

**ANTHONY JONES**  
**INSURANCE BROKERS**

# SME Insurance Guide

UNDERSTAND THE  
INSURANCE OPTIONS  
AVAILABLE FOR YOUR  
BUSINESS



**Strengthen | Support | Protect**





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**Disclaimer**

*This brochure is designed to provide information to customers who want to make informed decisions about general insurance. However, since each individual's situation is different, none of the information provided here should be construed as legal, tax, financial planning, or other professional advice and no reliance should be placed on it.*



# INTRODUCTION

Insurance helps you recover from unforeseen events that impact your business financially, helping you get back on your feet so that you can continue to operate. Although you don't always see the real-life, tangible benefits of insurance until you need to make a claim, it plays a major part in protecting the future of your business, preserving assets and jobs. This SME insurance guide, created through collaboration between the British Insurance Brokers' Association (BIBA), the Confederation of British Industry (CBI) and the Association of British Insurers (ABI), will help you to understand the insurance options available to your business, how to make a claim and top tips for selecting the right insurance for your business.

## WHY USE AN INSURANCE BROKER?

Insurance brokers like Anthony Jones can give advice on numerous issues including support in the event of a claim. Brokers are the agent of the client; they represent the client's interests. We are a member of BIBA and are regulated by the Financial Conduct Authority.

- We search a wide choice of products and insurers for you – saving you time and frustration.
- Our guidance and quotation service won't cost you anything – we get paid by insurers only when we place insurance cover
- Insurance can be complicated - we give expert advice on suitable insurance protection allowing you to make conscious buying decisions.
- If you need to make a claim, we'll be there to help guide and support you.
- We can help you to assess your risk management and health and safety issues
- We only employ friendly, helpful and responsive people - it just works better that way

We are very proud of the testimonials our customers provide for us – take a look at our website and see for yourself.









# MANAGING RISKS, THE ROLE OF INSURANCE AND HOW IT WORKS

## The importance of managing risks

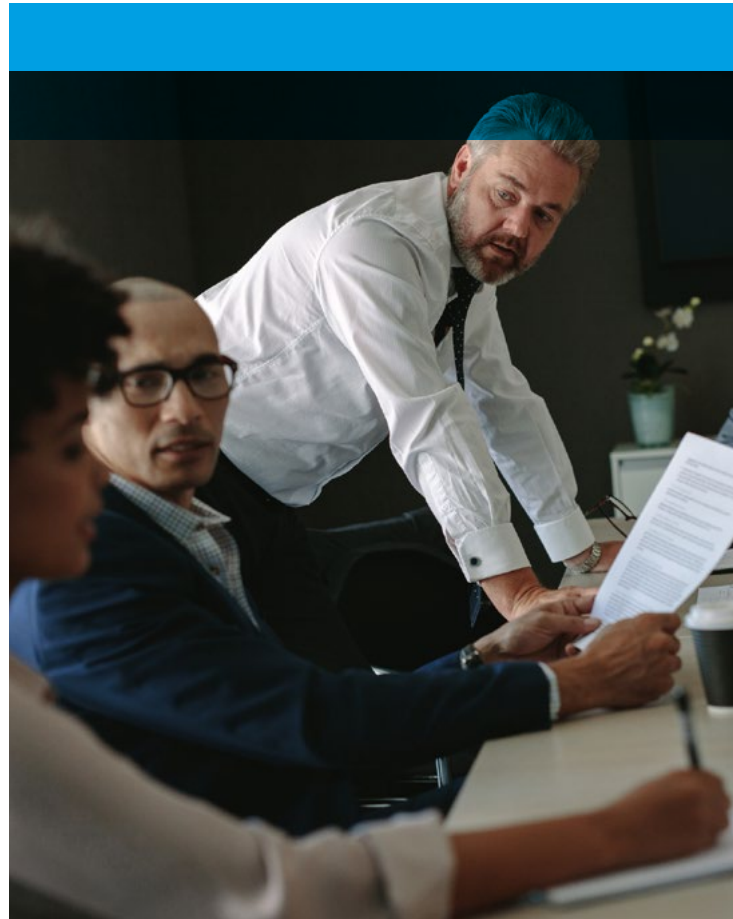
Insurance cover works best when it sits alongside effective risk management work done by you and your business. Good risk management may also help you secure better insurance terms and premiums. This starts with identifying the key risks that face your business and having plans to reduce or avoid them.

