

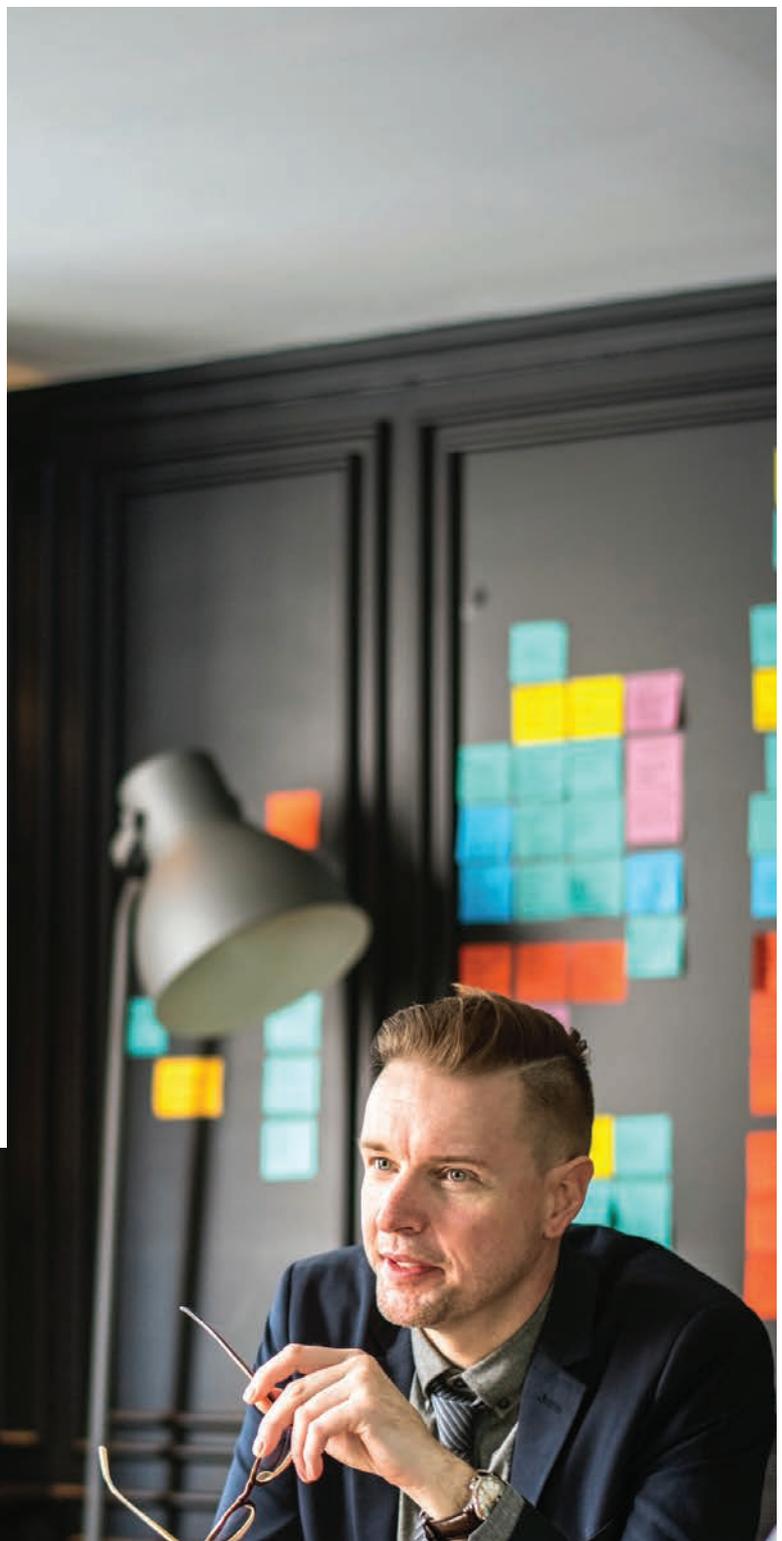
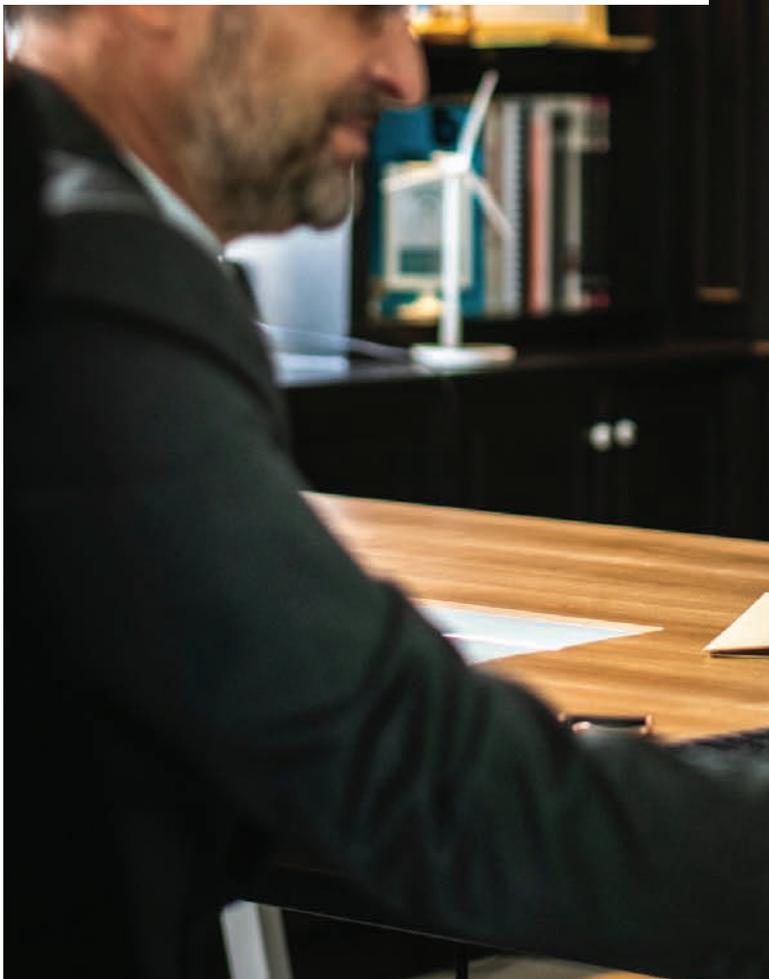
BUSINESS PROTECTION
CASE STUDY
EXAMPLES

