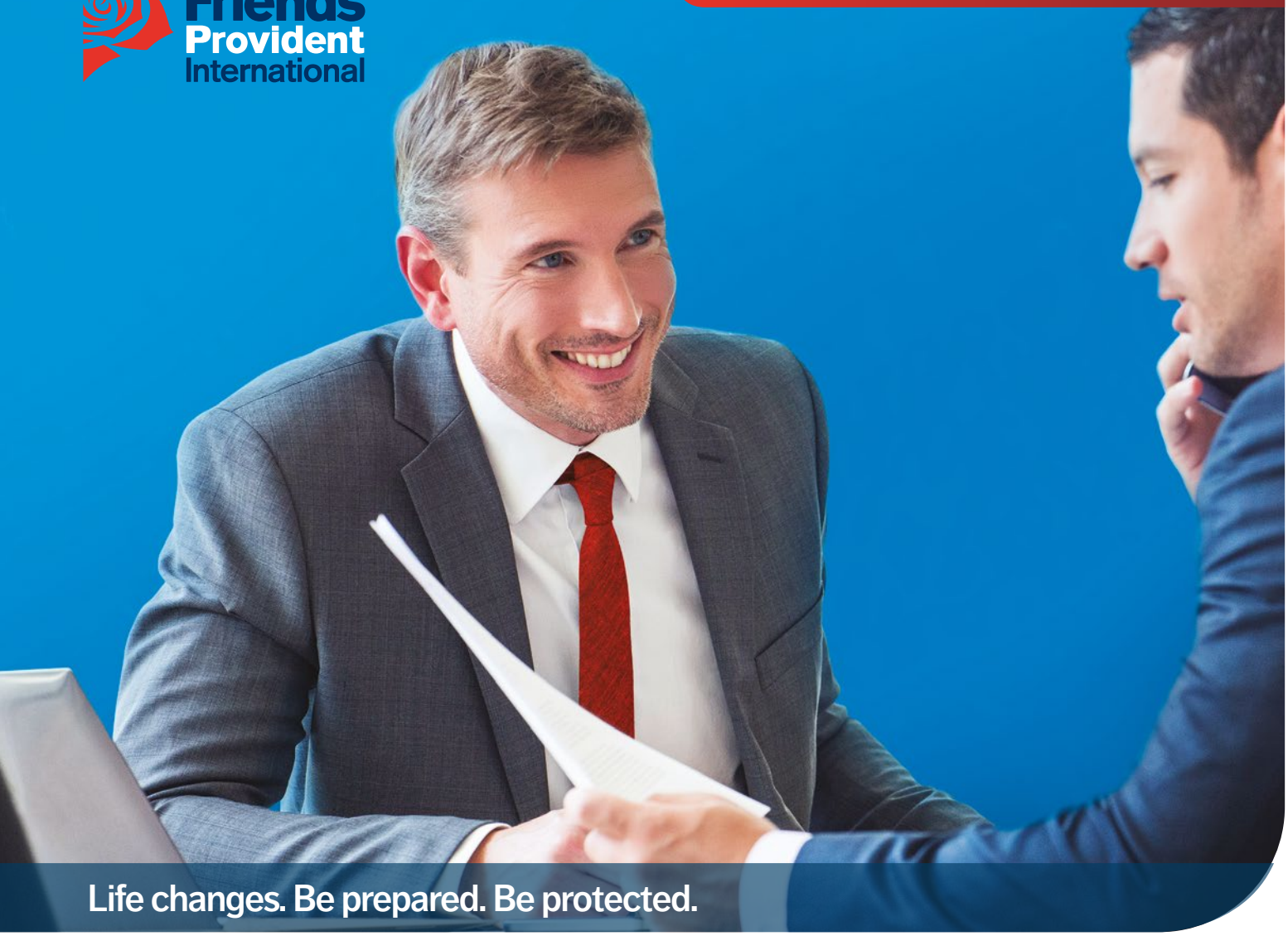
Friends Provident International



Life changes. Be prepared. Be protected.

For advisers only. Not for use with customers.

What is business protection?

