

2022

# KEY PERSON & SHAREHOLDERS PROTECTION INSURANCE



People are one of the common factors that contribute to making a business successful.

Should the unexpected happen, Key Person and Shareholders Protection insurance can provide peace of mind and ensure your business has the best chance to thrive.



# KEY PERSON PROTECTION INSURANCE

---

All businesses rely on key people to maintain and generate profit. Key person protection insurance can minimise the financial impact on the business when a key and critical person is unable to work due to serious injury or illness.

## WHAT DOES KEY PERSON PROTECTION INSURANCE COVER?

It is intended to help the business recover from the loss of a key contributor whose illness, disability or death would reduce the company's value or operational capabilities. It can cover:

- The cost to recruit a temporary or permanent replacement and other ongoing expenses
- Supplement any lost revenue or profit to help keep the business running

## WHO SHOULD BE INSURED?

Key persons are those individuals whose skills, knowledge, experience, or leadership are vital to the business's financial survival and success. This may include business founders, managing directors or company directors.

## HOW DOES THE INSURANCE POLICY WORK?

This insurance is different from other life insurance policies in that the business is both the owner and the beneficiary of the policy. If the insured person becomes critically ill, disabled, or even passes away, the business can receive a payment by way of a:

- 1 Monthly payout to keep the business running until a solution is found, or a
- 2 Lump sum payment due to disability or death of the key person

# SHAREHOLDERS PROTECTION INSURANCE

---

As your business grows, succession planning is vital to implement. If a business owner dies or is unable to work due to an illness or disablement, the business can often come under pressure.

Shareholders protection insurance allows for an orderly buyback of shares for business owners if a shareholder is no longer able to participate in the running of the business due to critical illness, disability, or death.

## BUY-SELL AGREEMENT

A Shareholder's Protection policy needs to be underpinned by a Buy-Sell Agreement which governs what happens if a co-owner dies or is forced to leave the business. It ensures:

- The continuity of ownership and management
- Ensures that the disabled or deceased owners' families are fairly compensated for their share of the business
- Clear instructions on what situations force a mandatory or optional buyout of an owner's interest by other shareholders or even the entity itself

A buy-sell agreement needs to be reviewed annually to ensure that in the event of the buy/sell being triggered, the expectations are clear and fair to all parties.

## TALK TO US ABOUT KEY PERSON AND SHAREHOLDERS PROTECTION INSURANCE TODAY!



**Garry Mann**

*General Manager Rothbury Employee Benefits*

021 999 012  
garry.mann@rothbury.co.nz



**Sonya Eastlake**

*Group and Employee Benefits Support*

021 828 627  
sonya.eastlake@rothbury.co.nz

Our Financial Advisers give advice on behalf of and are engaged directly by Wealthpoint which holds a financial advice provider licence. For more information, visit <https://wealthpoint.co.nz/wealthpoint-disclosure/>



rothbury.co.nz