

A guide to business protection

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Introduction



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Business protection is less about products and more about the support that providers make available to advisers. That said, eight life assurance companies market life and critical illness plans specifically designed for business protection purposes: Aegon, Aviva, Bright Grey, Friends Life, HSBC, Legal & General, PruProtect and Scottish Provident. In reality a competent adviser can use any life assurance plan that can be written on the 'life of another' to address business protection needs and, accordingly, there are a further 13 providers that have plans that can also be used in this way.

While one would expect those providers with specific business protection propositions to be in a position to offer the greatest support and advice, other providers may also be well positioned to help, dependent upon the quality and expertise of their adviser support staff.

Business protection represents tremendous opportunity for advisers to write more business while addressing the needs of their corporate clients.

It is quality business characterised by substantial sums assured and multiple policy sales. Regular reviews of the client's circumstances are necessary which presents further opportunities for recurring business.

A handwritten signature in black ink that reads "Ben Heffer".

Ben Heffer

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Business protection explained

Business protection is simply life assurance - and in some cases critical illness cover - written on the life of key people, partners or shareholders. This protects the business against the financial liabilities resulting from their death or if they are absent due to serious illness.

There are potentially three principal scenarios:

Key person protection

A policy written on the life of an employee who makes a significant contribution to the profits of the business, for example a top sales person or a person with valuable technical expertise.

Corporate loan cover

Safeguards businesses against the premature death of a person who has guaranteed a business loan.

Shareholder/ partnership Protection

Provides the funds to execute a legal agreement giving partners or shareholders the right to purchase shares when a partner or shareholder dies.

Additionally, the following products also have important functions within business protection:

Key person income protection

Income protection written on the life of the key employee but owned by the business to pay for a stand-in or replace profits the employee generated.

Executive income protection

Used to pay the salary and related expenses of a senior member of staff in the event of them being unable to work.

Relevant life plans

A tax efficient way to provide a single employee with death-in-service benefits. Can be established for employees or directors.

Key person protection

Businesses that rely heavily on the contribution of one or more key employees are financially vulnerable if those people die or can no longer work due to illness.

Key person protection is a policy written on the life of an employee who makes a significant contribution to the profits of the business, for example a top sales person or a person with valuable technical expertise. If such an employee dies or is diagnosed with a critical illness, their absence would severely affect the business financially.

Key person protection either pays out a benefit equivalent to the profit the key person would have generated or finances the hiring of a replacement member of staff.

Calculating key person protection

In order to protect your client's business against the loss of a key employee, it is necessary to attach a financial value to the contribution to the business of the person concerned. There are a number of accepted methods for doing this. Most are approximations of the key person's financial contribution based on known financial indicators, which are acceptable to the insurer for financial underwriting purposes.

Actual impact

Possibly the most accurate, the actual impact method requires a detailed analysis of the key person's value based on their contribution to revenue. This is given by:

$$(\text{Loss of Revenue}) - (\text{Savings}) - (\text{Payments}) + (\text{One-off Costs})$$

The loss of revenue is that element of turnover attributable to the key person; savings include the key person's salary, bonuses and profit share; payments include money that the business receives as a result of the employee's absence over the period of loss. In the case of a critical illness claim, these may include benefits from a key person income protection plan, for example. Many providers have a calculator to help advisers assess the key person cover required using this method.

Loss of profit

Key person cover can be calculated as a multiple of the loss of profits due to the key person's absence. The following amounts are generally acceptable to providers:

Life cover:	5 x net profit or 2 x gross profit
Critical Illness:	3 x net profit

Salary multiple

A common method to use for employees is the multiple of salary method. The sum assured is given as a multiple of the key person's total remuneration package.

Proportion of payroll

In this method, the employee's contribution to turnover is ascertained by reference to their remuneration as a percentage of the total payroll and multiplied by the number of years required to recover from their loss.

$$\frac{(\text{Key Person's Salary})}{(\text{Total Payroll})} \times (\text{Turnover}) \times (\text{Years to Recovery})$$

The accuracy of methods that rely on the salary of the individual is dependent on their remuneration being a true reflection of their worth. Employees that are overpaid relative to others within the business could be overvalued; shareholders who may take a relatively low salary could be undervalued.

Providers specialising in business protection will be able to assist advisers with assessing the value of key employees both from the perspective of their own underwriting limits and in the most appropriate way for the business concerned.

Structuring the plan

In the case of limited companies and limited liability partnerships, businesses have their own legal entity and key person cover is set up and owned by the firm on the 'life of another' basis.

For key persons who are directors of limited companies, an alternative method is for the key person to write a policy on their own life but held in trust for the other directors. In the event of a claim, the directors can use the proceeds to compensate the business for the loss of the key person. Typically, for tax efficient reasons, they would loan the proceeds to the business in the form of directors' loans.

In the case of partnerships that have no legal entity of their own, key person cover can be arranged in one of two ways. For a partner of the business, an own life policy held in trust for the other partners is an effective way of compensating the business. For employees of partnerships, one or more of the partners would have to take out a policy on the key employee on the 'life of another' basis. Where there are a relatively small number of partners, they can each take a 'life of another' policy in an amount proportionate to their loss if the key person was no longer there.

Corporate loan cover

Business loan protection safeguards businesses against the premature death of a person who has guaranteed a business loan. Also, banks sometimes make business loans on the basis of the involvement in the business of certain key employees. If such a key employee is no longer part of the business, the bank may want the loan to be repaid early. Additionally, it is common for directors to make loans to their companies. Corporate loan cover is similar to key person protection but rather than having to ascertain the value of the key person to the business, the life cover is set up in the amount of the outstanding debt. The policy will be set up differently depending on whether the business is a limited company or a partnership as discussed above. In the event of the life assured's death, the benefit is used to repay the business loans covered.

Shareholder/partnership protection

When a shareholder or partner in a business dies, their share of the business normally forms part of their estate and ultimately passes to their beneficiaries. In the case of a controlling partner or shareholder, this could mean the direction and running of the business is dictated by people not associated with it. There should normally be a legal agreement in place giving the remaining partners or shareholders the right to purchase the shares, but financing the deal could be problematic so shareholder/partnership protection provides the funds to execute the agreement.

The way in which shareholder/partnership protection is arranged will differ depending upon whether the business is a limited company with shareholders or a partnership.

Limited companies

The Articles of Association and the Memorandum of Association govern the set up of limited company businesses. Any arrangements that are put in place for share protection must be permitted by the provisions of these two documents. There are three common solutions.

Own life in trust

Each shareholder takes out a life policy on their own life for the value of his or her shareholding but held in trust for the other shareholders. On the death or earlier critical illness of a shareholder the remaining shareholders receive the benefit to help them buy the shares.

Life of another

In cases where there are just two shareholders, each can take out a policy on the other's life for the value of his or her shareholding. When one of the shareholders dies or is diagnosed with a critical illness, the benefit the other receives facilitates the share purchase. This method is not suitable for companies with more than a few shareholders because of the number of individual policies that would be required.

Company share purchase

In some cases a company share buy-back arrangement is put in place such that on the death or critical illness of a shareholder, the company itself purchases the shares. The shares are then cancelled, thereby increasing the value of the remaining shares and transferring the value to the remaining shareholders. In such cases the company should insure the individual shareholders for the value of their shares in order to finance the purchase.

Cross option agreements

A legal document, known as a cross option agreement, should be drawn up to facilitate the purchase of shares under the company's Articles of Association.

A double option agreement is required for death benefits. It obliges the deceased shareholder's beneficiaries to sell their shares if the other shareholders want to buy them and it obliges the other shareholders to buy the shares if the beneficiaries want to sell them.