A living and breathing Business Continuity Plan (BCP), that has been shared with employees and tested, is something all businesses can develop. The main aims of such a plan are to identify and protect vulnerabilities, stop things going wrong and help your business keep trading when otherwise it might have failed. Your BCP can also help you cope with emerging threats such as a cyber-attack on your IT systems which could severely disrupt your business.

## The role of insurance and how it works

Insurance is important to our economy, allowing businesses to transfer their risks to insurers in return for payment of a premium. The financial consequences of many of these risks are not ones that a small business could face themselves, and so transferring them is a sensible and cost-effective approach. The principle of insurance is that the premiums of the many pay for the claims of the few, creating a pool from which claims are paid.

Insurance operates by protecting business from unforeseen events, not for events that are destined or extremely likely to happen. Equally, some risks that face the economy such as wars, nuclear incidents or pandemics are so far reaching that they are too large in their financial impact for the insurance market to cover.



In broad terms, insurance protects you against loss, damage or theft of your property and assets and against a range of liabilities which you might have in respect of loss or injury to third parties, such as the public or your employees.

When calculating the premium to charge a business, an insurer will take into account many factors that vary from business to business. There are, however, some common ones such as your credit score and your claims record in recent years. Insurers will want to know if any of your directors have ever been on boards of companies that have been declared insolvent.

Increasingly, insurers will assess the quality of the management, controls and risk mitigation in determining what terms and premiums to apply for an insurance policy.

# CHOOSING THE RIGHT COVER FOR YOU

It is important to recognise that not all insurance policies are the same. There can be big differences in what is and what is not covered, while the amount of protection granted in terms of sums insured and limits of indemnity can also vary widely.

Additional services which sit alongside the insurance policy are also important to evaluate. For example, are you being offered a 24-hour claims service? Have you got access to a legal help line? What risk management services are being offered by your insurer?

## Types of insurance cover

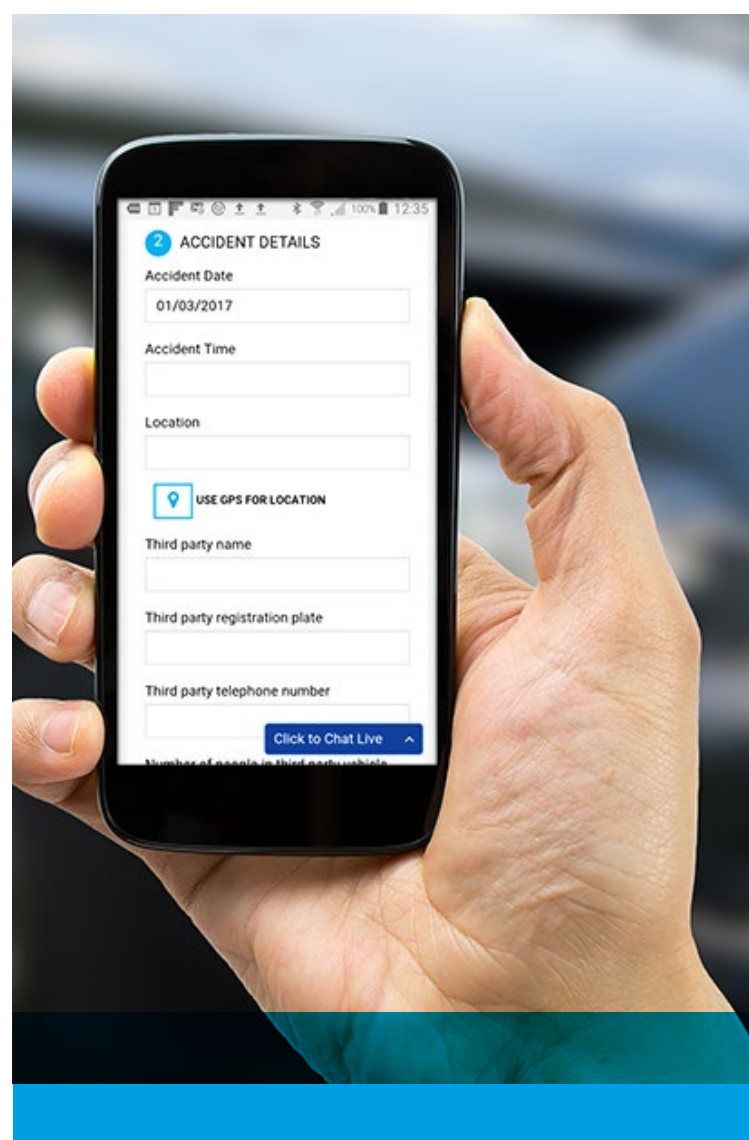
As an employer, you are legally required to have employers' liability insurance. If you use motor vehicles for your business, you are legally required to have third party motor insurance. But buying other types of insurance can be much more than a sensible precaution – they can make your business stronger, safer and more efficient.

