

Key Person Cover

Small and medium-sized businesses often have one or two key people whose prolonged absence could put the company at risk. If one of your integral team members is out of action due to illness or injury, Fidelity Life can help with Key Person Cover.

ABOUT KEY PERSON COVER

Key Person Cover contributes towards replacing a key member of your staff for one or two years, if that person is unable to work due to sickness or injury. It helps you put measures in place to keep things running smoothly until your key person gets back on board. This benefit can be used in any way your business needs it.

Key Person Cover is designed for established businesses that have been in operation for over three years.

The Key Person Cover includes some important benefits at no additional cost as well as an optional benefit that the business can choose for which an additional premium is payable.

Newly self-employed (New to business)

If you have been self-employed for less than three years you can apply for the Key Person Cover as a new to business cover with a reduced benefit level and a one year benefit period. Conditions apply.

KEY FACTS

Ages

Established businesses can take out the Key Person Cover if the insured person is aged 16 to 59 inclusive.

For newly self-employed, the Key Person Cover is available if the insured person is aged 20 to 59 inclusive.

Cover ends at age 65.

Premiums

Your Key Person Cover premiums are age-rated – Premiums are fixed for one year at a time and will normally increase in line with age.

You can pay premiums fortnightly, monthly, quarterly, half yearly or yearly.

Cover Amount

- Established businesses can apply to insure each key person up to a maximum benefit of \$30,000 per month.
- Newly self-employed can apply for a maximum benefit up to \$4,000 per month.

Applications are subject to normal medical and financial assessment.

Wait period

This is the period for which the business waits before Fidelity Life starts paying a claim. Options are 2, 4, 8, or 13 weeks.

Benefit payment period

This is the maximum period for which Fidelity Life will pay a claim.

Established businesses can choose from a one or two year benefit period.

For newly self-employed, the benefit period is one year.

General

Established business

- For an Established business this cover is an 'agreed cover' contract. No financial evidence is needed at claim time.
- Available for Occupational Classes 1, 2 and 3.
- A business can insure a number of key people in the same business.
- Cover ends when the insured person is no longer employed in the business.
- Key Person Cover is typically restricted to established businesses with 5 to 7 employees, or a partnership.

Newly self-employed

For a person who is newly self-employed in a new business, the cover is an agreed value cover for the first three years and then changes to an indemnity cover. At the third anniversary the cover can be converted to an Income Protection Cover – Agreed Value or an Income Protection Cover – Indemnity. See new to business policy upgrade below. If you do not convert your cover then the Key Person Cover will continue with a one year benefit period, on an indemnity basis.

STANDARD FEATURES

Total disability benefit

If during the waiting period you have been continuously totally or partially disabled and at the end of the waiting period you are totally disabled, a total disability benefit may be payable. The total disability benefit is payable in advance from the end of the waiting period.

Partial disability benefit

If during the waiting period you have been continuously totally or partially disabled, and after:

- the end of the waiting period or
- a period of total disability after the waiting period, you continue to be partially disabled, a partial benefit may be calculated effective from the end of the waiting period. The partial disability benefit is payable in arrears.

If you are partially disabled, it means you can work part-time but there is a reduction in your earnings.

Recurring claim benefit

The wait period is waived on claims which result from a recurrence of the same or related illnesses within 12 months of the claim ending.

Benefit period reset

If a claim was paid for an insured person who then suffers from the same or a related injury or sickness after returning to full time paid work for at least 12 continuous months and they become totally or partially disabled, the benefit period and wait period will start again.

Waiver of wait period

The wait period for a new unrelated claim is waived in certain circumstances.

OPTIONAL BENEFIT

Indexation Option

To help your cover keep pace with inflation, your cover will be increased each year by the greater of 2% or the Consumer Price Index.

OTHER INFORMATION

Who is a key person?

A key person is someone in the business responsible for generating a minimum of 20% of gross business income.

It may also apply to an individual whose loss would have a significant operational impact, e.g. CEO, Financial Controller.

Impact on a key person

If a key person is insured under both Key Person Cover and a personal Income Protection Cover, then:

- The personal Income Protection Cover payment may be reduced if the key person continues to receive income or profit share from the business.
- Payments under Key Person Cover are not reduced by any other benefit or monies received.

Who is newly self-employed?

A person who is newly self-employed's in a new business that has been operating for at least twelve months and they have been in that business for less than three years.

The newly self-employed must:

- have relevant business experience to the new business being established/purchased
- be generating a minimum of 20% of the business revenue
- have a direct shareholding in the business of at least 50%
- have been in the new business for less than three years
- not be actively involved in any other business (as a major shareholder or arm's length employee)
- not have any other income protection/mortgage protection or business expenses cover in place with Fidelity Life or any other company.

New to business policy upgrade

At the third policy anniversary the cover can be converted to a retail Income Protection Cover – Indemnity with a Declaration of Good Health, or converted to an Income Protection Cover – Agreed Value with a Declaration of Good Health and financial evidence. Any conversion after this three year period will require full underwriting.

Ownership

Key Person Cover must be owned by a company or a person who has an ownership interest in the business.

Assessment requirements

- A completed application form for each key person.
- A copy of the latest financial statements.
- Percentage of business income generated by the Key Person.

Note:

Fidelity Life will not require financial underwriting proof for established businesses if the monthly benefit amount being applied for is not more than the following:

Occupation Class 1 – \$10,000 per month

Occupation Class 2 – \$8,000 per month

Occupation Class 3 – \$6,000 per month

Key Person Cover cannot be taken with Business Expenses Cover.

Key Person Cover can be combined with Rural Key Person Cover in some circumstances.

WHY CHOOSE FIDELITY LIFE



*Fidelity Life has an A- (Excellent) financial strength rating from A.M. Best. The rating scale that this forms part of is available for inspection at our offices. For more information please visit fidelitylife.co.nz/about-fidelity-life/our-financial-strength.

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