



This is how we do it: building key man protection business

By Edward Lander | 11:54:51 | 02 July 2009

Key man business protection has often been perceived as a tricky area for advisers to access.

CBK principal Peter Chadborn (pictured) says advisers feel making a go of key man protection relies on developing ties with larger corporations and understanding what is viewed by many as an overcomplicated product area.

Boost client numbers

Chadborn believes once these concerns are addressed, however, advisers can use key man insurance to boost client numbers at their firm significantly through referrals from other employees and professional connections.

'The referral system through that [transaction] can often be more successful than just personal recommendation to personal recommendation to personal recommendation,' says Chadborn. Discussing the product area normally involves talking to solicitors and accountants attached to his clients, he says.

Key man protection for business is as straightforward as personal protection and involves asking the same questions of clients, says Chadborn. 'Once you've established there's a protection need, the principles are fairly similar in terms of personal protection. In other words sitting down and asking the "what if" questions.'

Not solely for big fish

The other perceived barrier that key man insurance is only needed by larger corporations is also untrue, according to Chadborn, who says the product should be considered by 'pretty much anyone who is self employed other than sole trading plumbers'.

Colchester-based Chadborn, who got a grounding in the product area during his time working with small businesses at Barclays, says the major challenge for recommending the product area is in getting business owners to understand the financial consequences of not taking out key man insurance. 'Key person insurance doesn't just mean being able to repay the loan to the bank or repay the overdraft,' he says.

Chadborn says the key man does not have to be a director of the company; companies may need to be protected against losing highly trained members of staff or revenue-generating sales staff.

Sizing up the competition

The main competition for advisers operating in this space, he says, are banks which often inspire loyalty among their business clients because they can persuade them to take out products in return for preferential overdrafts and lending agreements.

'Any good IFA will say that bank is not a threat,' he says. 'But on the business protection side of things that's much more of a challenge because even if they don't value the advice, they recognise what's going on behind the scenes.'

Technical issues

On the technical side most cases are referred to a firm's accountants to check complex tax issues, which will be weighed up to decide how the product should be set up, says Chadborn.

'Depending on how the policy is set up, the premium for policy could be an expense for the business, but in doing so the sum assured could be classed as a trading receipt and then be hit for corporation tax,' he says.

Once clients have decided on key man protection, an adviser must decide the length of cover by considering the turnover history for that person's role in the company. says Chadborn.

© Citywire Financial Publishers Ltd 2009.

The material on the site is the copyright material of Citywire Financial Publishers Ltd. You may not copy, reproduce, republish, disassemble, decompile, reverse engineer, download, post, broadcast, transmit, make available to the public, or otherwise use citywire.co.uk content in any way except for your own personal, non-commercial use. This includes but is not limited to all individual fund manager data such as rankings of fund managers and ratings of fund managers. Citywire does not accept any liability for your reliance upon, or any errors or omissions in, the Citywire ratings or rankings. Any other use of citywire.co.uk content requires the prior written permission of Citywire Financial Publishers Ltd.

© 2009 Citywire.co.uk. All Rights Reserved.

Citywire Financial Publishers Ltd. is authorised and regulated by the Financial Services Authority no: 222178 to provide investment advice and is bound by its rules.