



Employer's Liability Insurance Guide

With a small number of exceptions, it is a legal requirement to carry Employer's Liability Insurance to protect people from injury or disease whilst at work. Many businesses mistakenly think that as they do not 'employ' anyone that they are free from any obligation.

The following aims to clarify the position.

Why Do I Need Employers' Liability Insurance?

Under the Employers' Liability (Compulsory Insurance) Act 1969 an employer is obligated to obtain Employers' Liability Insurance to protect its employees should they be injured as a result of an accident at work, or become ill as a result of their work.

In the event that the employer is responsible, compensation may have to be paid. Employers' Liability Insurance ensures that the employer has adequate funds to pay this compensation.

Am I Required To Have Employers' Liability Insurance?

There are few exemptions from the requirement to carry cover as follows:-

- Most public organisations eg. government departments.
- Health service bodies eg. the National Health Service.
- Some other organisations financed through public funds eg. passenger transport executives.

Family Businesses

Family businesses are also exempt. If you are closely related to your employer they are not required to carry Employers' Liability Insurance, ie. your employer is your husband, wife, father, mother, grandfather, grandmother, stepfather, stepmother, son, daughter, grandson, granddaughter, stepson, stepdaughter, brother, sister, half-brother or half-sister. **This exception does not apply if the business is incorporated as a limited company.**

Limited Companies

One of the most popular misconceptions in relation to Employers' Liability Insurance is that if an incorporated or Limited Company solely has Directors and no 'employees' that the business has no requirement to buy the cover. This is **not** the case, at law, an incorporated company is separate legal entity and as such, the company acts as the Employer of the director(s) and thus creates a duty to purchase Employers' Liability Insurance.

The only exception to the above is *'any employer which is a company that has only one employee and that employee also owns all or the absolute majority of the issue share capital in that company.'*

The information herein is provided as provided as a guide only and should not be seen as a replacement for bespoke advice.

Please feel free to discuss your requirements with an MFL adviser. More information can be found on the Health and Safety Executive website at www.hse.gov.uk.

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