A single option agreement is put in place for any critical illness benefits. A critically ill shareholder may not want to relinquish their shareholding so the agreement gives them the right to sell but does not give the other shareholders the right to buy.

Business protection providers have draft documents to establish cross option agreements. Advisers should involve their clients' lawyers in setting up these arrangements.

Partnerships

For partnerships, which do not have their own legal identity, share buy-back is clearly not an option. However, the 'life of another' arrangement described above for limited companies can be used where there are just two partners. Additionally, automatic accrual arrangements are sometimes used. On death, these arrangements facilitate the transfer of the deceased partner's interest in the business to the other partners. In conjunction with this, each partner takes a policy on their own life. On death the beneficiaries receive the proceeds of the life policy instead of the deceased's share of the business.

Valuing businesses for shareholder/partnership protection

The valuation of businesses is a skilled task and it is appropriate for advisers to work with their clients' accountants or solicitors to agree an appropriate value for business protection purposes.

An adviser's chosen business protection provider will be able to give some broad guidance.

Advisers should be aware of the following ways in which businesses are commonly valued.

Price earnings ratio (PER)

The net profit for the company is multiplied by the PER to ascertain the value of the company.

$$\frac{(\text{Share Price})}{(\text{Earnings per Share})} \times ((\text{Profits}) - (\text{Corporation Tax}))$$

Dividend yield

The share price that investors would be willing to pay can be ascertained by reference to the required yield compared to the actual dividend.

Net asset value (NAV)

NAV may feature in the professional valuation of a business but it may not always be helpful on its own. A company that has been in existence for a long time may have an NAV significantly lower than its market value because the assets have been subject to depreciation.

Valuing partnerships

In the case of partnerships, an estimation of goodwill value agreed among the partners is one method of valuation. However, a commonly used method is to average net profits. A given number of years is specified and the average value of profits over that period calculated and divided among the partners in proportion to their share of the business.

Key person income protection insurance

Key person income protection is an income protection insurance policy written on the life of the key employee but owned by the business. If he or she is unable to work due accident or sickness, the monthly benefit can be used to employ a locum or replace the profits that the employee would have generated.

Executive income protection

Executive income protection is used to pay the salary and related expenses of a senior member of staff in the event of them being unable to work. Such a policy does not replace the loss to the business that their absence may incur, however it is a staff benefit and it could be argued that it relieves the business of the burden of continuing to fund their salary.

Relevant life plans

A relevant life policy is a tax efficient way to provide a single employee with death-in-service benefits. Relevant life plans are the successors of unapproved benefits, post pension simplification rules introduced in April 2006. In essence, relevant life plans are set up under group scheme rules but, unlike most large employer-sponsored schemes, they are 'non-registered' and consequently the benefits do not form part of an employee's lifetime pension allowance.

Relevant life plans can be established for employees or directors to benefit their dependents via a discretionary trust.

There are several types of clients that would benefit from a relevant life plan.

High earners

Highly paid employees who have accrued a large pension fund can be provided with death-in-service benefits that don't contribute to their lifetime allowance.

Small businesses

Small businesses may have insufficient employees to warrant a group death-in-service-scheme as most schemes require at least five employees. Relevant life plans can be set up for each of the employees in a small firm.

Individual requirements

Some employees may need more life assurance than that offered by the main death-in-service scheme. A relevant life plan can be set up alongside the main scheme to achieve this objective.

Tax efficiency

Provided the policy only provides lump sum death benefits payable to an individual or a charity and cover ceases by age 75, the policy should remain tax efficient. Premiums are paid by the business and are an allowable deduction against corporation tax. There is no liability for employer or employee for National Insurance on the premiums. The premiums are not considered to be a benefit in kind so the employee is not liable for income tax on them. Life benefits can be paid tax free to the employee's beneficiaries through a discretionary trust.

Providers and product features

Eight providers - Aegon, Aviva, Bright Grey, Friends Life, HSBC, Legal & General, PruProtect and Scottish Provident - offer named business protection plans. However, a further 13 providers have plans that can also be used for business protection purposes and some of these provide a high level of support to advisers writing business protection.

Product coverage

Provider	Level term	Decreasing term	Standalone critical illness	Level-term with critical illness	Decreasing term with critical illness	Unit linked whole of life	Non linked whole of life	Relevant life plan	Key person income protection	Executive income protection
AEGON	Yes	Yes	Yes	Yes	Yes	No	No	No	Yes	Yes
Aviva	Yes	Yes	No	Yes	Yes	No	No	No	No	No
Bright Grey	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes	No
Canada Life Int	No	No	No	No	No	Yes	No	No	No	No
Friends Life	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No
HSBC Life	Yes	Yes	Yes	No	No	No	No	No	Yes	Yes
Legal & General	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	No	No
Lutine	Yes	Yes	No	No	No	No	No	With group scheme	No	No
LV=	Yes	Yes	Yes	Yes	Yes	No	Yes	No	Yes	No
Nationwide BS	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No
Natwest Life	Yes	Yes	No	Yes	Yes	No	No	No	No	No
NFU Mutual	Yes	Yes	Yes	Yes	Yes	No	Yes	No	No	No
Partnership	Yes	Yes	No	No	No	No	Yes	No	No	No
Prudential Int	No	No	No	No	No	Yes	No	No	No	No

Product coverage (continued)

Provider	Level term	Decreasing term	Standalone critical illness	Level-term with critical illness	Decreasing term with critical illness	Unit linked whole of life	Non linked whole of life	Relevant life plan	Key person income protection	Executive income protection
PruProtect	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	No	No
Royal Bank of Scotland	Yes	Yes	No	Yes	Yes	No	No	No	No	No
Scottish Provident	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	No
Scottish Widows	Yes	Yes	No	Yes	Yes	No	No	No	No	No
Skandia	Yes	No	No	No	No	Yes	No	No	No	No
Unum	No	No	No	No	No	No	No	No	No	Yes
Zurich Assurance	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No

Maximum benefits

Business protection often requires significant levels of cover, and therefore generous maximum benefit levels are offered by the providers operating in this market. Those providers that are not geared up for business protection may not have sufficiently high benefit levels for clients' needs.

The table below shows those providers that can be used for business protection and their maximum sums assured.

Maximum benefit limits for business protection cases

Provider	Key person income protection		Life assurance	Critical illness
	Max benefit formula	Max benefit (£pa)	Maximum sum assured	Maximum sum assured
Aegon	2.5 x average income or 75% profits averaged over last 3 years	£250k	No limit	£3m
Aviva	N/A	N/A	No limit	£2m
Bright grey	75% profits averages over last 3 years	£250k	£5m	£1m
Friends Life	N/A	N/A	£10m	£3m
HSBC Life	50% of income	£25k	£1m	£1m
Legal & General	N/A	N/A	No limit	£3m (£2m where total and permanent disability own occ.)
Lutine (>10 yrs)	N/A	N/A	£500k	N/A
Lutine (<10 yrs)	N/A	N/A	£10m	N/A
LV=	55% of income (min £1k per month)*	£150k	No limit	£3m
Nationwide Building Society	N/A	N/A	No limit	£3m

Maximum benefit limits for business protection cases (continued)

Provider	Key person income protection		Life assurance	Critical illness
	Max benefit formula	Max benefit (£pa)	Maximum sum assured	Maximum sum assured
Partnership	N/A	N/A	No limit	N/A
PruProtect	N/A	N/A	£10m	£2m
Royal Bank of Scotland	N/A	N/A	£500k	£300k
Scottish Provident	50% gross income	£126k	No limit	£3m
Scottish Widows	N/A	N/A	£500k	£500k
Skandia	N/A	N/A	£10m	N/A
Zurich Assurance	2 x remuneration	£200k	No limit	£7m

Subject to medical and financial underwriting considerations, many insurers have no upper limit for life assurance benefits; and £3m is a typical upper limit for critical illness cover.

