

A Guide to Insurance



look beyond the label



Prince's Trust

This booklet is part of a set of 13 guides.

The series is made up of the following titles:

- Starting a business
- Writing a business plan
- Forming a business
- Finding premises
- Sales and marketing
- Managing your finances
- Your business and the law
- Understanding tax
- Setting up your office
- Professional business behaviour
- Growing your business
- Sources of help
- A Guide to Insurance

If you would like copies of any of these publications, please contact your local office.

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Congratulations

You have just been awarded a grant or loan from The Prince's Trust and are about to embark upon your first business venture. You will have many decisions to make over the next few months, and one of them will involve insurance. This leaflet will give you a brief introduction to insurance and how it might protect you and your business. We've tried to avoid as much jargon as possible but we will explain some of the terms that you will be confronted with when speaking to insurance companies or insurance advisers. This is an introduction only and you will need to talk to an insurance adviser in detail about your own particular needs so that they can arrange insurance that will suit your new business.

Starting at the beginning

What is Insurance?

In simple terms you pay a sum of money (**Premium**) to the insurance company for a year, and during that time they agree to pay you should you suffer a loss that is covered by your policy.

The amount that you pay will depend upon what you need to insure.

Why do I need Insurance?

Some types of insurance are compulsory – you are legally obliged to buy it. This includes Motor Insurance and Employers' Liability. For example, if you own and drive a car then you are legally obliged to purchase third party Motor Insurance. If you run a business that employs other people then you are legally required to buy Employers' Liability.

Some types of insurance are optional but are worth considering as they could protect you against losses that could put you out of business and leave you in debt.

For instance, if you borrowed the money to buy tools to operate your business, and those tools were stolen, you may still have to make repayments even though you wouldn't have the tools to earn a living anymore. Insurance could have covered the cost of replacing the tools.

Is it difficult to get Insurance?

Buying insurance can be confusing. There are lots of products to choose from and it is difficult to know how much you should be paying. In addition, insurance companies tend to ask a lot of questions which can be off putting.

However, several companies from the insurance industry that support The Prince's Trust have decided to work together to help young people on our Business Programme understand and buy insurance. All you have to do is call **0870 9501790***, a helpline run by The British Insurance Brokers Association (that represents the interests of insurance brokers, intermediaries and customers), and tell the person who takes your call that you are on The Prince's Trust Business Programme and they will transfer you through to a selected insurance adviser.

What information do I need to give them?

Once you are talking to an insurance adviser, the most important thing is to be absolutely open and honest when answering their questions. To help you arrange the insurance cover that you need they will ask you a number of questions about you and the business that you are starting. You need to tell them if you have broken the law or made a claim in the past. You will also need to tell them everything about your business, how you will be operating, where you will be operating, in fact everything that you possibly can. But don't worry – the person helping you buy your insurance should take you through all of this.

What do I need to be covered for?

Each business will have its own individual insurance requirements but we have listed some below to consider:

a) Motor Insurance

If you own and use a car then it is compulsory for you to have **third party motor insurance** – this covers your liability to third parties e.g. other drivers, passengers or pedestrians. If you cause an accident and damage someone else's car or injure someone, then the policy will cover any claims made against you for repairs to the vehicle or for any money claimed by the other person for injuries.

Many car owners choose to take out **comprehensive insurance** – this means that your vehicle will be covered for any accidental damage, including theft. It is important to check what **exclusions** there are to the policy you are buying. For example, some policies will include windscreen cover, others will exclude it.

Please note that if you use your car to transport goods for your businesses then your **motor insurance policy will not cover those goods**. You will need to buy a separate policy which is discussed later.

b) Property Insurance

For your business assets such as machinery, plant, tools, buildings, stock and other equipment, cover is usually given under what's called a Property Insurance section and you should really look for "**all risks**" cover. "**All risks**" is one of those insurance terms that needs looking at more carefully. Basically it means that you will be covered for any accidental loss or damage to the property that you have insured, from any cause other than those listed in the

policy exclusions. These **exclusions** can vary from one insurance policy to another and it is just as important for you to think about what you're not covered for, so do ask the broker to explain this carefully. A few minutes looking at what's not covered will ensure that there are no surprises if you come to make a claim.

It's also worth noting that most property insurance policies will include an **"excess"**. If your policy states that you have an **excess** of £100 then it means that you will not be covered for the first £100 of any claim that you make. Therefore, if you put in a claim for £500 and it is accepted by the insurance company, you would receive £400. The amount of the **"excess"** will vary between insurers.

c) Employers' Liability

Employer's Liability insurance is compulsory by law if you employ anyone, even part time or temporarily. The law says that if you employ someone, as the employer, you must carry insurance to cover claims that they may make against you if they are killed, injured or become ill as a result of their work whilst in your employment.

d) Public Liability

Public liability covers you if someone sues you for injury or damage you have caused them or their property. If you accidentally burn down a client's house whilst fitting a pipe, or electrocute a passer by whilst steam-cleaning a car, you could be sued for this damage or injury. A public liability policy appropriate for your business should cover any loss resulting from that lawsuit.

Package Policies – What are these?

Many insurance companies offer policies designed for specific trades that include all the covers described above.

These policies are available, for example, for restaurants, shops, hotels, motor traders and for many trades, for example plumbers, electricians and builders.

The advantage of this type of policy is that they provide most of the cover that you would need neatly packaged in one document.

Just a couple of further thoughts:

- a) If you have a car at the moment and are intending to use it for business as opposed to just personal use, you should make sure that you tell your insurance company or broker.
- b) If you are intending to work from home, you should also tell your insurance company. Many insurance companies provide "working from home policies". Not only will these policies cover your home contents, but also your business equipment, stock and your earnings and liabilities as well.

OK, so where do I go from here?

Simply, pick up the telephone and dial **0870 9501790***. The person you speak to will put you through to a selected insurance adviser who can give you more information and:

- Give you advice and answer your questions
- Recommend and help buy the best insurance for you, hopefully at an affordable price.

For more details, you can also talk to your business mentor or visit our website: princes-trust.org.uk

*Please note that there will be a call charge for ringing the telephone number above.

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