



The **Riskbox**

Insurance Guidebook

for new tech businesses

Our top tech guide



Professional Indemnity

This is almost always a key part of a tech venture's armoury and is usually taken relatively early in the journey.

Page 4



Public and Products Liability

Often required for contracts, tenders and funding, this insurance is normally taken very early despite there being little genuine risk involved.

Page 5



Employers Liability

A legally required insurance to comply with statute, and often the first type of insurance taken by a venture.

Page 7



Property Damage

Insurance that protects the physical property of a venture, and normally packaged with the liability covers above.

Page 8



Business Interruption

Insurance taken to reduce the impact on revenue to the business from a variety of unforeseen events, from fires through to utility failures.

Page 9



Cyber & Data

For technology businesses, even at an early stage, Cyber & Data is a critical element of protection. Both affordable and tremendously useful for any type of business.

Page 10



Cyber Crime

This type of insurance protects the funds held by the business, whether their own or in trust. These funds are not automatically protected within standard Cyber & Data packages.

Page 12



Management Liability

This insurance is one of the most important for a technology business, with the heavy reliance on external investment and high failure rate of ventures.

Page 13



A Chat with Professionals

Thoughts on the potential minefield of insurance, from those who have successfully navigated the tech venture journey.

Page 15

Introduction

There are many types of commercial insurance that a tech start-up should be aware of, and ideally hold. What covers are taken, and when, is influenced by the services offered, the finance available and the company's own risk philosophy.

At one end of the spectrum there's the individual developer who scales the business through focusing on technology, and doesn't really think about insurance. At the other, there's the fully funded venture, perhaps backed by corporate money. Generally, all tech companies fall somewhere in the middle and need to think about their own insurance requirements.

Below, we've suggested some core covers for tech organisations, plus the possible triggers to purchase, and where on the growth journey they might be needed. Remember, this list isn't exhaustive and doesn't cover every type of insurance a business should consider.





Professional Indemnity

This is almost always a key part of a tech venture's armoury and is usually taken relatively early in the journey.

What is it?

Professional Indemnity pays to defend your venture from a range of situations that could arise from the services you provide. If you lose the litigation, it also pays the damages and any costs awarded against.

The core protection revolves around alleged negligence, errors and omissions, but the best policies also include cover for IP infringement, defamation, breach of confidentiality/privacy, and breach of contract.

When is it needed?

It all depends on the company's offering. Traditional tech businesses, such as those providing digital services to clients, usually take Professional Indemnity cover early on, often due to contractual requirements.

Ventures providing SaaS solutions, and those with B2B platforms, are also likely to take Professional Indemnity insurance very early, due to the expectations of their commercial clients, and the higher possibility of litigation.

Tech businesses providing B2C platforms may be a little later, particularly if they aren't yet commercialised and take comprehensive Cyber & Data insurance (see below). There's still a Professional Indemnity exposure at that stage, but it's arguably lower, so sometimes it's a short-term risk that the venture is willing to accept until they get user traction and funding.

A company that's building their beta version generally has a lower risk than a platform that's been launched, which would often have a user base and

When is it needed? (Continued)

clients/partners already signed up. But any businesses operating in a regulated space will almost certainly need to obtain cover as soon as they start delivering services, for example FinTech organisations regulated by the Financial Conduct Authority.

Tech Tips

It is better to have this cover relatively early, so if boot strapping consider taking a low limit initially and scaling it up as the venture grows.



Public & Products Liability

Often required for contracts, tenders and funding, this insurance is normally taken very early despite there being little genuine risk involved.

What is it?

It's insurance that protects your venture against legal actions for injury or damage to third parties, including injury or damage caused by your physical products. This cover always incorporates Public Liability, and almost always incorporates Products Liability.

If insured within an office package, it's important to check for exclusions, as some remove Products Liability. The policy either pays to defend the action, or should your business be found liable, to settle instead.

When is it needed? (Continued)

Again the trigger point for when this would be needed will vary on the type of work undertaken.

For tech businesses delivering digital services only there is minimal exposure under this type of insurance. Their Public Liability exposure will likely be from spilling a drink on a client's laptop or from someone being injured at the company's stand at an Expo. Their Product Liability exposure is even less, and Again the trigger point for when this would be needed will vary on the type of work undertaken.

For tech businesses delivering digital services only there is minimal exposure under this type of insurance. Their Public Liability exposure will likely be from spilling a drink on a client's laptop or from someone being injured at the company's stand at an Expo. Their Product Liability exposure is even less, and would relate to things such as someone being physically injured by their corporate merchandise or marketing material.

For those involved with hardware, from simply providing third party off the shelf hardware within their overall offering, through to those who design and manufacture hi-tech products, there is a genuine Products Liability exposure. For those companies it is vital they take Products Liability as soon as they issue products, whether that is through sales or simply providing samples.

