

Zinc Business Protection

Policy Cover Summary



Shareholder Protection

Business Protection is a unique combination of covers, focused on business survival in the absence of one of its key persons. The cover is a form of accident, disability, sickness, critical illness or income protection rolled into one keyman policy.

Shareholder Protection provides protection for all major shareholders within the business following accidental death, or accident or sickness to an insured person which results in permanent disability. Pre-existing conditions within 36 months of the policy effective date and cover for death by natural causes are excluded.



The indemnity limit chosen per insured person should reflect the value of their shares held within the company. Each significant shareholder (owning 15% or more shares) must be included under the policy. Valuation of shares within a business will require advice from an independent accountant or solicitor. How a lump sum payment into the business is treated for tax and other purposes should also be discussed with a professional adviser. As each tax office will have its own criteria as to how such funds are treated, advice should also be sought from the local tax inspector.

In the event of accidental death or permanent disability of an insured person, the policy will pay 100% of the chosen limit to the business to buy out the shareholding and preserve the value built up within the business. In addition, Shareholder Protection cover also provides a range of temporary disability benefits subject to a 180 day excess.

Cover	Maximum Section Benefit	Maximum Monthly Benefit	Benefit Period
Following accidental death or permanent disability of a Director or Partner, the policy will pay 100% of the chosen limit of indemnity to the business.			
Following temporary total disability of an insured Director or Partner, a monthly benefit is payable to the business and can be claimed under a number of sections of cover, subject to the 180 day excess . Reimbursement following temporary partial disability shall not exceed 50% of the relevant maximum benefit.			
Interest payable on business overdraft facility	20% chosen policy limit	£833	12 months
Monthly business loan payments	60% chosen policy limit	£2,500	12 months
Monthly business mortgage/lease payments	60% chosen policy limit	£2,500	12 months
Recruitment agency fees for a key executive	£15,000	Not applicable	12 months
Salary paid to a replacement executive	60% chosen policy limit	1/12 th of maximum section benefit	12 months
Rehabilitation expenses to expedite recovery	£5,000	Not applicable	12 months

Examples of how claims might be managed under this Zinc Business Protection policy are shown on the following page. These are indicative only, and each claim will be considered on its own merits and particular circumstances.

zinc business protection insurance

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Claim Scenario Examples

ABC Manufacturing Limited

The company shareholders elected to take Shareholder Protection cover; thereby including all significant shareholders.

- Finance director (33.33%) age 54
Managing Director (33.33%) age 48
Sales Director (33.33%) age 56.
- All three Directors/Shareholders take out cover representing the agreed value of the business; 33.33% each; indemnity £200,000 each insured person representing a £600,000 valuation between the three Directors.
- Annual premium paid by the company approximately £3,643.
- A Director suffered a stroke and partial brain damage. Long term recovery diagnosed and identified within 3 months of stroke occurring. Unable to return to work for at least 18 months. It is possible that he may not return to work in his usual capacity.
- Total indemnity under policy £200,000 each insured person.

The claim was adjusted along following lines:

The insurer investigated whether the individual had any previous condition as defined under the pre-existing medical condition clause. The extent of cover under the policy was explained to the other Directors. Payment was made to the company on the basis of permanent disability of the insured person.

The following sections paid out under policy:

Director shareholder protection; 33.33% of total sum insured, based on permanent disability of the insured person: £200,000 paid after 12 month indemnity period expired.



Franchised Motor Trade Company

The company elected to take Shareholder Protection cover; thereby including all significant shareholders.

- Finance Director (25%) age 38
Managing Director (25%) age 48
Sales Director (25%) age 40
After Sales Director (25%) age 43.
- Finance Director suffers serious neck injury whilst playing rugby and is permanently disabled; long term recovery within 2-3 years.
- Total indemnity under policy £1.6m (£400,000 per insured person).
- Annual premium paid by the company approximately £6,888.

The claim was adjusted along following lines:

No need to investigate pre-existing condition clause. The extent of cover under the policy was explained to the other Directors. Payment was made to the company on the basis of permanent disability of the insured person.

The following sections paid out under policy:

Director shareholder protection; 25% of total sum insured, based on permanent disability of the insured person: £400,000.

Notes relevant to both examples:

The insurer liaised with the Directors of the Company and agreed how the claim could be managed and explained the cover afforded under the policy. The following scenario would have been discussed and signed off as part of reaching quantum:

- The insurer verified the extent of injuries, long term disability and also long term prospect of returning to usual occupation in the longer term. Once the insured person has either exhausted the indemnity period of 12 months, or is deemed to be permanently disabled from his usual duties, payment is made.
- Indemnity under the policy allows the remaining Directors to purchase the disabled party's shareholding in the business rather than passing to the insured person's dependents.
- It should also be noted that any cross option agreements or independent advice regarding valuation of the business, or ability for the Directors to purchase shares from fellow Directors, should be independently sourced from the company's accountant and/or solicitor. Professional advice is needed when addressing these important issues as they affect the indemnity limit chosen and the legal and tax position of the company.