



Employers' Liability Act: how it affects business insurance

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[Insurance](#)

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The Employers' Liability (Compulsory Insurance) Act was introduced in 1969 and makes employers accountable by law for having a minimum amount of Employers' Liability insurance in place. Read on to learn more about the act and the legal requirements on business owners.

What is the Employers' Liability Act?

It's important to understand there are two acts with this name. Firstly, the Employers' Liability Act of 1880 was the original law passed that enabled employees to seek compensation for any injuries they suffered due to the negligence of another employee.

Many other legislation types and bills concerning liability in the workplace followed until the Employers' Liability (Compulsory Insurance) Act was passed in 1969. This legislation made it compulsory for all employers to have a minimum amount of employers' liability insurance to cover any claims made by employees due to injury or illness.

Key points of the Employers' Liability (Compulsory Insurance) 1969

The key points of the 1969 Employers' Liability (Compulsory Insurance) Act include the following:

Businesses must have a minimum level of insurance of £5 million. You may need more depending on the size of your business, your number of employees, and your industry. For example, construction companies are more likely to operate on 'dangerous' premises, where accidents may be more likely to happen. You may take out multiple policies but they must equal £5 million or more.

Employees must be made fully aware of your company's employers' liability policy. The certificate provided by your insurer must be clearly on display at your premises. Alternatively, the certificate can be displayed digitally, but your employees must know how to find and access it. [What is the Employers' Liability Certificate?](#)

Even with employers' liability insurance in place, businesses must still carry out risk assessments and take measures to prevent injuries and illnesses. If you do not have the correct measures in place, and your insurer believes a claim has come as a result of this negligence, insurance companies may sue you to meet the compensation costs, the Health and Safety Executive (HSE) explains.

What is employers' liability insurance?

Employers' liability insurance covers the cost of compensation claims made by employees who have been injured or become ill due to their work, guidance by the [Health and Safety Executive](#) states^[1]. Injuries can occur on or off your premises and still be claimed for if your business is found to be at fault.

Employers' liability insurance does not protect you from being held liable for legal claims. It pays for the compensation awarded to employees as a result of these claims.

What is covered by employers' liability insurance?

Insurance policies can differ between insurers. However, your policy will generally cover any costs and fees incurred from the court process, [as outlined by insurance industry body the ABI](#)^[2].

This may include:

- Legal costs
- Compensation
- Medical bills
- Any lost income as a result of time taken off.

Your employers' liability policy will also include an agreement between yourself and your employees outlining what they can and can't claim for. Whatever the agreement, under HSE guidance^[3], your insurer should pay the full claim amount and should not make you pay any part of it. However, you can agree with them that you will pay certain amounts.

Is employers' liability insurance compulsory?

As per the Employers' Liability (Compulsory Insurance) Act, it is a legal requirement for your business to have at least £5 million of employers' liability insurance in place. If you are found to be without this, you could be fined up to £2,500 for every day you do not have the correct amount of insurance, or any insurance at all, [as detailed by the ABI](#)^[4].

Who is exempt from employers' liability insurance act?

Some business types and organisations are exempt from the Employers' Liability (Compulsory Insurance) Act. The HSE outlines these exemptions to include:

- Some public organisations – including governments and police authorities
- Health services – including the NHS and Scottish health boards
- Public-funded organisations – including government bodies for public transport and the Magistrates' Courts Committees
- Family businesses – if the company only employs close family relations



You can find out more about exemptions on our [employers' liability FAQ page](#).

If you are looking for an [employers' liability insurance](#) policy, this cover can be tailored specifically to you and your business. This is available whether you work in IT, finance or the health and wellness industry.

[1] <https://www.hse.gov.uk/pubns/hse40.PDF>

[2] <https://www.abi.org.uk/products-and-issues/choosing-the-right-insurance/business-insurance/liability-insurance/employers-liability-insurance/>

[3] <https://www.hse.gov.uk/pubns/hse40.PDF>

[4] <https://www.abi.org.uk/products-and-issues/choosing-the-right-insurance/business-insurance/liability-insurance/employers-liability-insurance/>

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