



Business Protection

Quick reference guide



For adviser use

Types of cover



	Business Loan Protection	Key Person Cover	Business Ownership Protection
Purpose of cover	To enable the business to repay a loan or debt following death or critical illness of person(s) responsible for loan or debt	To allow the business to replace profits lost, costs of recruitment, etc. following death or critical illness of key person(s)	To provide funds to surviving business owners after the death or critical illness of a shareholder/partner/member, so they can buy the shares from the deceased's estate
Who is insured?	Person(s) who guarantee the loan/debt	Anyone whose presence is a direct contributor to the success of the business	All shareholders/partners/members of the business
Amount of cover	Value of the outstanding loan or debt	An amount to cover profits for period of recovery, and cost of recruiting a replacement	Value of each shareholder's/partner's/member's share of the business
Who pays the premiums	Business	Business	Individual or business (if business then taxable benefit on individual)

How to determine amount of cover



Business Loan Protection



1 person to be covered

Can have cover equal to loan/debt

2-4 people to be covered

Can have cover equal to loan/debt

Up to max. £1.5m life/£1m CI each

5+ people to be covered

Split total cover proportionately



Key Person Cover



2 ways to calculate maximum cover

Salary x10 (Life)

Salary x No. years to age 68 (CI)

or

Up to 5 x attributable net profit (average over last three years)



Business Ownership Protection



Calculate the business value

Up to 7x net profit (average over last three years)

then

Value of the business split proportionately between shareholders/partners/members

NB – these are indications of the calculations you can perform for your clients. If you and your clients calculate a higher amount, our underwriters can take account of the criteria you have used.

Business Loan Protection

Structure/tax implications

	Limited Company/LLP	Ordinary (Simple) Partnership	Sole Trader
Cover owner	Business (life of another)	Partner (own-life)	Sole Trader (own-life)
Trusts	⊗	Personal trust ¹	Personal trust*
Premiums paid by	Business	Business	Business
Premiums tax deductible?	⊗	⊗	⊗
Benefit taxable?	⊗	⊗	⊗
P11D/ Benefit-in-Kind?	⊗	⊗	⊗

Key Person Cover

Structure/tax implications

	Limited Company / LLP		Ordinary (Simple) Partnership		Sole Trader
Cover owner	Business (life of another)		Partner (own-life)		Sole Trader (own-life)
Trusts	⊗		Personal trust ²		Personal trust ²
Premiums paid by	Business		Business		Business
	If 'Anderson Principles' apply	If 'Anderson Principles' don't apply	If 'Anderson Principles' apply	If 'Anderson Principles' don't apply	
Premiums tax deductible?	✓	⊗	✓	⊗	⊗
Benefit taxable?	✓	⊗	✓	⊗	⊗
P11D/ Benefit-in-Kind?	⊗	⊗	⊗	⊗	⊗

¹ Unless policy needs to be assigned to the lender (e.g. a bank).

² Please refer to our **Business Protection Guide to Trusts** for further information.



Business Ownership Protection

Structure/tax implications

	Limited Company/LLP		Ordinary (Simple) Partnership		Sole Trader
Cover owner	Shareholder/Member (own-life)		Partner (own-life)		⊗
Documentation	Business Trust + Option Agreement		Business Trust + Option Agreement		⊗
Premiums paid by	Shareholder/Member	Business	Partner	Business	⊗
Premiums tax deductible?	⊗	✓	⊗	✓	⊗
Benefit taxable?	⊗	⊗	⊗	⊗	⊗
P11D/Benefit-in-Kind?	⊗	✓	⊗	✓	⊗



*Other options can be available – please refer to our **Business Protection Adviser Guide** for further information.

Key features and benefits



Business Term Assurance



Business Critical Illness with Term Assurance

Who can take out cover?		
Single life	✓	✓
Joint life	✓	✓
Dual life	✓	✓
Life of another	✓	✓
Renewable term 5 or 10 years	✓	✓
Joint life second event	✗	✗
Joint life separation	✗	✗
Minimums and maximums		
Age at entry	17-86	17-75*
Maximum expiry age	89	85
Waiver of Premium age at entry	17-54	17-54
Waiver of Premium maximum expiry age	69	69
Min/max deferred period for Waiver of Premium	26 weeks only	26 weeks only
Minimum term	3	3
Maximum term	70	50
Minimum sum assured	£10,000	£10,000
Maximum sum assured	Up to £98m	Up to £5m

*54 for renewable term.

	Business Term Assurance	Business Critical Illness with Term Assurance
Benefits		
Death	✓	✓
Terminal illness	✓	✓
Critical illness	✗	✓
Children's critical illness cover	✗	✓
Pregnancy complications	✗	✓
Total permanent disability	✗	Optional
Free immediate cover during underwriting	✓	✓
Smart Health	✓	✓
Waiver of Premium	Optional	Optional
Guaranteed insurability options		
Increase in shareholding or share value	✓	✓
Increase in value of key person	✓	✓
Increase in business loan	✓	✓
Business loan term extension	✓	✓
Other options		
Indexation	✓	✓
Online trusts	✓	✓



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