

Protecting the value of your business

A guide to protecting your business



ZURICH®

Zurich Life Singapore





Could your business be more secure?

Key person protection

Is your business protected against the loss of a director or key person?

Being part of a successful business means overcoming constant challenges. When things go well thanks to the skills and efforts of you and your fellow partners it can be very rewarding. But if something goes wrong, for example if you or any of your partners die or are diagnosed with a critical illness the financial security of your business, these key persons and the families involved can be at stake.

The death or critical illness of a key person in your business could also threaten everything you have worked so hard to achieve.

So, does not it make sense to treat this risk like any other in your business and put policies in place to help protect the business?

This guide looks at the different situations you and your business could face and outlines some ways to help make your business and your family's financial future more secure.

Protecting your family if anything happened to you

The need

If you die or are diagnosed with a critical illness that means you are unable to work, what would happen to your shares in the business?

If your family inherits your shares on your death, they might not be able to take over your role in the business.

Even if the other partners are prepared to accept them, they are unlikely to have the same skills, knowledge and experience as you.

And if your fellow shareholders – those who control and run the business – are prepared to buy your shares, do they have the funds available to be able to buy them?

Depending on the way your business is set up and the extent of the shareholding, you or your family will have one or more options.

- Take a share of the business's profits – but this could amount to little or nothing if the business is struggling because of your absence.
- Insist on winding up the business and receive a share of its value – but if there were no assets and the business had no value they'd receive nothing.
- Sell your shares to remaining partners.
- Sell the shares – but this relies on finding a buyer who's prepared to pay a fair price, and who has the money. This can be a potentially long and difficult process.

As you can see, none of these options may give you or your family the full financial value of your shareholding. It may not give them the security you would have wanted. However, with some forward planning you could create a much more attractive alternative.



Possible solution

One solution is for each partner to take out life insurance and critical illness policies to cover themselves. Then if you die or are diagnosed with one of the critical illnesses covered by a policy, the remaining partners will have the money to buy you or your family out of the business. This will also supplement any personal protection policies you already have which helps to ensure continuity and stability for the business and to provide financial security for your family.

To make this happen there has to be a business succession policy in place, with everything correctly established, formally documented and agreed with your fellow partners. We therefore recommend that you speak to your adviser who will work out what's best for you, given your individual circumstances.



Protecting the future of your business if anything happened to a partner

Partner protection

The need

With you, the partners and key persons in your business are the driving forces and the foundations for its success. So, what would happen if one of them was no longer there? In the previous section we looked at the problem from a personal and family perspective – now let's look at it from a different perspective.

Imagine that the shares of one of your partners ended up in the hands of someone you don't know, and who does not know your business. This could be exactly what happens if one of your partners becomes critically ill or dies – their share in the business could pass to someone else through either sale or inheritance.

Possible solution

To avoid the risk of shares in your business passing to the wrong person, **you need to establish a legal framework** that gives you and the other remaining partners the ability to buy out the shares of any partner who becomes critically ill or dies. This will help to ensure the shares in the business remain in the right hands and that any dependants receive the financial value of the shares.

However, while a legal framework can ensure you have the ability to buy, it cannot ensure you have the money you need to exercise that right. This is where life insurance and critical illness cover come in.

A life insurance policy pays out a cash sum if the life insured dies. A critical illness policy does the same if the life insured is diagnosed with one of the critical illnesses specified in the policy. The critical illnesses include, but are not limited to, cancers, heart attack and stroke and each claim is assessed against the policy terms and conditions.

Protecting your business loans and financial liabilities

The need

Has your business borrowed money from the bank or from one of the partners? Does it have an overdraft? If so, the death of one of the directors or partners could cause the lender to call in the loan, often very suddenly. Where would the money come from to repay the loan?

If a partner dies or is diagnosed with a critical illness can your business afford to keep going with its current number of staff?

Possible solution

By taking out protection policies to cover the amount of the loan if one of you dies or is diagnosed with a critical illness, the business will have the cash sum available to pay for these.









Protecting your profits

The need

While the co-directors provide the foundation of your business, there are likely to be other people who also make a vital contribution to its success.

