

Which Insurance do I need?

Public Liability (PL)

PL insurance covers any awards of damages given to a third party because of an injury or damage to their property caused by you or your business. It also covers any related:

- legal fees
- costs
- expenses

It is important to note that PL insurance will not cover a claim arising directly from the provision of a professional service; this would be covered under Professional Indemnity insurance.

Generally speaking Public Liability insurance is not compulsory however many clients and potential clients will require you to have it, particularly those operating in the public sector. It should also be considered that litigation levels have risen significantly, in the UK, thus making PL policies increasingly popular.

The amount of cover you need will vary according to your business type and other factors. Many small businesses will take out a minimum of £1 million of cover, although in some circumstances you may be required to take out £5 million or £10 million of cover, for example, if it's specified in contracts between you and certain customers.

You should remember that public liability insurance only covers third party claims, and not those made by your own employees which would be covered by Employer's Liability insurance.

Employer's Liability (EL)

It is compulsory for any firm that has employees to buy £5m of EL insurance and it must cover all employees in England, Scotland, Wales and Northern Ireland. Under British law firms do not need EL to cover employees who are based abroad (eg if they are on secondment). However, you should check whether the law in the country where they are based requires you to take out insurance or take any other measures to protect your employees.

EL insurance enables businesses to meet the costs of damages and legal fees for employees who are injured or made ill at work through the fault of the employer. Employees injured due to an employer's negligence can seek compensation even if the business goes into liquidation or receivership. EL Insurance also covers you for the claimant's costs and expenses plus the cost of your legal representation at a Coroner's Enquiry, and in any Court proceedings made against you by an employee.

Your employers' liability could be triggered even if the employee is a voluntary helper or is self-employed but working under your supervision and you should be aware that if you do not take out Employers' Liability when you employ staff you could be asked to pay a £2,500 fine by the Health and Safety Executive for each day you do not have it.

If your business is not a limited company, and you are the only employee or you only employ close family members, you are not required by law to buy EL insurance. This exemption also applies to Limited companies with only one employee, where that employee also owns 50 per cent or more of the issued share capital in the company.

Office and Contents Insurance

Whether you work from home or a separate business premises, having the right insurance cover for your office is important. Most office policies will cover, as standard your contents including office equipment if it is accidentally damaged, lost or stolen. In addition, it is also generally possible to add additional covers for:

- portable equipment
- business interruption
- legal expenses
- buildings

Which Insurance do I need?

Professional Indemnity Insurance (PI)

All companies or individuals that provide services to a client must face up to the prospect of a court action. The rise in litigation worldwide in recent years is showing few signs of abating. An ever-increasing regulatory burden is leaving companies exposed to the risks of compliance oversight, while the threat of spurious claims or the problems caused by simple human error remain ever present for even the most sophisticated of organisations.

With legal costs on the up and settlements amounts rising, failure to purchase adequate insurance could spell financial disaster. A PI policy is the most effective means of providing a firm with the protection it needs against a claim. Where possible a PI policy should include cover for:

- Arbitration
- Allegations of breach of duty, negligence and /or wrongful acts
- Breach of confidentiality
- Court attendance costs
- Damages
- Defence costs
- Libel and slander
- Loss of documents
- Third party loss through employee fraud

Directors and Officer's Insurance (D&O)

The role of the director is becoming increasingly demanding and dangerous in today's corporate environment. Beholden to company shareholders, financial regulators and government agencies, a director faces potential legal liabilities on all sides. With the onset of more stringent corporate governance guidelines and increasingly complex legislation, recent years have seen a dramatic rise in the number of claims against directors both as a result of shareholder class actions and individual claims.

Directors' & Officers' Liability Insurance (D&O) is the most effective means of protecting against the potential costs of a court case or the settlement of a claim. Failure to purchase D&O can put the personal assets of the director at risk. Considering the potential costs of the legal defence of a director, the financial penalties incurred if the case is lost, and the fact that the director's personal assets may be at risk, it is clear why a comprehensive D&O policy is now seen as an essential element of a company's insurance armory.

In addition to covering the cost of going to an effective D&O policy should also offer specific protection against the following:

- official investigation by governments and regulators
- damages awarded by a court
- civil sanctions (fines and penalties)
- claims made by dissatisfied employees
- claims made against the directors by the company itself
- claims made against the directors of subsidiary companies
- claims made against outside board positions held on the insured company's

Howden Insurance Brokers are able to provide advice on and place all of the above insurances. Howden have operated in the Engineering Sector for over 15 years and look after the Professional Indemnity insurance requirements of over 400 engineering firms. If you wish to discuss your insurance requirements please contact Taurai Ushe on 020 7645 9312 or by email tushe@howdengroup.com.

This document is intended for general guidance. It is not intended to apply to any particular case and does not constitute either legal or insurance advice. For further information please contact the author. September 2011.