INTRODUCTION

The following examples are intended to demonstrate the importance of businesses protecting their key individuals. In many instances, it may not just be the sudden death of a company director/partner that could stop the business functioning, but it could also be the loss of other important employees within the business.

A business however, does not only need to protect itself in the event of a sudden death of a business owner or director. What would happen if a key employee had a stroke instead of dying in a car crash? In this instance the company would have to cope with a high level of uncertainty, in terms of knowing if the employee will be able to return to work. Will it be after two weeks, two months or two years? Critical Illness Cover must be considered seriously in addition to death benefit. This type of cover can provide 'interruption' insurance to underpin profits whilst the business restructures to cope with the new situation.

Our goal at Busy Bees Benefits is to help businesses protect their business owners and key staff to ensure that the business has the financial support to continue and flourish should a sudden death or illness strike.



WIDER EMPLOYEE BENEFITS

In addition to business protection cover, Busy Bees Benefits can also provide a range of contemporary employee benefits for a wider group of staff as a means not only to reward staff but to also attract and retain them. There is however, a lot to consider in ensuring that the benefits selected are the right fit in an increasingly competitive market. Gauging the difference between cost and value takes experience and in-depth market knowledge. At Busy Bees Benefits we work with companies to help them drill down into what their ideal benefits package could look like. Take a look at our dedicated website: www.busybeesbenefits.com or call us on 0330 333 9100

KEY PERSON COVER

THE CHALLENGE FACED BY THE DIRECTOR

The bank was willing to offer new funds to the Director however, they asked that a Key Person policy be put in place so that in the event of the Director passing away or being diagnosed with a terminal illness the borrowed funds could be repaid. Despite being in excellent health, the Director was at an age where medical underwriting, in particular a General Practitioner's report, would be needed. Obtaining a GP's report can take time and potentially delay receipt of the additional funding, and can hold-up the business from taking advantage of the growth opportunity.

