



Guide to Business Protection



Proud to be part of the UK's
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Welcome!

By reading this guide you're taking an important step in protecting yourself, your business, your employees and their families from life's unwelcome events. No-one can be sure what life has in store for us, that's why it's important to have plans in place should the unexpected occur.



About this guide

With our help and advice, getting the right protection can be simple. In this guide we'll explain how policies work and the types of cover available. By taking expert advice you can be confident that you're making the right decision and have the type and level of insurance protection you need.

Whilst many of us have personal protection insurances in place, business protection is often overlooked. However, without the correct business protection in place, should a business owner or key person die or be diagnosed with a critical illness, a business faces significant risks.

Overlooking business protection could mean that you'd leave your family, your employees and their families with money worries at the worst possible time.

A payout from a business insurance policy could make the difference between your business surviving or not; your employees keeping their jobs, your family receiving income from the business and being able to maintain the sort of lifestyle they enjoyed when you were still around.

If you need convincing that business protection is necessary, ask yourself these questions; If you, a fellow shareholder / partner or key person were to die, how would your business continue to trade? What would be the short, medium and long term implications of this? In the event of your death, would you want to leave a legacy for your family? Would you want your family to receive fair value for your shares in the business?

Many people think that arranging business protection is a lengthy, complicated process. In fact the principles are similar to most other types of protection. The main difference is that business protection generally involves higher sums assured.

To keep things simple, we think of business protection as a type of cover which safeguards three core business elements:

- **Ownership** - If a partner or shareholder dies or is diagnosed with a critical illness the proceeds help the remaining owners buy the affected individual's share of the business. Without protection the surviving owners could lose control of the business, impacting ongoing success. Ownership can be protected by Partner and Share Protection.
- **Profit** - If a business loses a key person who influences revenue the policy gives the company a cash injection, helping replace lost profits and possibly recruit a replacement. Profit can be protected by Key Person cover.
- **Debt** - If the business loses a key person the money paid by the policy can be used to clear loans or other debt. Without a cash injection, investors and creditors (like the bank) may call in debts as they're no longer confident the business can keep on top of them. The proceeds from Key Person cover can be used to clear business debt.

Business Protection Insurances

Ownership Protection

The death of a business owner or diagnosis of a critical illness is likely to have a major impact on a business and could lead to serious financial uncertainty, and potential business failure. Correctly executed Ownership Protection can enable the surviving owners of the business to retain full control of the business whilst the family of the deceased receive a pre-agreed fair value for the share of the business they have inherited.

What is it?

Ownership protection ensures that in the event of the death of a business owner the surviving owners retain control of the business and the estate of the deceased is fairly recompensed for their loss of value. Ownership protection is a way of providing both surviving business owners and bereaved families with an element of certainty during a very difficult time.

How it works

An insurance policy is set up to cover either death or diagnosis of a critical illness. In the event of a successful claim, the insurance pay-out will be used to pay the estate of the deceased, whilst the shares of the deceased are retained by the business/shareholders.

What you need to know

A professionally written protection arrangement can ensure that the business ownership is maintained and controlled by the surviving shareholders while the deceased's family is fairly financially compensated for the value of the shares. This gives the business a better chance of a secure future. A similar policy is available for Partnerships.

If there's no share protection in place, the owner's share in the business may be passed to their estate. This means that the surviving business owners could lose control of a proportion or in some circumstances, all of the business. The estate of the deceased may choose to become involved in the ongoing running of the business or could even sell their share to a competitor.

Nearly half of businesses have no specific arrangements for their shares and the owners rarely have provision or direction for them in their personal wills.

Key Person Insurance

Have you considered the problems your business would face if you, or somebody key to your business died or were to become critically ill? Where would your company be a year after losing a key person? The loss of just one person in a small business can have a massive impact; creating increased workloads, loss of skills, potential loss of profits, and termination of the business altogether.

What is it?

Key Person protection is an insurance policy written on the life of the key person but owned by the business. It is a simple life insurance policy or critical illness policy taken out by the business for key members of staff, whose absence from the business due to death or diagnosis of critical illness would have a significant financial impact. A Key Person protection policy can help protect the profits of a business directly attributed to one or more individuals, if they were to die or be diagnosed with a terminal or critical illness during the policy term. This may allow a business to continue without financial hardship and gives them breathing space to make the right decisions – not rushed ones.

Who is a key person?

A key person is somebody who's skills, if lost, would have a direct or indirect impact on the business finances. A business could have numerous key people, each with differing responsibilities and skills that may need protecting (i.e. managing director, sales person, analyst, specialist software developer, engineer, finance director).

How it works

Key Person cover could provide a cash injection directly into a business when somebody dies or is diagnosed with a terminal or critical illness. The proceeds from the policy are paid directly to the company or partners, helping them to protect their profits or clear business debt, recruit new staff and to continue trading as normally as possible. When calculating the sum assured, you should consider; loss of revenue and profits, cost of recruiting new staff to replace the skills lost, loss of client and supplier confidence, rebuilding client base confidence.

