



INSURANCE FOR CONTRACTORS

CONTRACTOR GUIDE 2018

INSURANCE FOR CONTRACTORS

You've worked hard to become self-employed, either as a freelancer or Limited Company contractor, so you want to be sure everything is protected. When you buy insurance, it's a promise that if something catastrophic happens to you or your business, your provider will help you to make it right again.

In this guide we'll explain why you need business insurance as a contractor, talk you through the types of cover you should consider, and let you know how to find the right insurance for you.



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WHY DO I NEED INSURANCE?



No matter your industry, if you work as an independent professional you are providing your client with your services, your experience and your professional advice. If, during the course of your work, you make a mistake or an error that has an affect on your client or their business, then they are well within their rights to make a claim against you.

Having the right insurance in place when a costly claim is made can be the difference between keeping you in business and having to shut your business down. This could also have a negative impact if you want to work as a contractor again in the future. Even after your contract ends or when your company closes you are still liable for any mistakes you may previously have made up to a certain point i.e. 6 years.

Do I have to hold business insurance?

Clients and recruitment agencies will often insist that you have insurance cover before you undertake a contract. It is common to think that your agency will protect you, but unfortunately this isn't the case for the vast majority. Having the right insurance will not only protect you and your business, but will ensure you are in line with the terms of your contract.

IR35 INDICATOR

Purchasing and holding adequate insurance, and professional indemnity insurance in particular, is a key IR35 indicator. As this isn't a requirement for a traditional employee, holding professional indemnity insurance shows a clear distinction between an independent professional and an employee. It also demonstrates a financial obligation and a responsibility to protect your interests. Therefore having business insurance is a key indicator to HMRC that you are operating as a bona fide business.

THE TYPES OF INSURANCE YOU'LL NEED

The most common insurances held by contractors and freelance professionals are professional indemnity, public liability and employers' liability. You should also consider taking out occupational personal accident cover, particularly if you have to commute to a client's office or go out on site.

Other types of insurance you may want to take out include directors' and officers' liability to cover your responsibilities as a company director, as well as legal expenses insurance - useful when defending a commercial dispute such as a tax investigation, or when facing issues around employment.

Professional indemnity

Professional indemnity insurance is designed to protect you against claims for negligence (such as making a mistake, or giving bad advice). It also provides cover for loss of documents, loss of data, breaches of intellectual property, defamation and libel.

If you do make a mistake for which you are responsible or are deemed to have been negligent, then professional indemnity insurance will cover compensation that you have to pay as a result, as well as the legal fees you have incurred in the process. It will also cover the cost of fixing a mistake you may have made, which could help you to avoid having a larger claim made against you. A mistake could end up costing you tens or hundreds of thousands of pounds so it's vitally important to have the right protection in place. An agency will typically ask you to have a minimum of £1,000,000 in professional indemnity cover as standard.

It's worth checking that your professional indemnity policy also includes retroactive cover, which will protect you against any work you did in previous years. Even if you're accused of a mistake and you don't think you were negligent, it's still costly to defend yourself. Professional indemnity insurance provides you with the protection to be able to defend the claim.

Public liability

As a limited company contractor you have a duty to protect anyone who might be affected by your professional activities, whether you are on your own premises or at a client's site. Public liability insurance provides cover if someone is injured or third party property is damaged as a result of your actions while supplying services. It also covers legal fees that may arise as a consequence of any claims you have to defend.

Having public liability insurance allows you to go about your work safe in the knowledge that you are covered should you cause any accidental damage or injury. Even if your contract doesn't stipulate that having public liability is a requirement, it's still a very good idea to make sure you hold insurance as you could still be sued.



Employers' liability

If you are the sole employee of your Limited Company and own more than 50% of the issued share capital, then your company is exempt from holding employers' liability. However, it's a low cost type of cover, and most contracts are standardised so it is still very likely that your client or agency will require your business to hold employers' liability insurance. It will also cover you if you have a family member working for your business in a clerical capacity, or if there is a substitution clause in your contract.



Directors' and officers' liability

If your business is accused of financial mismanagement, a legislative breach, a health and safety failure, or of breaching company law, then your policy steps in. As the director of your business you can be held personally liable for many reasons. Action can be taken against you by a number of people – a regulator, your end client, the taxman – if they think you haven't been sticking to the rules.

Having directors' and officers' liability provides you with reassurance and a valuable safety net, covering any legal fees that may arise as a consequence of claims you have to defend. Directors' and officers' liability provides cover for your legal defence costs and will protect your financial assets.

If you're injured as a result of an occupational accident and are unable to work, then there's a good chance you'll be looking at a significant financial loss.

With personal accident cover, you will be paid a benefit while you recuperate, meaning you won't have to worry about those food bills, the mortgage, or any of the other things you might take for granted when you're working and earning money.

Should your accident leave you with a permanent disability, or cause your death, then a lump sum is usually paid out.

An occupational accident may include the following: injury while working from your home office, injury on site or at a client's office, or injury while travelling to or from a client's site or your own home office.

As an employee you would be looked after by the company you work for should you have an accident, but it's important to remember that as a contractor you may lose your contract if you cannot work and subsequently, your income.



WHERE CAN I BUY THE RIGHT INSURANCE?

A quick internet search will give you countless providers. You could also contact your existing broker and compare the cover and prices before you finally decide. Kingsbridge Contractor Insurance is our preferred supplier for their experience with contractors and freelancers. They offer a comprehensive, competitive and compliant insurance solution that is favoured by the majority of contractors with one policy that covers all your main risks and contract obligations. They also offer a price promise guarantee - if you find the same cover for a lower price, Kingsbridge will match it for you. Get in touch today.

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