‹ Insurance for the self-employed

Advice ✓ Free to All

A guide to freelancer and contractor insurance

Make sure that you are protected with the key insurances needed by the self-employed community. Plus, IPSE members can receive a discount through our insurance partner Qdos.

Insurance for the self-employed Winning work Tax Protecting your business Partners

12 minutes

Share

Jump to Please select one

Why do freelancers and contractors need insurance?

Freelancer and contractor insurance is designed to protect you against the unforeseen – from making a mistake in a piece of work that results in your client losing money, to personal injury claims from third parties and employees.

If a claim is made against you (even if it's unsubstantiated) and you don't have cover in place, you could be left to pay thousands of pounds in legal fees and compensation payments out of your own pocket.

Whether you're new to freelancing or an experienced contractor, having business insurance in place can give you the peace of mind that you'll be covered if something doesn't go to plan.

This guide, produced in partnership with Qdos, outlines the different types of insurance available, including:

- Professional indemnity insurance
- Public liability insurance
- Employers' liability insurance
- Directors and officers insurance
- Legal expenses insurance
- Business equipment insurance
- Cyber insurance

Get 10% discount on contractor insurance from Qdos*

IPSE have partnered with Qdos, a specialist insurer of contractors, freelancers, self-employed professionals and micro-businesses to offer a 10% discount* to IPSE members.

Why insure with Qdos?

- 10% discount* for IPSE members on professional indemnity, public liability and more
- Fast, easy online quote

How to arrange cover

Discount is only available to IPSE members - **you will need to login to your IPSE portal to find the offer here.**

If you are not yet a member, **you can join IPSE today to access the discounted rate.**

Join now

Professional Indemnity Insurance

What is it?

Professional indemnity insurance covers you against allegations of professional negligence. If you make a mistake in a piece of work for a client, they may incur a financial loss because of your error and take legal action against you seeking compensation.

What does it cover?

Professional indemnity insurance covers the legal costs involved with defending a claim, as well as compensation that may be awarded to your client, following allegations of:

Professional negligence - such as making a mistake in a piece of work for a client or giving them poor advice

Unintentional breach of confidentiality - such as sharing sensitive client information without permission

Unintentional breach of copyright - such as using an image on your website without permission

Defamation and libel - such as making false comments about a competitor or client that damage their reputation

Loss of documents or data

Loss of money or goods (for which you are responsible)

Why is it important?

Whilst everyone aims to provide clients with the best service possible, not every project goes to plan. Examples of where professional indemnity insurance can help you include:

You provide a business plan to a client, but it doesn't deliver the expected results. They claim against you for their financial loss.

You provide a website, application or software for your client that isn't fit for purpose. They have to pay another company to fix it and claim against you for the cost of rectifying the problem.

You provide designs to a client that have incorrect measurements and cause long delays to the project. They claim against you for the cost of putting your mistake right.

Who needs it?

Any freelancer or contractor that provides advice, designs or other professional services to their clients should consider arranging professional indemnity insurance. Professions that usually hold professional indemnity insurance include:

- IT contractors and consultants

- Business consultants

- Technical and engineering contractors

- Marketing consultants

- Photographers

- Designers

In addition, you may find that clients require you to have a certain level of cover as a contractual requirement; it gives your client a route of recourse should the work not go to plan.

Additional reading

Self-employed Professional Indemnity insurance guide

Professional Indemnity insurance is there to protect you and your business if a client of yours suffers financial loss as a result of work you have completed for them. In this guide to self-employed Professional Indemnity insurance we will explain who this type of cover protects and why it is so important.

Read more on the member benefits

Public Liability Insurance

What is it?

Public liability insurance covers you if you were to cause injury to a third party, or damage property that belongs to a third party. In today's litigious culture, public liability insurance can protect you against common personal injury claims.

What does it cover?

- Allegations of injury caused to a third party in the course of your business activities – for example, a client or visitor to your place of work
- Allegations of damage to third party property – for example, a piece of equipment loaned to you by your client

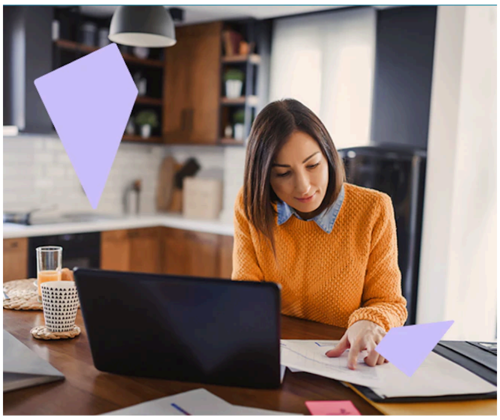
Why is it important?

