

A smiling woman with long white hair is sitting at a desk. She is wearing a green shirt and has her hands clasped in front of her. A laptop is open to her right, and a notebook with a pen is on the desk in front of her. The background is a blurred office or home workspace.

# Business Basics: Insurance for contractors and freelancers

**fsb**<sup>co</sup>

Insurance Service

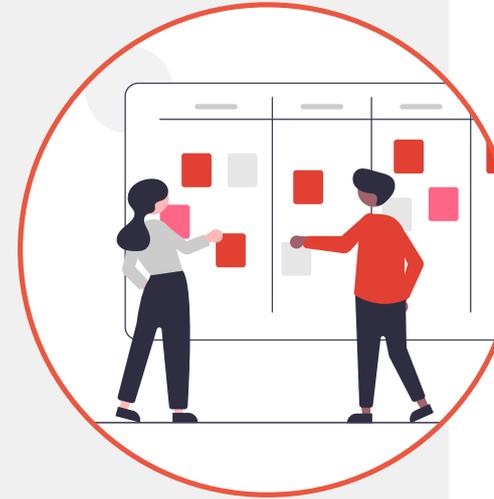
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**Being your own boss can be freeing, but it also means all the paperwork falls onto your shoulders. With changes to IR35, the hardening insurance market and the UK's new relationship with the EU, as well as the day-to-day business admin, there's a lot to think about.**

Whether you're a full-time contractor or picking up freelance projects as part of your side hustle, our experts from FSB Insurance Service are here to help. In this guide, you'll find everything you need to know about insurance. We'll look at the different types of cover available, how to prepare for the unexpected and tips for getting the best deal possible.

## What insurance do I need?

Setting up business insurance isn't as simple as getting cover for your home or car might be. Some businesses might be able to get simpler package policies, but it can be complicated to make sure you have the right cover for your business with so many policies and packages available for different business types. Setting up insurance successfully requires planning.



## Get prepared

Before setting up or reviewing your business insurance, it's important that you know the key information about your business. Your business is unique, so this step will help you find what's best for you, whether you're a landscaper or a graphic designer.

**What is the nature of your business?**

**Your annual turnover is**

**Your estimated annual wage roll**

**Your insurance claims history**

**Where do you work?**

*(e.g. At home/On-site/In people's homes/In an office)*

**Do you have any subcontractors?**

**If so, do you make sure that they have their own insurances in place where required?**

**In your client contracts, are you aware of any minimum levels of cover required for your Professional Indemnity or Public Liability?**

**If you currently have Professional Indemnity in place, do you have a retroactive date that would need to be included in any future policies?**

*Different insurers may require different information, but take this time to get all the relevant paperwork in place so that when you speak to your broker you can give them the necessary information in one call. This will speed up the overall quote process.*

## Do your research

There are many different types of business insurance covers you can buy to improve your business resilience, but you may have some that you are legally or contractually obligated to hold. If you own a car, for example, commercial motor insurance is a legal requirement. If you have any employees or volunteers, Employer's Liability insurance is a legal requirement. It covers your legal responsibility for your employees, and in the event of a claim, Employer's Liability will cover the cost of legal expenses (depending on your policy) and the claim amount.

### Public Liability

One of the most common types of business insurance, public liability covers your responsibility to third parties. Similar to Employers' Liability, it protects you from suffering financially if a claim is made against you or your business in respect of loss or damage to third party property or people as result of your negligent acts. Additionally, if you believe a claim is fraudulent your insurer will help to make sure it's investigated.



### Product Liability

This covers liability for loss, damage or injury caused by a product you have manufactured, installed, supplied or maintained. If you handle products and or repairs it is important to make sure that you are covered in case a product handled by you causes loss, damage or injury.



### Professional Indemnity

If a mistake you make in your work whilst advising a client causes a financial loss to a client, Professional Indemnity will help you cover any costs or claims made against you. Professional Indemnity won't cover you doing a bad job or for 'faulty workmanship'. If you install a boiler that isn't fitted properly and it causes a gas leak, this will not be covered by Professional Indemnity insurance.



**Many contactors and consultants will find that they have contractual PI limits when entering into contracts with organisations, especially government or councils. The cost of PI cover is increasing as the insurance market hardens so it's important to reach out to your broker and other brokers such as FSB Insurance Service to find the most competitive quote with the correct limits.**

### Building Insurance

This covers the structure you work from, as well as (typically) any landlord contents or tenants' improvements. If you are responsible for the building your business operates in, this should be priority.



## Contents Insurance

If the contents of your office or place of business are lost, damaged or stolen, this will help you cover the cost of replacing them. If you use business equipment or tools offsite, this may require additional cover.



## Protecting your business online

As more of us do business online, it's essential that you've put measures in place to safeguard business data. There are easy steps you can take to ensure you're protected:

- ✓ Back up your data
- ✓ Use password protection and two-factor authentication
- ✓ Keep computers updated with the latest software
- ✓ Install antivirus software and firewalls
- ✓ Know how to spot signs of phishing scams

If you're subject to a breach, having cyber insurance can be a lifeline. Potential fines, legal fees and claims can soon add up.



