loses their eyesight. They may also cover goods or tools carried in connection with your business.

Motor policies usually come with a 24-hour accident recovery helpline, and may provide courtesy vehicles while your vehicles are being repaired.

If motor vehicles form a core part of your business's trade, you will need a specific policy, for example:

- for small vans (commercial vehicle goods carrying policy);
- for taxis;
- for coaches (and other vehicles with more than six seats) which people pay to travel on or put their goods on;
- for vehicles used for farming, or on building sites and industrial premises;
- for motor traders, including car sales and repairs.

Driving without insurance is a serious offence. If you or your employee is caught driving uninsured, the police may seize and destroy the vehicle.

If you are convicted, you could face between six and eight points on your licence, and a maximum fine of £5,000, and you could be disqualified from driving.

Other types of insurance

As well as the insurance you are required to have by law, there are other insurance products that can protect you in various ways, including:

A PROTECTION AGAINST RISK OF COMPENSATION CLAIMS AND LEGAL ACTION

B PROTECTION FOR YOUR PROPERTY

C PROTECTION FOR YOUR EMPLOYEES

D PROTECTION AGAINST FINANCIAL RISK

A PROTECTION AGAINST RISK OF COMPENSATION CLAIMS AND LEGAL ACTION

While Employers' Liability Insurance covers the cost of compensation to employees, there are other claims that businesses need to protect themselves against.

Public Liability Insurance covers the cost of compensation to members of the public for death, injury or damage to their property which happens as a result of your or your employees' negligence. By 'public' we mean anyone who is not your employee, including people visiting your business, people taking part in your activities, and people watching activities you have organised.

This insurance can include extensions such as Property Development Contingency, requested by an architect where there are high-hazard works or works in close proximity to other buildings.

Product Liability Insurance covers the cost of compensation to anyone who is injured, or whose property is damaged, because of a fault in a product you design, manufacture or supply.

Professional Indemnity Insurance covers the cost of compensation to clients if your professional advice has caused them to lose money. Professionals such as solicitors, accountants, financial advisers, architects and surveyors may be required to have this insurance by their industry regulator.

Directors and Officers (D&O) Insurance covers the cost of compensation to a customer if a claim is made against one of your business directors or other staff (not if the claim is made against your organisation as a whole).

Environmental Liability Insurance covers the cost of repairing any damage your business causes to water,

land, protected plants and animals, or protected plant and animal habitats.

Legal Expenses Insurance covers the cost of pursuing legal action or defending your business against legal action where this isn't covered by your liability insurance; for example, in an employment tribunal. The insurer will pay solicitors', barristers', accountants' and expert witnesses' fees and expenses, as well as court costs and opponents' costs if you are ordered to pay them in a civil court. Legal expenses insurers often provide advice and a legal helpline.

B PROTECTION FOR YOUR PROPERTY

Buildings Insurance pays for damage to your business buildings caused by fire, lightning, flooding and even earthquakes.

In the event of serious damage to your building, your insurer will often arrange for a disaster recovery firm to take immediate action, and may refer you to trusted building firms.

You should insure your business premises for the full cost of rebuilding them including professional fees and the cost of clearing the site, which will often be very different from the market value. You should check whether your building is likely to be affected by subsidence.

If somebody else owns the building your business is in, you should check with the owner that the building is insured. If you work from home, you should make sure your home insurance covers your business activities.

Contents Insurance pays for damage to and theft of stock and business equipment.

You should insure stock for its cost price without adding any amount for profit.

If there are times when you have more stock on the premises (for example, just before Christmas), you should make sure the insurance covers this.

You can insure business equipment either based on 'indemnity' or 'replacement as new'. If you choose indemnity, the insurance company will take wear and tear into account when settling any claims. If you choose 'replacement as new', the insurance company will replace an item that cannot be repaired, or a damaged or stolen item with a new one.

Business Interruption Insurance will cover you for any periods when you cannot do business as normal because of an event resulting in damage to property on your premises, such as an essential machine breaking down. Research suggests that 80% of businesses that suffer such a major incident fail within 18 months.

Business interruption insurance will pay an amount to cover the shortfall in profit (before tax is taken off), and pays any increased costs of running the business as a result of the event (for example, the extra accountants' fees you have to pay).

Business interruption insurance is usually offered as an extra when you buy buildings or contents insurance. Some policies will cover further events that disrupt your business, such as people not being able to get into the building or damage occurring at the premises of a supplier or customer.

Terrorism Insurance can be added to your buildings insurance, and is normally provided on an all-risks basis, including:

- biological, chemical, radiological and nuclear contamination; and
- the losses to your business as a result of the disruption.

