

Zinc Business Protection



Shareholder Protection

It is thought that only 5-10% of UK businesses have any business protection, should a key person suffer long term absenteeism. This equates to approximately 2 million businesses without cover, a protection gap estimated to be worth around £500 billion.

So what can a company do to secure the shareholding and value built up within the business?

These statistics provided by Swiss Re, The Insurance Report, are startling enough, but when you consider that a working person is now 6-8 times more likely to suffer long term incapacity than die before the age of 65, it is surprising that so few companies are taking measures to fully protect their business.

These findings are supported by UK Health and Safety Executive statistics. One million workers go off sick every week; 17,000 are still off after 6 weeks; 3,000 continue to be absent after 6 months; and only one fifth of these people will work again within five years.

What is Shareholder Protection?

Shareholder Protection provides protection for all major shareholders within a business, following an accident or sickness to an insured key person, which results in permanent disability.

The insurance provides funds for the remaining shareholders to purchase the interests of the disabled shareholder. This will allow the business to continue trading without putting the company under undue financial strain, and it provides the disabled shareholder with consideration for relinquishing his share of the business.

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Accidental death is also included, but death by natural causes can only be catered for by the life assurance industry. A term assurance policy has traditionally been a common way of providing this type of Keyman life cover.

The indemnity chosen for each shareholder should reflect the value of their stake in the business. Independent advice should be sought from an accountant in determining the value of the company and this should be regularly reviewed in light of changes within the business itself, the industry in which it operates, and the wider economic environment. All significant shareholders need to be insured under the policy.

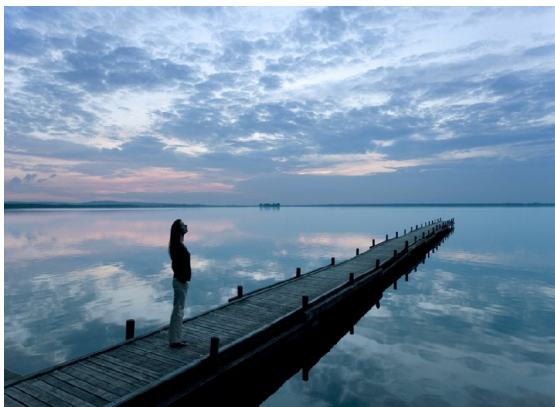
Whilst the policy is rated on the value attributable to each of the key persons to be insured, the cover is bought with the sole intention of protecting the viability and longevity of the company or firm. The business must therefore consider the legal and tax implications of such an arrangement and should consult with its solicitor or accountant to ensure the correct provisions are in place.

How a lump sum payment into the business is treated for tax purposes should also be discussed with a professional adviser. Furthermore, each tax office will also have its own criteria as to how such funds are treated and it is therefore recommended that advice is also sought from the local tax inspector.

Protection for the business

Shareholder Protection is one of the options available under Zinc's unique Business Protection insurance policy. If cover is not required to protect the full value of the company's shareholding, the business can choose simply to protect its financial stability, ensuring it has the funds to continue trading and generating revenue by:

- protecting corporate debt and ongoing financial commitments;
- replacing key executives, temporarily or permanently;
- enabling rehabilitation support to expedite the disabled person's recovery.



Similar Shareholder Protection insurances, the majority available through Independent Financial Advisers, usually offer cover predominantly in the event of death of a key person. The Zinc policy provides a much wider, more flexible suite of cover and as it is delivered online, it is simple, practical and affordable.

Also, as pre-existing medical conditions (within the last three years) are excluded, there are no requirements for lengthy proposal forms or detailed medical information.

The business must consider the legal and tax implications of a Shareholder Protection arrangement and should consult with its solicitor or accountant to ensure the correct provisions are in place.

If you would like more details regarding the Shareholder Protection cover afforded by Zinc Business Protection insurance, or you would like a quotation, please talk to your insurance broker.

This insurance is available to all Limited Companies, Partnerships and Limited Liability Partnerships. Sole Traders benefit from a separate Business Protection cover option.

Shareholder Protection starts from as little as £169 annually and is dependent upon the age of the shareholders to be insured and the amount of indemnity required. Pre-existing medical conditions and persons engaged primarily in manual work are excluded.

For further information about Zinc Insurance Services please visit:
www.zincis.co.uk

zinc business protection insurance

Office telephone: +44 (0)208 402 2798 Email: enquiries@zincis.co.uk Website: www.zincis.co.uk
Zinc Insurance: 12 Kinnaird Avenue, Bromley, Kent, BR1 4HG, England

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Registered address: Salisbury House, London Wall, London, EC2M 5QY. Registered in England no. 4352757