



Business Protection

Help protect the future
of your business



How safe is your business?

Many people think that protecting a business involves insuring the premises, the contents and the assets. That's true – it does. But when you think about assets, are you thinking about the material assets only, or are you also thinking about the human assets within your business? That includes yourself!

If not, perhaps you should consider this. It's the people that make your business run smoothly, and without them (or even yourself) your business would have a hard time functioning.

Just think where your business would be if you were diagnosed with a critical illness, or died. If you're a partner of a small firm and one of your other partners dies, what happens to your business and their share? Who now owns that share of the business, and where does that leave you?

In many cases, when a director or partner dies, their share of the business passes to their family, who may not have the same interest in continuing the business that you do. And unless you have the funds immediately available to buy that share of the business back, your business could be at risk.



Recognising what needs protecting and why

We recently conducted some research in conjunction with the British Chamber of Commerce, interviewing 1,000 of their members. This research highlighted that the Business Protection 'gap' is now estimated at a staggering £1.1 trillion.

- Corporate debt gap of just under £300 billion
- Shareholder protection gap of over £400 billion
- Key person protection gap of over £400 billion

50% of the businesses surveyed have corporate debt yet just 46% of these businesses have life or critical illness policies in place to cover that money owed.

It is important to consider your business and the possible consequences should one of your key people be diagnosed with a critical illness or even die. As well as protecting your business premises, contents and material assets, there are three other main areas you may wish to consider for business protection:

1. Protecting a key person
2. Protecting a director/partner
3. Protecting a business loan.

Key Person Protection

This is where the business insures against the financial loss it may suffer as a result of losing a 'key' employee to death or a specified critical illness. Key people are those individuals whose skill, knowledge, experience or leadership contribute to the continued financial success of the business. In many cases this could be the chairman, managing director, or specialist employee (such as an IT specialist), although it could be anyone whose death or critical illness could lead to financial loss for the business. Key Person Protection could provide your firm with the cash injection it may need to help recover from this loss of profits.



Directors'/Partners' Share Protection

The issues for directors are similar to those that concern business partners. Without adequate business protection, if a director dies the surviving directors run the risk of the shares passing to someone with no interest in the company, or even to another company that might then be in a position to make a takeover bid. The surviving directors may want to know how they could afford to buy the deceased's share of the business from his or her estate, and what would happen to the control of the business if this was not possible for financial reasons.

Similarly, if a partner dies without adequate business protection, their interest in the business may pass to their estate. The family then has two alternatives:

1. A member of the family could take over the deceased's position as partner
2. The family could realise the value of the interest by selling it.

Neither of these avenues is problem free. If a member of the family takes over the deceased's position as partner, there's no guarantee that he or she will be able to make any contribution to the business. If inexperienced or unwilling, their presence could actually be detrimental, especially if it is the children or teenagers who inherit.

A sleeping partner who is not involved, but is entitled to a share of the profits, may be a huge burden to the remaining partners. Also, the family may be unhappy to be in a position where they have no effective control over the profits of the business, which they rely on for income.

If the interest is sold, the remaining partner(s) may find themselves working with an unwelcome new partner. Or there may be no buyers, in which case financial problems may surface not only for the family, but also for the business.

Arranging Directors'/Partners' Share Protection should also involve setting up an agreement with all the directors/partners in your business, which enables the remaining directors or partners to purchase the share of the business from the deceased director's/partner's estate. This in turn provides the deceased's dependants with a willing buyer and cash instead of shares or an interest in your business – which means you, as a director/partner in the business, could retain control.

Business Loan Protection

Depending on the type of business loan or overdraft you have you can arrange a Business Loan Protection life insurance policy on a level or decreasing basis. This will help your business to repay an outstanding business overdraft, loan or commercial mortgage should the person or persons covered by the policy die or, if selected, be diagnosed with a specified critical illness during the term of the policy.



Business protection from Legal & General

With our business protection offering you can take advantage of the following types of cover:

- Term Assurance
- Term Assurance plus Critical Illness Cover
- Whole of Life Protection Plan

For more information about business protection and how your business can benefit from this type of cover, please talk to your financial adviser. They will be able to advise you on all areas of Legal & General's business protection products, and recommend the best solution for your business needs.

Why Legal & General?

The Legal & General Group, established in 1836, is one of the UK's leading financial services companies. As at 31 December 2009, we were responsible for investing £334 billion worldwide on behalf of investors, policyholders and shareholders. We also had over 7 million customers in the UK for our life assurance, pensions, investments and general insurance plans.

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