Terrorism insurance does not usually include the risk of viruses damaging your computer, or losses caused by hoaxes.

Cyber Insurance can cover loss or damage to digital assets or software programmes as the result of cyber crime. It can also protect your business against electronic theft, the costs associated with security or privacy breaches or loss of third party data that your business may hold.

Engineering Insurance pays for repair or reinstatement of machinery, including computers. By law, many items (such as boilers, lifts and lifting machinery) must be inspected regularly by a qualified person. Your insurer will be able to arrange this service.

Goods-In-Transit Insurance pays for goods that are lost, stolen or damaged while they are being moved in your vehicle or by a carrier. There may be a limit on how much is covered for each vehicle or any one batch of goods being sent. You should put special arrangements in place for moving cash.

Glass Insurance pays for the replacement of all internal or external glass at the premises, including sanitary fittings.

C PROTECTION FOR YOUR EMPLOYEES

Life Insurance allows you to protect an employee's dependants if he or she dies while working for you. The policy can pay a lump sum of up to four times your employee's yearly salary. The policy can also provide a pension for your employee's husband, wife, civil partner or other dependants.

It is possible to buy life insurance for employees individually, but businesses usually take out life insurance for a whole group of employees (group life insurance). It can be arranged on its own, though it is often linked to a pension arrangement.

Private Medical Insurance covers the cost of private medical care for your employees. It will allow your employees to receive treatment quickly, or at a time they choose, which means your business is disrupted as little as possible and sickness absence is reduced. Many company schemes also offer 'wellness' services and regular health checks so that problems can be dealt with before they become serious and your workforce is kept fit and healthy.

Some illnesses, and self-inflicted conditions (for example, attempted suicide), are not covered by private medical insurance. Most insurers will not provide cover for illnesses employees already had before the start of the policy, or long-term conditions that cannot be cured. Some NHS services, such as Accident and Emergency treatment and antenatal care during a normal pregnancy, are also not covered.

Critical Illness Insurance allows you to protect your employees if they contract a critical illness covered by the policy. Different insurers provide cover for different critical illnesses. The policy provides a tax-free lump sum direct to the employee who has become ill. This type of cover is often combined with life insurance.

Income Protection Insurance (sometimes referred to as permanent health insurance) pays an income each month to any of your employees who cannot work because they are ill or injured. The income continues to be paid until your employee is fit to return to work, or the policy ends.

Payment usually starts after your employee has been unable to work for an agreed period (this is usually three or six months, but other time limits may be available). It can also cover different treatments designed to help a person get well enough to return to work. It sometimes covers treatment to stop long-term illnesses developing.

Personal Accident and Sickness Insurance pays a regular benefit in cash to a person who cannot work because they have had an accident or are sick. This is especially valuable if you are self-employed and would have no income if you became disabled or sick. If you are sick or injured, the insurance company makes regular payments, usually every week, up to a maximum number of weeks (usually 52 or 104).

They may also pay a lump sum if you die or have a specific injury, such as losing an arm, leg or eye.

Business Travel Insurance can be arranged to cover medical expenses, cancellation or curtailment costs, loss of money or baggage. It usually includes a 24-hour medical emergency helpline.

Insurers will ask you to estimate the number and duration of trips and the areas to be visited.

D PROTECTION AGAINST FINANCIAL RISK

Money Insurance replaces stolen money belonging to your business, whether from your premises or in transit. There is likely to be a higher limit for theft during business hours. Money insurance may also compensate for bodily injury to you or your employees as a result of assault or attempted assault while carrying business money.

Trade Credit Insurance protects your business against the risk of you not being able to pay your debts because your customers cannot pay their debts to you. Also, credit insurers provide free services such as assessing your credit and collecting debts you are owed.

Key Person Insurance protects your business against losing income when a person in an important position dies or becomes disabled.

Employee Dishonesty/Fidelity Guarantee Insurance protects your business against your employees stealing money or stock.

Loss of Licence Insurance protects your business against the reduction in the value of your interest in the premises or the business as a result of nonrenewal or withdrawal of your licence for reasons beyond your control.

Book Debts Insurance compensates for the loss of money arising from accidental damage to or theft of books of account.

Where to buy insurance for your business

Business insurance is usually sold as a package, combining a number of different policies under one premium.

The types of policies you need, and the cost of your premium, will be based on a number of factors including:

- the nature of your business
- its annual turnover
- the number of people you employ
- your insurance claims history

You can buy business insurance directly from an insurer, or from a specialist broker through the [British Insurance Brokers' Association \(BIBA\)](http://www.abi.org.uk/bibabrokers)

For more information on insuring your business, visit www.abi.org.uk/businessinsurance

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