ABOUT OUR CLIENT

A Director of an owner managed business was looking to secure additional investment from the bank to support growth plans over the medium to long term.



SOLUTION

Following discussion with Busy Bees Benefits, it was identified, that it would be possible to put in place cover quickly using an insurer willing to look at the proposal differently to other insurers from a medical underwriting perspective. The insurer was only marginally more expensive in terms of a monthly premium, but the business would benefit from the insurer's pragmatic approach to underwriting and same day turnaround. The case was submitted, underwritten, accepted and a start date agreed within twenty-four hours. The documents were emailed to the client to enable release of the funds from the bank.



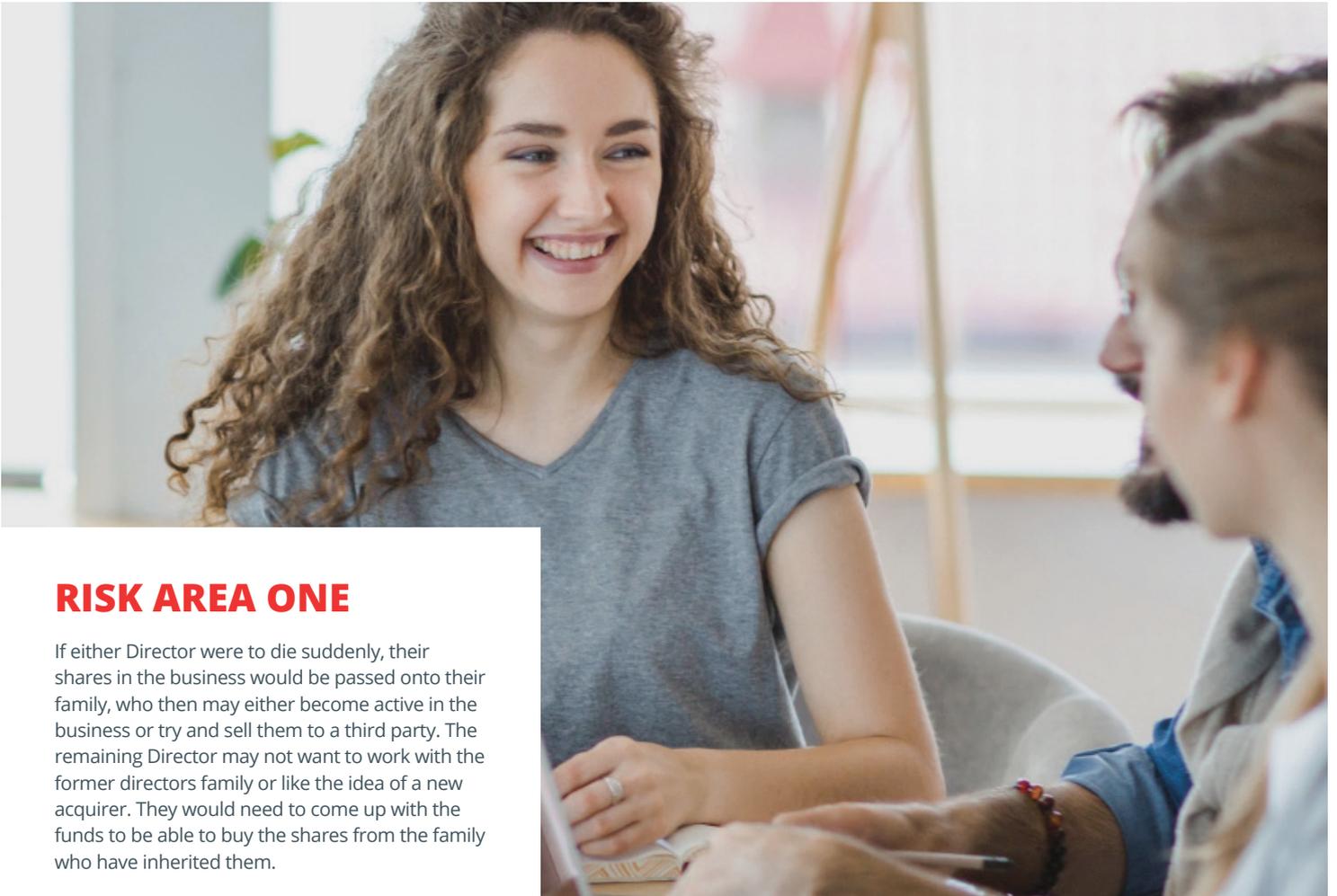
OUR SERVICE PROMISE

The team at Busy Bees Benefits can also help those businesses that require Life Cover of more than £1 million or Critical Illness Cover of more than £500,000 as we speak to insurance companies that provide specialist underwriting and high limits. In addition, we also work with insurers that look at people who may have pre-existing conditions and who have found it difficult to find cover on their own. It goes without saying that we try and give all our clients a tailored service based on their exact needs.

BUSINESS PROTECTION LIFE INSURANCE

ABOUT OUR BUSINESS

- ▶ The company is a Private Limited Company who specialise in Computer Engineering.
- ▶ The company has 3 employees – two are Directors, and the other is an engineer who is key in designing innovative hardware and software for clients.
- ▶ The company has two salaried employed Directors who have equal shares in the business.
- ▶ The Directors want to protect the business, themselves and their families against any financial loss on death or diagnosis of a Critical Illness that could lead to any long-term absence from work of any of the three employees.



RISK AREA ONE

If either Director were to die suddenly, their shares in the business would be passed onto their family, who then may either become active in the business or try and sell them to a third party. The remaining Director may not want to work with the former directors family or like the idea of a new acquirer. They would need to come up with the funds to be able to buy the shares from the family who have inherited them.

SOLUTION - DIRECTORS SHARE PROTECTION

