



## Let's talk business protection

### Recommending CIC for key people



If a key person is diagnosed with a specified critical illness, the effects on the business can be substantial. In some cases it can be even more costly to the continuation of the business than their death.

On diagnosis of a specified critical illness, it is invariable that the key person will need time off work. Whether this is short or long term, it is likely to have a damaging effect on the profits of the business.

There are three situations a company is likely to find itself in if one of their key individuals suffers a critical illness:

#### Situation one

The key person could be incapacitated for an extensive period and have to leave their job.

**Possible expenditure:** In this case the company would need funds to recruit and train a replacement and protect the potential loss of profits in the business.

They may also need to repay a loan the key person was a guarantor for.

#### Situation two

The key person may hope to return to work at some point in the future.

**Possible expenditure:** The company may need funds to cover the loss of profits due to the absence of the key person.

The company may also need to train and recruit a temporary replacement – this can be costly if the role is a technical/specialist role. Remember – the company may now be paying two salaries for the same role, one to the key person and one to the temporary staff member.

The company may also need to make reasonable adjustments to the workplace, such as wheel chair ramps.

The company may also want to assist in the rehabilitation of the key person.

#### Situation three

The key person could recover quickly and be able to maintain full involvement in the business.

**Possible expenditure:** In this case the policy proceeds could be invested to protect against future events.

**Remember, it may be difficult for the company to obtain future cover for the key person**  
**We paid out £152,000,000 in CIC claims last year, and you may be surprised to hear that the average age of a claimant was 44 years.**

Source: Legal & General's claims statistics for 2009

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