Business Insurance

Protecting your business

Business Insurance protects your business from damage, theft and other negative impacts that have the potential to harm your activities.

It is important to get the right level of insurance. The type and amount of insurance cover your business needs will depend on the risks your business is exposed to and several factors will influence this including, for example, your working environment, the type of product or service you offer, your geographical reach and the number of people you employ and how influential they are on your business.

Some insurances such as employers' liability insurance and motor insurance are required by law and others, such as professional indemnity insurance, are required by industry and other bodies who oversee certain professions and regulated industries.

Considering the insurances

In addition to these, you should also consider the insurances that cover the risks associated with the products or services you sell and how you operate your business. There are a large range of insurances for these risks, but broadly they will protect:

- your operational activities thereby safeguarding your working environment
- your employees, providing them with benefits
- the commercial performance of your business if a key employee is ill

- customer and public compensation claims against your business.

Your financial advisor or an insurance broker will be able to help you decide on the type and level of cover that is appropriate for your organisation and arrange this for you.

Insurance required by law

Employers' Liability Insurance

As an employer, you are legally required to take out employers' liability insurance as soon as you recruit your first employee.

If your employee is injured at work or becomes ill as a result of the work they do for you then your employers liability insurance will cover the cost of compensation payable to your employee and the associated legal fees.

Insurance for vehicles.

If a vehicle is used for the business this must have third party insurance as a minimum requirement.

If a person is injured or a property damaged by a collision by you or your employees then this insurance covers the cost of paying for their claim. There are different levels of insurance for different types of work and different vehicles so it is important to get the right level of cover for the activities you are undertaking.

If your employees use their own vehicles for business make sure they have adequate insurance cover.

Protecting your premises and assets

Buildings Insurance

Insuring your premises, fittings, equipment and stock can protect your business from losses caused by theft, fire or flood. Buildings insurance covers the physical building but remember that insurance is for the full cost of rebuilding which can be very different from the market value. If you rent your business premises, then make sure that your landlord is insured and if you work from home make sure

your home insurance covers your business activities.

Contents Insurance

You need separate content insurance for stock, equipment and other moveable items. If there are times in the year when you have more stock than others, make sure your insurance covers the business for this full level.

Business Interruption Insurance

You might want to think about taking our business interruption insurance to provide cover against the knock-on effects and additional costs of incidents that stop you from working effectively, for example, if you are unable to trade because of damage to your premises. This type of insurance is usually offered as an extra when buying buildings or content insurance.

Protecting against compensation claims

Whilst Employers' Liability Insurance covers a business for claims from employees, there are various other third parties who might claim compensation from your business.

Public Liability Insurance

This covers a business against the costs of a compensation claim from members of the public for death, injury or damage to property that happens because of you or your employee's negligence. In this type of cover 'public' means someone who is not your employee but is visiting your premises or taking part in or watching your activities.

Product Liability Insurance

This covers 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

If you provide professional advice that causes a client to lose money they may ask you for compensation. Typically, professionals such as lawyers, accountants, architects, and other advisors are required to have professional indemnity insurance by their professional body.

Directors and Officers Insurance

If someone makes a claim against one of your business directors or officers (not your business), then this type of insurance will cover the costs of that claim.

Legal Expenses Insurance

When you don't have legal expenses included in other liability insurance, legal expenses insurance will cover these costs. Sometimes this type of cover will also come with a helpline to offer advice.

Protecting your people

There are two type of insurance for your people:

1. Insurance where the employee themselves receive the benefit and
2. Business protection insurance to compensate the business for the death or critical illness of a key employee or co-owner

Employee benefits include:

Life Insurance

It is possible to buy life insurance for employees individually or as a group and as part of a pension scheme or separately. Life insurance may pay a lump sum and pension to the dependants of an employee who dies while working for you. Life insurance may also be combined with critical illness cover which provides a lump sum if an employee contracts a covered condition.

Private Medical Insurance

You might want to offer medical insurance to employees to help them receive treatment quickly or at a time of their choosing which may minimise the disruption of illness on your business. Many medical insurance policies will often offer wellness services and health checks as well but note that some illnesses and pre-existing conditions may be excluded.

Personal Accident and Sickness Insurance

This type of cover will pay a regular benefit to a person who cannot work because of sickness or an accident. Typically, the payments would be up to a maximum number of weeks and there may be a lump sum payment for specific injuries. This is particularly useful for self-employed who lose income if they cannot work.

Business protection policies

This type of insurance protects against the possible financial losses resulting from the death or illness of a principal or key employee. This is different to personal protection because it reflects the potential liabilities and losses that might result from the death or incapacity of specific employees. There are four main policies that can protect businesses in these circumstances:

Key Person Protection

This will insure against the financial losses that may arise if a key employee dies, becomes terminally ill or suffers a critical illness. It will pay out a lump sum, giving the business the funds it will need to meet its ongoing financial commitments.

Business Loan Protection

If your business has borrowings such as a loan or commercial mortgage, then business loan protection will help repay these should one of the business owners die or suffer a critical illness.

Share Purchase Protection

This type of cover allows the remaining business owners to buy the insured shareholders' interest in the firm should one of them die or become critically ill.

Partnership Protection

Similarly, partnership protection is taken out to ensure that funds are available to allow the remaining partners in a business to buy a partner's share if they die, become terminally ill, or suffer a critical illness.

For more information about these insurances see our Guide to Business Protection Insurance.

Choosing an insurance advisor

The most cost-effective way of protecting your business is often to arrange a package of the most appropriate insurances, making sure that they cover your business's specific needs.

You can contact all the insurance companies directly, but you might find it easier to use an independent insurance broker. An experienced advisor should be able to help you work out the business risks that you need to protect against, the most effective way of getting appropriate insurance cover and the level of cover you need.

When deciding the advisor to work with consider:

- How they will charge
- The areas of expertise or experience they have
- Which insurance companies they work with and their credentials

Your advisor and/or insurance provider will ask you several questions relating to your business and its practices. These are likely to include:

- The type of business you are
- The size of turnover
- The number of employees

- What kind of claims you've been subject to in the past
- Your health and safety record
- Your level of exposure to customers/clients

All these questions can determine the level of risk your business presents to an insurer.

If your business has been subject to claims in the past, or if your health and safety record is less than squeaky clean then the business risk may be seen to be higher and an insurer may increase the premium, making cover more expensive.

Some local insurance providers are listed on our Local Service Provider page.

Risk management

Even the most comprehensive insurance rarely fully covers the costs and disruption your business can suffer. Effective policies and procedures to minimise risks are an equally essential component of protecting your business.

By developing and regularly reviewing a risk matrix for your business you will not only improve your ability to manage your operations, you will also identify if/when your insurance cover needs to be altered to reflect the changing risks in your business.

Relevant Links

- Guide to Business Protection Insurance
- An Introduction to Jersey Commercial Property for Small Business
- Premises & Insurance
- Local Services Providers

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