## Working with subcontractors?

Correctly classifying subcontractors in your business is a crucial part of understanding your legal requirements and liability.

### Labour-only subcontractors

- ✓ Provided with tools and materials
- ✓ Work as if they were an employee
- ✓ Paid an hourly or daily wage
- ✓ Supervised to ensure standards are met
- ✓ You're responsible from a public and employers' liability perspective
- ✓ Failure to insure could result in problems with your policy or even a Health and Safety Executive penalty



### Bona-fide subcontractors

- ✓ Work under their own supervision
- ✓ Use their own tools
- ✓ Decide how, when and where to work
- ✓ Paid on completion
- ✓ Responsible for their own insurance
- ✓ Most public liability policies will include cover for bona-fide subcontractors as a standard extension, subject to requirements



## How to protect yourself against Professional Indemnity claims

If you offer any sort of advice or handle data, you could find yourself exposed to a Professional Indemnity claim.

### What is Professional Indemnity insurance?

Professional Indemnity insurance covers claims involving your services.

- Insures you against suffering a financial loss due to things like negligence, defamation and breach of confidence
- Covers your professional risk for errors and omissions, legal costs and expenses incurred in defending you
- May also cover any fines relating to alleged damages caused by your services

### When might you need it?



#### Error

Including factually incorrect information in a project you've done for a client.



#### Negligence

Client work you've carried out that hasn't met the specified requirements, causing them to lose money or suffer an injury.



#### Infringement

An accusation that you've infringed a competitor's copyright.



#### Breaching confidentiality

Sending out an email to a supplier that contains confidential client information.



## How can I get the best possible rates for my business insurance?

- Prepare and start early
- Provide as much information as you can
- Explain what your business does
- Show what makes you a well-run business, such as training, protection, procedural guides, risk assessments
- Have a business continuity plan in place
- Consider taking a higher excess to reduce premiums

**Did you know?** FSB members can access a free Business Continuity Planning kit from FSB Insurance Service.

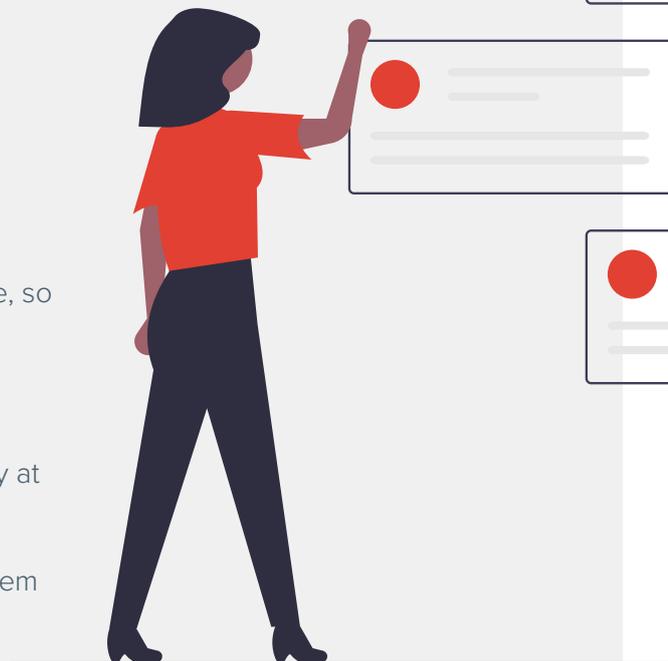
## Prepare for the unexpected

One of the best ways to make sure you're still in operation if the worst happens is through solid [Business Continuity Planning \(BCP\)](#). This involves the planning and preparation that will keep your business afloat during an emergency.

- Identify all the potential risks you're likely to face
- Understand how you will keep operations running in each scenario
- Make sure you've got emergency contact details to hand

### Why should I create a business continuity plan?

- Help your business survive a major disruption
- Useful for when it comes to getting competitive quotes for insurance
- Insurance can't cover any issues arising from a slow response, so planning is essential
- Understand your timescales for getting back to business
- Coordinate emergency response with your business recovery at the same time in case of a dangerous event
- Send a powerful message to your customers and reassure them that they will never be left uncertain



## How much insurance do I need?

- Choose a limit of cover that you're confident will cover all compensation costs.
- What disputes could happen and how much might this cost if it went to court? For example, what claims could be made by customers or staff?
- Be clear about the size of your clients and the contracts you have with them.
- Think about the potential costs you'd need to cover to defend yourself if a claim was made against you.
- Don't forget about any compensation you might need to pay. This should be based on multiples of the fees your clients pay for your services.

