**Monmouthshire Independent Financial Advisers can offer you advice on:**

- Inheritance tax planning
- Investments
- Corporate & personal pensions
- Long term care
- Key person and shareholder protection
- Income protection
- Retirement planning
- Residential and commercial mortgages
- Lifetime mortgages
- School/university fee planning

Please contact us for further information

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# Corporate Protection

## Safeguarding your business in an uncertain world

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## People – your most crucial investment

Naturally you already have insurance for your business's tangible assets – like buildings, stock, vehicles, equipment or machinery.

However, there are other crucial assets that contribute to your success: your partners, directors and key staff. That's why it's vital to arrange insurance to protect your business in case anything should happen to one of them.

The right policy can help to cover the costs of replacing key staff, training their replacements and bringing in short-term contractors. It could also cover losses to your business caused by the sudden loss of a key person's unique knowledge, talents or experience.

If a shareholder or partner dies or is no longer able to take an active part in the business due to illness or accident, this can also cause problems - particularly if their partner or beneficiaries inherit their shareholding. The right insurance can help you handle the situation with minimal impact on your company.

## Helping you protect your business

At Monmouthshire Independent Financial Advisers, we can advise you and create a bespoke protection package, tailored to meet your business's unique needs and circumstances.

We have advisers who are experienced in the corporate insurance products described in this brochure, and will build an in-depth understanding of your business to help you choose the best arrangements for its future security.

We can also ensure your arrangements are tax-efficient, allowing you to offset premiums against Corporation Tax wherever possible.

## Key person protection

### What is a key person?

A key employee is someone with unique skills or knowledge, who would be difficult, or perhaps even impossible, to replace. For instance:

- A director or chairperson whose name or reputation gives the company its importance within the marketplace
- Someone who has worked with you for years and knows the systems, machinery or logistics of your business better than anyone else
- Someone with specific expertise or skills that aren't covered by anyone else
- A salesperson or account handler with vital contacts and relationships.

'Key person' or 'key staff' protection is simply life and critical illness cover based on the life of someone vital to the continued profitability of your business. It insures you against any financial losses your business might suffer if the named 'key' employee dies or is unable to work because of a serious illness.

While there are no exact figures available, it is generally accepted that only around 10% of small businesses currently have adequate protection for key individuals.

(Source: The Personal Finance Society, Financial Solutions Magazine April/May 07)

### Assessing the impact on your business

Although it's difficult to calculate the exact financial effect on your business if you lost a key person, it could include the following risks:

- Financial penalties if you failed to complete existing contracts on time
- A reduction in sales figures
- Loss of new contracts
- Banks or creditors foreclosing on loans
- Loss of other sources of funding
- Damage to your brand, reputation or market position
- Extra stress or low morale amongst your workforce, causing loss of productivity
- The costs of recruiting and training a new partner or employee
- Paying a temporary replacement, including possible agency fees.

If your key person suffers a serious long-term illness, it could cause the same problems, so it's important to include critical illness cover as part of your arrangements.

Your financial adviser will help you assess the risks and costs involved in the loss of a key person, and recommend the best insurance package to protect your business.

## Director Shareholder protection

This uses insurance and trusts to provide flexibility, tax efficiency and extra capital if you need to sell or acquire shareholdings to protect your limited company after the death of a shareholder or partner.

If you have a 'close limited company' with five or fewer directors, the loss of one director can have a major impact. Their beneficiaries may wish to sell their shares – and you would want to be in a position to buy them, to prevent them falling into the hands of a competitor. One way to enable this is to set up a combination of life insurance policies so that if any one director dies, the pay-out will be enough for the remaining shareholders to buy their share of the company.

### What happens when a shareholder dies?

The death of a shareholder can have all kinds of implications:

- Their voting rights would pass to their dependents, who may or may not be interested or involved in the business
- They may wish to be involved, but lack the skills or experience to play a useful role within the company
- They may have a different vision for the company's future and objectives
- They may simply want to sell their shareholding as quickly and profitably as possible.

Any of these eventualities could seriously affect your business's credibility and lower staff morale, even if they didn't have an immediate financial impact. That's why it makes sense to arrange shareholder protection. It gives the surviving partners financial flexibility and control at a time when they may need to act fast to save the company.

Your financial adviser will take into account the actual value of your business, whether premiums need to be adjusted, what happens when shareholders leave or new ones join, and the tax implications of shareholder protection. They can then help you arrange the right policies, agreements and trusts to protect your business.

## Partnership protection

This is similar to shareholder protection but for business partnerships or practices. Partnerships in England and Wales do not have their own legal identity, so individual partners are responsible for any liabilities.

This can mean it's even more important to be able to retain or regain control if one of your partners dies. First you need to set up an agreement to allow the business to carry on after the death of a partner. Without such a partnership agreement, the partnership automatically dissolves on the death of a partner, and the value of their share of the business becomes part of their estate.

Then you should consider arranging partnership protection to make sure the surviving partners can afford to buy out the deceased partner's share in the business.

## Employee arrangements

If you wish, you can set up a group policy to offer selected employees a tax-free death-in-service benefit of up to four times their annual salary. This is an attractive benefit to help you recruit and retain quality staff, and the premiums qualify for Corporation Tax relief.

## Business loan protection

Business loans can be commercial loans, directors' loans or personal guarantees. Whichever kind you arrange for your business, the bank will probably insist that you set up some kind of life assurance on key individuals within your company.

If you already have loans, and the loss of one of your partners or directors would make it difficult to repay the loan, you should arrange protection, either as a separate policy or as part of your Key Person cover.

Your adviser will help you decide whether you need to include critical illness cover, and whether level term or decreasing term insurance is more suitable for your business needs.

## Case studies

A company valued at £2 million has two shareholders with 50% shareholding each. The cost to establish two Shareholder Protection Assurance plans for £1 million each are £111.69 per month for a director aged 38 and £147.46 per month for a director aged 42.

(Source: The Exchange 03/05/07. Whole of life policy on minimum premium based on non-smoker rates. This is an example only)

A Group Permanent Health Insurance scheme for 15 employees for a deferred period of 26 weeks providing 75% of salary to age 65 would cost £4,578.61 per annum. This gives a total benefit amount of £190,424 per annum if all employees were ill.

(Source: Unum Provident, 03/01/07. This is an example only)

## Advisers experienced in protection, specialists in business advice

At Monmouthshire Independent Financial Advisers we are perfectly placed to help you find the best protection package. We know the marketplace and the tax laws, and we're not tied to any one provider, so we can pick and choose to find the right combination of cover for your business.

We'll then ensure you're getting the best possible terms and tax breaks, and make all the arrangements on your behalf.

We can also help you set up group pension schemes and/or group private medical insurance, whether it's just for directors and key executives, or for your entire workforce.

You can meet us at our offices, or we can arrange to visit your workplace if you prefer. Your initial consultation is completely free and will not involve you in any commitment.

## Call us today to find out more

**If you'd like to talk to us about protecting your business, just get in touch. You can call us on 01633 844 456 or drop in to any Monmouthshire Building Society branch to arrange an appointment to discuss the kind of corporate protection you're looking for.**

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