



# Doing Business in the UK

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# Doing Business in the UK

**La Playa's Elaine Lamb considers the insurance implications for US businesses looking to expand into the UK.**

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**With London voted #1 European city for business for over twenty years, US companies are taking advantage of its stability and favorable tax regimes to set up operations in the UK. But how much do you know about UK insurance requirements? London is the 'cradle' of insurance and the industry is regulated with a strong arm by the Financial Conduct Authority. Some coverages are mandatory – and some are just plain common sense. Some you may need from day one, others you'll need to consider as your risk exposures change with the growth and development of your business. There are also some coverages available that you simply can't buy in the US.**

## **What if...**

- ...your online content breached laws in the UK that you never knew existed?
- ...your US broker thought your UK broker had it covered?
- ...or vice versa?

La Playa is an award-winning independent insurance broker with offices in New York and London. We're one of the few specialist brokers who can look after your operations on both sides of the Atlantic – and deliver boutique-style service.

We've created this guide as a convenient, plain-English explanation of essential insurance components for businesses looking to expand to the UK

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## **So what sort of insurance will my business need in the UK?**

### **A. Mandatory Insurance**

As in the US, there are mandatory insurances in the UK; these are legal requirements so you have little choice in buying them! They also have to be arranged locally in the UK.

- 1. Employers' Liability Insurance (similar to Workers' Compensation in the US)**  
Insurance against your liability to employees for injury or illness arising from the work they do for you.
- 2. Third Party Motor Insurance**  
This is mandatory if you use vehicles on the road in the UK on company business. The UK does not have Hired or Non-Owned Liability Insurance.

- 3. Engineering Inspections**  
The law requires regular inspection and certification of certain items of plant and equipment to ensure that they remain safe for use. Technically, this is a mandatory inspection contract rather than compulsory insurance but historically insurance companies have offered these services.

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## B. Sensible Insurance Protection

Although these coverages may not be legally mandated, they're of critical importance to most organizations. Your client and supplier contracts may also require that you have them in place.

### 4. Public Liability Insurance

Protecting your business against allegations of negligence resulting in injury to third parties or damage to their property.

### 5. Product Liability Insurance

Protecting your business where it's legally responsible for any damage or injury caused by a product you've supplied.

### 6. Errors & Omissions Insurance

Protecting you against allegations that your negligence has led a third party to suffer financially. This is particularly relevant if you offer professional services or skills for a fee.

*In the US you normally see an aggregate indemnity limit, capping the amount the carrier will pay in any one year. The UK insurance market generally offers indemnity limits for 'Any One Claim' with no cap on the number of claims per year.*

*It's worth considering separating the Liability insurance for the UK and Europe from the coverage for US operations - to benefit from the wider limits.*

### 7. Property Insurance

This protects your physical assets including buildings, improvements, office and laboratory machinery & equipment, computers & data, stock, documents, prototypes and R&D materials, and mobile equipment.

### 8. Business Interruption (BI)

This protects your income streams where there's an unexpected interruption to business operations. The coverage can protect you against repeat-R&D expenditure, loss of revenue or profit and other unexpected costs.

### 9. Terrorism Insurance

Especially important for businesses locating to London, this protects against loss or damage resulting from acts of terrorism or from attacks launched by ideologically-motivated individuals. It's standardly excluded from most business policies and so even if you're buying an umbrella or package policy, Terrorism Insurance should be a separate conversation.

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## C. Other types of insurance you should consider

### 10. Group Travel & Personal Accident

This covers staff travelling overseas on company business against emergency medical costs, repatriation, lost luggage, cash and travel documents, trip cancellation or disruption, personal liability and a host of other travel contingencies. Personal Accident benefits can be incorporated to provide a lump sum in the event of serious injury or disability.

### 11. Employment Practice Liability (EPL)

The cost of employee-employer disputes through tribunals and court actions is a significant threat to profitability. EPL protects against allegations of harassment, discrimination, unfair dismissal and wrongful disciplining.

*In line with the rest of the European Union, UK employment law is designed to protect employees, and is very different from US employment law. When first considering international expansion to the UK, here are some of the employment differences that you'll need to keep in mind:*

- **"At-will" validity.**

*At-will employment does not exist in the UK. The employee-employer relationship is governed by employment law and some of these provisions are reflected in detailed employment contracts. Terminations in the UK must be justifiable and follow certain statutory rules, including a required period of notice. Failure to adhere to the due process requirements may result in unfair dismissal or discrimination claims by the employee.*

- **Non-compete agreements.**

*While non-competition agreements are sometimes included as part of UK employment contracts, post-termination restrictions may be unenforceable depending on a number of factors, including the circumstances around the termination of the employment relationship. Again, UK employment law skews in favor of employees; courts tend to take a particularly hard look at these types of clauses to see if they are truly justified and ensure that they do not cause hardship to former employees.*

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- **Different right-to-work requirements.**

*In the US, proving the legal right to work in the country is often the responsibility of the employee. Companies can be fined for right-to-work issues, but the price tag is minimal when compared to the penalties for such violations in the UK. As a result, evidence of right to work is part of the employment onboarding process in the UK, putting the burden on the employer to physically evidence and retain appropriate records of an employee's eligibility to work in the UK.*

## 12. Intellectual Property Rights (IP) Insurance

Just as you wouldn't hesitate to insure your office contents and other assets, it's important to insure your organization's intellectual property (patents, copyrights, trademarks and the like). IP insurance gives you financial muscle to defend yourself against allegations of infringement. In the UK, you can also buy insurance to fund legal action against an infringer of your intellectual property. This coverage is simply not available in the US.



## Business Protection & Employee Benefits Insurance Arrangements

### 13. Key Person Assurance

Key Person Assurance is a form of life assurance that protects against the financial consequences of losing key staff members. It can provide a cash injection to the business if a key person dies or suffers a serious illness, allowing the business to continue trading at a time of considerable uncertainty and financial pressure.

### 14. Business Liability Protection

A life assurance arrangement that can relieve pressure on the business to repay outstanding loans or overdrafts if an owner dies, suffers a critical illness or is away from work for an extended period due to accident or sickness.

### 15. Pensions

Since the end of 2012, every UK employee must be automatically enrolled in a pension plan, to which employer contributions are compulsory. The new legislation has a major impact on companies' bottom lines.

### 16. Employee Benefits

A comprehensive benefits package can help to attract and retain high quality staff, giving you competitive advantage. This might include income protection in the event of accident or illness, life assurance and private medical insurance (an alternative to the potential delays in getting medical treatment under the NHS).

La Playa provides specialist insurance, customized for your business, which dovetails your protection across the US and UK, to avoid expensive duplications or – worse still – gaps in coverage. We can also provide pensions and employee benefits – all under one roof.

We understand the risks and pressures you face with an initiative like setting up in the UK – and we speak your language. We have US licensed staff in the UK and can work with you in your preferred time zone. Let us shoulder some of the burden for you so that you can get on with the exciting part!

For further information please contact

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