In terms of key person income protection cover, the maximum is typically limited both by an overall maximum annual benefit amount and a percentage of the key person's contribution measured by their salary or attributable profits.

**LV= employs a benefit guarantee such that the monthly benefit is not lower than £1k per month unless a lower amount was chosen.*

Large case discounts

Some providers publicise that fact that they give a premium discount for large cases. This is a good starting point when sourcing cost effective cover. However, whether one of these products will be cheaper for clients will depend upon how competitive their rates are in the first place compared with other providers.

Provider	Discount on sum assured over
Aviva	£49,999
Friends Life	£200k
Lutine	£200k
LV=	£300k
NFUMutal	£100k
PruProtect	Individual consideration

Immediate cover

Most providers offer an immediate cover facility such that while the case is being underwritten the lives assured are covered. This is an important consideration for mortgage related business, where it would be imprudent to take on a large debt without the appropriate cover in place; similarly having established a business plan for clients, in cases where underwriting is protracted for one or more lives, it is desirable never-the-less to have the cover in place as soon as possible.

For most providers, the cover during underwriting is free but typically it is limited to accidental death only. Five providers offer immediate cover for critical illness, which would similarly cover traumatic events such as head injury, third degree burns, loss of hands or feet, for example.

Immediate cover during underwriting

Provider	Immediate cover	Max free cover period	Max life cover	Max critical illness	Notes
Aegon	Yes	60 days	£3m	£1m	Underwritten first
Aviva	Yes	3 months	£1m	N/A	Life cover only
Bright Grey	Yes	4 months	£500k	£250k	
Friends Life	Yes	3 months (90 days)	£500k	£350k	
Legal & Geneal	Yes	90 days	£300k	N/A	Accidental death only
LV=	Yes	30 days	£500k	N/A	Accidental death only
PruProtect	Yes	90 days	£500k	N/A	
Scottish Provident	Yes	90 days	£500k	£350k	
Skandia	Yes	1.5 months (45 days)	£500k	N/A	
Zurich Assurance	Yes	90 days	£2m	£350k	

Flexibility and guaranteed insurability

Business needs change and advisers need to recommend a flexible solution for clients so that cover can be adjusted accordingly should the liabilities that need to be covered increase or decrease.

Most providers permit the term of the policy or the sum assured to be decreased and many allow the sum assured and term to be increased subject to further medical underwriting. Some even permit the lives assured to be altered, which may be useful in a business context with changes in personnel.

Provider	Options to vary plan with underwriting			Business guaranteed insurability options (GIO) maximum increase			
	Option to vary term	Option to vary sum assured	Option to change life assured	Key person	Shareholder/partnership	Business loan	Key person income protection
Aegon	Yes	Yes	Yes	£150k/50% sa/5 x salary	£150k/50% sa	£150k/50% sa	50%/£10k pa
Aviva	No	No	No	N/A	N/A	N/A	N/A
Bright Grey	Yes	Yes	No	£150k/50% sa	£150k/50% sa	£150k/50% sa	50%/£10k pa
Friends Life	Yes	Yes	Yes	£250k/50% sa/5 x salary	£250k.50% sa	£250k/50% sa	N/A
HSBC	No	No	No	N/A	N/A	N/A	N/A
Legal & General	Yes	Yes	Yes	£150k/50% sa	£150k/50% sa	£150k/50% sa	N/A
Lutime	No	Yes	No	N/A	N/A	N/A	N/A
LV=	Yes	Yes	Yes	N/A	N/A	£150k/50% sa	50%/£10k pa
Partnership	No	No	No	N/A	N/A	N/A	N/A
PruProtect	Yes	Yes	No	£150k/50% sa	£150k/50% sa	£150k/50% sa	N/A
Scottish Provident	Yes	Yes	Yes	£150k/50% sa	£150k/50% sa	£150k/50% sa	50%/£8k pa
Skandia	No	decrease only	No	5 x, £50k, 25% sa	10% or RPI	£250K	N/A
Zurich Assurance	No	decrease only	No	£150k/50% sa	£250k/50% sa	£250k/50% sa	N/A

Most plans designed for business protection purposes incorporate guaranteed insurability options. These facilitate an increase in cover, subject to certain limits, with no further medical underwriting. This caters for situations where the value of a key person increases, the interest a partner or director has in the business increases, or additional corporate debt is taken on.

Typically, cover can be increased by the amount of the increased liability subject to a limit equal to the lower of £150k or 50% of the sum assured. Friends Life has a higher monetary limit but restricts increases to £150k for sole traders. Also a statement of good health is required for increases over £150k. For key person cover, some apply a limit of five times the employee's salary.

Those offering a guaranteed insurability option on key person income protection typically limit any increases to the lower of 50% of the original benefit or £10k per annum.

Medical underwriting limits

The medical underwriting limits in place for life assurance are likely to impact on business protection cases more frequently because of the high sums assured. The table below shows the maximum sum assured that can be written without the need for some medical report or test to assess the risk.

Providers have age-related limits for general practitioner's reports (GPRs), medical examiner's reports (MERs) and electrocardiogram (ECG) such that limits will be lower than those shown for higher age groups on a tapering scale. Typically, the limits for an automatic HIV test are not age related. Most providers allow paramedical examinations, which is more convenient for your clients.

Maximum sums assured without medical examinations and tests

Provider	General practitioner's report (GPR)	Paramedical exam	Medical examiner's report (MER)	HIV test	Electrocardiogram
Aegon	£1.5m	Yes	£5m	£1m	£5m
Aviva	£1m	Yes	£2m	£1m	£5m
Bright Grey	£750k	Yes	£2m	£1m	£2.5m
Friends Life	£1.5m	Yes	£3.5m	£1m	£3.5m
Legal & General	£1m	Yes	£2m	£1m	£7.5m
Lutine	£250k	Yes	£400k	£1m	£2.5m
LV=	£1m	Yes	£2m	£1m	£5m
Partnership	£250k	Yes	£1m	£1m	£2.5m
PruProtect	£1m	Yes	£1m	£1m	£2.5m
Scottish Provident	£750k	Yes	£2m	£1m	£2.5m
Skandia	£550k	No	£750k	£1m	£3m
Zurich Assurance	£1m	Yes	£1m	£1m	£5m

Financial underwriting

While medical underwriting limits for business protection are largely similar to those for individual business, providers typically have specific financial underwriting limits in place for business protection. These are the levels of cover that trigger the requirement for additional information.

Financial underwriting is more important for business protection cases for two principal reasons. Firstly, because many business protection scenarios require the cover to be written on the 'life of another', it is important to establish insurable interest. While individuals have unlimited insurable interest in their own lives and those of their spouse or civil partner, the insurable interest business people have in their employees and colleagues is limited to the extent of the potential financial loss.

Secondly, there is a greater moral risk associated with business protection. Insurers need to protect themselves against fraudulent activity of various kinds and the high sums assured associated with business cover present a higher than average risk when compared with personal business. Financial underwriting not only helps to eliminate fraudulent claims but lessens the affects of anti-selection and reduces the occurrence of lapsed policies.

The financial underwriting limits vary from provider to provider and an adviser's choice of insurer may be influenced by the limits in place set against the level of cover their client requires.

Typically, there is a generous base level of cover below which no additional evidence is required other than the application form. For higher sums assured, insurers will need to establish that the level of cover being proposed matches the potential business loss. For key person cover, the employee's CV and service contract may be required; for loan protection cases, a copy of the loan offer may be required; for shareholder/partnership cases, an independent valuation of the business is often a prerequisite.