What you need to know

Almost all businesses have at least one key person in their business. A recent survey by Legal and General found that 99% of SMEs recognise at least one key person, while 63% said the death of the owner would be the biggest risk to their business's future. Plus, it is also worth noting that some providers offer extra support for businesses upon claims for the recruitment of replacement key person cover.

IF THE PLAN HAS NO INVESTMENT ELEMENT IT WILL HAVE NO CASH IN VALUE AT ANY TIME AND WILL CEASE AT THE END OF THE TERM. IF PREMIUMS ARE NOT MAINTAINED, THEN COVER WILL LAPSE.



To find out more, simply call:

01284 729250

Relevant Life Cover

What is it?

A Relevant Life Policy is a term assurance policy available to business owners and employers who want to offer a death-in-service benefit to their employees and themselves. However unlike death-in-service schemes, high sums assured are permissible – up to £10 million.

How it works

A Relevant Life Policy is a tax-efficient life insurance policy, set up and paid for by the employer on the life of an employee. The policy is then placed in trust to usually to be payable to the employees next of kin.

What you need to know

Relevant Life Policies count as a tax-deductible business expense (unlike some group schemes) so the business would qualify for corporation tax relief. There's no additional income tax or national insurance to pay (it's not a P11d benefit), therefore a Relevant Life Policy can be a great way to reward company employees, including directors (who may be looking for lump sum benefits without affecting their pensions lifetime allowance). A Relevant Life Policy pays out a tax-free lump sum on the death (or diagnosis of a terminal illness) of the person insured. The tax efficient nature of Relevant Life cover makes it a very attractive proposition for many businesses.

Small companies who do not have enough employees to establish a group scheme can also set up relevant life policies to give a death-in-service benefit.

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Business Loan Protection

Business debt can take many forms, from bank loans to overdrafts, credit cards to director loan accounts. 51% of businesses had some form of business debt in 2018.

What is it?

A Business Loan Protection policy is a term protection policy which will pay out a benefit upon death. The term, sum assured and interest rates are set in line with any business debts. The loss of the person who has guaranteed a loan can be particularly serious for a business, because in the event of their death, the loan is often required to be repaid immediately. This is particularly important with directors' loans (where a director has put money into their own business) as the loan is immediately repayable upon death. Where a Business Loan Protection policy is in force, the policy proceeds are used to pay the outstanding debts.

How it works

Business Loan Protection can help a business pay an outstanding overdraft, loan or commercial mortgage should the person covered die or be diagnosed with a terminal or critical illness during the policy term. When a valid Business Loan Protection claim is made, a sum equal to the outstanding debt could be paid to either the business or directly to the lender.

What you need to know

These policies are simple to set up – the business takes out a life assurance or critical illness insurance policy upon the life of the person without whom the business debt could not be easily repaid.

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Employee Benefits - Group Schemes

Jobseekers today don't just look at pay and holiday when considering new employers – instead, they are likely to consider the total benefits package. In order therefore to attract and retain the best candidates, employers must now consider what benefits they can offer to make themselves stand out. Recruitment and training are a large cost to a business in terms of both time and money, therefore it is critical that employees feel valued to reduce the risk of attrition. Setting up employee benefit schemes will also demonstrate your duty of care as an employer.

Some employers choose to differentiate between workers and offer rewards based upon seniority, length of service or grading within the business. Often employers seek to establish which benefits will be best valued by their employees before implementing schemes – there is no point in setting up a scheme if your employees will not view it as a benefit. The types of schemes that are valued will depend greatly on the demographic of your workforce- their age, gender, marital status, occupation, annual income and their family circumstance.

Many insurers offer additional employee and employer benefits which run alongside their insurance schemes. Typical examples of these include employee assistance programmes, loyalty rewards and discounts, counselling (both telephone based and face to face), legal and HR assistance and return to work guidance. In addition to this, recent enhancements often include remote GP appointments, physiotherapy, mental health support and medical second opinion services. A major benefit of a group scheme is that in most instances there is no requirement for individual medical underwriting.

We can help you to enhance your offering to employees by setting up group benefit schemes, including Life Assurance, Income Protection, Critical Illness and Private Medical Insurance.





Group Life Assurance (Death In Service)

What is it?

Group Life Assurance is an employee benefit which pays out a tax free lump sum to an employees' beneficiaries if they are employed by the company at the time of their death. Typical pay-outs are between 2 and 4 times an employee's salary, although this figure can be as much as 12 times, or a pre-defined benefit can be offered.

Group Life Assurance is probably the most commonly used employee benefit, and employees value it because it provides peace of mind that their families will be financially supported in the event of their untimely death.

How it works

In order to retrieve a quote on a group life scheme, all that is required is your employee's basic data, such as name, date of birth, occupation and salary. We will then work on your behalf to research the market and provide you with a comparison of the best packages / insurers to suit the needs of your business.

