

# Key Person Insurance

## In focus

### What is Key Person Insurance?

The loss of a Key Person within a company can have a dramatic effect on the profitability and the day-to-day running of the business.

Key Person Insurance is a life insurance policy for anyone who contributes to the profitability of your business. It allows you to claim financial support when your business is missing an important member of staff, which helps to maintain customer confidence and reduces the impact on colleagues.

### Who is a key person?

Identifying a Key Person can be subjective, but really anyone whose skills, knowledge, leadership or experience contributes to the company's continued financial success should be considered as part of your Key Person cover.

### How is cover arranged?

Normally Key Person cover is arranged by the company taking out the policy. Typically, they will place the policy in the name of the company and on the life of the employee(s) they consider to be a key person.

"We practice what we preach and one of the first priorities for our business was to ensure we had this valuable cover in place. It's awful to contemplate but worth taking a moment to reflect on how your business would cope if you lost a key member of staff." **Simon Claxton, Managing Director - Financial Services**

### How is the amount of cover required worked out?

The approach to calculating financial loss will vary from business to business, as will the key individual's value. However, the most widely used methods are:



**Multiple of salary** whereby the key person's salary is multiplied by a given factor, usually somewhere between five and ten times their salary.



**Cash Flow** which reflects the impact the individual could have on cash flow. This is calculated using the Key Person's Remuneration x Turnover x Recovery Period divided by the Total Salary Payroll.



**Specific** where a company needs to cover a value set by an investor or a loan from an institution who will dictate the level of cover.



### Myth Busting

Key Person Insurance doesn't only cover death in service. You can also get insurance for terminal illness, permanent disability and critical illness.



### Key Fact

Key Person Cover can include a renewable option where cover can be renewed at the end of the initial policy term without further medical evidence needed by the insurer.

### Did you know?

52% of SMEs would cease operating in under a year if they lost a key person\*

\* Source: Legal & General - State of The Nation SMEs Report 2021.

This report is based on a survey of over 500 small businesses throughout the UK. It was carried out by Savanta in June 2021, an independent market research consultancy.

## Why choose Macbeth?

We'll be honest (because that's how we like to do business.) You can buy insurance from any insurance broker. But our business isn't really about insurance and finances; it's about people and relationships. We love getting to know you and your business, finding out what you need and making sure you get it. It's why so much of our business comes from referrals.

And, with over 30 years' experience under our belts, it's fair to say we know a bit or two about insurance.



**WorkingFeedback**★

**Excellent** from **776** reviews



I'm well aware that you need to trust your insurance provider. And I've always preached – and practised – open, honest business, conducted with integrity. Trust builds. This is how.

**Paul Macbeth, CEO**



## What happens if I need to make a claim?

We're here for you when you need us most.

The way we see it, arranging insurance is only half the story. As a business that puts people first, there's no question that we're here to help should you ever need to make a claim. And it couldn't be easier. All you need to do is call your Client Manager at Macbeth, office or mobile, no matter what time. No need to dig around for your policy details.

**Just explain what's happened and we'll take over from there.**

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