



A Guide to... Business Insurance

When running a business, there are various different insurances that should be considered, although there will undoubtedly be some more relevant than others depending upon the nature of the business and its activity.

Here we will take the opportunity to look at those that are compulsory and those which are optional. Clearly, where insurance is optional, the need or desire for that cover is to be considered on a case by case basis.

Compulsory

Employer's Liability – By law, a company must have a minimum of £5 million of cover although many policies provide a minimum of £10 million. Exceptions to this rule are: -

- the business is a Limited Company with only one employee owning 50% or more of the company's shares.
- or*
- the business is not trading via a Limited Company and the proprietor is the only employee or the only other employees are family members.

Where effected, a certificate of insurance should be displayed in the workplace.

Motor Vehicles Liability – Third party cover is compulsory. Fully comprehensive provision is optional.

Optional

Public Liability – Covering claims for damages to third parties, this may not be compulsory but is often effected.

Property – The range of cover available is extensive, ranging from the building only to the equipment and stock that may be within the property. This can often be influenced by whether the building is owned by the proprietor and / or business itself or a third party landlord. Specific risks may be considered such as fire, flood, etc.

Theft – The need for this will be determined by the contents of your business premises, namely stock, equipment, etc. Where such cover is required, insurers will normally demand a minimum level of security.

Professional Indemnity – This is generally effected where advice given could make you liable and where negligent advice could result in a financial loss to a customer or client. For some business this is actually a regulatory requirement, such as the legal, accountancy and financial services professions, although it is often seen in the publishing and consultancy sectors.

Business Interruption / Consequential Loss – This provides compensation for costs and loss of profits as a result of disruption to business due to fire, flood, etc.

Key Person - Key person insurance is effected where the long-term absence through accident or ill health, or death of a key employee, will have a severe detrimental effect on the profits of the business.

Partnership / Shareholder Protection – At the outset of a business, with the assistance of a Company's accountant and solicitor, it should be decided on the value of the shares and the business and on what basis the Company would be restructured in the event of the death, ill health or retirement of one of the shareholders. In regards to the death of one of the shareholders, provision should be effected to either: -

- compensate the deceased's estate for the loss of the shares if these are cancelled or absorbed by the business
or
- where these fall into the deceased estate, to enable the remaining shareholders to purchase the shares.

Sick Pay Provision – It is fair to say that smaller companies often do not offer sick pay entitlement, with an absence through illness not being remunerated. However, to attract good quality staff, particularly those that may come from larger employers, a good quality sick pay provision is essential.

An employer can seek to self insure, bearing the cost of salary whilst an employee is absent. However, as the Company flourishes, so the number of employees increases. As such the statistical prospects of one or more of those employees being absent due to a serious accident or illness becomes greater. The implications of a sustained absence from work can be quite severe. Thus it may be appropriate to consider an income protection scheme, which enables a comprehensive sick pay entitlement to be offered for a fixed monthly outgoing.

Employee Benefits – A key contributor to the success of a company is the workforce and employee benefits are seen as a valuable tool in attracting quality employees. Benefits such as pension schemes, life cover, critical illness and private medical insurance are often expected as part of a comprehensive employee benefit package.

Specialised Insurance – There are numerous types of insurance to cover specific business situations. It is fair to say that insurance can often be tailored to meet every need.

In regards to protection provision, Warr & Co has a team of Independent Financial Advisers that can provide professional advice. In regards to general insurance, Warr & Co has links to a specialist insurance broker that can assist in satisfying most requirements.

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