Depending on the nature of your business, public liability insurance can protect against:

- A client trips over your loose laptop cable during an on-site meeting. They break their wrist and are unable to work for several weeks. They make a personal injury claim against you, seeking compensation.
- During a meeting, you accidentally spill a cup of coffee over your client's expensive laptop and smartphone. The devices stop working, and your client has to replace them. They make a claim against you for the cost of replacing the devices.

Who needs it?

Public liability insurance is generally considered essential cover for any freelancer, contractor or small business that interacts with clients or members of the public. Like professional indemnity insurance, you may find that clients require you to hold public liability insurance before they will agree to work with you.



Employers’ Liability Insurance

What is it?

Employers’ liability insurance covers you in the event an employee is injured, or experiences an illness, as a result of their employment with you.

What does it cover?

Employers’ liability insurance covers:

- Allegations of injury suffered by an employee in the course of their employment with you
- Allegations of illness suffered by an employee in the course of their employment with you

Why is it important?

Defending your business against allegations by employees (or former employees) can be costly. Examples of scenarios where a claim could be made against your business include:

- Your employee slips on a wet floor at your office. They allege that you failed to provide a safe working environment and make a personal injury claim against you.
- Your employee experiences a serious repetitive strain injury and is unable to work. They allege you failed to provide them with a suitable desk and chair and make a personal injury claim against you.

Who needs it?

It is a legal requirement for any business that has employees is required to hold a minimum of £5m worth of employers’ liability insurance. The definition of employees is broad, and can include anyone under your supervision, direction or control – so if you use a sub-contractors, freelancers, substitutes or temps, you are likely to need employers’ liability insurance.

Directors and Officers Insurance

What is it?

Directors' and officers' insurance covers you against allegations of wrongdoing in your role as a director of a limited company.

What does it cover?

Directors' and officers' insurance covers your legal liability as a director of the company, as well as your legal costs and expenses, in respect of:

- Defending you against disqualification as a director
- Investigations (e.g. by the Health and Safety Executive)
- Allegations of mismanagement and breaches of the Companies Act
- Extradition proceedings (including appeals)

In addition, Qdos offer a PR crisis management service covering your costs in using a public relations specialist to deal with adverse publicity or media attention within the United Kingdom, where there is a risk to your livelihood as a consequence of such attention.

Why is it important?

Whilst limited companies do offer some limitation of liability for its officers and directors, it's a common misconception that directors have no personal liability at all.

- A construction company suffered a near miss when a pane of glass fell from the fifth floor of a redevelopment project onto the pavement. Thankfully, no one was injured, but the Health & Safety Executive made a site visit the following day. This revealed a number of legislative breaches. A variety of actions were subsequently brought against the directors, resulting in costs of £45,000.
- A husband and wife team equally owned a successful contracting company. Following a messy divorce, the wife accused her husband of deliberately mismanaging the finances to distort the true worth of the business. This is commonly known as a director vs. director action and is on the increase as business pressures mount. Total costs amounted to £75,000.

Who needs it?

If you operate as a director or office of a limited company, you should consider arranging directors' and officers' insurance.

Legal Expenses Insurance

As an IPSE member, you enjoy many of the benefits offered by legal expenses insurance in your membership.

See details of your membership package for full details of your cover.

What is it?

Legal expenses insurance covers your business against a wide range of legal costs, including contract disputes with clients, tax enquiries and employment disputes.

What does it cover?

Legal expenses insurance covers the legal costs and expenses involved with:

- Contract disputes
- Tax investigations (including IR35)
- Jury service attendance
- Criminal defence
- Health & Safety investigations
- Employment disputes

Why is it important?

