

Memo to myself - get Keyperson Insurance!



TruckSure
By Trevor Toohill

Last month I had to drive down to Taupo. I like driving most times but the rain, spray and heavy traffic on the Auckland motorway this trip made it pretty hard going.

Classic Hits Radio kept me company and the heater kept me warm.

Then I hit that queue – six kilometres solid and going nowhere. Pretty soon I was an hour behind schedule.

They were still clearing up the accident when I got there. It was nasty. A truck and what was left of two cars. Made me think, after all, that could have been me. My life insurance was up to date and my will and the statement of wishes on my family trust was revamped only last month. The family would be well cared for and the mortgage repaid.

But...had I missed anything?

The business! What would happen to that?

We have two directors, several sub-brokers, seven employees, an overdraft and lots of insurance.

Public liability, professional indemnity, vehicles and office are all insured. We even have legal protection insurance. Had I missed anything?

Nothing like coming face to face with an accident to make you think about things.

Thank goodness it wasn't my principal broker in that accident.

A great guy! He has been with us eight years. He's our top salesman. Then again what if it had been my co-director who also owns 50% of the Company? What would be the repercussions on the business? Sales down! Profits down!

Bank phoning not too politely to ask about the Director's guarantee on the overdraft and loans.

Then I'd have to try and buy his shares. I wouldn't want someone else to get hold of those. At some stage I'd have to find someone of his calibre to continue the company going forward – that wouldn't be easy! And recruiting top people doesn't come cheap. That's more time and more money. The personal problems ... the repercussions... the extra work ... the extra stress...

Oh well, I don't really want to think about it all. Quickly, switch over to Radio Hauraki and continue the rest of the trip on auto pilot. Does any of this ring bells with you?

Probably not... because you don't usually go around thinking about death and disablement. That is, not until it happens on your doorstep to someone you know or even your own business partner.

95.2% of New Zealand businesses employ fewer than 10 people and these are precisely the organisations most at risk from the impact of severe illness or death of a key person.

The risks of a key person being struck down with a long term illness or death are real. One in five men suffer a critical illness before their normal retirement age. Then there are the Kiwi roads to consider. The fact that it hasn't happened so far might just mean your business – not to mention you and your family, has just been lucky.

Now to those actuarial boffins in insurance companies, risk and luck are flip sides of the same coin. They can provide insurance cover for most risks, but luck, well that's anybody's guess. After all, they design products and want to increase sales. But they're scratching their heads about Keyperson Insurance.

Most of New Zealand's thousands of small businesses should have it but very few do.

What can Keyperson Insurance do?

It can be structured to:

- Provide an income stream to the company while the key person is incapacitated (compensation for the lost contribution to the business from the Keyperson)
- Provide a lump sum to the business in the event of death (pay off the overdraft and business loans or simply a bolster to cash flow?)
- Provide money for remaining shareholders to buy the shares from the original shareholder or their estate.

Have a look on the TruckSure website www.trucksure.co.nz, go to the 'News' page and scroll down to the October 2009 item – Who is the Kingpin in your Business? It is worth another read. You should talk to your TruckSure broker about these issues because they are all insurable.

Can your business afford to take a risk it doesn't need to?

Memo to myself - get Keyperson Insurance! 

This is a file photograph used to improve the look of the page





MultiSure



0800 287 287

www.trucksure.co.nz



TruckSure

'You sit behind the wheel – we stand behind the truck'