

INSURANCE COVER: EMPLOYERS LIABILITY:

Created in collaboration with BSGA member:

**OVERVIEW:**

What is an employee? When is an employee not an employee?

Do sub-contractors need to be covered and does that work experience person from the college need to be covered?

All these questions and no doubt many others have probably passed through your mind at some point as an employer.

When you employ people in your business, or they carry out work for you, there is a chance that they can be injured, harmed or become ill in their role. If this happens, they may make a claim against the business for compensation.

WHAT IS AN EMPLOYEE?

But what is an employee? For many, an employee is employed in the business on a PAYE basis, and anyone who falls outside this is not an employee.

As a business in the Sign Industry, it's likely that you have many different categories of people carrying out work for you. The key part is 'people who carry out work for you' rather than people who are employed. From an Employers' Liability perspective, they are generally classed as the same, so it's very important to disclose "all" categories of people to your broker.

Putting PAYE aside, one of the most common categories, loosely termed as a Labour Only Sub Contractor, these are used within the sign industry and for insurance purposes, these must be treated as if they were directly employed. They may work full-time, just one day a week or just the occasional job.

Students and Volunteers who work for you unpaid, people who are not employed but taking part in a youth or adult training programme, or a school student on a work experience programme, need to be covered by your insurance whilst they are working for you, and again must be included when discussing your requirements.

Bona-fide Sub-Contractor, these are not employees but are worth a mention here as they do carry out work for you. They are generally responsible for their own Health & Safety, they will have their own insurance cover, usually provide their own labour and materials, and they will invoice you for the work they have done. Your broker would normally ask you about these and separate them from all others.

EMPLOYERS' LIABILITY INSURANCE POLICY:

The minimum amount of cover is £5,000,000 under an Employers' Liability Insurance policy; however, £10,000,000 is the standard. You can increase this limit should you so wish.

Employers' Liability is not only essential when employing people, but also a Legal Requirement in most cases, meaning you need to have the cover in place by Law. Failure to do so could lead to a fine of up to £2,500 a day.

Different types of policy are available; you may be asked for the wages you pay. For small businesses, such as a sole trader, the number of people you have carrying out work for you. You must be accurate with this information as it forms the basis of the cover under your policy. Your broker will ask for this information and provide the best type of policy for you.

DO ALL BUSINESSES NEED EMPLOYERS' LIABILITY INSURANCE?

There are exceptions, and we always suggest that if you are not certain, then you must speak with your broker for the correct advice.

An excellent guide to "what is an employee" can be found on the HSE Website, search for "Employers' Liability (Compulsory Insurance) Act 1969 A brief guide for employers". This is a very good guide for employers.

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**What is ELTO (Employers' Liability Tracing Office)?**

You will at some point be asked for your HMRC Employer Reference number.

There have been many cases where a business has had to pay compensation to an employee for claims originating years or decades before. Whilst the business was insured, so much time has passed that the insurer isn't traceable.

Going forward, ELTO collects the information about your business and the insurer you are with.

CONCLUSION:

Employers Liability can be a complex subject, and the correct advice must be obtained to ensure that you are fully and correctly covered.

The information provided here is for information only and should not be taken as advice in any way.

Every business is different and it's the responsibility of your insurance broker or advisor to provide you with the specific covers for your business.

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This fact sheet is part of the BSGA's BUSINESS ESSENTIALS Series, developed with contributions from our members to help strengthen best practice, compliance and support our industry and the wider stakeholder community.

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