

# SME Insurance Guide

What every business needs to know

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## About us

The ABI is the definitive voice of the UK’s world-leading insurance and long-term savings industry, which is the largest sector in Europe and the third largest in the world.

We represent more than 300 firms within our membership including most household names and specialist providers, providing peace of mind to customers across the UK.

Our sector is productive, inclusive and essential to the UK economy and together, we are driving change to protect and build a thriving society.

Find out more at [abi.org.uk](https://abi.org.uk)

## Make sure your business has the right insurance

Your business faces risks. The right insurance protects you from costly setbacks – and some types of cover are required by law.

**Being uninsured** means having no protection against a risk your business faces. You might be without insurance entirely, or your policy may be too narrow in its coverage. **Being underinsured** means insuring yourself against a risk, but for less than the level of protection you need.

- **Think about what could go wrong.** Do you know what risks threaten your business? What would happen if they took place? Consider how to reduce those risks - including by taking out insurance.
- **Know the law.** If you employ staff or your business uses a vehicle, you *must* have insurance. Some professionals also need specific cover. If you don't buy, you may be liable for high costs and legal action.
- **Choose the right mix of cover.** Make sure your insurance protects you against all the main risks your business could face. Adding extra cover is often not as expensive as you might think.
- **Get enough protection.** Buy cover that matches the maximum you might need to claim. Ask for help to do this. If you're underinsured, you will only get a portion of the money you need, or even none at all.
- **Review your insurance regularly.** Do this at least once a year, or whenever your business changes. Don't just renew automatically - check whether you require more cover or protection against new risks.

Don't assume you've got it right. Thousands of small businesses think they are fully insured, only to realise there's problem when they need to make a claim. Speak to a professional adviser, insurance broker or insurer for help.

## Business insurance: how it works

Insurance plays an important role in protecting your business, but the cover you need will depend on your individual circumstances. Choose the right insurance to protect your business from the risks most relevant to you.

### Ways to buy business insurance

You can buy individual policies for specific needs or choose a package combining several types of cover. Products are available from:

- Insurers directly
- Price comparison websites
- Insurance brokers

There are advantages and disadvantages to all three options. Buying direct from an insurer is easy but they only sell their own products. Comparison websites give you more choice, but it may be challenging to compare all product details, and do not include all insurers on the market. Insurance brokers help you choose products personalised to your needs and budget, but they can charge a fee for this service.

### What insurance should you buy?

By law you **must have**:

- **Employers' liability insurance** if you employ anyone
- **Motor insurance (third-party liability)** if a company owns or leases a vehicle

You **should also consider** if relevant:

- Buildings, contents, and business interruption insurance
- Public liability, product liability and professional indemnity insurance
- Cyber, legal expenses, and directors' & officers' insurance

You may also want to consider health insurance and protection products that can benefit your employees (for example, life, critical illness and income protection) all of which now typically come with health benefits.

### Make sure your cover is right

Check that the insurance you buy fits your business. You need to:

- Cover the right risks (e.g. property, liability or cyber threats).
- Get the right amount of cover so you're not underinsured.

Working out how much insurance to buy is more complicated than many business owners expect. Brokers and insurers can help you make informed decisions and we have [tools and resources on our website](#) to support you.

### How to make sure you have enough cover

- **Content value** – assess the full cost of your stock, equipment etc, and use current replacement prices.
- **Building value** – ask advice from an insurance broker or provider or use a chartered surveyor.
- **Business interruption** – assess how long your business might close if the worst happened (e.g. major rebuilding or a very serious cyber-attack). Be pessimistic. Business owners often under-estimate how long it will take to start trading again.
- **Compensation** – it can be very expensive if you need to compensate a business or injured individual because your firm did something wrong. Insurers or brokers will suggest suitable levels of cover.

### Review your insurance

Most business insurance policies last for **one year**. When you renew, review your needs. Ask, has your business changed? Do you need extra protection? Taking advice when renewing can save a lot of money.

## About the insurance industry

To protect customers, the insurance industry is highly regulated. Firms are subject to rules and requirements set by the Financial Conduct Authority and the Prudential Regulation Authority. These set high and clear standards for consumer protection and hold firms to account if they don't meet them.

## Underinsurance: know the cost

Two key things to know about underinsurance:

1. If an insurance claim exceeds your maximum cover, you will have to pay the rest yourself.
2. Payouts on smaller claims can be cut too.

Underinsurance affects many businesses. But you can take simple steps to make sure you can recover all your losses if you need to make a claim.

## Disclaimer

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