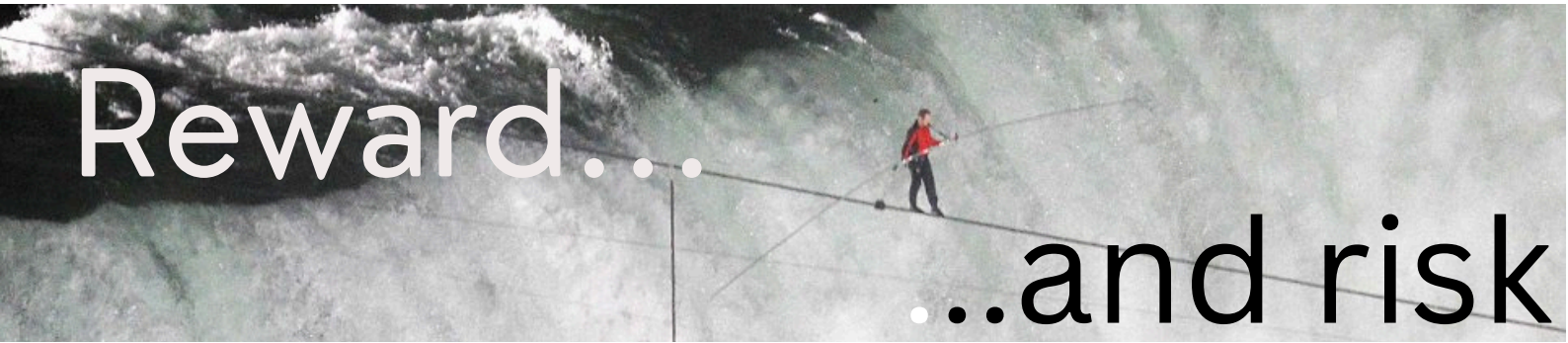


# Tapper Financial Services

## BUSINESS CONTINUITY

### INSURING THE PEOPLE RISKS



Owning a business brings enormous rewards. However, with these rewards come risks. Whilst most businesses will have insured obvious risks such as buildings, equipment or public indemnity, the majority have not insured their greatest asset; their people.

These are the key areas of financial risk posed by loss of staff through death or illness.

Company Debts

Death/Illness of Key Staff

Death/Illness of Shareholders

Staff Retention & Personal  
Benefits

The Insurances Company can help limit the financial risk to a business posed by its employees as part of targeted business continuity planning. Take a closer look on the next page to look at the issues and some solutions.

## Company Debts

**The Issue** - The average debt owed by SMEs with company loans is £200,000, but according to research by Legal and General less than half of firms have any financial plan on how to repay that debt.\*

**The Effect** - The majority of loan arrangements insist that a company loan is repaid immediately on the death of a director. Banks may even require repayment on serious illness. Finding funds to repay debts immediately can cripple a business, compromising creditworthiness and reputation, which in itself can lead to business failure.

**The Solution** - Set up life and illness insurance to the terms and value of the debt, payable on death or critical illness of the director.

## Death/Illness of Key Staff

**The Issue** - Most growing firms will eventually depend on certain key staff for generating the income of the company. These key staff are typically found in sales, marketing, or IT departments.

**The Effect** - The loss of key staff means that there will be a calculable loss of income to the business. The majority of SMEs usually rely on at least one or two key staff to create most of the profit. If their key staff were to die 60% of SMEs would cease trading within a year.\*

**The Solution** - Set up life, illness or income insurance that will provide enough funds to replace the individual and the lost income for the company until a replacement will start to generate income again.

\*Source: Legal & General; State of the Nation Report 2021

## Death/Illness of Shareholders

**The Issue** - If a shareholder dies their legal heirs inherit a part of the business.

**The Effect** - The inherited shares are now in the hands of the deceased life partner, who is unlikely to possess either the will or the skill to be a part of the business. Without liquid funds both the business and the new shareholder may find themselves in a position where there is significant risk to the viability of the business and the personal finance of the family of the deceased. The heirs may want the value of the shares and the business may want to get the shareholding, but without available funds there may not be a solution for either side.

**The Solution** - Life and critical illness insurances are set up which reflect the director's agreed share value. At the same time sell/buy agreements are set up which obliges the heirs to sell the shares and the business to buy them. Critical illness needs a one-way agreement so a director can sell his shares and a company has to buy them. Note that whilst the articles of association of the company should specify what happens to shareholding in case of death, appropriate life insurance will provide the money for the company to honour the obligation.

## Staff Retention & Personal Benefits

**The Issue** - Individuals don't take out adequate life and illness insurance because they perceive it to be a high cost. Consequently, they are often underinsured should the worst happen.

**The Effect** - Individuals and their families and their homes are not financially protected should they die or become critically ill.

**The Solution** - The company provides the insurance cover. This not only protects individuals and their families but also makes the company a more attractive employer to both existing and potential new staff. This is a serious advantage both in attracting and retaining staff in a competitive employment market. There are also important tax advantages to the individual for some solutions, (especially company directors).

## The Insurances Company is here to help you:

- Identify the biggest financial risks to your company posed by your people
- Guide you in developing a plan to minimise financial risk
- Provide clear cost-effective solutions
- We can also help you to review and upgrade your existing provisions

We will sit down with you to assess the financial risks posed by the people in your business. Based on this, we will produce a risk assessment report with recommendations and costings for the areas we agree require attention.

In order to ensure that the legal and taxation implications are clearly understood, we will work with your accountant and legal representative as necessary. This provides a holistic approach to our recommendations and co-ordinates with your business continuity plans.

## Our Solutions

Our **Company Solutions** provide essential financial support to the business when it loses a key member of staff to illness, injury or death.

- Key Person Insurance
- Shareholder Protection
- Company Loan Protection
- Company Risk Reports

Our **Personnel Solutions** offer potentially tax-efficient ways of protecting the owner and their employees from these same risks.

- Relevant Life Insurance
- Executive Income Protection
- Employee Benefits
- Group insurance

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