We will work with you and our insurers to help identify the wide range of risks you face every day and to select the insurance you may need to properly protect your business.

We will help you to put systems in place to control those risks and prevent them from turning into serious setbacks. When problems do arise, insurers provide financial help to continue doing business, and get you back on track. SMEs can often buy a 'package' insurance policy which bundles together many of the key insurance covers usually needed by a business. It is important to check that an 'off the shelf' package meets your specific demands and needs as you may need something more bespoke.

So, it is key that you fully understand what you need to buy to protect your business before the eventuality where you may need to make a claim. This is where an insurance broker, such as Anthony Jones, can help through helping you to understand your business and the risks you face and help to design a package of insurances that are right for you.

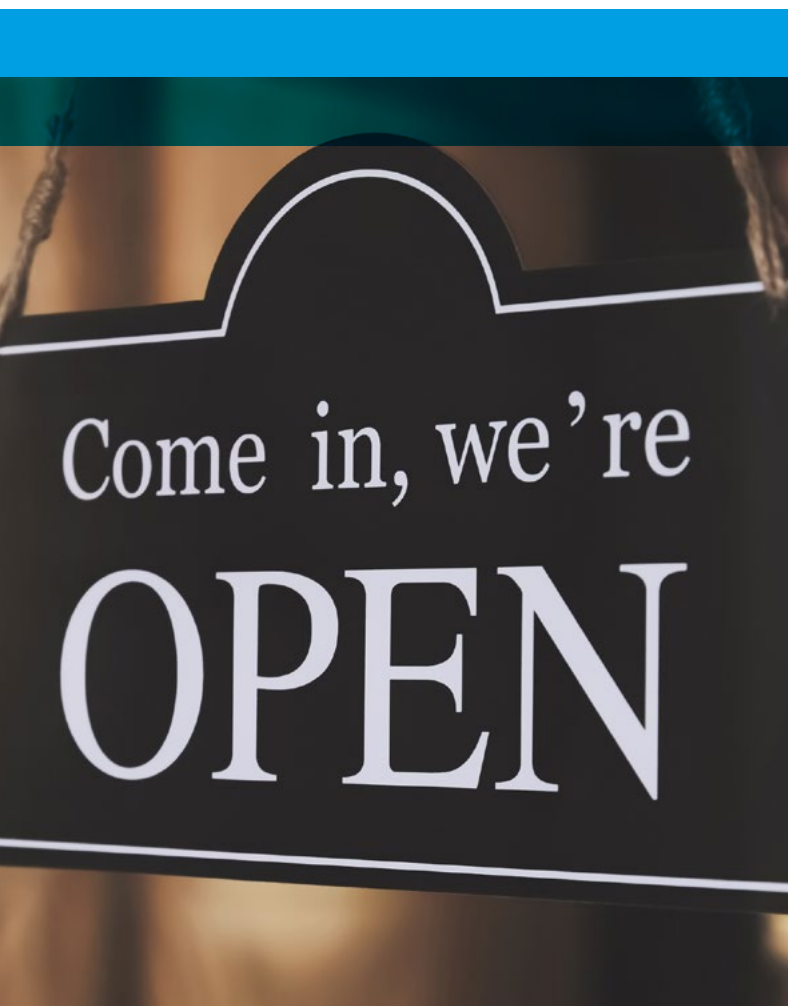
As your broker we will also search the market for you, selecting the right insurer, using a variety of criteria which will include value for money, expertise in your trade sector, breadth of coverage and claims service.



