



CAMPBELL & McCONNACHIE

chartered financial planners

Protecting your business

Reducing threats to your business by creating a protection strategy.



The staff you employ, the building you work in and the equipment you use are all crucial parts of any business.

But if something happened to any of these elements, how would you cope with the impact?

By protecting your business with well-considered insurance policies, you'll provide a valuable safety net to minimise the effects of any unforeseen events.

Depending on the type of business you run, you'll have different priorities to protect and different risks to cover for, so it's important to weigh up the types of insurance you might need.

Whether you're protecting your offices in the event of damage or covering against the threat of online breaches, there are various insurance options to consider.

What's compulsory?

All employers in the UK are legally required to have **employers' liability insurance**.

This applies to every business that employs at least one member of staff, and must cover a minimum of £5 million.

It covers compensation for employees who suffer an injury or illness as a result of their work.

In some professions, regulatory bodies may require other types of cover, such as **professional indemnity insurance**.

If you use a car as part of your business, you'll also need to make sure your car insurance policy includes business use.

This includes cover for any employees who drive their own vehicle for business purposes.

What should you insure?

Aside from the legal requirements, what you insure is up to you.

This will depend on the size and type of business you run, as well as its location and the assets you might need to protect.

You could start by assessing the potential risks to your business, and which of these would cause the biggest disruption, to work out the highest priority areas.

In some cases, covering very niche circumstances may be appropriate to your business.

At the same time, be realistic about what you need. Overspending on insurance may not be necessary, and can take away resources from other areas of your business.

Protecting people in your business

There may be one person in your business who is particularly important to your workforce.

This could be someone who has built successful relationships with clients, a technical expert, a director or manager, or the company's founder.

Whatever role they play, losing this person due to death or serious illness could have a major impact on your business.

Despite these risks, only a quarter of SMEs have taken out key person insurance according to Royal London.

Key person insurance can cover:

- any loss of profits over the time it takes to replace a key person
- the cost of recruiting and training a replacement
- income paid to the key person if they temporarily can't work because of serious illness or injury.



Protecting your business

Shareholder protection

Few events could have more of a potential impact on a business than the death of a shareholder.

In most cases, the shareholder's family will be entitled to the shares owned by the deceased.

The family may choose to sell those shares, which could cause serious disruption to the business if they fall into the wrong hands or are sold to a competitor.

A shareholder protection policy provides the money for the remaining shareholders to buy the shares, giving support for the family as well as offering stability for the business.

This type of policy can also be used to cover critical illness.

Insuring your property

Whatever line of work you're in, the building you operate in is likely to be crucial to your business operation.

Building insurance

This type of insurance protects the building if it is damaged by an unexpected event such as fire, flooding or storms.

You don't need to insure the property for its market value, but the policy should cover the cost of rebuilding it in the event of a total loss.

Business interruption insurance

If disaster strikes and you are unable to do business for a period of time, business interruption insurance will cover the resulting costs.

This could include loss of profits, loss of rental income or staff costs created by the interruption.

Insuring against liability

Your business could be held liable for accidents or damage that happen to customers or clients, so you may need to think about protecting against this risk.

Public liability insurance

If someone is injured because of a mistake in your business activities, public liability insurance can provide compensation for them.

You may need to consider this if people regularly visit your place of work – for instance, if you run a shop.

Product liability insurance

This insurance will pay compensation if a customer suffers an injury or illness because of goods you have produced.

It's worth giving some thought to this type of cover if your business is in a high-risk sector, such as food and drink, toys or electrical goods.

Other risks

Depending on your business' needs, there are a few more specific areas you could think about covering for.

Credit insurance

Late or missed payments can cause serious issues to business operations, disrupting cashflow and hampering growth.

Research by the Federation of Small Businesses shows that 51% small business owners say one of the biggest risks to their operations is customers failing to pay for goods or services.

If you're concerned about the potential losses suffered by your business if customers fail to pay their invoice, you could consider getting credit insurance.

This will cover a percentage of the payment if your customer becomes insolvent or misses the deadline.

Goods-in-transit insurance

This will cover for loss or damage of stock that is transported around the country. It usually applies to items transported by road or rail, but can also include inland or coastal waters.

You'll need to take out separate insurance for goods transported internationally by sea or air.

Online security

Following the introduction of the General Data Protection Regulation in May 2018, data protection has understandably been on the minds of many business owners.

It's important to put secure systems in place for handling data, but it's also wise to prepare in the event that a breach or failure does happen.

You can take out different types of cyber insurance policies depending on the kind of risk you're protecting against.

Insurance as an employee benefit

As well as protecting your business, insurance could form a part of the benefits that you provide to employees.

This could include:

- income protection
- critical illness cover
- private medical insurance
- group life insurance.

Offering this type of benefit can provide an incentive for staff recruitment and retention, as well as protecting the wellbeing of your workforce.

Contact us to discuss protecting your business.

Important information

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