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Insurance for Businesses Factsheet

When starting a new business, there is a need for insurance. It can provide compensation and peace of mind should things go wrong but can also represent a significant cost. We consider the different types of insurance you need to consider.

Compulsory insurance

Employers' liability insurance is compulsory to cover your employees. By law you must have at least £5 million of cover and this must come from an authorised insurer, although a minimum of £10 million is now provided by most policies. You must display the certificate of insurance in the workplace. If your business is not a limited company, and you are the only employee or you only employ close family members, you do not need compulsory employers' liability insurance. Limited companies with only one employee, where that employee also owns 50% or more of the company's shares, are also exempt from compulsory employers' liability insurance.

Motor vehicles liability insurance is also compulsory and must cover third party insurance: this is the legal minimum.

Optional insurance

Other categories of insurance are optional and a decision as to whether you need cover under any given heading will depend on the nature of your business and an assessment of the risks.

Public liability

It covers claims for damages to third parties and although strictly not compulsory, many



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businesses feel this is a worthwhile expense.

Property

You can think about limiting cover to specific risks such as fire and flood or providing more general cover. Consider the level of cover you would need for the premises (if you own the building), equipment and stock. If you rent your premises, then you should check that the landlord has the appropriate cover.

Theft

If your business does not involve expensive items of equipment, then you may decide not to get cover. If you do decide to provide cover for theft, then an insurer will require a reasonable minimum level of security.

Professional indemnity

This is only likely to be necessary if you give advice which could make you liable. It protects against any loss suffered by your customers because of negligent advice. In some professions it is compulsory, for example: the law, accountancy and financial services. However, it is common in other sectors such as computer consultancy and publishing.

Business interruption

This covers compensation for lost profits and extra costs if your business is disrupted, due to say a fire. It is also referred to as 'consequential loss' insurance.

Key man

A small business is often dependent on key members of staff. What would happen if they became seriously ill and were no longer able to work? You will need to consider insurance cover such a situation.

Specialised insurance

A whole host of different policies cover a range of specialist situations – for example: engineering insurance and computer policies.

Working from home



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If you are planning to start your new business from home, then don't assume that your normal household insurance will be enough. It will not usually cover business risks. It is possible to obtain special 'working from home' policies.

Shopping around

It may be stating the obvious, but it is important to shop around to get the best deal. You should obtain several quotes and always be wary of cheap deals. A personal recommendation may be the best way to decide. If your business requires you to be a member of a society or institute, look to them for recommendations in your first year, and shop area thereafter once you know what to expect.

Level of cover

Plan well for this as too much cover and your cash flow will suffer, too little and the consequences can be catastrophic.

- Consider the level of cover you need
- Buildings and equipment insurance - make sure you are covered for the full replacement cost
- If there is to be an excess on any policy make sure that it is set at a sensible, affordable level

How we can help

Running our own business and supporting our clients in doing so puts us in a great position to understand what is needed for different types of businesses and sectors, with over 15 years' experience, there's not much we haven't seen. Get in touch for a free, one hour consultation.