

# The Importance of Shareholder Protection

As this year has demonstrated there are plenty of unexpected events that can hit a business hard. However, one of the biggest risks to any business, regardless of industry or profession, is the unexpected loss of a shareholder. The result of such a loss has a big impact on the workloads of other senior staff and the running of day-to-day operations as well as a loss of experience and skills.

It can further complicate an already difficult situation if a deceased shareholder's beneficiaries receive their shares, potentially involving them in crucial business decisions without the necessary knowledge or expertise. On the other hand, the beneficiaries may have no interest in the running of the business and could decide to sell the shares to a third party.

Most companies will protect themselves against losses to buildings, fixtures and fittings, stock and vehicles, however having plans in place to cope with the loss of a key person or shareholder can often be forgotten. In fact, nearly half of businesses haven't left any instructions or made any special arrangements regarding shares<sup>(1)</sup>. You could provide a safety net for your business through shareholder protection which will ensure a succession plan is in place.

How can LEBC help?

Putting a comprehensive shareholder protection plan in place can be complicated, especially if there are multiple shareholders with different holdings. But, we're here to simplify the process and will guide you through the key steps:

1. Review your Articles of Association
2. Establish the value of the business
3. Prepare a protection plan
4. Determine premium payment and tax treatment arrangements

As time passes, it is vital that the business valuation, and therefore the level of insurance cover, is reviewed. Other changes may also have a bearing on the plan, such as new executives and



business restructuring. You can ask us to review this regularly to make sure the right cover is in place.

For more detailed information about these steps, please view our [Business Protection Factsheet](#).

If you would like to see how we can help please get in touch by calling 0800 055 6585 or complete this [webform](#) and we'll call you.

*(1) Business Protection, State of the nation's SMEs report, L&G Sixth Edition*

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