An introduction to business protection with Jude Reynolds

Podcast transcript

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Alex Spencer: Hi and welcome to Zurich's podcast series. I'm your host Alex Spencer, and in this episode, we're talking about business protection with our guest speaker Jude Reynolds.

Jude Reynolds: Hi there. I'm Jude Reynolds, field-based business account manager for protection at Zurich, here to take a look at an introduction to the business protection market, a subject which I love and also see a lot of opportunities in.

Alex Spencer: Thanks Jude. So, first of all, can you explain what business protection is and who can benefit from having it?

Jude Reynolds: Yes, business protection insurance protects a company financially when its owners or employees are affected by a critical illness or death. Most people understand the need to protect their premises and equipment but forget their most valuable asset which is themselves and their staff. It is for all business types - sole traders, partnerships, limited liability partnerships and limited companies.

The death or critical illness of an individual can seriously impact a business financially with the loss of skills, knowledge, relationships, all of which can and do contribute to the long-term stability and viability of any business. And that's what we're aiming to protect. Ultimately, we're de-risking a business.

Alex Spencer: So, what are the three different types of cover for businesses?

Jude Reynolds: There are three areas of cover to consider which fall under the heading of business protection. It's not a product in its own right and it uses the same products that we would use for personal protection.

The first area are Relevant Life plans, which are a great starting point. If you like, they can be the foot in the door to business protection. They provide personal protection, paid for by the business, for employees and owners in certain circumstances, with the added bonus of tax efficiency.

The second area is key person cover, which is arranged to cover loss of profit and replacement costs along with any business liabilities that you may need paying off or servicing on the death or illness of an individual who is key to the business. Don't underestimate the impact this type of loss can have on the business. And there's lots of surveys out there which can give you more detail on this.

Jude Reynolds (continued): The third area is shareholder protection, which allows the remaining business owners to purchase shares, staying in control and minimising disruption to the business along with ensuring the deceased or critically ill shareholders of state and beneficiaries are enumerated and the business can continue.

Alex Spencer: So, if you're an adviser who is new to this product in the market, what are the first steps to get started?

Jude Reynolds: Remember, it's about de-risking and protecting a business and tax saving or tax efficiency may be an added benefit. A lot of people go off down the rabbit hole of tax saving. Don't start there. Start with protecting and de-risking a business. Have a process. Start with fact-finding and a really good SWOT analysis of the business you are looking to protect. That will really help you to understand what area you're trying to cover, which of the three things you're trying to achieve. It may be that you need to do all three things for a business, or it may be that you only need to do one or two of them.

Don't get worried about the sums assured. The more you talk to the business, the more obvious it will become. There's loads of help out there that can give you a method to get to where you need to be.

Also start with your existing client banks. Work with professional connections. And there are huge opportunities in this area with 5.7 million private sector businesses in the UK without all the sole traders as well. All of these need to ensure they are protected.

Alex Spencer: And do you have any examples you can give us?

Jude Reynolds: Every business is different and that's why you need to do that fact-finding SWOT analysis at the beginning, but for example take a small, limited company with three shareholding and working directors with six employed staff members.

Now, they're probably too small for a death in service scheme and as the directors also take a substantial portion of their renumeration as dividends Relevant Life plans could provide cover, in a tax efficient way, to ensure this need is in place. And it's a fantastic benefit to the employers and directors. So, personal protection paid for by the business as a Relevant Life plan.

Alongside this, they're aware that the loss of the sales director could reduce profits substantially in the short term. So, Key Person cover for loss of profit and replacement costs, along with covering the liabilities of loans and overdrafts, which would probably not be able to be serviced in this difficult time, that's the second area they would look to protect. And finally, shareholder protection for the three directors would ensure that on the loss or illness of any one of them, the others have the funds to buy the shares and renumerate the estate and beneficiaries of the deceased or critically ill member.

Jude Reynolds (continued): This will ensure the continuation of the business for all involved, so this will protect the employees, the employers and the business owners. Really important.

There's a huge amount of help available on our website, with guides and help for you which will help you to learn business protection and where to get started. There's plenty of help from our technical teams and your business account managers. Don't be scared of it - embrace business protection and there's lots of opportunities out there.

Alex Spencer: Jude, thanks so much for joining us today. We hope you've enjoyed listening.

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