Financial underwriting requirements for life cover and critical illness

The following section gives details of the main providers' financial underwriting requirements for life cover and critical illness cover (CIC). Business protection providers typically have support staff specialising in underwriting that can work with you to identify the requirements, however it is prudent for advisers to have an understanding of what each provider normally requires in advance.

Summary of financial underwriting limits

Provider	Financial questionnaire	Additional evidence
Aegon	£1m life; £500k CIC	£3m life; £1.5m CIC
Aviva	£1m life; £500k CIC	£2m life; £1m CIC (£1m and £500k respectively for some cases)
Bright Grey	£1.5m life; £400k CIC	£2m life; £700k CIC
Friends Life	£750k life; £500k CIC	Individual consideration
L&G	£1.5m life; £800k CIC	£2.5m life; £1.5m CIC
LV=	£1m life; £500k CIC	£2m life; £1m CIC
PruProtect	£500k full application required	£2m life; £500k CIC
Scottish Provident	£1m life; £500k CIC	£2m life; £800k CIC
Skandia	£600k life	£1.25m life
Zurich	£1m life; £500k CIC	£1.5m life; £800k CIC

Aegon

For key person, partnership and shareholder protection plans, Aegon does not require any evidence for sums assured up to £1m for life cover and £500k for critical illness and total permanent disability (TPD). Over those amounts, a business protection financial questionnaire is required. For sums assured over £3m for life cover and £1.5m for critical illness and TPD, additional evidence is

required, namely a copy of the loan agreement, the last two years audited accounts and a copy of the valuation report.

Key person income protection questionnaires are required for all cases. In the case of Executive Income Protection only cases over £40k per annum require additional evidence such as pay slips or a P60.

Aviva

For life cover up to £1m (including cover already held) and critical illness up to £500k no further evidence is normally required. However, in the case of key person cover the application has to be countersigned by the proposing company.

For life cover of £1m and critical illness cover over £500k, a financial questionnaire is required. Also, additional information is required for key person protection if there has been a business loss in the past three years or there is no financial history for the business. For business loan protection cases, confirmation that the loan has been drawn down is required, and in the case of company restructuring, three years of reports and accounts and quite detailed information about the change are required.

Where the aggregated cover for all associated lives exceeds £2m for life cover and £1m for critical

illness, an additional questionnaire and three years reports and accounts are required.

For life cover in excess of £1.5m a copy of the loan letter, if applicable, is also required. For life cover over £2m and critical illness cover over £1m three years' report and accounts, copies of the key person's CV and service agreement and, if applicable, a copy of the loan letter is required. The maximum total amount of critical illness cover from Aviva including existing cover from Aviva is £2m. If your client has existing cover with other providers, Aviva will allow up to £3m in total.

Aviva has an underwriting centre; the underwriting and new business teams who look after business protection whatever the sum assured also look after all large cases (>£500k) and offer support from pre-sales to submission to completion.

Bright Grey

For life cover up to £1.5m and critical illness policies up to £400k, no additional evidence is required. Over these amounts a business financial questionnaire is required and for corporate loan cover, a copy of the loan offer may be required depending upon the lender.

For sums assured in excess of £2m for life cover and £700k for critical illness cover, the last three years' reports and accounts are required and the business financial questionnaire must be countersigned by an independent third party, for example an accountant, solicitor or bank

manager. Additionally, for corporate loan cover a copy of the loan offer is required; for key person cover, copies of the company valuation report and the key person's service agreement; and for partnership/shareholder protection, a copy of the double option agreement is also required.

For key person income protection, no additional evidence is required for benefits up to £36k per annum. Over this amount, two years' proof of earnings is required and for benefits over £75k, three years' reports and accounts and a service agreement/CV is additionally required.

Friends Life

A financial questionnaire is required for applications for sums assured over £750k for life and £500k for critical illness. The requirement for

additional evidence is assessed on a case by case basis alongside the financial questionnaire.

Legal & General

No additional evidence is required for life assurance up to £800k and critical illness cover up to £500k. For applications over that amount, simplified financial information is required including details of existing cover, earnings, net worth and the value of the key person where applicable.

More detailed evidence is needed in the form of a business assurance questionnaire for life policies in excess of £1.5m and critical illness policies over

£800k.

For life policies over £2.5m and critical illness policies over £1.5m, additional requirements include two years' reports and accounts, and a copy of the loan offer letter where applicable. In the case of shareholder/partnership protection, the business assurance questionnaire must be countersigned by an independent accountant, solicitor or bank manager.

LV=

LV= requires a full financial questionnaire for life cases over £1m and critical illness over £500k. Independent evidence is required for life cases over £2m and critical illness over £1m. For life cases over £3m and critical illness cases over

£1.5m, copies of the accounts and, in the case of corporate loans, a copy of the loan agreement are required. There is no financial underwriting for LV='s key person cover.

PruProtect

PruProtect sets out its financial underwriting limits by type of business protection, for ease of interpretation.

In summary, cases up to £500k require only the application form. Cases in excess of that require the full application form to be completed with details of profit/loss figures for key person and shareholder protection, valuation for shareholder protection, and details of the loan/business figures for loan protection.

For cases in excess of £2m, additional supporting

evidence is required including the last three years' reports and accounts, a copy of any loan agreement and repayment schedule and, in the case of shareholder protection, an independent valuation. Similar additional information may be required for business protection under £2m where it applies to new start ups and loss-making companies.

For disability cover (critical illness), financial underwriting is carried out on sums assured over £500k.

Scottish Provident

For life cases up to £1m and critical illness cases up to £500k, no additional information is required. Above these limits a financial questionnaire is required. For cases over £2m for life benefit and £800k for critical illness cover, the questionnaire must be countersigned by an independent third party and two years' audited accounts are required. Where a number of people are taking out cover, a financial questionnaire is required where

the combined sums assured exceed £2m for life cover or £1m for critical illness cover.

Scottish Provident applies the same financial underwriting limits to its key man income protection as it does for personal cases. Up to a benefit of £40k per year no additional evidence is required. Over that amount, a countersigned financial questionnaire and two years' audited accounts are required.

Skandia

Skandia's financial underwriting limits appear to be quite straight forward. For cases up to £600k, no extra financial evidence is required. For sums assured of £600k or more a financial questionnaire is required. For cases in excess of £1.25m additional independent financial evidence is required. Such

information includes the last three years' reports and accounts, a business plan including profit and loss projections and for loan protection, a copy of the loan agreement. If the company has no track record, key persons' CVs may be needed too. Skandia does not offer critical illness cover.

Zurich

For life cover up to £1m and critical illness cover up to £500k, no financial evidence is needed. For cover over these levels, a financial questionnaire is required. Additionally, for life cover over £1.5m and critical illness over £800k, independent evidence is also required. This includes audited accounts for the last three years. For key person cover, proof of income from auditors or accountants is also needed. For loan protection, it is necessary to provide a copy of the loan letter. For partnership protection, sight of the partnership or share purchase agreement is required. These underwriting limits take into account existing cover with Zurich but only the cover for each life; not the

total for the business.

For key person income protection, a financial questionnaire and independent evidence is required for all cases, including a P60, pay slip, P11D statement, tax assessment and company accounts.

Zurich offers a large case service with 48-hour turnaround of life and critical illness cases of £350k or more, or income protection cases of £50k per annum. For cases in excess of £1m there is 24-hour turnaround, pre-planning and individual case management.

Premium rates structure

All providers that could conceivably be used for business protection purposes offer guaranteed premiums rates for life and, where applicable, critical illness cover. Additionally, the majority also offer reviewable rates.