Despite that, Public and Products Liability is normally one of the first purchases a venture makes. That is because it is frequently packaged up with other covers, and because it is a consistent requirement under contracts.

Tech Tips

Don't be afraid to push back on contracts requiring excessive Public Liability limits, even when dealing with big name corporates.



Employers' Liability

A legally required insurance to comply with statute, and often the first type of insurance taken by a venture.

What is it?

It protects your business against claims for injury to employees – paying to defend or settle, depending on the situation. The employees covered include self-employed freelancers under your control, volunteers, work experience staff and interns.

Employers' Liability cover is dictated by statute, so the protection can be identical with whichever insurer you have, making it one of the easiest to arrange.

When is it needed?

There are a few trigger points, but basically, it's required as soon as the legal obligation is there to insure. For example, the clearest trigger is when an individual is employed by the business. However, a common reason is that a limited company has been set up with more than one director, making it a legal requirement.





Property Damage

Insurance that protects the physical property of a venture, and normally packaged with the liability covers above.

What is

The policy pays for loss of, or damage to, your property. It can include a wide range of property including:

- **Fixed property (fixtures, fittings and tenants improvements)**
- **Office contents**
- **Stock (including wines and spirits)**
- **Computer equipment (both static and portable)**
- **Technical equipment (such as cameras)**

The cover can be premises specific, across multiple locations (including employees' homes) or on a portable basis (from anywhere in the UK or the world).

When is it needed?

It's often purchased within an office package, but it can come down to personal choice. There may be little point in insuring a couple of cheap laptops, though if there's an office full of iMacs, that's a different story.

The only real exception is when equipment is subject to a lease agreement, as it's often a requirement to insure such property. In that case it's almost always cheaper to insure the equipment yourselves, rather than through the lease company.

Tech

Purchasing computer equipment through lease arrangements can be attractive to protect cash flow but be wary of hidden insurance charges. It is almost always cost effective to insure property through wider packages including liability covers.



Business Interruption

Insurance taken to reduce the impact on revenue to the business from a variety of unforeseen events, from fires through to utility failures.

What is

This insurance pays for certain specific losses incurred from damage or loss of insured property, as well as from other particular incidents such as utility failure or forced closure from public authorities.

It can pay for things like loss of revenue, loss of profit, additional expenses incurred and loss of rent. Plus, it can include R&D costs to rebuild prototypes for example, making it more useful for tech businesses involved with physical products.

When is it needed?

For digital companies whose services operate from the cloud, traditional Business Interruption has limited value, yet Cyber Business Interruption can be extremely important (see below).

However, for organisations involved with hardware, this can be crucial. A sudden theft of stock could significantly impact the ability to deliver on projects, and even harm revenue.

Please note that cover for closure due to COVID-19 is no longer provided by any insurer.



Cyber & Data

For technology businesses, even at an early stage, Cyber & Data is a critical element of protection. Both affordable and tremendously useful for any type of business.

What is

A Cyber & Data package provides a combination of cover. It can reimburse you if you suffer a cyber incident, and can protect your legal liability arising from subsequent litigation, such as if you're subject to an action regarding potential data losses (including from the Information Commissioner's Office).

Data breach costs: This pays the forensic investigation costs you would incur following a suspected breach. It also pays a range of expenses, including the charges to notify individuals who had their data lost or compromised.

Privacy protection

This covers the actions made against you, and the investigation into your business, for breaches of privacy. It also pays the defence costs. However, it isn't just the damages awarded from individuals that are covered – the policy includes allowances for fine payments where permitted under law, such as PCI fines.

Cyber business interruption

With this, you can recover the income you lost as a direct result of an attack on your network which prevented you from using your systems.

Hacker damage

This section covers the costs to repair the damage to your systems or data following an attack, essentially paying to reconstitute your records and reinstate your systems.

Cyber extortion

Should someone threaten to take your systems down, the policy pays for both

What is it? (Continued)

forensic costs to unearth the issue and the consultancy fees to mitigate the problem.

Media liability

This section includes a lot of covers usually found within Professional Indemnity policies, such as protection against alleged IP infringement, defamation and negligent virus transmission. It's specific to content on your sites and systems.

When is it needed?

Similar to Professional Indemnity, it's often down to the company to decide when they feel the risk is significant enough to warrant purchasing insurance. There's currently no requirement under GDPR to take out this protection, but that doesn't mean you shouldn't have it. Ultimately, tech businesses are advised to purchase this type of insurance at an early stage, especially if they handle large amounts of user data.

Cyber & Data cover is worth it for the protection against ransomware alone, whereby networks and systems could be unavailable for a significant period of time, leading to painful losses of revenue. It's becoming a requirement under contracts too, which will also drive when it's taken.