# PROPERTY INSURANCE

Property insurance is probably one of the most important covers a business can buy. It protects you against damage caused by fire, lightening, flood, escape of water, storms, theft, riot and vandalism. Cover can be extended to provide 'all-risks' protection against accidental damage such as breakage of glass.

You can make a claim on your property insurance if your buildings, contents, machinery or stock are damaged because of an event covered by the policy. You can also buy insurance against acts of terrorism to sit alongside your property insurance cover. Although the likelihood of suffering loss or damage because of terrorist incident may seem remote, it is worth considering, particularly if your business is situated in a major city.



# BUSINESS INTERRUPTION INSURANCE

Business interruption insurance covers you for loss of income during periods when you cannot carry out business as usual due to damage caused by a specific set of perils that are detailed in your policy. It aims to replace certain financial losses sustained by the business during the period of the disruption when you may have reduced turnover. Cover can include losses following damage to your premises caused by incidents such as a fire, flooding or other physical damage.

Some policies give extensions to include losses that you suffer because you are denied access to your premises. For example, a gas leak occurs nearby and police cordon off the area.

A small number of policies give cover in the event of an outbreak of certain notifiable diseases at your premises. For example, Legionella is found in your water system forcing you to temporarily close while the problem is investigated, and your premises are decontaminated.

The amount of cover you need will depend on the amount of time you think it will take for your revenue or turnover to recover to the level immediately prior to the loss. This is called the indemnity period and it is very important to get it right. Most policies offer 12 months as standard, but this may not be sufficient so think about 18 months or even 24 months.

The team at Anthony Jones can advise you here and help you avoid being underinsured.



# EMPLOYERS' LIABILITY INSURANCE

This is required by law if you have employees – or are a limited company with a few directors working together – and protects you as an employer against the costs you legally have to pay and compensation due if an employee has an accident or is injured as a result of working for you. This includes claims for industrial disease such as deafness which you may not know about for many years.

By law you must have a minimum limit of £5 million of cover, but most policies insure you for £10 million as standard. You have to arrange cover for all employees including those on temporary contracts, volunteers or any previous employees that you bring back during busy periods.

# PUBLIC LIABILITY INSURANCE

Public liability, while not compulsory, is a key component of your insurance protection and covers you and your business against compensation claims made by the public in case of any injury or damage caused by your negligence. For example, a customer visits your premises and slips over because of water on the floor and suffers serious back injuries. If the customer can prove that you were negligent in not mopping the floor, then you have failed in your duty of care and will be liable for damages.

Getting the right level of public liability insurance is important and £5 million could be considered as a minimum. If you perform services or work for larger firms or Government, your contract with them may specify the minimum limit you need to have in place. Increasing to a higher limit – for example, £10 million is usually straightforward, depending on the nature of your business.





## PRODUCT LIABILITY INSURANCE

Product liability insurance protects you and your business against claims brought by customers or other third parties in the event that the products you make or supply prove to be defective and cause injury or damage. For example, you make an electrical component that overheats causing a house fire. The policy would protect you if you were found to be negligent in the manufacture of the part and that it was found to be the cause of the fire.

Sitting alongside product liability insurance is product recall insurance. This will pay for the costs incurred by you to recall your products in the event they are found to be defective or deficient in some way.

