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Business Insurance for Labour Providers

Introduction

This brief has been compiled as a guide for labour providers to identify the main areas of business insurance cover that need to be considered and should be read in conjunction with Member Brief 149 [Vehicle Insurance for Labour Providers](#).

Employer's Liability (EL) Insurance

Employers are responsible for the health and safety of their employees and those working on their premises, while they are at work. Your employees or workers may be injured at work, or your former employees or workers, may become ill as a result of their work whilst engaged by you and might try to claim compensation from any party who might have responsibility.

[The Employers' Liability \(Compulsory Insurance\) Act 1969](#) requires all incorporated bodies (Limited companies and PLCs) to have a minimum level of £5m insurance cover against any such claims from employees and any other workers under their control or supervision. The standard limit of cover provided by most insurers, and widely accepted by the industry is £10m; however this may not be adequate, depending on your requirements.

Insurers may place additional operating conditions in order to provide such cover, which need to be complied with at all times in order to maintain cover.

The dates and amount of cover will be detailed in a certificate that should be freely displayed where employees and other parties, can see it.

Labour Provider's Employer's Liability Cover

Accordingly, labour providers will need to obtain Employer's Liability Insurance to cover the activities of all direct employees, including directors. However, the way labour providers operate is not the same as the majority of other employers, since the workers supplied are usually expressly under the supervision and control of the labour user, leaving the primary responsibility with the User, covered by their insurance.

When arranging Employer's Liability Insurance, the labour provider should ensure the broker (or the Insurer if arranging directly) is fully aware of this aspect of the business's activity and can differentiate between the numbers of direct employees and workers when determining premiums. It would be prudent to confirm in writing with the insurer that the labour provider's insurance will provide suitable cover should the labour user's insurance decline liability under any circumstances, usually referred to as Contingent Employer's Liability.

Where the labour provider acts as a contactor or service provider, retaining Health and Safety responsibilities, those workers will fall under their Employer's Liability insurance not the clients. Again this needs to be fully disclosed to the Insurer.

Labour User's Employer's Liability Insurance Cover

Similarly, the labour user's insurance will cover injury or illness of their own employees and any other workers, including agency workers, under their control or supervision.

Labour providers should ensure they have the details of their clients' current insurance cover on record at all times and that the responsibilities for providing adequate Health and Safety provisions, including safe working practices, training and personal protective equipment are fully documented.

Note that the legal requirement for this insurance only covers Limited Companies and PLCs. It is likely to be a condition of the labour provider's insurance that supply is made only to those with the insurance. Unincorporated labour users such as Sole Traders may not have this cover and should obtain it before supply commences.

Claims

There is a significant industry in assisting workers claim for perceived workplace injury or illness. Labour providers should work closely with labour users to fully document any injury that occurs, together with individual risk assessments and training records to provide their insurers with which to consider any claim made. It is usual for claims to be made directly against the labour user at the time of injury but they may be made directly on the labour provider as well, or in the first instance. Wherever possible, any direct claim should be referred to the appropriate labour provider.

Public and Products Liability (PPL) Insurance

PPL covers your business against legal costs and compensation resulting from injury and/or property damage to your clients, contractors or a member of the public which was caused by you, one of your employees or worker. Drivers' Negligence insurance is also available specifically covering accidental loss of or damage to any motor vehicle belonging to your client and caused by the negligent act of any worker driving such motor vehicle.

A minimum of £5m cover is recommended for labour providers' risk exposure.

Professional Indemnity (PI) Insurance

If as part of your services you provide professional advice and/or services PI cover will protect you against claims of negligence, infringement of intellectual rights, defamation/libel or slander and loss theft or damage of clients' data. The premiums will depend on the level of risk and are based on annual turnover and the types of contracts used by labour providers.

Office Contents

Covers office contents and computer equipment in your business premises and can be extended to include laptops/iPads anywhere in the world, if required. Premiums will be based on the value of the equipment insured.

Business Interruption Insurance

This insurance covers any loss of gross profit and/or increased cost of working in the event of a defined insured event at your or your client's premises. Premiums are based on the value of the gross profit or the increased costs to continue running your business in the event of an incident. It will not cover any loss of profit for commercial reasons.

Legal Expenses Insurance

Legal Expenses Insurance provides for legal assistance in the event of Contract Disputes, Criminal Prosecutions, Employment Disputes, Tax Protection, Property Disputes, Statutory Licences, and Data Protection issues. Standard cover starts at £100,000.

Other Insurances

There are other covers available such as Directors and Officers Liability, Personal Accident, Cyber Liability and Loss Recovery Insurance which you may wish to consider.

Risks labour providers need to be aware of

Insurance requirements for labour providers are very specific and need to be designed to meet their specific business risks.

Some insurance policies have quite onerous warranties and conditions. Non-compliance of these may result in claims not being paid and Insurers cancelling policies.

It is vital that your Insurers and brokers are experts in their field by understanding and knowing exactly what you are doing, your processes and risk management procedures which will include your legal liability, the contracts you have entered into, the types of premises being worked at, the use of hazardous materials and any other requirements that you have.

This approach will ensure that you are fully protected at the best possible premium.

What can you do?

The ALP's Insurance partner, Andrew Thompson & Associates (AT&A) works closely with the ALP to understand the risks faced within our industry and by members, under ever changing legislation and initiatives. They can identify members' specific business risks, their needs and requirements to provide comprehensive cover.

AT&A's experienced team are able to review and critique your current arrangements, including the terms you use with labour users, and give you guidance on the insurance cover required.

To take advantage of AT&A's FREE Insurance checking service:

1. Call **01473 727 800** or email: alp@ataib.co.uk
2. Provide the details of your current insurance as requested.
3. AT&A will advise you whether or not you are correctly insured

Further Advice

Members are invited to contact the ALP if they have any other questions with regard to business or motor insurance.

Disclaimer - Please note that this document is not exhaustive and provides a general overview only. It is not intended to be used as a substitute for legal advice. To the fullest extent permissible by law, ALP and its advisors hereby exclude all liability for any claim, loss, demands or damages of any kind whatsoever (whether such claim, loss, demands or damages were foreseeable, known or otherwise) arising out of or in connection with the use of any of these documents and/or the information, content and/or advice included within these documents.