What you need to know

Any company wishing to offer its employees group life cover must have a discretionary trust in place which will facilitate the pay-out of the lump sum death benefit, free of tax up to the lifetime allowance. Most insurance providers now include their own trust at no additional cost to the company.

Schemes are typically set up on a 2-year rate guarantee, with renewals required each year to capture any employee changes, and can be paid for monthly or annually.

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Group Income Protection

What is it?

Group Income Protection can be an invaluable product for an employer to offer - ultimately it can be used by employers to manage and reduce sickness absence and the associated costs of this. Although the perception of Group Income Protection is that it will simply provide replacement income, in reality these policies work to reduce the likelihood of an employee being off work, using services such as counselling, physiotherapy, occupational health and much more!

In the event that you do need to make a claim, the policy will provide employees with a replacement of salary if they are unable to work due to long term illness or injury*. The benefit payable is restricted to a maximum percentage of salary, usually 80%. There are a range of options regarding deferral periods and payments terms which can be established to meet the needs of the business. The premiums are typically paid for by the employer, and are deductible as a business expense for tax purposes.

How it works

The benefit is paid directly to the employer and the employee is then paid PAYE in the same way as you would pay their salary. The insurer will pay the benefit gross, then through PAYE deductions such as tax and national insurance contributions are taken.

What you need to know

Many businesses can struggle to support employees who have been affected by illness or injury. This is where a Group Income Protection scheme can really support the employee as many insurers offer a wide range of support, guidance and expertise from the outset. This can include rehabilitation support, bespoke return to work plans, face to face counselling, dyslexia evaluation, digital health services such as remote GPs and mental health support, occupational health and training for managers and HR teams.

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*In the event of a claim, a claims handler will be allocated who will validate the claim details before payment is made.

Group Critical Illness

What is it?

Group Critical Illness provides the employee with a tax-free lump sum upon diagnosis of a specified critical illness. The benefit can either be a multiple of salary usually between 1x and 5x, or a fixed amount. A typical policy will cover the most commonly claimed upon conditions such as heart attack, stroke and cancer. However, more comprehensive cover is also available.

How it works

A Group Critical Illness policy is quick and easy to set up, and unlike personal insurance policies, there is generally no medical underwriting required. In the event of a successful claim, a tax-free lump sum is paid directly to the employee for them to use as they see fit. For many holders of critical illness insurance, the benefit is used to fund private treatment, or make adaptations to their home, although there are no restrictions on what this must be used for.

What you need to know

Statistics have shown that the majority of claims received under Group Critical Illness schemes is largely related to cancer. As a result of this, insurers have provided personalised cancer support for members who are diagnosed with cancer. There are also additional benefits such as advanced pay-outs, children's cover at no extra cost and invaluable support through cancer support services and pathways.

Group Critical Illness insurance is the only policy type that is treated as a benefit in kind to the employee. This is because the benefit is paid directly to the employee and is paid tax-free. For employers the premiums are treated as a business expense for tax purposes and can be offset against corporation tax.

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PLANS MAY NOT COVER ALL THE DEFINITIONS OF A CRITICAL ILLNESS. THE DEFINITIONS VARY BETWEEN PRODUCT PROVIDERS AND WILL BE DESCRIBED IN THE KEY FEATURES AND POLICY DOCUMENT IF YOU GO AHEAD WITH A PLAN.

To find out more, simply call:

01284 729250



Group Private Medical Insurance

What is it?

Group Private Medical Insurance (GPMI) can help to ensure that an ill or injured employee, and often their families, can get the expert diagnosis and treatment they need outside of the NHS. Group Private Medical Insurance generally provides faster access to treatment, which can lessen the impact on your business – through reducing the workload on colleagues, cutting costs of temporary staff, and helping productivity.

How it works

GPMI is designed to meet either all or part of the cost of private treatment. You will need to decide what level of cover you want for yourself, your family and your employees, as this will determine the cost of your premiums. You can choose the level of excess (that's the amount of any claim you are happy to pay yourself). Paying a higher excess will generally bring the cost of premiums down.

What you need to know

There are conditions which insurers won't payout for, including cosmetic surgery and alcohol or drug-related illnesses. You may find illnesses that you've suffered from in the past are excluded from cover as they are deemed to be 'pre-existing conditions'. Many employers offer Group Private Medical Insurance because it can reduce the amount of time taken off work by employees suffering from acute conditions.

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Why choose Larkbridge Mortgages Ltd?

How we can help

Choosing the right policy, or combination of policies to provide the right level of protection for your business can be a daunting task if you try to do it on your own.

We will be able to review your circumstances and recommend the type of insurance you need, giving you, your business and your family the reassurance and peace of mind that protection insurance can bring.

If you would like to know more or would like to arrange an appointment with an adviser who can help you, please get in touch.

Larkbridge Mortgages Ltd.

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INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING AND MAY BE SUBJECT TO CHANGE.

Premiums must be maintained for cover to remain in force.
The information contained in this brochure is correct as of October 2020.

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