



# Key Person Income Protection

Keeping a business healthy

# A simple solution to an everyday problem

Key Person Income Protection could provide a regular monthly benefit to a business in the event of the illness or injury of a key employee. The monthly benefit can be used to address a reduction in gross profits, meeting the costs of hiring a temporary replacement employee, or support ongoing loan repayments. It also includes access to experienced rehabilitation support specialists helping them get back to good health and work.

It's designed to help you move confidently through any financial uncertainty that can occur if a key employee needs time off work due to illness or injury, in the event of a valid claim.

- Protects lost profits
- Meets the cost of a temporary replacement
- Supports ongoing loan repayments
- Access to physical and mental health support for the key employee

**Unexpected illness or injury can be an unavoidable part of life – but financial worry needn't be.**



## Why you may think it's not important

**94%**

of businesses recognise they have at least one key person

**75%**

of businesses have some form of business debt

**70%**

would cease trading in less than 2 years with a loss of a key person

Source: L&G State of the Nation Report 2021

## Tailored cover to suit your business needs



Level or increasing cover to help protect against the effects of inflation.



Maximum cover when taking out the policy, up to £20,833 (£250,000 per year) for level plans, £14,583 (£175,000 per year) for increasing plans.



5 to 20-year term – you can choose the policy length.



Deferred periods, 4, 8, 13, 26 and 52 weeks available. The monthly benefit is paid in arrears, meaning the first payment is made four weeks after the deferred period ends.



Choice of how long the benefit pays for – either 12 or 24 months. This must be chosen at outset.

### You could take out Key Person Income Protection for one of the following business needs



#### Profit protection

Provides the business with peace of mind that if a key person is ill or injured and unable to work, a proportion of any lost profits could be covered.

Up to 75% of gross profit that can be attributed to the contribution of the key employee for the 12 months period immediately prior to incapacity.

**Scenario:** A business generates £400,000 of profit, and a key employee has been responsible for 60% of this. If they become incapacitated, the plan can be used to cover up to 75% of this figure, providing maximum amount of cover of £15,000 per month (£180,000 per year).



#### Temporary replacement cover

Business owners can choose to cover the cost of finding a temporary replacement employee in the event of the key person being unable to work.

The cost of hiring a temporary replacement employee up to 2.5 times the key employee's annual earnings.

**Scenario:** A key employee earns £80,000. The plan covers up to 2.5 times that amount providing a maximum amount of cover of £16,667 per month (£200,000 per year) if they are unable to work due to illness or injury. This provides the business money to hire a suitable temporary replacement employee.



#### Loan protection

If a key person is unable to work due to illness or injury - loan protection covers the repayments.

Covers the part of the repayments and related interest to a business mortgage or loan, which relate to the contribution of the key employee.

**Scenario:** A business has a loan of £2.5 million. Two directors are responsible for repaying the loan. The monthly repayments are currently £21,000. If they are unable to work due to illness or injury, each director could insure their share of the monthly repayment.

**Exclusions apply** – A claim wouldn't be paid if the employee is no longer a key employee of the business, the employee no longer works for the business or the company stops trading. For details of what is and isn't covered, speak to your Adviser.

# Helping your key employee get back to good health, and work, at no extra cost



## Rehabilitation Support Services

Our in-house specialists offer early intervention treatments for physical or mental-health related issues. Automatically included at the point of claim, supporting them throughout their recovery.



## Wellbeing Support

Access available from the day you take out the policy. We've partnered with RedArc Assured Ltd and their registered nurses, to provide personalised practical and emotional support that the employee covered can use as and when they wish.

# Speak to your Adviser to find out how Key Person Income Protection could work for you

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2343-1 09/21

