

# How to: Understand Public Liability

## Insurance

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### Public Liability Insurance

#### 1. What is Public Liability Insurance?

Public Liability Cover is designed to offer protection to individuals, businesses and non-commercial organisations against claims for injury or damage, for which they are found legally liable. The policy will cover claims from any members of the public, clients or customers ('third parties') suffering from an accident/incident, while on business premises or elsewhere, in the event you or your organisation is found to be liable.

If your organisation has made an error or omission which leads to an incident it is likely that this could result in a public liability claim.

#### 2. Do I Need Public Liability Coverage?

Public Liability Insurance is not always mandatory, however depending on your individual circumstances, your type of business and the sector in which you operate, Public Liability Insurance may be a requirement. Find out what the specific requirements of your legal structure are and make sure you have coverage if it is

needed. If you are a voluntary/community group, charity, CIC or similar, your local Council for Voluntary Service can advise you.

You may think that it's not likely someone will make a claim against you or your organisation, but if there is a possibility, you should consider it. There aren't many types of business that can justify not taking out Public Liability Insurance.

You should consider taking out a Public Liability Insurance policy if:

- Members of the public, customers or clients visit your premises
- You visit or work on other premises
- You undertake activities in public places

Many customers also require proof of certification when awarding their custom, making public liability commercially important besides providing financial protection against claims.

### **3. Why is Public Liability Insurance necessary?**

This type of insurance is designed to protect you or your organisation from unexpected financial loss.

Public Liability Insurance is important because it will pay out in the event that a mistake is made whilst you are carrying out your business, which causes an injury to or damages the property of a member of the public or customer.

Accidents can happen at any time and it could be something very simple or something really serious.

If you don't have public liability cover, and you were found legally liable for an incident, you may not be able to afford the legal costs associated with defending a claim or paying damages. Public liability claims have the potential to run into the thousands, sometimes millions, depending on the seriousness of the injury caused, and your organisation may not have the finance to cover that cost.

Public liability protects your organisation from a financial standpoint and it protects the interests of public by ensuring they can claim appropriate compensation.

### **4. What does Public Liability Insurance cover?**

Public Liability protection covers injuries and damage claims brought against your organisation by a third party, whether caused at your own workplace, a customer's workplace or elsewhere.

Protection against these claims is at the very heart of this type of insurance. You or your organisation will have to be found at fault for a third party to receive compensation through your Public Liability Insurance policy.

Public Liability Insurance will usually cover any related costs, such as:

- Compensation payouts to the injured party.
- The cost of repairing damage.
- Legal fees incurred in defending the case.
- Expenses.
- Hospital treatment, including ambulance costs, that the NHS may claim from you.

You can read about the Injury Costs Recovery Scheme on the Department of Health (DoH) web page: <https://www.gov.uk/government/publications/nhs-injury-costs-recovery-scheme-april-2016-to-march-2017>

## 5. What level of Public Liability Insurance do I need?

A variety of different policies are offered by insurance providers, who will assess your Limit of Indemnity. This term relates to the amount of insurance cover your organisation is likely to need, and the sum that would be covered on your behalf by your policy in cases of claims being brought against you.

The amount of cover you need will depend on the nature, size and structure of your organisations and other factors such as the risks involved with your business operations or planned event. It is important to ensure that your insurer knows about the type of organisation you run and of any changes in circumstances that may take place, as this may affect your policy.

There are many different types of Public Liability Insurance policies available, with each covering different types of organisations. Most Insurers put a financial limit on the cover provided by this form of insurance, average policies are based on Limits of Indemnity, starting at £1 million, and going up to £5million and £10million.

Whilst Public Liability Insurance is not currently a legal requirement you may find that your industry or clients have specified levels they require you to hold.

**Any organisation undertaking work for, on behalf of or in partnership with West Sussex County Council is required to have £10million of Public Liability cover; however, the limit of indemnity required can be reduced dependent upon a risk assessment.**

Certain business types might be subject to certain requirements by clients, for example, a DJ would need to make sure he or she has the correct level of cover required by a venue.

If there's no set requirement you should still consider the likely risk to third parties that may arise from the work that you do. You should consider all potential risk exposures when deciding whether liability insurance is needed, and, if so, how much coverage is appropriate and cost-effective.

## **6. Whom do I need to consult?**

Every organisation has different requirements, and there are many conditions, exclusions and warranties that can be applied to Public Liability policies. It is therefore important to understand the terms of any policy you wish to purchase and that you ensure that the policy meets your needs.

You may wish to seek the advice of a qualified professional who is knowledgeable and experienced in Public Liability. Brokers have extensive knowledge and experience of a variety of different Insurers and their policies, thus enabling them to offer you bespoke advice. An insurance broker will act as your representative and work to your best interest, whereas insurance agents act on behalf of an insurance company.

Your local Council for Voluntary Service or Citizens Advice Bureau will also be able to offer advice on the best policy to purchase.

You can also purchase your policy directly from an insurance company. The company will be able to tell you what type of coverage they offer and what it will cost you, depending on your particular circumstances and needs. If you choose to deal directly with an insurer, it's worthwhile checking that they are a member of the Association of British Insurers (ABI), which guarantees their authenticity.

The internet has dozens of insurance companies and comparisons tools that can help you find the most suitable policy. Using the internet may also save you time and money, as online discounts are sometimes offered by providers.

## **7. How Much Does This Type Of Public Insurance Cost?**

Premiums for insurance policies can vary widely and depend on what is included and excluded, the nature of your business or planned event, and the risk factors apportioned to your line of work.

As with many types of car insurance, no claims discounts can be applied to policies. These discounts recognise businesses that manage potential risks well, and adhere to health and safety regulations, resulting in a lack of claims.

To ensure that you pay the lowest price compare quotes from providers.

## **8. Public Liability Insurance Tips**

To reduce the cost of Public Liability Insurance premiums you may wish to consider the following:

- Ensure that staff or volunteers are properly trained or qualified.

- Ensure that you have the right equipment to undertake activities.
- Keep and maintain a risk register – look to minimise risks where possible.
- Ensure that you hold the appropriate licenses for your activities.
- Keep and maintain a list of all the assets owned by the organisation.
- Ensure that your provider is aware of the activities that you undertake.
- Compare the cost of annual and single event cover if you are hosting an event.
- The provision of alcohol and food may increase insurance premiums.

You may be able to make savings by buying a general insurance policy for your organisation, which may include property insurance and Employers' Liability, as well as Public Liability cover.

## **Other Types of Insurance**

### **A. Events Insurance**

If you are organising an event, and you are looking for a policy to cover certain things that could go wrong, such as cancellation, equipment failure, inclement weather, travel disruption or technical issues, in addition to the generally understood cover provided by a Public Liability policy, you may wish to purchase an events insurance policy, which are widely available and often include Public Liability cover.

### **B. Employers' Liability Insurance**

If you are an employer, you are required by law to have Employers' Liability insurance, which covers you in the event that your staff suffer injury in the workplace or as a direct result of work-related duties, caused by your negligent act or omission. This does not, however, extend its cover to members of the public, for which Public Liability is additionally recommended.

Employers' Liability insurance policies are available to purchase with a minimum limit of indemnity of £5m.

### **C. Charities and Insurance**

The Charity Commission has produced a guide to clarify what legal obligations there are in connection with insurance; the guide looks at what options your Trustees have when identifying and managing risks that your charity might face.

<https://www.gov.uk/government/publications/charities-and-insurance-cc49>

### **D. Further Support**

To find out more about Public Liability Insurance and other kinds of insurance you may need, talk to your local Council for Voluntary Services (CVS).