While with guaranteed rates, the commitment is known at outset, reviewable rates could represent a more cost effective way of providing cover. Unlike personal protection, which is set up to run uninterrupted for many years in most cases, business protection strategies typically will not run for long periods or may be restructured early, as and when business needs demand it. In such circumstances it may be more appropriate to select a reviewable premium, which will often result in lower overall cost to the business. A reviewable premium offers lower initial costs and additional flexibility, albeit without the absolute certainty of guaranteed rates.

Another option to consider is renewable term. Renewable term cover could be seen as a 'half-way house' between guaranteed and reviewable rates. Policies that incorporate the option to renew the cover at the end of the selected term with a premium based on the age of the client at that time can be used effectively in the business protection context. The business protection need may be known to exist for a certain period of time but be unclear thereafter. Renewable policies can be set up to cover the known period and then if cover needs to be extended the option to renew can be exercised. Many providers offering a renewable option offer cover for five years at a time, however two or three years can be a long time in business and the option to set up shorter renewable contracts is a welcome one.

Premium rates for business protection

Provider	Guaranteed		Reviewable rates	Renewable rates	Renewal periods
	Life cover	Critical illness			
Aegon	Yes	Yes	Yes	Yes	5 years
Aviva	Yes	Yes	Yes	Yes	1-24 years
Bright Grey	Yes	Yes	Yes	Yes	5 years
Friends Life	Yes	Yes	Yes	Yes	5 or 10 years
HSBC Life	Yes	Yes	No	No	N/A
Legal & General	Yes	Yes	Yes	No	N/A

Premium rates for business protection (continued)

Provider	Guaranteed		Reviewable rates	Renewable rates	Renewal periods
	Life cover	Critical illness			
LV=	Yes	Yes	Yes	No	N/A
Partnership	Yes	N/A	No	No	N/A
PruProtect	Yes	Yes	Yes	Yes	5 years
Scottish provident	Yes	Yes	Yes	Yes	5 or 10 years
Skandia	Yes	N/A	No	Yes	10 years
Zurich Assurance	Yes	Yes	Yes	Yes	1-25 years

Waiver of premium

A number of the providers have the option to include waiver of premium either at outset or at any time during the course of the policy.

Provider	Waiver of premium
Aegon	Option outset
Aviva	No
Bright Grey	Option anytime
Friends Life	Option outset
HSBC Life	No
Legal & General	Option outset
Lutine (>10 yrs)	No
Lutine (<10 yrs)	Option outset
LV=	Option any time
Partnership	No
PruProtect	Option anytime
Scottish Provident	Option anytime
Skandia	Option anytime
Zurich	Option outset

While for personal protection it is generally accepted that waiver of premium is essential to maintain cover and represents a staple financial planning recommendation, there are a number of factors that influence the decision to recommend it for business protection.

Firstly, if the insured's absence from the business due to disability is potentially detrimental, it is likely that key person income protection should be put in place. Secondly, a lot will depend upon how the business protection is structured. If key stakeholders are taking out policies on their own lives in trust for their colleagues, then waiver may be appropriate to ensure the continuation of the business plan in the event of their sickness or disablement. If a business is taking out cover on its employees, waiver may represent an unnecessary expense. Clients should be made aware of the risks of not having waiver if that is the decision.

Sum assured indexation

Many providers offer the option to include automatic increases in cover based on the increase in retail price index (RPI), average earnings increase (AEI) or by a fixed percentage. While for personal protection cases, it is sensible to set up cover on an increasing basis so that it maintains its value in real terms, the issue is not so clear cut with business protection. Business protection may be written for shorter periods and should be subject to regular review. Automatic indexation may not match the need appropriately under these circumstances. The increase in the value of shares in a business, for example, may not increase in line with RPI. However, a fixed percentage increase may be consistent with a prediction of growth from the client's accountants. An alternative strategy is to write cover on a level basis and review it frequently, utilising guaranteed insurability options to increase cover to match the revised need.

Regular automatic increases in benefit

Provider	Indexation	Fixed increases
Aegon	RPI (max 10%)	No
Aviva	No	No
Bright Grey	RPI (2 - 10%)	2% - 5%
Friends Life	AWE (max 10%), RPI (max 10%)	3%, 5%
HSBC	No	No
Legal & General	RPI (max 10%)	No
Lutine (>10 yrs)	No	No
Lutine (<10 yrs)	No	Any
LV=	RPI	No
Partnership	No	No
PruProtect	RPI (max 10%)	2%, 3%, 4% or 5%
Scottish Provident	RPI (max 10%)	No

Regular automatic increases in benefit (continued)

Provider	Indexation	Fixed increases
Scottish Widows	RPI (2% - 10%)	No
Skandia	5% or RPI (max 10%)	No
Zurich Assurance	RPI (max 10%) or AEI (max 10%)	5% or 10%

Relevant life plans

Five providers offer relevant life plans - Bright Grey, PruProtect, Scottish Provident and Zurich Assurance - Legal & General launches its plan in November 2011.

To qualify as a relevant life plan, cover must cease by age 75. All except Legal & General and PruProtect can write cover up to this age. Bright Grey, Legal & General and Zurich have the shortest minimum terms of just one year. The length of term offered by all providers - 40 years or more - is likely to be sufficient for most cases. All except Bright Grey offer both guaranteed and reviewable premiums.

The maximum sum assured under a relevant life plan is typically 15 times salary; Bright Grey limits this amount to £5m and Legal & General and PruProtect have a £10m limit. Scottish Provident and Zurich have no further limit. These amounts are likely to be sufficient for most cases. All providers incorporate the option to increase benefits in line with RPI so that the cover retains its buying power. Zurich and Bright Grey also have other escalation options. Providers typically have suicide as a general exclusion within the first year.

Relevant life plans

Provider	Minimum age	Maximum age	Minimum term (years)	Maximum term (years)	Minimum premium	Guaranteed premiums offered	Reviewable premiums offered	Maximum benefit	Escalation	Terminal illness benefit	Exclusion
Bright Grey	18	74	1	40	£10	Yes	No	£5m or 15 x salary	RPI (2 - 10%) or by a selected rate (2 - 5%)	Yes	None
Legal & General	17	76	1	40	£6	Yes	No	£10m or 25 x salary	RPI (max 15%)	Yes	Suicide in first year
PruProtect	16	70	5	60 (50 reviewable)	£10	Yes	Yes	£10m or 15 x salary	N/A	Yes	Suicide
Scottish Provident	18	74	5	40	£5	Yes	Yes	15 x remuneration	RPI (max 10%)	Yes	Suicide in first year
Zurich Assurance	16	74	1	50 (40 reviewable)	£5	Yes	Yes	10 - 20 x remuneration dependant on age	RPI or AEI (max 10%) 5%, 10%	Yes	Suicide in first year

Identifying opportunities

There are many opportunities for advisers to offer advice to their corporate clients on business protection and to increase sales of life assurance, critical illness cover and income protection products.

Much is written about the savings gap and the protection gap but research by the British Chamber of Commerce in April 2010 revealed that the gap for key man protection and share protection is £400bn each. Add to that the amount of unprotected corporate debt and the figure is estimated to be over £1 trillion.

According to the Office for National Statistics (ONS), in 2010 there were 4.5 million businesses in the UK. Some 2.1 million of these (46%) were registered for either PAYE or VAT or both.

Research by Legal & General shows that 95% of businesses rely upon at least one key person; 43% have unprotected debt; and 33% have no shareholder protection in place.

