



# Teachers

## Financial Planning

## Business protection

The lowdown on the essential insurance policies you need to protect your business.

Every year businesses are threatened by unforeseen events that interrupt operations in the short-term and jeopardise their futures in the long-term.

What would happen if your offices were hit by an unexpected storm tomorrow morning? What if your creative director was struck down by a tropical disease while on holiday? We realise that these examples are a little extreme, but they serve to illustrate a point – how would your business continue to operate should it suffer a sudden, unforeseen setback?

By identifying the potential risks to your business and acting accordingly, you can ensure that any threats to your operations are mitigated.

From protecting your business's property and covering your employees to ensuring your computer network remains guarded against cyber criminals, there are a range of options available that can reduce your vulnerability to external threats.

## Compulsory insurance

Your business is legally compelled to take out employers' liability insurance which protects your employees should they be injured or fall ill because of their job. This will cover the compensation and legal fees that could result from such a situation. The law requires you to cover a minimum of £5 million although many policies will cover a minimum of £10 million.

You are also obliged to take out some form of third party motor insurance if your company uses a car. This must cover a minimum of £1 million for property damage and an unlimited amount for injuries involving your company car.

## What do you need?

If you've made the decision to take out additional business insurance policies, the first thing you should do is thoroughly assess the potential threats to your operations. This will allow you to identify what types of insurance you need and rank them in order of importance. Your business's size, location, sector and assets all play a large part in assessing the risks to your business and how you prioritise them.

Note also that there is such a thing as being too comprehensive. Preparing for tornadoes may be a high priority for businesses in Kansas, but is less so for businesses based in Lincolnshire. Be thorough but remain realistic.

We can help you with risk assessments.

## Insuring your property

There are many different types of insurance policies that you can take out to protect your business's property. Some, such as terrorism insurance and frozen-food cover, are either niche or not applicable to the average business. The 3 main types of property insurance are:

### Buildings insurance

This will cover the cost of damage caused by fire, flooding, lightning and other unforeseen weather events. Your policy should cover the entire cost of clearing the site and rebuilding,





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should serious damage occur. If you lease the premises, you'll need to ask the owner whether the building is insured and what the terms of the policy are.

## Contents insurance

Damaged or stolen business materials and stock can be covered by contents insurance. Business materials can be covered by either 'indemnity' or 'replacement as new'. Policies based on indemnity will account for wear and tear when dealing with claims, while replacement as new will fully replace stolen or damaged items if they cannot be repaired. Always insure stock for the price at which you bought it – not at what you're selling it.

## Business interruption insurance

This will insure you for any financial losses incurred during periods where you are unable to do business - for example, when a critical piece of machinery breaks down. Business interruption insurance covers the costs of keeping the business running and making up any shortfall of pre-tax profits.

## Key person insurance

Most businesses have at least one indispensable person – someone whose technical knowledge or specialism the company would struggle to live without. The loss of such a critical employee could result in the loss of sales, diminished client relationships, a lack of effective technical oversight and deep financial problems. If you have a key person in your business you're going to want to protect yourself against the financial repercussions should they fall seriously ill, die or become unable to work for any reason.

This is where key person insurance comes in. Policies cover the financial impact of losing a key person by providing either a lump sum payment or income stream to the business. This is usually done through a life assurance, critical illness or income protection policy. Protecting against such losses can be a vital lifeline if your business is facing significant uncertainty or is struggling to keep trading.

During these times, key person insurance can help you:

- cover the financial losses incurred
- subsidise the recruitment process for replacing the employee
- pay income to the person and fund a temporary stand-in (if the employee will return to work at a later date).

Having access to these funds could determine whether your business is able to continue trading or whether your operations have to be suspended.

## Trade credit insurance

If you're finding yourself constantly chasing up customers for payment, you may want to look into getting trade credit insurance. It provides cover for unpaid invoices from customers who are unable to pay their debts or fail to meet the agreed payment date. Having this fall back option will make you feel better about extending credit to new customers. Most businesses will be insured only for commercial risk, however insurers will also provide cover for political risks for companies trading internationally.

## Online security

With businesses increasingly reliant on the internet to support their operations, cyber protection policies are becoming more important. The possibility of system failure and the increasing rate of online fraud have the ability to damage your business's finances, interrupt its operations and harm your client relationships.

Cyber policies are generally divided into first and third party risks. First-party insurance protects your business's assets. It will pay out in the following cases:

- loss or damage to software or data
- interruption caused by network failure
- extortion
- theft
- reputational damage suffered from data breaches
- business expenses related to notifying customers of data breaches.

Third-party insurance covers the assets of your customers. If you think you're susceptible to data theft or you worry about losing customer information, third-party cyber insurance will cover these eventualities.

We can advise on which insurance policies are suitable for you.

Contact us today for more information.

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