Would your business survive the loss of a key employee?

Many business owners agree that the loss of a key employee can have dire consequences for their business, yet only 18% had considered cover for the illness or death of a key person, and 52% say they would cease trading within one year*.

Business protection can help businesses continue to trade if they were to lose an owner or a key employee. The policy could help ensure that key individuals are replaced, debts repaid, or funds provided to purchase shares from the deceased owner’s estate, giving you added peace of mind that your business could live on.

* State of the nation’s SME report, Legal & General, 2019
Would your business survive?

Take a few minutes to run through these questions and see how protected your business really is.

Which of the following would damage your business the most?

- Company car is stolen
- Someone steals the computers
- The photocopier breaks down
- The courier lets you down
- A window is broken by vandals
- A business owner suddenly dies or is diagnosed with critical illness.

It’s the people that make your business run smoothly, and without them (or even yourself) your business could have a hard time functioning.

Are you insured for the most damaging events?

Running a business always involves an element of uncertainty. Premises can be rebuilt, contents and material assets can be replaced, but the gap created by the loss of a key person can be far more difficult to fill.

It’s important you consider having relevant protection policies in place to help ensure that your business can survive the loss of an individual, including yourself.

Ask yourself these questions:

- Does my business rely heavily on one or more key individuals?
- Could my business survive without those individuals?
- What could go wrong if a business owner were to die or be diagnosed with a critical illness?
- How would I retain control of the business?
- Do I have a written agreement in place as to what would happen?

If a key person were to die or was diagnosed with a critical illness:

- How would your staff feel?
- How would your customers feel?
- How would your bank manager feel?
- How would your competitors react?
- How would your debtors react?
- How would your creditors react?

These people might then have some important questions to ask you, such as:

- How much money would you need to keep the business going?
- Where would this money come from?
What is Business Protection?

Business protection helps protect your business from the financial losses incurred if a key person or owner of a business should die or be diagnosed with a critical illness (if chosen) during the length of the policy. Terms and conditions apply.

There are different types of business protection:

Key person protection (profit protection)

This helps safeguard a business against the financial impact of death, terminal illness (if life expectancy is less than 12 months) and specified critical illness (if chosen) of a key person. Policy proceeds are paid directly to the business to help replace the key person and help cover any profit loss. The policy proceeds could help your business to continue trading.

Business loan protection

The policy proceeds are used to help pay off any outstanding loans your business may have should the guarantor die or be diagnosed with a terminal illness (if life expectancy is less than 12 months) or specified critical illness (if chosen). Bank loans or director loan accounts are covered by the policy.

Share protection

The policy proceeds are used to help buy the share of the business if an owner is diagnosed with a terminal illness (if life expectancy is less than 12 months), specified critical illness (if chosen) or dies.

Relevant Life Plans

A Relevant Life Plan is designed to provide life cover for an employee, which may include directors, whilst they are employed. The plan offers some additional advantages, most notably tax efficiency.

The life cover is tailored to you and your employees, yet counts as a business expense so it’s tax deductible. It does not count towards annual or lifetime pension allowances, and if your business is not suited to a group life scheme. Relevant Life Plan is a cost-effective way to offer employee life cover.
Further information
If this leaflet has raised some questions for you, please contact your financial adviser for further information about the benefits and limitations of business protection and how your business could benefit from this type of cover.