Many advisers will already be well versed in business protection matters and regularly assist their clients on such matters. However, those who have not got involved in business protection so far could have existing clients with business protection needs. Now is the time to review their client bank and identify any potential opportunities.

It is worth spending some time looking at the material produced by providers on business protection to help identify potential cases. Even if advisers choose not to give the advice themselves but pass the case on to a more experienced business partner, it will have been a worthwhile exercise. However, the help and support that providers can give, especially from those with dedicated business protection teams, may help advisers grow their business by giving this advice themselves.

Identifying potential clients

The obvious candidates when reviewing client files are limited companies and registered partnerships. Less obvious are those self-employed clients that may employ one or two people, or sole proprietors.

Company clients

If advisers have limited companies on their client list, they may well have already reviewed their business protection needs. However, advisers may have a director or partner as an individual client. It is worth checking the occupation of all individual clients to ascertain their business involvement.

Advisers may be able to spot a liability that they haven't covered and may even gain a new corporate client as a result.

The majority of businesses have at least one key individual; it is worth checking whether clients have key people and whether they are covered if they were ill or died.

Corporate debt

Clients may have corporate debt in one form or another. Many firms have business loans from the bank, but it is unwise to assume that the bank will have arranged cover. It is always worth advisers checking what cover is in place. While bank loans are more readily available for large firms, many smaller companies will be financed by directors' loans. It is important to check that the business is covered against the death of the directors in these cases. It is also important to check out less obvious forms of corporate debt such as overdrafts. While overdrafts can be recalled at anytime, a significant change in the company's fortunes such as the death of a key employee or director could well trigger a review of the credit arrangements.

Shareholder/partnership considerations

A third of businesses have no shareholder/partnership protection. Advisers should check what cover their clients have in place. Clients and their families may not want to continue to be involved in a business if the client became seriously ill or died, but without adequate shareholder protection that might be the unintended consequence.

It is important to see the opportunities not just in terms of policy sales but also in earned fee income for providing a holistic advice service for clients. Not only have many businesses not put shareholder/partnership protection in place, but some will not even have formalised what would happen if a director or partner died. It is most likely that the remaining directors or partners would not want to lose control of their business. They should have a company agreement in place and it should be reviewed regularly. Advisers can guide them about this and liaise with their solicitors and accountants.

Sole proprietors

Almost two thirds of businesses in the UK are sole proprietorships. It is possible that advisers have consulted with people who fall into this category on an individual basis but many may employ another person, particularly as they grow their businesses. Advisers should investigate how the business might be affected by the loss of such employees and the opportunity for a key person recommendation.

Sole proprietors are notorious for eschewing pension planning on the grounds that 'their business is their pension'. Unfortunately, in such cases the business relies very much upon the ability of the individual concerned to be able to continue to function. It is important to have protection in place to safeguard the value of the business for the proprietor and his or her family. The valuation of a business is greatly improved if appropriate protection of key assets is in place.

Support for advisers

In this section we set out the help and support that each provider offers advisers writing business protection cases.



In most cases, full suites of specimen documents are available from the providers' websites together with application forms and supporting documents. Most providers have a full technical guide setting out the principles of business protection and potential solutions.



The websites have interactive decision trees and calculators to help advisers identify the correct solution and to ascertain the levels of cover that may be required.



Some providers have a specialist business protection team that is available for advisers to consult with on business protection cases.

Aegon

<http://businessprotection.aegon.co.uk>

Aegon's business protection website includes sections on identifying clients and developing connections including notes on how to work with clients' accountants and solicitors. There is a concise description of the various types of businesses that advisers may encounter among clients from limited companies to sole traders. The resources section has draft single option and double option agreements, a fact find and a video case study. There are also sample letters for developing business connections and a full range of supporting literature, some of which can be ordered in hard copy. In addition to the adviser product guides there is sales support literature to use with potential clients, technical guides on, for example, relevant tax issues and draft trust forms.

The 'Solutions' section not only set out the benefits of Aegon's products, but also contains a toolkit helping advisers to focus on potential client business succession and continuity needs. The toolkit contains liability audit and formulas on profit and salary.

Business protection enquiries are handled within the account support teams, which are split between business and personal protection. The team is aligned to the business volumes, proposition and processes required in the business protection market.

Advisers can get help throughout the process from pre-sales. There is an underwriting helpline and advisers have access to the process team and underwriters during the underwriting process. They receive regular updates. There is a large sum assured team that has the specialism and expertise required to deal with high net worth cases.

Draft agreements:	Draft single option agreements
	Draft double option agreements
	Draft board minutes
Business trusts documents:	Trust forms for England and separate form for Scotland
Decisions tree:	Used in presentations to advisers
Calculators:	Key person cover
	Premium equalisation
Specialist team:	There is a ring fenced team that specialises in business protection and large sum assured
Contact:	Tel: 08456 10 00 38
	Email: businessprotection@aegon.co.uk

Aviva

<http://www.aviva-for-advisers.co.uk/adviser/site/public/products/bprotect>

Aviva's site arranges the information under five headings relating to the three main business protection scenarios (key person, loan protection and shareholder protection), group life and group income protection. Under each heading there is a description of the business opportunity and further tabs relating to the features of the contracts Aviva offers in each area. The 'Clients' tab details the sorts of clients the products may be suitable for and the 'Support' tab has links to sales support literature, specimen approach letters and information on trusts and taxation. The site includes a premium equalisation calculator. Aviva aims to beat the quotes from competitors for high sum assured business (over £1m).

The underwriting and new business teams who look after business protection (whatever the sum assured) also look after all large cases (>£500k) and offer support from pre-sales to submission to completion.

Aviva boasts a dedicated business protection team of seven dedicated highly experienced underwriters who specialise in large cases as well as business protection. Their strengths are stated as proactive financial underwriting and a detailed medical knowledge. They also have daily access to the company's Chief Medical Officer.

For taxation, trust and general legal queries on life and investment business, advisers can call Aviva's Tax & Trust Technical Support Team on 0845 301 6376. Alternatively, you can e-mail either team at lpotech@aviva.co.uk.

Draft agreements:	Double option agreements for directors
	Double option agreements for shareholders
Business trusts documents:	Partners of directors/shareholders trust
Decisions tree:	Not available
Calculators:	Not available
	Premium equalisation
Specialist team:	Yes
Contact:	Tel: 08459 00 08 18
	Email: lgecase@aviva.co.uk or lpotech@aviva.co.uk

Bright Grey

<http://www.brightadviser.co.uk/business>

Bright Grey's business section of its website has three sections.

'Business Covers' has synopses of all its business protection products including an overview of its Business Protection Menu. A download version is also available.

'Business Solutions' has pages relating to each of the main business protection scenarios - loan protection, key person cover and ownership protection - with the option to download the full technical guide or just the sections required. Bright Grey also offers Relevant Life plans and there is a section on that as well as sections on taxation and trusts. The trust section includes a tool to help you identify the right trust to use with you clients. There is also information on the combined approach to key person cover and ownership protection achievable through Bright Grey's menu-style approach.

'Underwriting' contains a detailed list of medical conditions that may be taken into account in underwriting. Details of occupation categories are also clearly set out. The interactive sections on medical and financial underwriting limits are clear and easy to use. The full underwriting guide is available to download. The 'Literature' section of the website has a section devoted to business protection, where there is a full range of product literature including specimen trust forms and agreements, promotional material and business protection sales aids.

