
BUSINESS PROTECTION GUIDANCE

Business protection is an important component in the management of risk within a business.

It is important for all businesses to identify and manage their risks. Business Protection can be a cost effective and tax efficient way to safeguard the future of a business.

Most people who run a business consider insuring its physical assets (buildings and contents, vehicles, etc.) as part of their basic running costs. At the same time many acknowledge that a business' greatest asset is its people. This leads to the conclusion that insuring the key people within an organisation should be given greater consideration.

A business protection policy could help ensure that a business is able to:

- Replace key employees
- Remain in the ownership and control of the surviving stakeholders
- Protect its profits
- Pay its debts

All businesses are unique and will require different types and levels of protection. However a business can be insured against the unintended consequences of a death or serious illness of a key individual in the following ways:

Key Person Protection

- Protection against the loss of a key employee as a result of death or a serious illness
- Lump sum payment - could be used to:
 - Recruit and/or train a replacement
 - Compensate for the disruption to the business through a drop in sales or fall in profits
- Without it a business runs the risk of being unable to trade or having to cease trading completely

Share Protection

- Aims to ensure the remaining shareholders/partners retain control of their business should one of them die or be diagnosed with a serious illness
- Lump sum payment – could be used to buy the late stakeholder's share of the business
- The business can then continue without the involvement of the late stakeholder's beneficiaries
- Deceased's beneficiaries receive an agreed payment, providing financial security

Business Loan Protection

- Ensures that loans can be repaid if something were to happen to the guarantor
- Lump sum payment

Relevant Life Policies

In addition to the above types of cover for a business, a relevant life policy can provide personal cover on a very tax-efficient basis:

- These are single life, stand-alone death-in-service plans
- Premiums paid by the employer will:
 - Generally be treated as an allowable business expense for tax purposes
 - Not be treated as a benefit in kind for the employee
 - Not be assessable on either employer or employee for national insurance purposes
- Benefits will:
 - Be paid free of income tax
 - Generally not form part of the employee's estate for inheritance tax purposes

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