

Helpsheet

Key Man Assurance

Key man assurance is designed to provide a company with funds, should a person key to the success of the business die or be diagnosed with a qualifying serious illness.

There are many reasons for a company to establish a policy on the life of a person key to its success. Detailed below are some of the reasons why a company might consider establishing a policy:

Loan / overdraft protection

The company's bank might require repayment of loans if a person key to the company's success died or was unable to work due to illness or disability.

Loss of customer confidence

Some of a business's customers might consider alternative suppliers if a key relationship manager was lost.

Cost of finding a successor

It will take time to find a successor - agency fees will have to be paid, relationships built and time before the successor is profitable in their own right.

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The mechanics:

1. The company establishes a life assurance policy on the life or lives of people key to its success.
2. The policy proceeds are then paid directly to the company in the event of a policy claim.