Draft agreements:	Cross option agreement
	Deed of assignment
Business trusts documents:	Business Trust
	Relevant life policy trust and nomination form
	Relevant life policy deed of appointment & assignment
	Deed of appointment/retirement of trustee form
	Specimen bypass trust (part of the bypass trust guide)
	Deeds of appointment absolute
Decisions tree:	Split trust
	There is no decision tree for Bright Grey. However, intermediaries can be directed to the Scottish Provident website and use the information there.
Calculators:	Key person. There is an aid for use by the intermediary during client meetings to help calculate the level of key person cover needed
	Premium equalisation calculator is available
Specialist team:	Yes
Contact:	Tel: 08456 09 45 27
	Email: businessprotection@brightgrey.com

Friends Life

<http://www.friendslife.co.uk/adviser>

The coming together of the three protection brands - AXA, Bupa and Friends Provident - bodes well for business protection. The company is committed to providing help and support to advisers of the standard it has done in the past and will develop its propositions going forward.

The Friends Life website provides key access to a Technical Guide which outlines the different types of business protection and incorporates guidance on assessing the value of key persons, a customer guide to business covers, a guide to taxation and letter generation templates.

There are also two cross option agreements and two business trusts. The site also has a 'Trust Selector', which follows decision tree methodology to help advisers identify the most appropriate documents for their clients' circumstances and objectives.

Support for advisers writing business protection is offered directly by the Business Development Managers, the Protection Account Managers, or directly with the underwriters to allow advisers to approach the individual with the correct degree of experience.

Friends Life's normal maximum cover levels are £10m for life cover and £3m for critical illness cover. Amounts in excess of these levels are considered on a case-by-case basis.

Draft agreements:	Two-way double option agreement Combined double/single option agreement
Business trusts documents:	All benefits into (whole) trust A split trust that places only death benefits into trust
Decisions tree:	Trust selector uses decision tree methodology to facilitate the selection of the most appropriate trust
Calculators:	Premium equalisation calculator
Specialist team:	No; support is offered directly by the Business Development Managers and Intermediary Account Managers

Legal & General

<http://www.legalandgeneralcomms.co.uk/businessprotection/>

Legal & General's site approaches the topic from the perspective of the opportunity for advisers drawing upon its recent research among businesses in the UK and the business protection gap that it identified. The site provides information about key person cover, loan protection and shareholder protection and has a full range of supporting literature including specimen trusts and agreements.

It provides access to a number of calculators: a business valuation calculator, a key person calculator, a premium equalisation calculator and a decreasing term calculator. There are video presentations on the site and separate helplines for medical underwriting queries and questions about tax and trusts.

Legal & General has a six person specialist business protection team to help advisers develop their business protection side. Within the team there are specialists in sales, training, marketing, telesales, presenting and business development. The team also has full access to a roaming Senior Underwriting Manager. Members of the specialist team are available on the phone or by email. Their contact numbers are published in the team brochure and they deal with brokers direct.

There is also a priority team to give a high level of service to advisers placing high sum assured business.

Legal & General's recently launched 'Legal Services for Business Protection' initiative provides a one-stop shop for advisers and their clients' legal requirements associated with business protection. The service provided by Lifetime Legal, which has a countrywide panel of solicitors, aims to offer competitive rates for trusts, shareholder/partnership agreements and associated services. The majority of services are provided from a fixed price menu. This support helps advisers provide a comprehensive service to their business protection clients.

Draft agreements:	Limited liability partnership cross option agreement
	Director share cross option agreement
	Partnership share cross option agreement
Business trusts documents:	Limited liability partnership
	Partnership protection
	Director share protection
Decisions tree:	Business property will trust
	Loan protection
	Key person cover
	Shareholder protection
Calculators:	Relevant life plan
	Key person cover
Specialist team:	Premium equalisation
	Yes
Contact:	Individual team members can be contacted directly.

Clare Harrop - Head of Specialist Protection, 07912 305088. Clare.harrop@landg.com

Emma Davies - Market Development Manager, 07525 666314. Emma.davies@landg.com

Scott Hood - Market Development Manager, 07525 678671. Scott.hood@landg.com

Marcus Primhak - Market Development Manager, 07894 259506. Marcus.primhak@landg.com

Stuart Halliwell - Underwriting Propositions Manager, 07921 780658. Stuart.halliwell@landg.com

Ian Banks - Channel Development Manager (Specialist Protection) Ian.banks@landg.com

LV=

<http://www.lv.com/adviser/working-with-lv/trusts/business-trusts>

LV='s site has a page on business trusts with answers to common questions about their application and use. There is a specimen double option agreement and a flexible trust wording for business use.

LV= does not have a specialist business protection team but it does have a specialist High Net Worth team, which would deal with this type of business. The team consists of six customer service representatives and three underwriters. They can be contacted by phone, email or letter.

LV= can automatically accept life policies up to £10m and critical illness policies up to £3m and there is dedicated support for high sum assured cases.

Draft agreements:	Specimen double option agreement
Business trusts documents:	Business trust deed (power of appointment flexible trust)
Decisions tree:	Not available
Calculators:	Not available
Specialist team:	No
Contact:	Tel: 08456 02 06 90 Large Case Team: 08456 05 79 85 E mail: lctadmin@lv.com

PruProtect

<http://www.pruprotect.co.uk/business>

PruProtect's business protection site sets out the main features of its business protection plan, which comprises life assurance, disability cover for business and waiver of premium. In this context disability refers to a number of predefined critical conditions not dissimilar to a critical illness policy.

The pages set out the main types of business protection including relevant life plans with information on taxation and trusts and a calculator to show the cost saving of using relevant life plans.

There is a page relating to underwriting with links to the full underwriting guide.

The literature and tools section has links to supporting literature, policy documents specimen trust and agreements and links to online tools, including quote and apply, an interactive business decision tree, a business protection calculator and medical and financial underwriting tools.

The site also includes details of PruProtect's unique Vitality programme, which automatically applies to people insured under the business protection plan.

Draft agreements:	Double option agreement
	Single option agreement
Business trusts documents:	Business trust
	Relevant life policy trust
Decisions tree:	Available on the website
Calculators:	Key person cover calculator
	Premium equalisation calculator
Specialist team:	Dedicated underwriting team for business protection
	Access to Technical Connections, a company specialising in taxation and trusts
Contact:	Tel: 0800 012 1796
	Email: businessprotection_enquiries@pruprotect.co.uk

Scottish Provident

<http://www.scotprov.co.uk/IntermediariesBusinessProtect.html>

Scottish Provident's Business protection toolkit has sections on each form of business protection including relevant life plans. The section describes the opportunity and has links to relevant adviser and customer support literature. Under the taxation and trusts section there are trust forms and draft cross option agreements. There is also a premium equalisation calculator.

The site also has business protection tools including a fact finding template and a business protection decision tree. The interactive decision tree helps advisers ascertain the business protection needs of their clients based on their business structure and needs. The business protection calculator helps advisers decide on the right level of cover for key persons and loan protection. The relevant life calculator shows the cost saving of using relevant life policies over personal policies. Scottish Provident boasts a six-strong specialist business protection team comprising senior experienced sales people and a technical support specialist in taxation and trusts. Their résumés are shown on the site and they can be contacted via email from there.

Intermediaries can consult either Bright Grey or Scottish Provident for help in identifying the sum assured and benefits needed for any particular case. Scottish Provident also operates an underwriting helpline. Advisers can discuss a case with an underwriter to establish the level of financial underwriting any given case may require.