The correct mix of business protection arrangements can help your client's business survive, following the death of a person who is vital to the business. Critical illness cover can be considered too.

Business protection can be broken down into three main categories:

Key person protection

Commercial loan protection

Share purchase protection

Underpinning each of these is one or more life assurance policies.

Key person protection

Sometimes known as 'keyman insurance', key person protection aims to replace the lost profits a business may suffer as a result of the death or critical illness of a key employee or business owner.

Case study one

ABC LLC currently rely on their sales person, Gemma, for all of their sales. The company's financial adviser recommends they take out a policy (owned by ABC LLC) on Gemma's life to protect against lost profits on her death.

Commercial loan protection

Commercial loan protection aims to repay business debt in the event of the death or critical illness of a key employee or business owner.

Case study two

DEF LLC have a significant bank loan, which they took to buy new laboratory equipment. Only their chief scientist, Leo, knows how to use the equipment. The company's financial adviser recommends they take out a policy (owned by DEF LLC) on Leo's life to repay the loan if Leo should die before it is repaid.

Share purchase protection

Share purchase protection aims to allow the ownership of a business to pass into the correct hands on the death or critical illness of a business owner and to create the necessary liquidity for the ill owner, or a deceased owner's family, to be compensated for the loss of the business interest.

Case study three

GHI LLC has three shareholding directors, Aisha, Ben and Carlos, who each own one-third of the shares. Should any of the shareholding directors die, the survivors would want to buy the deceased's share of the company. After reviewing the company's constitutional documents with the company's lawyers, GHI LLC's financial adviser recommends they take out three policies – one on each of their lives – structured so that the other two shareholders would benefit. The company's lawyer puts an appropriate shareholder agreement in place.

Why is it important to consider these three areas separately?

1. A business may have multiple business protection needs – it is important to identify and quantify each of them.
2. Policies are often structured differently for different needs. A single company might have both key person and share protection needs with key person policies owned by the company and share protection policies owned by the shareholders themselves.
3. Where relevant, the tax position of each type of policy can differ depending upon its purpose.
4. The financial underwriting of a policy application can depend on the purpose of the cover.

Data Privacy

We take the responsibility of handling your personal data very seriously and we will only ask you for details required to process your requests to us. Please be aware of our privacy policy – please visit **www.fpinternational.com/legal/privacy-and-cookies.jsp** to view the full policy, or this can be provided on request.

Next steps – find out more about business protection by contacting your Account Manager or visiting our website:

https://advisers.fpinternational.ae/

We do not condone tax evasion and our products and services may not be used for evading your tax liabilities.

Friends Provident International Limited: Registered and Head Office: Royal Court, Castletown, Isle of Man, British Isles, IM9 1RA. Isle of Man incorporated company number 11494C. Authorised and regulated by the Isle of Man Financial Services Authority. Provider of life assurance and investment products. **Singapore branch:** 182 Cecil Street, Level 17 Frasers Tower, Singapore 069547. Registered in Singapore No. T06FC6835J. Licensed by the Monetary Authority of Singapore to conduct life insurance business in Singapore. Member of the Life Insurance Association of Singapore. Member of the Singapore Financial Dispute Resolution Scheme. **Hong Kong branch:** A122, 16/F, Tower 5, The Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong. Authorised by the Insurance Authority of Hong Kong to conduct long-term insurance business in Hong Kong. **Dubai branch:** PO Box 215113, Unit 706, One Za'abeel - The Offices, Za'abeel Palace Street, Za'abeel First, Dubai, UAE. Registered in the United Arab Emirates (UAE) with the Central Bank of the UAE as an insurance company. Registration date, 18 April 2007 (Registration No. 76). Registered with the Ministry of Economy as a foreign company to conduct life assurance and funds accumulation operations (Registration No. 2013). Friends Provident International is a registered trademark and trading name of Friends Provident International Limited. **IFGL (DIFC) Limited:** Registered Office: PO Box 450591, Unit 16 - 35, Level 16, Central Park Towers, DIFC, Dubai, United Arab Emirates. Regulated by the Dubai Financial Services Authority.

XPROT/BP (12588) 09/25