## CYBER INSURANCE

Having adequate cyber insurance has never been more important. Cyber crime has been increasing and the 2020 pandemic led to a huge increase in the number of cyber-attacks on UK businesses. You are more than likely to rely on information technology (IT) to some degree in your business. If so, you will be exposed to the risks of business interruption, income loss, damage management and repair, and possibly reputational damage if IT equipment or systems fail or are interrupted following a cyber-attack. Add to this the issue of cyber-crime such as “phishing” or ransomware which are increasingly a day in, day out problem.

Having expert advice around the management of an incident itself is absolutely critical when faced with reputational damage or regulatory enforcement.



# DIRECTORS AND OFFICERS INSURANCE

Directors and Officers liability insurance (D&O) is specifically designed to protect the directors, officers and employees of an organisation. The insurance covers defence costs and awards made against directors, officers and employees following claims arising from actions undertaken in their capacity as a director, officer or employee.

The limited status of a company may not eliminate individuals from claims made against a company. It is not unusual to find directors that are under the impression that their limited status covers them so they do not need Directors and Officers insurance cover. Directors should not rely on the company indemnifying them. Without the protection of D&O individuals are putting their own personal wealth and belongings at risk.

There are various different acts, rules and regulations that companies have to abide by. As a consequence of that, there are a raft of people able to press claims – namely regulators, creditors, employees and shareholders. Claims to the fore would be across:

- Health & Safety
- Bribery, corruption and fraud
- Sexual, racial or age discrimination
- Wrongful dismissal
- Wrongful trading
- Financial reporting
- Competition law
- Breach of copyright
- Cyber and data protection
- Unpaid taxes
- Environmental damage



# MOTOR FLEET INSURANCE

Any driver who uses a motor vehicle owned by the business for any purposes e.g. delivery or simply pleasure use is legally required under the Road Traffic Act (RTA) to ensure that the vehicle is insured while being used. Third party cover includes the basic requirement of the RTA to insure against the risk of injury to a third party and extends to cover damage to third-party property.

This cover can be extended to included risks of fire and theft or to fully comprehensive cover which includes accidental damage in respect of your vehicles. It is also important you choose the right 'class of use' – use by a delivery driver is very different from use by a taxi driver.

## MOTOR LEGAL EXPENSES

As part of your motor insurance we can arrange legal expenses insurance to recover uninsured losses and employ a solicitor to handle any injury claims as a result of motor accidents.

## MOTOR FLEET "GAP" COVER FOR PCP OR LEASED VEHICLES

Most motor insurers will only settle a total loss claim up to a maximum of the market value of the vehicle. In some cases, this may be significantly lower than the total settlement required by the lease company. Additional cover may be available to bridge the gap between the two amounts. GAP insurance is designed to protect customers against a financial shortfall in the event of a total loss due to fire, theft, accident or accidental damage.

## GOODS IN TRANSIT

Material damage insurance operates in respect of your premises. Cover can be arranged for items away from the premises such as stock dispatched to customers and own mobile property.



## MARINE CARGO

If you ship goods abroad or move goods around the UK, you may need to buy marine cargo insurance. Imports and exports by land, air or sea can be insured awaiting transit, whilst in transit or storage in the ordinary course of transit on a flexible basis allowing for an appropriate basis of valuation. Cover can be extended to include storage ensuring stock is insured from supplier to customer.



# PROFESSIONAL INDEMNITY INSURANCE

Professional indemnity insurance provides financial protection in instances where you or your business could be alleged to have given negligent advice to a third party (usually a customer). For some job roles such as architects, surveyors, lawyers, financial advisers and accountants, the professional regulator usually requires minimum levels of professional indemnity insurance. Many professional indemnity claims involve complex legal disputes and can be very costly. Cover includes compensation payable to the third party and legal costs, up to a specified limit.

## Other insurances

# INTELLECTUAL PROPERTY

In an increasingly digital world, it may be that the intangible assets on your balance sheet such as patents, brand identity and trade secrets are more valuable than your tangible ones of bricks and mortar and stock. Intellectual property insurance helps you pursue other businesses who are infringing on your patents, copyrights or trademarks. It can also defend you against similar claims by third parties who allege that you have infringed on their intellectual property.