Busy Bees Benefits would arrange a life insurance policy on the life of each Director, that would pay into a business trust in the event of death. Because the surviving Director would be set up as a Trustee on the Business Trust, they would then be able to access the money to enable them to buy the shares from the family who have inherited them.

This would result in the surviving director owning 100% of the shares in the business, and the decedent's family would have a

lump sum amount of money by way of compensation for the sale of shares in the business.

A Cross Option agreement would be set up at the time of arranging the insurance policies. This would state that if either the family would like to sell their shares to the surviving Director, or the Director would like to buy the shares from the family, the other should comply.

RISK AREA TWO

If the key employee in the business was the engineer, and he were to suddenly die or become critically ill, the company could suffer significant financial loss. This is due to potential reduction of business normally attributed to this key member of staff in terms of being able to service existing contracts or win new business. In addition, there could be recruitment costs in identifying and employing a suitable replacement either on a temporary or permanent basis. It would also take that person some time to become fully effective within the business.



SOLUTION – KEYMAN INSURANCE

Busy Bees Benefits would arrange a Keyman Insurance policy to insure the engineer; meaning that if the engineer were to die suddenly or become critically ill, a lump sum would get paid into the business to help the company cope financially.

RISK AREA THREE

Both Directors are currently drawing a minimum amount of income from the business and they are finding that their Personal Life Insurance is becoming unaffordable. If either Director were to pass away, the insurance from their Shareholders Protection arrangement wouldn't be enough to help their families cope financially, so additional protection is required. Their accountant also mentioned that there is a tax efficient way of them setting up an insurance policy which could be paid through their Limited Company.

SOLUTION

Busy Bees Benefits would arrange a Relevant Life Insurance policy for each Director that would pay out a tax-free lump sum to their nominated beneficiaries through a trust. The company would pay the premiums, and under current rules HMRC would allow corporation tax relief. This makes the policy a far more tax efficient way of funding a Life Insurance Policy that would ensure that their family is adequately protected if the worst happened.





Contact us if you would like to find out more
on Corporate Protection:

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