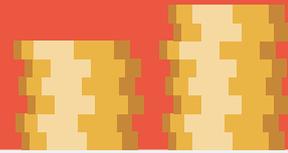


## Good to know...

Confused by insurance jargon? Here are some common phrases and what they mean.

### Limit of Indemnity (LOI)

The maximum amount insurers will pay.



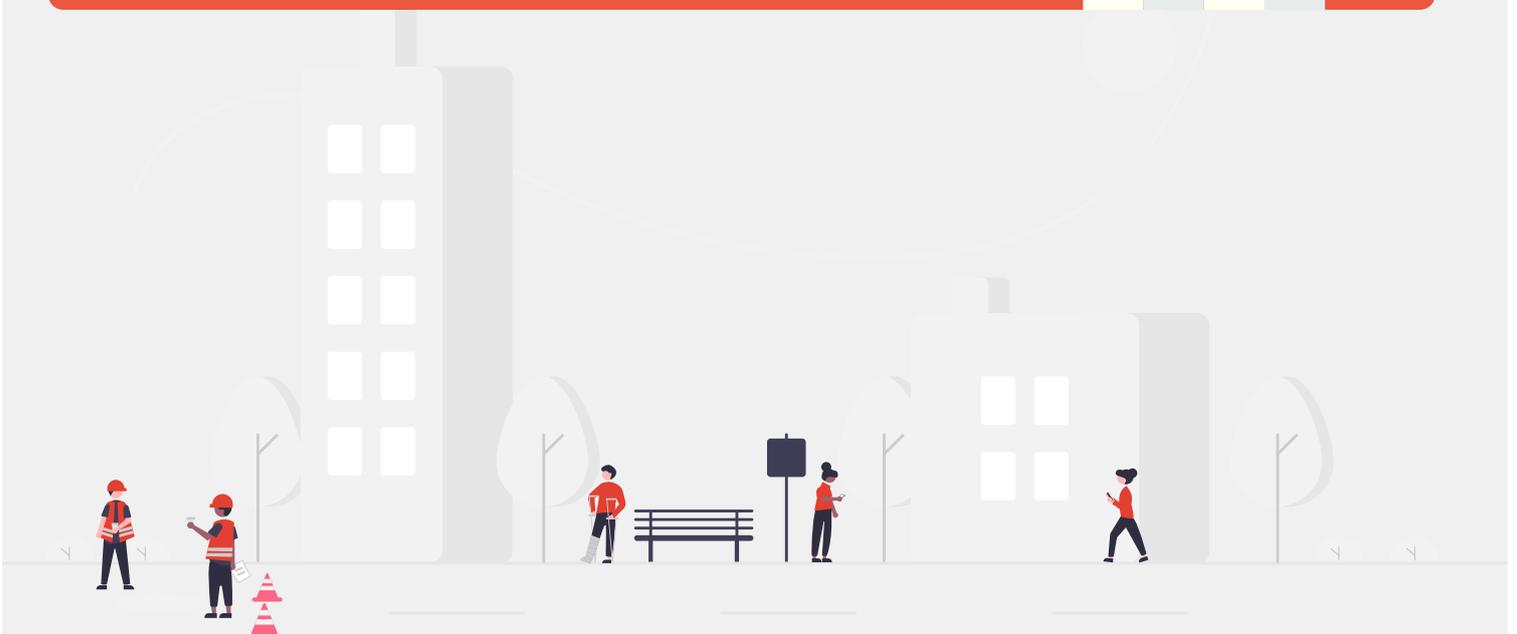
### 'In the aggregate' vs 'any one claim'

The limit of indemnity can apply as a total limit of all claims (aggregate) or for any one claim within a defined period.



### Work Away

This specifies whether you're covered away from any named premises.



## Don't forget...

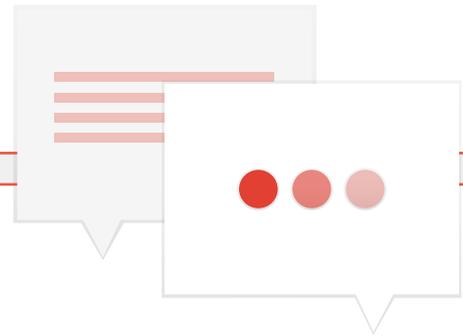
Making a claim? Katie from FSB Insurance Service shares four important things to remember when making a claim on your insurance:

**Never admit liability without speaking to your insurer.**

**Inform your insurer as soon as you are aware that there would be rise to a claim.**

**Keep records of all communications between yourself and said claimant, including any communications of when the work was carried out and copies of any sign off provided by your client/claimant.**

**If in doubt, ask for help and advice from the experts. FSB Insurance Service's helpline is available for all our members, even if you're not a policyholder.**



## We're here to help

From getting general insurance advice to knowing which policy wording is best for you, there's a lot to consider when choosing the right insurance for your business.

**FSB members can call FSB Insurance Service for advice or to get a quote on 020 3962 8009 Monday-Friday 9am-5.30pm.**