If one of these key people dies, is diagnosed with a critical illness or was off work for an extended period due to illness or injury, how would your business's ability to trade profitably now and in the future be affected? The loss of a key person can cause far-reaching problems for a business.

- **Loss of relationships** – people like to deal with people they know and losing a key person can mean losing customers to your competitors and may lead to lower profits.
- **Loss of professional expertise** – specialist skills and experience of your business can be difficult to replace and their loss could seriously affect your competitiveness.
- **Cost of recruitment** – competitive job markets mean finding and training a replacement can be expensive and time-consuming.

All of these issues could affect the profitability of your partnership – unless you're financially prepared in advance.

Possible solution

One solution is for your business to take out life insurance and critical illness cover on the lives of your key people. This will help to compensate the business for any loss of profits, should a key person die or be diagnosed with a critical illness.



Why Zurich

Making things simple

While protecting your financial future is important, we understand you also have a business to run. So, we make it easy to take out the policy you need.

If we need additional information from you, we will tell you about everything we need at the same time.

There when you need us

We make claiming on your policy as simple and hassle-free as possible by paying valid claims promptly with the minimum of fuss.

In 2013 Zurich International Life Limited (part of Zurich Insurance Group "Zurich") paid out a **total of USD19.3 million** worldwide in protection benefits to our customers.

- In Asia, we paid out USD3.9 million in death claims – this represents 16% of the total death claims paid worldwide.
- In Asia, our largest single death claim was USD1.1 million.

Source: 2013 death and benefits claim register Zurich International Life Isle of Man

Meeting your protection needs

We offer a range of protection products to help you safeguard the financial future of your business, your employees and your family.

We believe it is important to review the level of protection you have as your circumstances change.

Meeting your business protection needs

This information is intended for customers working with their relevant financial professional, who will help them understand the information. To find out how our products may provide peace of mind for everyone who financially relies on your business, please speak to your relevant financial professional. They will be able to give you advice on the protection your business needs and put together a financial protection package that will help to make your business more secure.



Who we are

Zurich International Life is part of the Zurich Insurance Group, one of the world's largest insurance groups, offering life insurance, investment and protection solutions throughout the world. We have been operating in international markets around the globe for many years.

Zurich's mission is to help their customers understand and protect themselves from risk. With over 60,000 employees serving customers in more than 170 countries, Zurich aspire to become the best global insurer as measured by their shareholders, customers and employees.

Financial strength

Zurich Insurance Company Ltd has an 'AA-/stable' rating by Standard and Poor's as of June 2014. An insurer rated AA has very strong financial strength characteristics.

For the latest ratings, please refer to www.zurich.com

Rating agency	Financial strength rating	Rating outlook
Standard & Poor's	AA-	Stable
Moody's	Aa3	Stable
A. M. Best	A+	Stable



Important information

Zurich Life Singapore is a business name of Zurich Life Insurance (Singapore) Pte Ltd.

Buying a life insurance policy is a long-term commitment. An early termination of the policy usually involves high costs and the surrender value payable may be less than the total premiums paid.

Buying life insurance products that are not suitable for you may impact your ability to finance your future insurance needs.

The above is for your information only and does not have any regard to your specific investment objectives, financial situation and any of your particular needs. You may wish to seek advice from an adviser before making a commitment to purchase the product. In the event that you choose not to seek advice from an adviser, you should consider whether the product in question is suitable for you.

Zurich Life Insurance (Singapore) Pte. Ltd. is licensed by Monetary Authority of Singapore to conduct life insurance business in Singapore, is a Member of the Life Insurance Association of Singapore, and a Member of the Singapore Financial Dispute Resolution Scheme.

This information is correct as of 30 June 2014 and may be subject to change.

Zurich Life Insurance (Singapore) Pte. Ltd.

Registered office: Singapore Land Tower #29-05, 50 Raffles Place, Singapore 048623

Registered in Singapore: No. 201027348R

Tel: +65 6240 6088 Fax: +65 6534 4594 www.zurich.com.sg

Zurich Life Insurance (Singapore) Pte. Ltd. is part of Zurich Insurance Group which has a representation in more than 170 countries.