## EMPLOYMENT PRACTICES LIABILITY INSURANCE

This cover is often bought alongside a directors and officers policy and pays the costs you might need to pay to defend you and your business against claims brought against you by employees or former employees for discrimination, misconduct in the workplace (harassment and bullying for example) and wrongful dismissal.

## TRADE CREDIT INSURANCE

This insurance protects you if you have delivered your goods to a customer and the customer fails to pay you or fulfil their end of the sales agreement. You are covered for the financial loss due to the bad debt and can include a debt collecting service. This insurance is particularly important if you rely on only a small number of customers and one of them letting you down would significantly impact on your profits and ability to buy in more stock.

## TERRORISM

You can also buy insurance against acts of terrorism to sit alongside your property insurance cover. Although the likelihood of suffering loss or damage because of terrorist incident may seem remote, it is worth considering, particularly if your business is situated in a major city or you have any involvement with certain industry sectors, such as biotech or animal experimentation.



# ENVIRONMENTAL LIABILITY INSURANCE

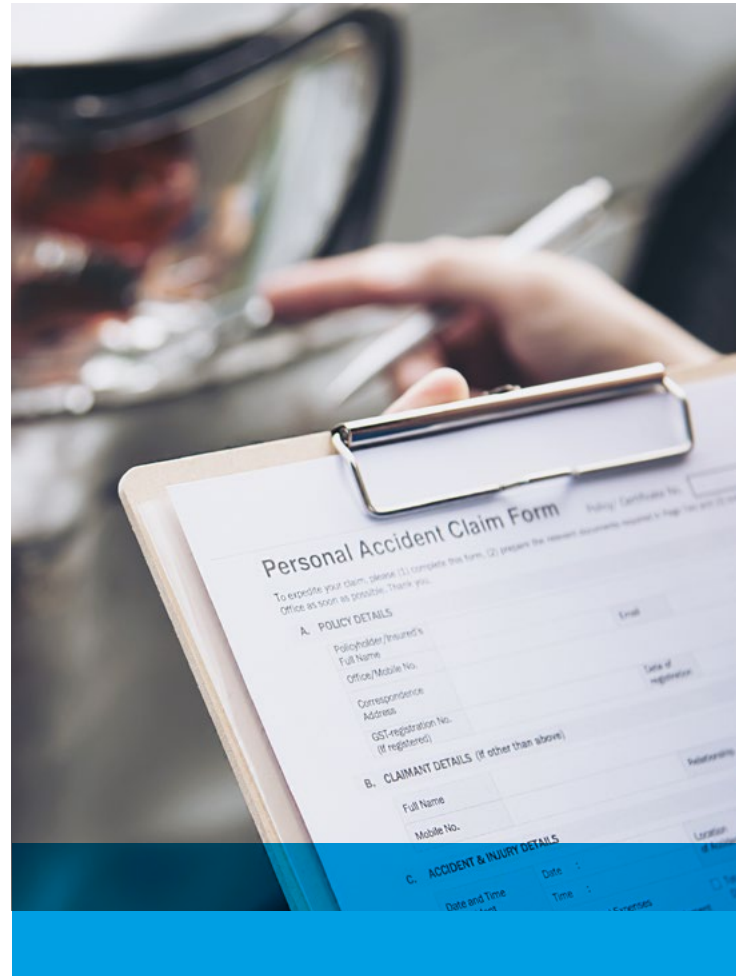
Public liability insurance will usually cover you against loss or damage incurred by third parties because of sudden and accidental incidents of pollution which are attributable to your business. The law, however, says that even if a business is not negligent in causing pollution, it can still be liable in law to pay for remediation, including reinstating habitats, such as rivers or lakes. Therefore, it is a good idea for any business that deals with products that can cause pollution to consider environmental liability insurance to complement public liability insurance.

# FIDELITY GUARANTEE

This protects your business against an employee stealing money or stock from you. It may be especially useful if you have a lot of temporary or seasonal employees or a high workforce turnover.

