

Public Liability Insurance

- FactSheet

Public Liability

Although Public Liability insurance is voluntary for most businesses, the compensation and blame culture that has swept the UK makes it almost impossible to trade without such vital cover. Businesses that choose not to purchase this cover are risking both financial disaster and the future of their company.

Public Liability insurance covers you against any third party claims made against your business. For example, if you were held legally liable for personal injury, or for damage caused to property. The insurance will also cover you for any legal costs associated with defending claims against your business.

Even if you work from home you will usually still need Public Liability insurance. If clients often visit you at your home office, this type of policy will cover you if they injure themselves while on your premises. The policy will also usually provide cover for any work you carry out away from your home.

The level of premium will depend on the size of your business. For the smaller company, it will be calculated on the number of people working in the business and for the larger company, it will be calculated on your turnover and wage roll. The problem is working out what level of protection you think you need. The key is not to underestimate. The traditional limit of £1 million may sound like a lot but if you find yourself facing a large claim or a claim from more than one third party, the compensation awards and the legal fees involved could easily exceed such a limit. In more recent years, the majority of businesses, particularly those involved in a manual occupation will purchase limits of £2 million or £5 million.

For contractors, there is often confusion regarding the employment of sub-contractors.

There are two types of sub-contractor:

Bona Fide – regarded as a company in their own right. They will often provide materials & equipment and will usually have their own insurance cover in place. They will not work under the direction or control of the principal contractor. This type of contractor does not need to be insured under the policy.

Example – ABC Building Services (principal contractor) employs XYZ Roofing Services (bona fide) to build and install a new roof on a newly built house. XYZ carry their own insurance and do not use any equipment or materials supplied by ABC. They do not work under the direction or control of ABC and do not need to be insured under the policy.

Labour Only – generally regarded as an employee and solely provides labour and skills to the principal contractor. They will not provide materials or have their own insurance. They will generally work under the direction and control of the principal contractor. This type of contractor must be insured under the policy.

Example – ABC Building Services (principal contractor) employ Mr Smith (labour only) to work on a large building project. Mr Smith is self-employed but does not have his own insurance. He works for ABC, ultimately under their direction and control. ABC supply, both the materials and some equipment/tools for Mr Smith to carry out his duties. Mr Smith is ABC's responsibility and must be insured under the policy.

Products Liability

Although not compulsory, this is an important area of cover which is often provided in-conjunction with a Public Liability policy.

If you manufacture or supply goods, there's always the possibility that your product could cause injury to a third party or damage their property. A small defect could lead to massive claims, so this cover is vitally important for any business in a product supply chain, particularly manufacturers.

Look for a policy that guards you against safety claims, manufacturing quality, spoilage and indemnity costs (medical bills and so on). And remember Products Liability is designed to cover you against unforeseen circumstances, if you simply make an inferior product or supply bad services then you're not going to be able to make a claim.