



The Essential Guide to Contractor Insurance

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— WHAT YOU NEED TO KNOW

Being an independent contractor can provide greater freedom and flexibility, but it also means that it's down to you to ensure you safeguard yourself and your business.

Although claims against contractors are rare, they do happen and can be costly. Having the right insurance in place means you are prepared if a claim is made and can often be the difference between keeping you in business and having to cut short your contracting career.

— WHO NEEDS INSURANCE?

Generally the only insurance required by law is Employers Liability, but if you are the sole director/employee of your company, this rule does not apply.

Although not compulsory, having insurance can help you in a number of ways. Whether you are a desk based financial adviser, out on site managing construction projects or regularly moving between medial organizations, insurance can provide additional peace of mind over both your financial and professional prospects.



Our insurance providers offer a comprehensive service at a competitive price.

— WHY DO I NEED INSURANCE?



TO GET MORE CONTRACTS: Clients and recruitment agencies will often insist that you have appropriate insurance in place before you undertake an assignment. This is particularly relevant for engineering and advisory based contractors, but is now becoming more prevalent across other sectors as well.



PROTECTION IF THINGS GO WRONG: if your actions lead to anything being damaged or anybody being injured you will be better prepared to deal with the cost of medical care for the injured person and/or cover for your legal defence if you are sued for damages.



PROFESSIONAL SECURITY: Contractors who provide consulting and advice can use insurance to protect themselves and their business against claims against clients who feel they have lost money as a result of your recommendations.



REAFFIRM YOUR STATUS: Having insurance and professional indemnity insurance in particular, is a key IR35 indicator as it shows a clear distinction between an independent professional and an employee. Taking financial risk' is one of the factors considered by HMRC when reviewing IR-35 status.



ADDS CREDIBILITY: Having insurance demonstrates a financial obligation and a responsibility to your clients.

— WHAT INSURANCE DO I NEED?

The type of insurance a contractor needs depends on the nature of their work and the requirements of the entity hiring them, but essentially you will need cover for all of the main exposures that could affect your business.

The three most common insurances held by contractors are Professional Indemnity Insurance, Public Liability and Employers Liability.

— Professional indemnity

If you offer advice as part of your professional service, indemnity insurance could play an important part of your business protection. It covers you if you are accused of professional negligence, making an error or omission, or giving advice which fails to meet your client's expectations and results in their financial loss.

Opinions can differ and business and management consultants in particular can be vulnerable to allegations of inadequate advice. Other roles where professional indemnity is important include Financial Analyst, Design Engineer, Social Worker Site Manager and IT Consultants. Having sufficient insurance in place means you will be covered for legal defence costs and damages awarded against you.

When advice is your livelihood, having professional indemnity cover offers peace of mind over your finances and business reputation.

— Public liability

Almost every business should have some form of public liability insurance. As owner of your own company you are accountable to third parties that come into contact with your business, so this includes clients, other co-workers, suppliers and members of the public. If, while carrying out your role, your actions lead to personal injury or property damage and someone makes a claim against you, public liability insurance would cover the compensation payment plus any legal expenses. In many cases not having public liability insurance can put customers and clients off using your services.

— Employers' liability

If you employ one or more people, employers' liability insurance is a legal requirement for your business. For independent contractors who are often the sole employee of their company, it is not compulsory, however it is commonly insisted on by recruitment agencies and end clients who may require you to comply with a standardised contract. Employers liability also helps to show that you are operating as business aware of risk for IR35 purposes.

Remember if you employ your spouse or a family member, even if it is just to help out with administration, you will need to have employers' liability in place.

— WHERE CAN I GET THE INSURANCE I NEED?

A quick internet search will bring up countless insurance providers but only certain ones will offer the specialist insurance products needed for contractors and small limited companies. Even, then, how do you know which one to choose?

Luckily Contract Scout can help. We have been working with contractors for years and have pre-arranged preferential rates with some of the best insurance providers in the market. You may be surprised at just how little it can cost to protect yourself and your business.

— WHEN WILL I NEED INSURANCE?

Even after your contract ends or if your company closes you will still be liable for any mistakes you have made. For that reason professional indemnity should operate on a 'claims made' basis, whereby cover is provided when a claim is made, not necessarily when the incident actually occurred.

Similarly, employer's liability insurance should be underwritten on a 'claims occurring' basis. This means that your policy will provide cover for claims which occurred during that period of insurance, even if the policy is no longer in force.