Legal expenses insurance covers many scenarios that could leave you with an eye-wateringly high legal bill. It enables you to:

- Pursue a client where they have breached a contract, or defend you against an unfounded allegation of you being in breach
- Have representation when HMRC investigate your business tax affairs
- Have representation should you be required to attend a police interview under caution concerning an alleged criminal matter that took place in connection with your business
- Cover expenses if you are required to attend jury service
- Defend yourself against an allegation of discrimination by a former employee

Who needs it?

Freelancers and contractors working as sole traders or limited companies can benefit from the protection offered by legal expenses insurance. Contract disputes cover and tax investigation cover are of particular benefit, providing peace of mind you would be covered should a client refuse to pay, or HMRC open an investigation.

Business Equipment Insurance

What is it?

Business equipment insurance can cover valuable equipment that you use in your business, such as computer equipment, smartphones, and kit specific to your profession (e.g. tripods and cameras for photographers).

What does it cover?

Business equipment insurance cover the cost of repairing or replacing vital business equipment (anywhere in the world) against:

- Loss
- Theft
- Accidental damage

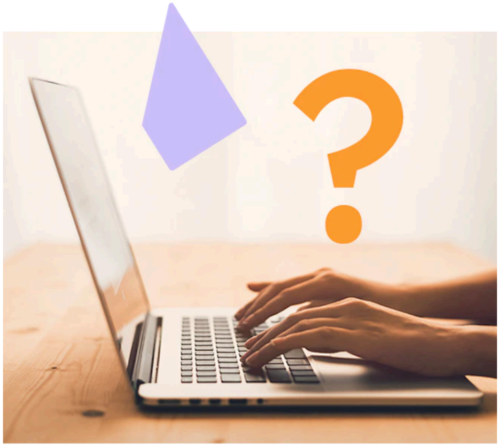
Why is it important?

Repairing or replacing equipment that you use on a daily basis is key to keeping your business running smoothly. Examples include:

- On your morning commute, you drop your laptop bag and your laptop screen smashes. Business equipment insurance covers the cost to repair your laptop.
- During a photoshoot for a client, your tripod falls over, causing your camera lens to smash. Business equipment insurance covers the cost to replace the lens.
- Whilst visiting a client's site, a bag containing thousands of pounds worth of equipment is stolen. Business equipment insurance covers the cost to replace the equipment.

Who needs it?

Freelancers and contractors who own valuable equipment that they would struggle to do their job without.



Cyber Insurance

What is it?

Cyber insurance covers your business in the event of a malicious attack on your computer systems and data.

What does it cover?

Cyber insurance covers your business, in the event of a cyber-attack, against:

- The costs of restoring data and equipment
- Informing clients of a data breach
- Meeting ransom demands
- Loss of your net profit
- Your legal defence costs and damages you are legally liable to pay to other parties

Why is it important?

Small businesses are often targeted by cyber criminals, and cyber insurance can offer peace of mind should you experience an attack. Example scenarios include:

- A spreadsheet containing of all your clients' personal information (including payment details) is stolen by a hacker in a targeted attack. You are covered for the costs associated with informing your customers, your legal defence costs, and any damages you are legally required to pay to other parties.
- In a targeted attack, a hacker threatens to encrypt the hard drive of the laptop you use for your business unless you pay them a ransom. You are covered for the cost of meeting the ransom demand.
- A targeted denial of service attack causes an outage on your website. You are covered for the cost of restoring or reinstating the data to get your website back online, as well as loss of net profit.

Who needs it?

Small businesses, freelancers and contractors who hold confidential data (on any device) should consider cyber insurance.

How to arrange cover

Join IPSE today to access the discounted rate

IPSE has partnered with Qdos to offer a 10% discount to our members

Click to know more

Looking for more guidance?

Advice

Free to All

Self-employed insurance jargon busted

Insurance for the self-employed Legal

+3 more

Everything freelancers, contractors and the self-employed need to know about insurance terms, from policy wording to income protection.

IPSE 7 minutes

Read more

Advice

Late payment guide: le rights and process for claiming a late payme

Financial wellbeing when self-employ

Protecting your business +2 more

Late payments can affect businesses anc livelihoods. Here's a guide to what you'r to and how to recover any payments ow

IPSE 13 minutes

Read more

Join our newsletter

Your Name

Email Address

I agree to be sent specially curated emails about the latest news and products from IPSE. *

I'm not a robot

reCAPTCHA

Submit

Privacy policy

Terms & conditions

Cookies policy

Data protection