

# Insurance Cover for Business

Business Information Factsheet

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## Introduction

It is important for anyone starting up in business to consider the risks their business may face and take out appropriate insurance cover. Some types of business insurance, such as employers' liability insurance and vehicle insurance, are required by law.

This factsheet introduces the main types of business insurance, indicating those that are legally required.

## Employers' liability insurance

Any business that employs staff is legally required to have employers' liability insurance, which covers claims made by employees who are injured or become ill as a result of their employment. The definition of employees includes casual, seasonal and temporary staff, as well as permanent employees and trainees.

## Business vehicle insurance

All vehicles that are used for business purposes must, by law, be covered by third-party vehicle insurance under a policy that includes business use. Some businesses will need specific commercial vehicle insurance policies to cover vans, taxis, coaches or vehicles used on farming or industrial premises.

## Public liability insurance

Public liability insurance covers claims arising from death or injury to members of the public, customers and suppliers, or loss of or damage to someone's property, occurring as a result of business activity.

## Environmental liability insurance

Environmental liability insurance covers the cost of repairing damage to the environment that has been caused by the business, for example as the result of a chemical leakage or a fire at the premises.

## Product liability insurance

Product liability insurance covers claims made by anyone who suffers injury or damage to property as a result of a fault in a product manufactured or supplied by the business.

## **Employment practices liability insurance**

Employment practices liability insurance covers costs arising from claims brought against a business by employees or former employees relating to discrimination, misconduct in the workplace and wrongful dismissal.

## **Professional indemnity insurance**

Professional indemnity insurance covers claims arising from negligent advice provided by a business. It also covers breach of copyright, data protection breaches and medical malpractice.

## **Property insurance**

Property insurance provides protection against loss or damage to business property (such as stock, equipment or premises), for example as a result of fire, flood, theft or vandalism.

## **Business interruption insurance**

Business interruption insurance covers loss of income when a business can't trade as usual due to circumstances specified in the policy, such as breakdown of essential equipment, damage to premises or lack of access to the premises, for example due to a gas leak in the local area. It will compensate the business for shortfalls in pre-tax profit and any increased business costs that arise from the interruption.

## **Cyber insurance**

Cyber insurance protects businesses against damage to, or loss of information from, computer systems and networks arising from a cyberattack. It can cover costs incurred by the business itself, as well as third-party losses sustained by customers of the business.

## **Goods-in-transit insurance**

Goods-in-transit insurance covers a business's goods against loss, theft or damage while they are in transit from one place to another or are being stored during a journey.

## **Trade credit insurance**

Trade credit insurance provides cover for a business when trade customers fail to pay, or fail to pay on time. It pays out a percentage of the outstanding debt when a customer of the insured business is either declared insolvent or continues to default on payment for longer than a period specified in the policy. A business can take out trade credit cover for all their customers, or just for individual accounts.

## **Loss-of-licence insurance**

Loss-of-licence insurance covers against financial losses resulting from the loss of a licence to sell alcohol. It usually provides cover against a reduction in gross income or a reduction in the value of the business or its premises in cases where the licensee has lost their licence to sell alcohol for reasons beyond their control.

## **Key person insurance**

Key person insurance provides cover in the event of the death of an individual who is so important to the operation of a business that it would suffer greatly from their absence. If the insured individual dies, the policy pays a lump sum to the business that can be used to help it recover. Policies can be extended to cover specific critical illnesses that may prevent a key person from working.

## **Directors' and officers' insurance**

Directors' and officers' insurance covers the costs of defending company directors and key managers against charges that they have committed wrongful acts. These include allegations of breaches of trust, breaches of duty, making misleading statements, neglect, error and wrongful trading.

## **Income protection insurance**

Income protection insurance provides business owners with an income if they are unable to work as a result of an accident or illness. A policy will typically pay out an income of between 50% and 70% of an individual's pre-tax earnings, although the amount may be reduced if they are receiving any other income.

## **Useful resources**

'Business Insurance: The Basics'

British Business Bank

[www.british-business-bank.co.uk/finance-hub/business-insurance-basics](http://www.british-business-bank.co.uk/finance-hub/business-insurance-basics)

'Business Insurance Guides'

British Insurance Brokers' Association (BIBA)

[www.biba.org.uk/insurance-guides/business-insurance-guides](http://www.biba.org.uk/insurance-guides/business-insurance-guides)

'Business Insurance'

Association of British Insurers (ABI)

[www.abi.org.uk/products-and-issues/choosing-the-right-insurance/business-insurance](http://www.abi.org.uk/products-and-issues/choosing-the-right-insurance/business-insurance)

'Employers' Liability (Compulsory Insurance) Act 1969: A Brief Guide for Employers'

Health and Safety Executive (HSE)

[www.hse.gov.uk/pubns/hse40.htm](http://www.hse.gov.uk/pubns/hse40.htm)

## Related factsheets

- BIF017 Running a Business from Home
  - BIF027 Using an Insurance Broker
  - BIF375 Employers' Liability Insurance
  - BIF408 Income Protection Insurance for the Self-employed
  - BIF465 Trade Credit Insurance
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**Cobweb Information Ltd**, YBN, 7 & 8 Delta Bank Road, Metro Riverside Park, Gateshead, NE11 9DJ.  
Tel: 0191 461 8000 Website: [www.cobwebinfo.com](http://www.cobwebinfo.com)