# MONEY

This cover is becoming less relevant because cheques and cash are fast disappearing from businesses. Cyber-crime and phishing are now the challenge as explained in the cyber insurance section. Money insurance covers you if someone steals money, cheques or similar from you while on your premises, in transit with an authorised employee or stored externally. It does not cover cash being sent by post or courier and can also pay an amount of money for any employee injured during a theft.



# PERSONAL ACCIDENT AND SICKNESS

This could be used to create an employee benefit or can be used to help a business recruit temporary replacements following accident or illness that prevents someone from working. The policy can provide cover in terms of a monetary benefit payable as either a fixed sum or a multiple of salary, payable for a specified period following an accident or illness. Cover can be payable on death, or permanent or temporary disability that prevents all or some of an employee's work being carried out.

# BUSINESS TRAVEL

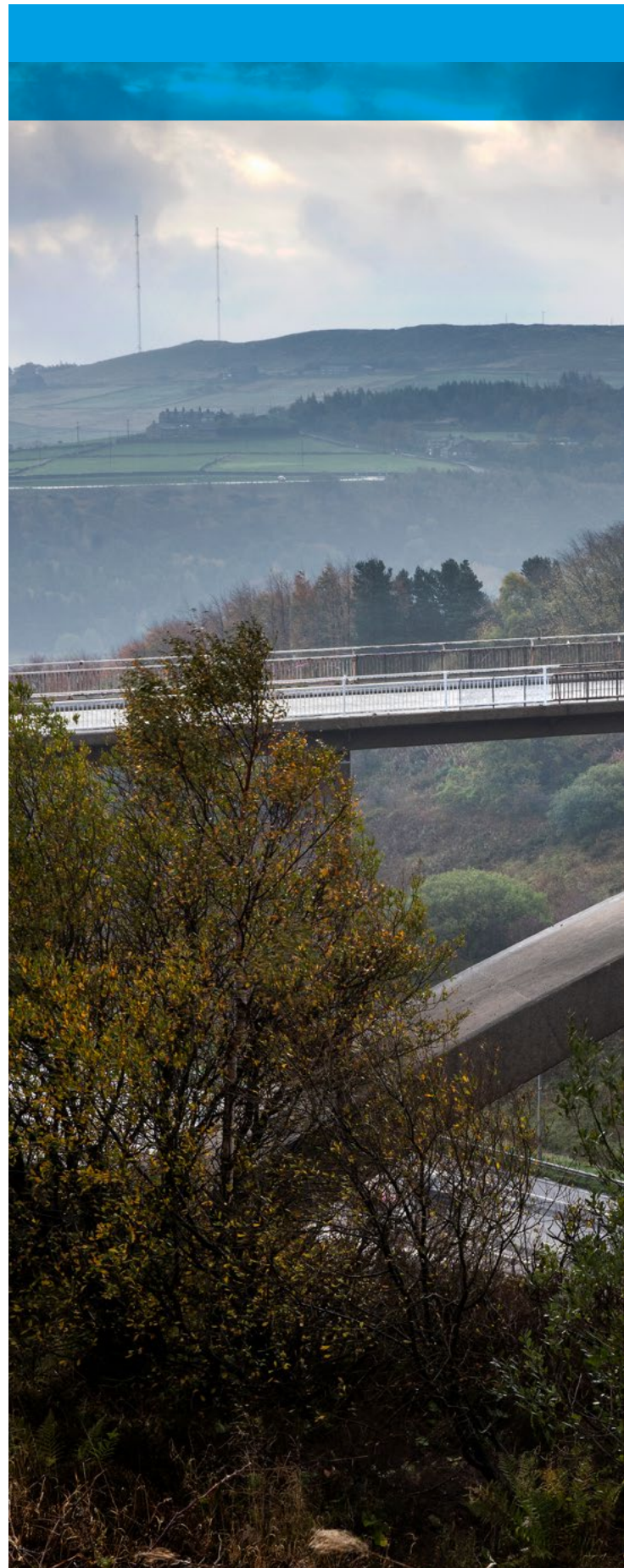
If you have employees who travel outside of the UK on business, then having an annual business travel policy is a good idea. This will provide medical expenses cover which can be of critical importance in countries such as the United States where the cost of medical treatment can be very expensive. The policy may also pay for repatriation, cancellation, baggage, money and personal liability.

