



# Public Sector Contracts

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## Bidding for Public Sector Contracts - What Insurance do you need?

The insurance requirements for bidding for public sector contracts may look daunting, but taken step-by-step it is not as complicated as it might first seem. There are three types of insurance that form the basis of most tender requirements, these are:

- Public Liability Insurance
- Professional Indemnity Insurance
- Employers Liability Insurance

These types of insurance are explained in more detail below, setting out why you might need the cover and what information you will need to prepare to get a quote. **We only need a few key pieces of information to help provide you with a quotation.**

### How will this help me?

Many public sector organisations look for a business that will deliver a high quality of service, which is one of the reasons they expect their suppliers to have Liability Insurance. They know that if the company has the appropriate liability cover then that business is more likely to implement health and safety, carry out risk assessments and

generally make sure that members of the public are protected from potential risks.

### What is Public Liability Insurance?

The cover provided under this type of insurance is for your legal liability for any injury to other people and/or damage to their property which you may cause. Although not compulsory, this type of insurance is usually a requirement for council or NHS contracts where the minimum level of cover (limit of indemnity) is usually £5million but can be as much as £10million. The limit of indemnity is the maximum payable for any one claim. Claims under this type of insurance can increase in value very quickly.

### What information do I need to get a quote?

To get a quote for this cover, the insurer will need to know:

- Your estimated turnover for the next or first year
- How much work away you do (in the form of employee numbers or wage rolls, see 'Employers Liability')
- Your annual payments to bona fide sub contractors or the maximum number you will use at any one time

**Note** – a bona fide sub contractor is a contractor who does not work exclusively for you, supplies (most of) their own equipment and materials and can employ a substitute if unable to do the work themselves.

If you are a Hairdresser, Beautician or any other profession where you carry out treatments on customers – whether this is mobile, from home or from a salon/surgery – your Public Liability Insurance will include a ‘Treatment Extension’. This is the section of your Policy that will provide cover for injury or damage resulting from your treatments and so it is very important to ensure that this is included.

#### **What is Professional Indemnity Insurance?**

Professional Indemnity Insurance, also sometimes called Professional Liability Insurance, covers any advice you give to a client, in your professional capacity, and protects you should a client believe you have failed to complete a job to a satisfactory standard. If your business is involved with giving your clients advice or knowledge, you should consider having Professional Indemnity Insurance.

#### **Do I need Professional Indemnity insurance?**

Professional Indemnity Insurance is not relevant to all businesses. However, if you are in the business of selling your skills or knowledge then it may be prudent to take out professional indemnity cover.

Many professions are required to have Professional Indemnity as part of their professional authorisation, including Solicitors, Accountants, Architects, Mortgage Intermediaries, Insurance Brokers and Financial Advisers. Many consultants, Advertising and PR Agencies and Designers also choose to have this type of insurance as it's often a condition of their contract. In addition, if you write articles for trade journals or magazines, then you may want to consider taking out Professional Indemnity Insurance to protect against legal action such as libel or slander.

#### **How much Professional Indemnity Insurance do I need?**

The policy features and cost of Professional Indemnity Insurance will vary depending on your profession. Typically, policies offer different levels of cover (limits of indemnity) which are based on claims made during the policy year.

The policy will cover claims brought against you during the policy term irrespective of when the incident took place that led to the claim being made. However, please note that if the claim against you is made after the policy has expired, even if the incident in question took place during the period of cover, then you will not be covered) starting off at £100,000.

#### **What information do I need to get a quote?**

You will need to describe your business activities in detail and your turnover for each

activity (if more than one), whether there have been any previous incidents that might cause a claim to be made and, of course, the limit of indemnity you require.

### **What is Employers Liability Insurance?**

As a small business, whether you own commercial premises or run a business from home - you will need Employers Liability Insurance if you have one or more employees. It's for your own business' safety as well as your employees.

Having Employers Liability Insurance will enable you to meet the cost of compensation for any injury or illness suffered by your employee - whether it occurred on or off site. Even former employees can make a claim against you, if it's found that their injury or disease/illness resulted from their work whilst under your employment.

The Employers' Liability (Compulsory Insurance) Act 1969 states that employers are responsible for the health and safety of their employees whilst they are at work. This is in case your employee becomes injured at work, or through the course of being under your employment in the UK. If they make a claim for compensation and you are found responsible, the Employers' Liability (Compulsory Insurance) Act 1969 makes sure that you have enough insurance to cover you against such claims - which could run into hundreds of thousands of pounds.

### **How much Employers Liability Insurance do I need?**

By law you must have Employers Liability Insurance and you must be insured for at least £5 million but most insurers will offer £10million as standard, which gives you an indication of how damaging a claim by an employee can potentially be to your business if you didn't have this insurance in place. You are also required by law to post details of the insurance certificate for staff to see. The Health & Safety Executive (HSE) is the body responsible for enforcing the law on Employers liability insurance and can fine you as a business up to £2,500 for every day that you don't have this insurance in place, a cost that many small businesses cannot afford to lose.

### **How do you define an employee?**

An employee is defined as someone who works for you and:

- They are under a contract of employment
- You deduct National Insurance and Income Tax from their salary when you pay them
- You control when, where and how they work for you
- You supply their work materials and equipment
- They can't employ someone else as a substitute to do their work for them if they're unable to work

You'll only be exempt from having to have Employers Liability Insurance if:

- Your business is not a limited company
- You are the only employee
- You only employ close family members
- You are a limited company with one employee and that employee owns 50 per cent or more of the issued share capital in the company
- Your employee can employ a substitute when they are unable to do the work themselves
- Your employee supplies most of the equipment and materials they need to do the job
- Your employee doesn't work exclusively for you (for example, if they operate as an independent contractor)

#### What information do I need to get a quote?

To get an accurate quote, insurers will require a detailed business description of your business activities including the number of employees or your total wage roll (actual or estimated) for the following categories:

- Clerical, Sales & Managerial
- Non-Manual
- Manual work on the premises

- Manual work away from your premises
- Work away from the premises that involves heat (e.g. welding, angle grinding)
- Woodwork
- Drivers

#### Supporting Documents

When you bid for your first tender, getting the required paperwork together can be time consuming, however Routen Chaplin can help make this easier by providing you with copies of your insurance certificates together with a register of insurance summarising your liability covers or "To Whom It May Concern Letter" which you can incorporate into your tender response pack.

#### Getting a Quote

Public sector contracts can be a mine-field to navigate, so let us assist in finding the right level of cover for you and your business so you can focus on the job in hand.

Our experienced staff are available to advise you in the most appropriate insurance, simply get in touch by calling 0115 973 7303 or alternatively visit our website at [www.routenchaplin.co.uk](http://www.routenchaplin.co.uk)



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