

TRADING ON THIN ICE.

Many companies in the UK risk losing their business through inadequate protection. Our research has identified the gap at £1.1 trillion – it's a disparity that represents a threat to business. Combined with dedicated and specialist support, our comprehensive range of protection products can help protect owners and key employees. And ultimately, a business.

**EVERY
DAY
MATTERS.**


**Legal &
General**

THE SURVEY OF OVER 500 FIRMS HIGHLIGHTED THAT 95% OF BUSINESSES HAVE AT LEAST ONE KEY INDIVIDUAL HOWEVER THE MAJORITY OF THEM HAVE NO CONTINGENCY PLANS IN PLACE TO DEAL WITH THE DEATH OR SERIOUS ILLNESS OF THAT INDIVIDUAL.

Recent research by Legal & General has highlighted that British businesses are not using life insurance to protect themselves against unexpected tragedies.

The survey of over 500 firms highlighted that 95% of businesses have at least one key individual however the majority of them have no contingency plans in place to deal with the death or serious illness of that individual. Even more worryingly 39% of respondents said they expected their business to fold with 18 months following the death or critical illness of a key individual.

Clare Harrop, Head of Specialist Protection at Legal & General says the statistics are a cause for concern. "The UK economy is predominantly made up of smaller businesses, businesses that are built around the talents of one or two individuals. The loss of these individuals can lead very quickly to trading difficulties, with owners, employees, customers and suppliers all suffering".

Similarly businesses are not properly prepared for the difficulties that can follow the death of a partner or owner. According to Legal & General's research 58% of businesses have no formal agreement in place to establish what would happen in the event of the death or critical illness of a business owner.

"Without proper planning, families could be left out of pocket or surviving business owners could lose control of the business. Many businesses fold after the death of an owner, "This is not fair on staff or other stakeholders" says Harrop. "Properly set-up life insurance can provide a cost effective solution that means the surviving business owners retain full control of the business and the family of the deceased get a pre-agreed fair value for their share of the business".

As well as their most recent research Legal & General have spoken to over 1,000 businesses and many Independent Financial Advisers over the past four years and found that many firms are using well-planned business protection as a sales tool. "Including the fact that

your key people are insured and you have proper succession planning in place in tender documents and in discussions with potential customers can be very persuasive". Harrop claims, "It demonstrates that you take your commitment to your customers very seriously. It shows you have planned for every eventuality".

Many businesses that Legal & General have spoken to have said that in the event of losing a key person or business owner they would turn to their bank for interim or short term funding to see them through a difficult patch, however this may not be as simple as it seems. Many businesses will have existing loans that will rule out further investment. Also a crisis, such as the death of a shareholder or key employee will create uncertainty and instability. The bank that may have lent money yesterday will not be so keen to do so today.

The argument for taking advantage of the life insurance solutions that are available to ensure business continuity is compelling. Protecting your commercial lending, your revenue streams and the ownership of your business against death or critical illness should be done as a matter of course. Harrop concludes, "Even the planned departure of a key individual or owner from the business can be difficult. But the sudden loss of their expertise and experience can have a potentially catastrophic impact".

FOR FURTHER INFORMATION

Contact your financial adviser or a Legal & General adviser directly on

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Registered in England No. 166055

Registered office: One Coleman Street, London EC2R 5AA

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Q35899 04/12