



# KEY PERSON COVER

Many businesses find that certain key individuals are responsible for a large part of their profits. Losing one of them can have a serious impact on the health of the business.

## PROTECT YOUR PROFITS

With VitalityLife's Key Person Cover, you can keep the impact of their absence to a minimum. If the key person were to die or suffer from a severe illness, the policy pays a cash lump sum to make up for any loss in revenue or profits, thereby keeping the business on track.

## GOOD HEALTH IS GOOD BUSINESS

At VitalityLife, we understand how strong the link is between employee health and bottom-line results. Therefore our Key Person Cover not only provides cover but also gives the person covered access to discounts and rewards on the things that can keep them healthy and performing at their best.

### HEALTHY PEOPLE

Until recently, companies saw wellness return on investment in terms of lower healthcare costs. Now, attention has turned to overall productivity. Many have come to realise that the indirect costs of poor health (absenteeism, presenteeism, disability), can be two or three times higher than direct medical costs.<sup>1</sup>

Our plans also enable small businesses to offer their people an employee benefits package usually available only for large businesses. The benefits don't end here though as the person covered will have access to a range of discounts and rewards from selected Vitality partners.

### HEALTHY BUSINESS

With Key Person Cover, the business itself is the owner of the policy and would receive any payout if the person covered was to become severely ill or die.

Each year, depending on which Vitality status the person covered has reached, we'll increase the protection premium, decrease it, or leave it the same. Here's how a person's status affects protection premiums with Vitality Optimiser:

STAY ON BRONZE	REACH SILVER	REACH GOLD	REACH PLATINUM
+2%	+1	0%	-1%

The more they do to keep healthy, the less money the business has to pay on premiums.

## TAX TREATMENT

- Tax deductibility on premiums: where an employer effects the Plan on a life of an employee, relief will be available for the employer if the Plan is for an appropriate term and is to cover a loss of profit or revenue.
- Not treated as a P11D benefit: The provision of this cover is not classed as an expense or benefit to employees and, therefore, there is no need to submit a P11D benefit form to HMRC to report this.

SOURCE:

1. Barbara D. Correll, [corporatewellnessmagazine.com](http://corporatewellnessmagazine.com), 2014



## CASE STUDY

Buttonit Ltd is a successful button manufacturer.

**Pre-tax profits are £300,000**

It relies heavily on the manufacture and supply of its new blazer button.

The man in charge of the production line (with unique knowledge of how to maximise production and minimise cost) is Roy Fastener. If something happened to Roy, the business would suffer severe disruption. The loss of his experience plus costs of hiring and training a replacement puts them at a huge risk financially.

### DEALING WITH THE FINANCIAL NEEDS

The company wishes to implement an arrangement under which it can ensure that, in the event of Roy suffering a serious illness or even dying, Buttonit Ltd will have sufficient cash to see it through any financial crisis.

Buttonit Ltd would need to set up a Key Person Cover arrangement to cover against the financial loss that could occur.

After calculating the impact on profit and costs of re-hiring if Roy were to die, Buttonit Ltd sets up a Business Protection Plan with a death benefit of £700,000 on Roy's life on a life of another basis.

### THE PLAN IN ACTION

Two days after Roy's 45th birthday he dies after suffering from a heart attack. £700,000 is paid to Buttonit Ltd. This is fully subject to corporation tax at 20% leaving Buttonit Ltd with £560,000. This is used to:

- Cover against the loss of profits caused by Roy's death
- Hire and Train Sam, to replace Roy

## FIND OUT MORE

To learn more about our Business Protection visit [adviser.vitality.co.uk/life-insurance/business](https://adviser.vitality.co.uk/life-insurance/business)