Cyber Crime

This type of insurance protects the funds held by the business, whether their own or in trust. These funds are not automatically protected within standard Cyber & Data packages.

What is it?

It protects the funds held by the business, whether their own or in trust, which aren't automatically covered in standard Cyber & Data packages. Plus, it pays for the loss or destruction of these funds from a range of issues such as social engineering scams, fraudulent instruction or funds transfer fraud.

When is it needed?

As with other types of cover, there's an element of personal preference regarding when to take this insurance. We suggest considering the cover as soon as there's a decent level of money flowing through the business.

Other factors that influence the decision would be if the venture handles client funds for services, if there are large subscriptions paid at regular intervals, or if the business has received an injection of funding – all of which would increase the amount of funds at risk.





Management Liability

This insurance is one of the most important for a technology business, with the heavy reliance on external investment and high failure rate of ventures.

What is it?

Cover like this varies from insurer to insurer, particularly due to the current volatility of the market. Generally, Management Liability packages consist of three key areas of protection:

1. Directors' & Officers' Liability (D&O)

Scenarios for this could include continuing to trade when insolvent, misappropriating trade secrets and giving false information to potential investors. It also covers individual directors against actions from other directors and shareholders.

D&O protects the personal liability, and therefore assets, of directors and people in higher management positions from actions taken against them in their personal capacity. It pays the defence costs, and certain fines and penalties the individual may be required to pay should they lose the case.

2. Employment Practices Liability (EPL)

This is where employees allege they have been unfairly (or constructively) dismissed, or discriminated against. EPL is often included within a Directors' & Officers' package, and it pays for the costs and awards in employment liability actions including tribunals.

Due to the tendency for quick growth in tech ventures, this is a useful cover to have. It can help you cope with potential fallouts from employees who may not fit the culture or be able to deliver suitably.

What is it? (Continued)

3. Corporate Legal Liability (CLL)

This provides a package of covers to protect the business itself. It's like a corporate legal expenses policy, paying to defend against actions including from certain regulators.

When is it needed?

Simply put, as soon as the business can afford Management Liability, they should take it. If the directors have reasonable personal assets to protect, then it becomes even more important. For example, we've seen directors who banked significant sums with previous enterprises start again with their next idea. They have assets on the line and must insure to protect them.

A common trigger for purchase of this policy is investor demands. If they have to sue a founder for misrepresentation, they want to know that there's insurance in place that can respond.



Tech Tips

It is wise to have this in place before any discussions commence with investors to ensure the founders are fully covered for all representations made.



A Chat with Professionals

Thoughts on the potential minefield of insurance, from those who have successfully navigated the tech venture journey.



Donald McIntosh

CFO / Various Tech and Fintech ventures

Insurance is normally viewed as a necessary evil, and another distracting admin task away from the “real” business of growing the company. The reason for using a broker is to ensure all areas are covered.

At the time of investing, every investor will undertake a due diligence exercise which will always include a review of insurance cover. On more than one occasion, this has required an increase in cover.



Charles Cridland

CIO / YourParkingSpace

Our insurance has gone through an evolution over time which is what you’d expect for a growing company. Throughout the years we’ve added policies and adapted our cover as the business has expanded into new areas.

For example, as we expanded into digitalising car parks through installing on-site equipment we had to adapt our cover to ensure we had suitable insurance for these business activities.

The Stages of Purchase

1. Company formation

An office combined package is taken at company formation. The policy incorporates the property and liability insurance covers and is usually cheap to insure.

2. MVP created

The venture goes into a testing stage, perhaps using third-party data. Due to the importance of the technology to the business, the company takes out Cyber & Data insurance.

3. Commercialisation

The first clients sign up and the contracts are agreed. This is true even if the contract is the company's own terms and conditions. At this point Professional Indemnity is a must.

4. Investment

When investment comes in, it changes the expectations on the business and the funds at risk. Now, it will likely be a condition of investment to take out Management Liability cover – Cyber Crime protection is wise too.

We hope this guide has increased your understanding of which commercial insurance your tech start-up might need. But if you have questions, or you'd like to discuss a policy in more detail, here's why you should speak to RiskBox. RiskBox is the leading independent insurance specialist in the North West. With our extensive industry experience, we support individuals and businesses across the digital, creative, media, and tech sectors, providing a personal and friendly service along the way.

Our team is passionate about protecting people and agencies with bespoke, affordable insurance packages that work. By handing over the reins to us, you can avoid risk, reduce hassle, and focus on what's really important: your business. Want to have a chat? Get in touch today by calling **0161 533 0411**, emailing info@riskboxuk.com, or completing our [online contact form](#).