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# WHO IS THE 'KINGPIN' IN YOUR BUSINESS?

## INSURE THE BIGGEST RISK TO YOUR BUSINESS

Key Person Insurance is one of the most overlooked insurances for business – but also one of the most important. Let us look at the risks it can cover for directors, shareholders, partners and employees alike.

As a transport operator you might have public liability insurance and you insure your buildings, equipment and trucks. You may even have Baillees indemnity insurance and legal cost insurance. Is that all?

## WHAT ABOUT YOUR MAIN ASSET – YOU AND YOUR KEY STAFF?

The hands on business operator and key staff represent the heart of every business, but no more so than in New Zealand's thousands of small, and often family owned businesses, that have up to 10 employees. Prolonged absence through serious illness or even death can be terminal for some of these enterprises. The risks are the same for limited liability companies, partnerships and sole traders.

In this context Key Person Insurance is essential. This insurance represents a group of covers all designed to financially protect business from the affects of prolonged illness, or death, of staff who are central to the prosperity of the business. The insurance cannot replace people, but it can provide cash to buy time and cover the costs of temporary staff, recruitment, and loss of profits, or provide a cash injection.

## THE INSURANCE FALLS INTO FOUR CATEGORIES:

1. Insurance to help your business recover during the extended period when your key personnel are unable to work, or to train or recruit a replacement
2. Insurance to protect profits
3. Insurance to protect shareholders or partnership interests
4. Insurance for anyone involved in guaranteeing business loans or banking facilities

In other words, those who are central to your business.

## WHO ARE YOUR KEY PEOPLE?

- They are the ones who steer, create and drive your business
- The people without whom your business would lose sales and profits, or without whom even the basic viability of your business would be shaken
- Look at the Directors, Partners, Owners and beyond
- Consider the roles of senior managers in sales and operations – the roles will vary in every business, but the candidates are sure to jump out at you
- Insuring these people will provide the extra cash needed to take on temporary staff, or recruit and train a replacement

## PROTECT YOUR PROFITS

The effect of losing key staff goes well beyond the cost of their salaries and the cost of replacement. As they are central to the business' prosperity, their loss will knock on to the bottom line. You can insure for loss of profits too!

## PROTECT YOUR CONTRACTS

In the event that the business operator is unable to work the business, your transport contracts are in grave jeopardy and could possibly face cancellation. These contracts are the base and worth of your business. Without them your business could fold and loans be called in by your funders.

Key Person Insurance can cover the cost of substitute drivers and management – your business can continue to operate.

## PROTECT SHAREHOLDERS OR PARTNERS

Families may want to sell their stake in the business, but the remaining members in the business may not want those stakes held by newcomers. Key Person Insurance schemes can be implemented which provide the necessary finance to buy the shares from the original shareholders or their estate.

## INSURING THOSE WHO PROVIDE PERSONAL GUARANTEES

This is the big one – Debt Insurance.


When a business takes out a loan, leases a new truck, or raises bank finance the lender will require a personal guarantee or a charge on personal property. This especially applies to small and new businesses.

So what happens if these guarantors become seriously ill or die? The lenders may well be in a position to call in the loan. What happens then? Again, Key Person Insurance is the answer. Insurance can be structured to pay off the loan and thus free the business and the guarantor's family from major worry.

Most of New Zealand's leading insurance companies offer Key Person Insurance as an extension of their Life and Critical Illness and Disability Insurance programmes.

They, or your broker, have all the necessary skills to implement the cover you need, and ensure the lenders, creditors and business partners are kept at bay.

So, can your business afford to ignore Key Person Insurance? Perhaps you would be either brave or foolish to say NO!

For more information or a free assessment of the risks to your business contact a TruckSure principal broker on 0800 287 287 or view the website: [www.trucksure.org.nz](http://www.trucksure.org.nz) 



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