Draft agreements:	Cross option agreement
	Option agreement for company share purchase
	Deed of assignment
Business trusts documents:	Business trust
	Relevant life policy trust and nomination form
	Deed of appointment/retirement of trustee forms (different versions depending on the change being made)
	Specimen bypass trust
	Deeds of appointment absolute
	Split trust (discretionary and bare versions)
	Gift trust (discretionary and bare versions)
Decisions tree:	Relevant life policy deed of appointment and assignment coming soon
	A decision tree is available on the website
Calculators:	Key person cover calculator
	Premium equalisation calculator
Specialist team:	Yes
Contact:	Tel: 0845 300 0005
	Email: businessprotection@scotprov.co.uk
	Email: taxtrust.techsupport@royallondonglasgow.co.uk

Skandia

www2.skandia.co.uk/Adviser/Work-with-Skandia/Financial-Products-Wrappers/Business-protection/

Skandia's business protection pages for advisers are set out in three sections. 'Literature and factsheets' has a wide range of documents for advisers, for use with clients and a technical library. 'Tools' has calculators for key man cover, premium equalisation and a range of mailing letters. 'Flow charts' has decision trees for each area of business protection, partnership/shareholder, key person and loan cover as well as a trust decision tree.

Skandia lays claim to an average case size two to three times that of the industry average and consequently have experience of dealing with large cases on a day to day basis. Advisers can speak directly to one of Skandia's underwriters if they have any queries. For cases over £2m Skandia assigns a case handler from its large case team and the client can make use of the VIP medical service where a single appointment at a private hospital, usually within 25 miles of the client's work or home can be arranged.

Draft agreements:	Four cross option agreements; double and single, with and without a trust.
Business trusts documents:	Business specific discretionary trust (settlor excluded). Standard absolute trust can be used as well
Decisions tree:	Partnership/shareholder Key person and loan cover Trust decision tree
Calculators:	Key person cover calculator Premium equalisation calculator
Specialist team:	No, but the Life Technical Services team can cover all aspects of business protection, tax and trust issues
Contact:	Tel: 023 8072 6010 Email: techsvcslife2@skandia.co.uk

Zurich

www.zurich.co.uk/zurichintermediary/documentlibrary/campaigns/promo4.htm

A single page on the Zurich Intermediary extranet site details the key points of business protection and describes its comprehensive business protection tool. There is a link to download the tool and once it is downloaded advisers need to contact Zurich to get the password and guidance on how to use it. The tool is designed to guide you through the sales process from fact-finding to placing business. The tool includes technical guides on different areas of business protection, notes and pointers on using the tool, calculators for key person cover, payment equalisation and redundancy cover plus a library of Zurich literature and documents.














Zurich has a Large Case Underwriting team to support advisers dealing with larger risks. Advisers can speak to experienced underwriters to discuss cases for guidance prior to submission by calling the Pre-application Enquiry Helpline on 0870 243 0901.

Zurich does not have a specialist business protection team, but its field based consultants and technical helpline have undergone business protection training and testing.

Draft agreements:	Draft double option agreement
	Draft option agreement for purchase on critical illness
	Draft double option agreement (including spousal shares)
	Draft option agreement for company share purchase
Business trusts documents:	Draft option agreement for company share purchase on critical illness
	Draft business trust
Decisions tree:	Draft spousal by-pass trust for business interests
	The Business Protection Tool includes decision trees and calculators
Calculators:	Key person cover calculator
	Premium equalisation calculator
Specialist team:	No, but the Life Technical Services team can cover all aspects of business protection, tax and trust issues
Contact:	Tel: 0500 546 546 or via local contact

Recent Defaqto publications

The following is a summary of our recent adviser publications. For a full list along with topical insights and articles, please visit www.defaqto.com/adviser

	A guide to drawdown	Oct 2011
	A guide to multi managers	Sep 2011
	A guide to short term income protection	Sep 2011
	Alpha funds case study	Aug 2011
	A guide to SIPP's	Jul 2011
	A guide to the UK All Companies sector	Jul 2011
	A guide to critical illness cover	Jul 2011
	Measuring adviser satisfaction in the platforms industry	Jul 2011
	A guide to discretionary management	Jun 2011
	A case study of income fund diversification	Jun 2011
	A guide to platforms	Jun 2011
	A case study of managed portfolio services	Jun 2011
	A guide to income generating funds	May 2011

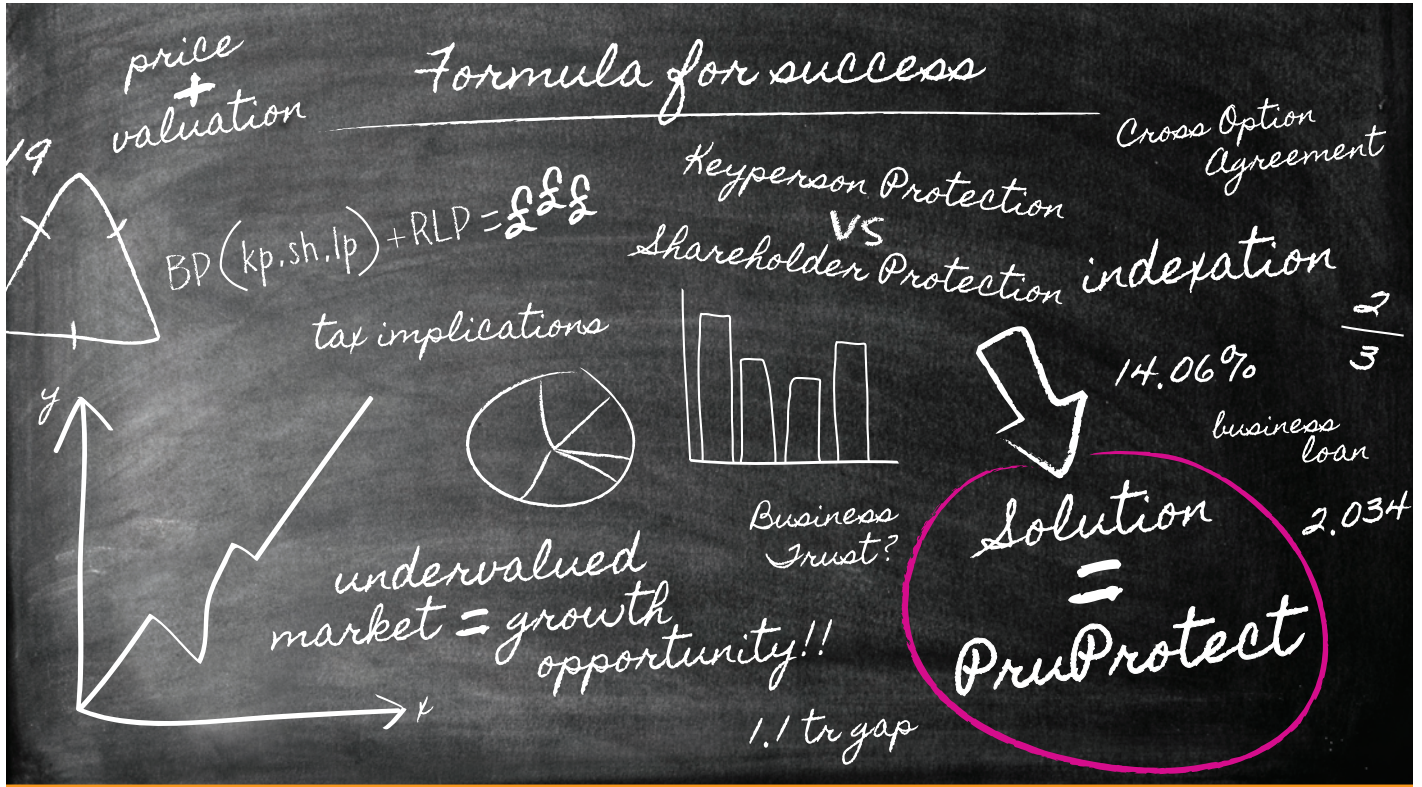


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- Whole of market product reviews
- Creation of Best Advice Panels
- Authoring of sponsored market or product guides
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