

# Business Protection what's the plan?



**W**hat is the most important asset in a business? Perhaps it is the initial idea that started it all off. It could be the product it sells, its brand, customer base or increasingly nowadays, its social media or digital presence.

However what about the knowledge, expertise and hard work of its owners and employees? For many businesses these are the most critical assets to ensure it prospers. It follows that one of the main risks to that business is the loss of that key employee due to illness or death.

For many business owners, finding funds in order to allow the business to continue in the event of losing a key person could mean delving into cash reserves or perhaps selling some shares or a property. Depending on their circumstances, their bank might grant them a loan. However, many of your business clients are looking for other, more cost effective ways, to provide cash when they need it. Should they need to access cash on the death of a business partner or a key employee, then a business protection insurance arrangement is an effective way to do this for them.

The business protection market is an area where we see less activity than personal protection or pensions. In some cases advisors tell us that they are unsure of how to help their client understand the need for this type of protection, while others feel it is just too complicated. So how can it be approached with a client? Helping them to appreciate this is important business planning is easier said than done. However, as part of their initial business plan your clients probably took into account the cost of other insurances, e.g. building insurance, so this should be looked on as insuring against a far more likely event. In fact the illness or death of one of them is significantly more likely than a fire in their premises\*. Such an event would be likely to have very damaging financial consequences for their business, and indeed for their families.

A few good questions, which we do recommend asking your business clients to consider are:

- If your business partner died what would happen to their share of the business? How would you feel about his/her family joining the business?
- If you die, what will happen to your share of the business?
- How will your family survive financially?
- Is this something you have considered together as business partners. Should something happen, what's your plan?

By answering questions like these your client might start the process of planning for the worst. If you have just made them more aware of the risk to their business if they or one of their business partners, or a key employee, were to die, you have started them on the right path.

The next step is deciding on the best structure or arrangement to suit your clients needs. Each company situation is unique, but the objective of any business protection arrangement should be the same - to ensure the right amount of money ends up in the right hands at the right time in a tax efficient manner to allow the business to continue and to help your clients 'hang on to what they have'.

The first thing to understand in respect of business protection is the different ways in which a business can be established. They are:

## Limited Company

Once established, a limited company is a separate legal entity to the

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individual(s) who set it up - the shareholders. The term 'limited' refers to the fact that shareholders' liability for company debts is limited to the value of their shareholding. So, any creditors would only generally be able to claim against the company, not against the individual shareholders.

## Partnership

A partnership is where two or more people arrange to run a business in partnership with each other and will have a legal agreement in place. The partners are jointly responsible for running the business and if it fails all partners are jointly responsible for the debt.

## Sole Trader

A sole trader is exactly what the title states it is. It is one person who is running a business; and that individual is personally responsible for the debts of that business.

The types of business that would require what is regarded as business insurance would typically be the limited company and the partnership. While standard life assurance policies are used for this type of protection, the way in which it is arranged is important.

Type of Business	Potential business protection need
Limited Company	Shareholder Protection Personal / Corporate Key Person Cover
Partnership	Partnership Insurance
Sole Trader	Personal Cover

Many problems can arise for a business when a partner or key employee is out of the picture due to death or serious illness. Some of these problems could be alleviated with adequate financial planning to provide the funds to allow options and choices to be made by all parties. A business protection arrangement is the only way to guarantee that funds will be available, to ensure the continuity and the survival of the business in a cost efficient manner.

Just as each business differs from others, so too will your clients business insurance requirements. Your Irish Life Account Manager will be happy to assist you with this, and you will find a wealth of information in the business protection section of Bline.ie.

\*Source: Returns supplied by the 37 Irish fire authorities. In 2016 there were a total of 234 fires in industrial buildings and 226 in commercial buildings attended by Irish Fire Brigades.

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