



### > KEY PERSON PROTECTION

A business cannot thrive without its best people, but it can survive if it indemnifies itself against their loss.

Key Person Protection provides cash for an employer on the death or disablement of a key employee; offsetting the financial loss that would otherwise be the burden of the business. A sole trader, a partnership, a company, a trust or charitable organization may arrange for this type of protection, and it should be updated annually.

#### Why insure the key person?

- ▼ Loss of profits – short to medium term whilst a replacement is being recruited.
- ▼ Potential loss of business to competitors.
- ▼ Loss of business momentum and the substantial cash incurred in funding, training, and bringing up to speed the suitable replacement.
- ▼ Customers, suppliers and financiers can become nervous over the consequences, particularly where personal contact had determined the success of the company historically.
- ▼ Financiers also need to be certain the fundamentals of the business remain strong.

### > SHAREHOLDERS AND DIRECTORS INSURANCE

A company has Shareholders and Directors or Shareholders who are also Directors. A Shareholder may be a person who has invested in the company, but has no active involvement in the day to day running of the company. A shareholder can also be a Director and have a hands-on role.

It is important to know the roles of each person within the company and have this documented within the company minute. Once documented, it is important that you arrange to provide for the company should an unfortunate health event occur, preventing you from continuing in the business.

One option is a buy/sell agreement that is in essence a 'business will'. This is a document that details the wishes of all parties should they be unable or mentally incapable of personally advising the people who are left. It protects all parties involved in the business and surviving spouses.

A shareholders or directors insurance plan can provide for unforeseen events such as death or disablement, and can be tailored to comply with the wishes of the company, shareholders and/or key people involved. These plans should be reviewed annually. ■