







Employers' liability insurance

20 December 2016

13 October 2018

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This article was last updated by the author in October 2016.

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A brief introduction to employers' liability insurance.

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Publication date:

Last updated:

Author(s):

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- **Overview**
- All businesses have a legal duty to protect the safety of their employees at work. Those who fail

result of their negligence. This could happen, for example, if an employee injures their hand whilst using a piece of unguarded machinery. Businesses are responsible not only for their own

acts of negligence, but also for those of their employees. This is termed vicarious liability. Compensation could include financial recompense for any expenses incurred, loss of earnings, possible loss of future earnings, pain and suffering, and perhaps other items. In addition, even if the business owner was not the cause of alleged injury or illness, the costs and expenses incurred in taking legal advice and defending an action in court can be substantial.

to do so will be legally obliged to pay compensation if an employee is injured, or becomes ill, as a

Employers' liability insurance is there to make sure the money will be available to deal with such claims. It is one of the few types of insurance which is compulsory by law in the UK. Compulsory insurance requirements were first are laid down in the Employers' Liability (Compulsory Insurance) Act 1969 and have since been up dated by the Employers' Liability (Compulsory Insurance) Regulations 1998. All employers, with certain limited exceptions, must

be insured against liability for bodily injury or disease sustained by their employees arising out of

and in the course of their employment in the business. This must be under an approved policy

with an authorised insurer. The cover provided must be for a minimum of £5 million in respect of

In addition, employers must display, at each place of business, a certificate of insurance to demonstrate that the employer has the required insurance. The Employers' Liability (Compulsory Insurance) (Amendment) Regulations 2008 allow for a certificate to be made available electronically, perhaps through an intranet site, provided all employees have access to it. Only a very few businesses are not legally required to have Employers' Liability Insurance; for example, those who have no employees; family business where all employees are closely related

to the business owner; and most public organisations including government departments, local

Back to top **Typical cover provided** An employers' liability policy provides cover for any sum which the employer may be legally liable

to pay to any employees in respect of injury, disease, illness or death caused during employment

in the business of the insured. Key words, such as 'employee' and 'business', are defined in the

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The term employee is widely defined as 'any person who is under a contract of service or

policy.

all claims arising out of any one occurrence.

authorities, police forces and nationalised industries.

apprenticeship' with the insured. It can therefore include not only direct employees but also selfemployed persons, hired persons and students on work experience. The injury or illness must have been caused in connection with the trade or business stated in the policy wording. However, it is usual to extend cover to include any ancillary activities of the

insured; for example, first-aid facilities, canteens, private fire brigade and ambulance services

and any private work carried out for any director, partner or employee of the company.

 the claimant's costs and expenses associated with a claim • any legal costs incurred by the insured in defending a claim with the insurer's consent. This includes representation at any hearing for breach of statutory duty, such as Health and Safety legislation

There is no cover for liability for loss of, or damage to, an employee's property. This would

Cover also includes:

- instead be dealt with under the employer's public liability policy.
- Cover is subject to a limit of indemnity; usually £10 million. Employers' liability cover for acts of terrorism is limited to £5m, this being the minimum amount of cover which is compulsory.

• any director, partner or employee of the insured for any action brought against them, in their

personal capacity, for which the insured would be entitled to indemnity under the policy.

which are usually: • Great Britain, Northern Ireland, the Isle of Man or the Channel Islands

• anywhere in the world in connection with commercial visits by employees, provided that

Cover only applies where bodily injury is sustained within the territorial limits stated in the policy,

The injury or illness must have been caused during the period of insurance. Some diseases, such

such employees are normally resident in the countries noted above.

claim, according to the length of time that they were on cover.

as lung diseases and deafness, may not become apparent until some years after the employees was exposed to the unsafe conditions. Any claim must be made against the insurer that was 'on risk' at the time the injury or illness was caused. It is immaterial that the policy may have

subsequently expired. For gradually developing diseases, such as asbestosis, the insurers that

covered the employers' liability risk over the development period must share the cost of any

As an Employers' Liability policy is designed to meet compulsory insurance requirements, cover is typically written on an inclusive basis, rather than offering optional extensions. Back to top **Key exclusions** As Employers' Liability insurance is compulsory, policy exclusions are not permitted.

However, cover may be limited by an insurer as part of the underwriting process by applying

getting into or out of) a vehicle, whilst being used on a road. This is because the Motor Vehicles

(Compulsory Insurance) Regulations 1992 require cover for such risks to be provided under the

Most Employers' Liability policies are rated on wages, split between different types of jobs. A

The premium is usually based on estimated figures at the beginning of the period of insurance

higher rate would apply to manual jobs, such as builders, than to clerical staff such as

This allows insurers to exclude, for example, off shore work and nuclear risks. In addition, the policy wording will exclude liability for injury to employees whilst travelling in (or

employer's motor policy.

administrators.

restrict the definition of the 'business';

exclude certain machines and/or processes.

exclude certain kinds of work;

clauses which:

Optional extensions

Rating factors

and is then adjusted on actual figures at the end of the period.

Product providers There are very few separate Employers' Liability policies issued. It is more common to issue combined liability policies which include employers', public and products liabilities within one policy document.

Most composite insurers, as well as a number of specialist insurers and Lloyd's syndicates, offer

intermediary, although small businesses can purchase cover by telephone or on line as part of a

employers', public and products liability cover. Cover is often arranged through an insurance

entry.

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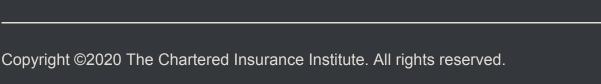
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