# LEGAL EXPENSES

Increasingly used and very popular with small businesses, this insurance covers the cost of pursuing or defending a legal action that wasn't insured by a more specific liability policy. This cover often provides a useful legal helpline as an additional service.

# ENGINEERING INSPECTIONS

You are required by law to have regular inspections carried out on if you have plant such as forklift trucks, boilers, ventilation systems, lifts or escalators. (We can advise on your particular circumstances). The insurer does not necessarily have to carry out these inspections: it can provide an independent 'competent' person' who can advise on the legal requirements and provide the inspection service. Engineering insurers can provide optional insurance cover for loss or damage to equipment, including breakdown and resultant business interruption losses.





# YOUR DUTY OF DISCLOSURE

When you apply for your insurance – whether direct to an insurer or via an insurance broker like Anthony Jones – it is very important that you give them all the relevant information about your business. If you fail to do so this could affect a claim or your cover going forward. This is called your duty of disclosure. This is contained in the Insurance Act 2015 which was brought in to give clarity over what you must disclose and what your obligations are to your insurer in order to present your risk fairly to them.

The key points to note are:

- The insurance customer must make adequate enquiries within their business to identify and verify information relevant to their insurance risk(s) concerned.
- The enquiries must include all relevant knowledge of the 'senior management' of the business and those involved in buying the insurance (including your broker if you have one).
- Reasonable enquiries must also be made of any relevant third parties involved with the business, including external consultants, contractors and anyone insured by the policy.
- Your application for insurance must be clear so that the insurer can take a view on the insurance risk.

You must also adequately highlight unusual activities and/or known areas of concern that could affect the risk.

The duty of disclosure is a continuous one and so also applies to any changes in your business after you have bought the policy. For example, if one of your premises becomes unoccupied, then the risk from escape of water, vandalism or other perils increases and the insurer will want to know about this change. In such circumstances, insurers usually allow the premises to remain unoccupied for 30 days after which they may restrict coverage, impose certain new conditions such as requiring the property to be inspected every seven days or require an additional premium.



# GUARD AGAINST UNDERINSURANCE

Underinsurance may seem to be just an excuse for insurers to sell more coverage, but this is not the case. There is an important reason why all businesses consider the question of underinsurance seriously as it can significantly affect a claims payment following a loss. An example of a business being underinsured would be to understate the actual amount of stock on the premises or turnover. It is particularly important that a growing business ensures that it has the appropriate level of cover as it expands, and similarly if a business is changing, checking that they don't have too much cover.

In the event of underinsurance, there are two routes that an insurer may choose to take:

## 1. CHARGE AN ADDITIONAL PREMIUM

The premium is recalculated based on the actual amount of stock or turnover and the necessary additional premium is charged. The loss would then be paid in full.

## 2. APPLY 'THE 'CONDITION OF AVERAGE' TO THE CLAIM SETTLEMENT

Alternatively, an insurer may reduce the amount of the claim payment in direct proportion to the amount of underinsurance. This is known as applying 'average'. For example, if a business was underinsured by 50% and suffered a loss of £40,000, the application of average would reduce the claim payment to £20,000. This could have big implications for a business trying to get fully operational again following a loss and can be an expensive mistake to make.

Therefore, it is important to accurately assess the right sums insured you need for your property, contents, stock and turnover. Equally, if you are experiencing rapid growth in your business, the estimates you provided at the start of your policy might quickly become inadequate so keep them under regular review and report any changes to your broker or insurer.

Finally, for business interruption cover, it is worth spending time to assess the time it would take for your business to fully recover in the event of a significant loss. Businesses frequently underestimate this when selecting their indemnity period. 12 months is often inadequate and 18 or 24 months might be safer in many cases.





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