



Business Protection

Key person income protection at a glance

Key person income protection can help protect your client's business by providing money when a key person is unable to work due to sickness or accident. This can help them pay for a replacement employee or cover the potential loss of profits caused by the key person's absence.

Who is it for?

Many businesses have key employees without which it would suffer a loss of profits, be unable to continue trading or be unable to repay a loan. Key person income protection can help protect your client's business against a key employee being unable to work due to sickness or accident.

How does it work?

Your client (the employer) identifies the key employee(s) they'd like to cover, and chooses an appropriate benefit term. They also choose either a 13, 26 or 52 week deferred period. This is the period before we'll start paying the monthly benefit amount. We'll make the first payment one month after the end of the deferred period. This will continue as long as the key employee (insured person) meets our **own occupation** definition of incapacity. You'll find this definition in our **Business protection policy conditions**.

Your client (the employer) can use this to:

- continue loan repayments;
- help pay for a replacement employee, or
- cover the loss of profits/income.

Income for a company director of their own business, who is also a shareholder, means the salary and dividends received from the profits generated, after deduction of corporation tax in the 12 months before claim.

We'll need a completed [Key person income protection questionnaire](#) for all applications.



What's the maximum benefit amount?

Your client (the employer) can choose a suitable benefit amount at the start. They can choose to use one of the following two calculations to calculate the maximum benefit amount:

- 2.5 times the key employee's (insured person's) income, averaged over the last three years, or
- 75% of the company's average gross profits that can be attributed to the key employee over the last three years.

We don't financially assess key person income protection at claims stage, so we'll always pay the full benefit amount for valid claims.

What are the age limits for the key employee (insured person)?

- Age at entry: 18 to 59 years old
- Term: 5 to 10 years
- Maximum age at benefit expiry: 70 years old

How long will you pay key person income protection?

We'll pay key person income protection for a set period of time within the benefit term, known as a benefit payment period. Your client (the employer) chooses how long this is at the start. It's usually one or two years, but can be up to a maximum of five years.

We'll continue paying the monthly benefit amount until the earliest of:

- the end of the benefit payment period;
- the end of the benefit term (which may be restricted for certain occupations);
- the key employee (insured person) no longer meeting the own occupation definition of incapacity;
- the key employee's (insured person's) employment with the company ending;
- the date the company stops trading, or
- the key employee (insured person) dying.

If your client (the employer) makes multiple claims within their benefit term, we'll add the length of these claims together and payments will stop when this matches their chosen benefit payment period. For example, if their benefit payment period is three years, and the key employee (insured person) was off for a year, then returned to work and was off for another two years, the cover would stop as we'd have paid the claim for the full benefit payment period of three years.

Why choose key person income protection?

Keeps your client's business trading

Many businesses rely on key employees to continue trading and making a profit. So it makes sense to insure your client's business in case these individuals become unable to work due to sickness or accident.

Rehabilitation benefit

We could pay a reduced amount if the key employee (insured person) can't carry out their normal job on the hours they're contracted to work, but can return to work with fewer duties or working less hours.

We can also often offer rehabilitation support where experts can help the key employee (insured person) manage their recovery and return to their normal lifestyle as soon as possible. The rehabilitation support available will depend on the key employee's (insured person's) individual circumstances.

Waiver of premium

We automatically include waiver of premium benefit, which means we'll cover your client's policy premiums while we're paying the monthly benefit amount.

Can be tax efficient

Your client's business will generally be entitled to tax relief on their policy premiums if:

- the insured person is an employee;
- the cover is to protect against loss of profits, and
- the insured person remains key to the business.

If the key employee (insured person) is a business owner or the cover is needed for a capital purpose, their premiums are unlikely to qualify for tax relief. As we'll pay the claim benefits directly to the business, they'll be subject to tax as a trading receipt if they're used for a revenue purpose.

This information is based on our understanding of current taxation law and HMRC practice, which may change.

Read our [Taxation of key person policies](#) factsheet to find out more.

Policy Plus

Both your client (the employer) and their key employee (insured person) will have access to Policy Plus throughout the term of their policy, at no extra cost. This provides access to a second medical opinion service, 24/7 health and wellbeing service, and a key person replacement service. Read [Policy Plus – helping your clients to move forward](#) to find out more.

For more information about key person income protection, speak to your usual Aegon sales representative.



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