

Eagle Star Keyperson Insurance

Customer Brochure



Forms required:

- ✓ Keyperson Insurance Application Form
- ✓ Keyperson Insurance Financial Questionnaire

This brochure is designed as a quick reference to the main features of the policy. For full details of any individual cover or any other aspect of the policy, you should consult the Policy Document, which is definitive in all matters of interpretation and entitlement to benefit. In the event of any conflict between this brochure and the Policy Document, the provisions of the latter will prevail.

Why purchase Keyperson Insurance?

When running a business, it is vital to consider and plan for events that could adversely affect its success. In particular, it is important to consider the implications to a business of the sudden death or serious illness of a vital employee - a keyperson in the business.

To minimise the financial impact of losing key employees a business needs Keyperson Insurance.

The Eagle Star Keyperson Insurance policy can be purchased by the company on the life of the key employee to protect against the financial consequences of the death and/or serious illness of one of the key employees. The employer pays the premiums and in the event of death of the insured, a cash sum is provided which will help to maintain the business and protect its future security.



The keyperson

A keyperson is an employee whose expertise, knowledge and contacts are key to the continued financial success of the company.

Keyperson Insurance assists the survival of the company on the death or diagnosis of a serious illness of a key employee by compensating that company for any anticipated financial loss on the occasion of either of these events.

Financial effects of death or diagnosis of a specified serious illness of a keyperson

The death or diagnosis of a serious illness of a keyperson could put a company in a financially unstable condition in a number of ways:

- An interruption of business activity and a consequent reduction in profits.
- Bank loans on which the keyperson gave a personal guarantee may be called in.
- The keyperson or his/her estate may be owed any loans made by him/her to the company.
- Banks and/or suppliers may reduce or withdraw credit facilities over worries about the future profitability of the business.
- The company will lose the individual's expertise and business contacts.
- The company may have to commit resources to find a suitable replacement. This may be a prolonged process if the individual had unique experience and expertise.

Taxation

The purpose of Keyperson Insurance is not to improve the financial situation of the company and increase its value. It is meant to indemnify against loss of profits on the death of a key individual. Premiums paid are not necessarily admissible deductions for tax purposes. In order for the premiums to be tax deductible, all of the following conditions must be met:

- The relationship between policy owner and the life insured is that of employer and employee.
- The employee controls no more than 15% of the ordinary shares in the company.
- The insurance policy has been effected for loss of profits only (e.g. not for loss of goodwill or to cover repayment of loans).
- The policy is short-term, i.e. the policy cannot extend beyond the employee's likely period of service with the employer.

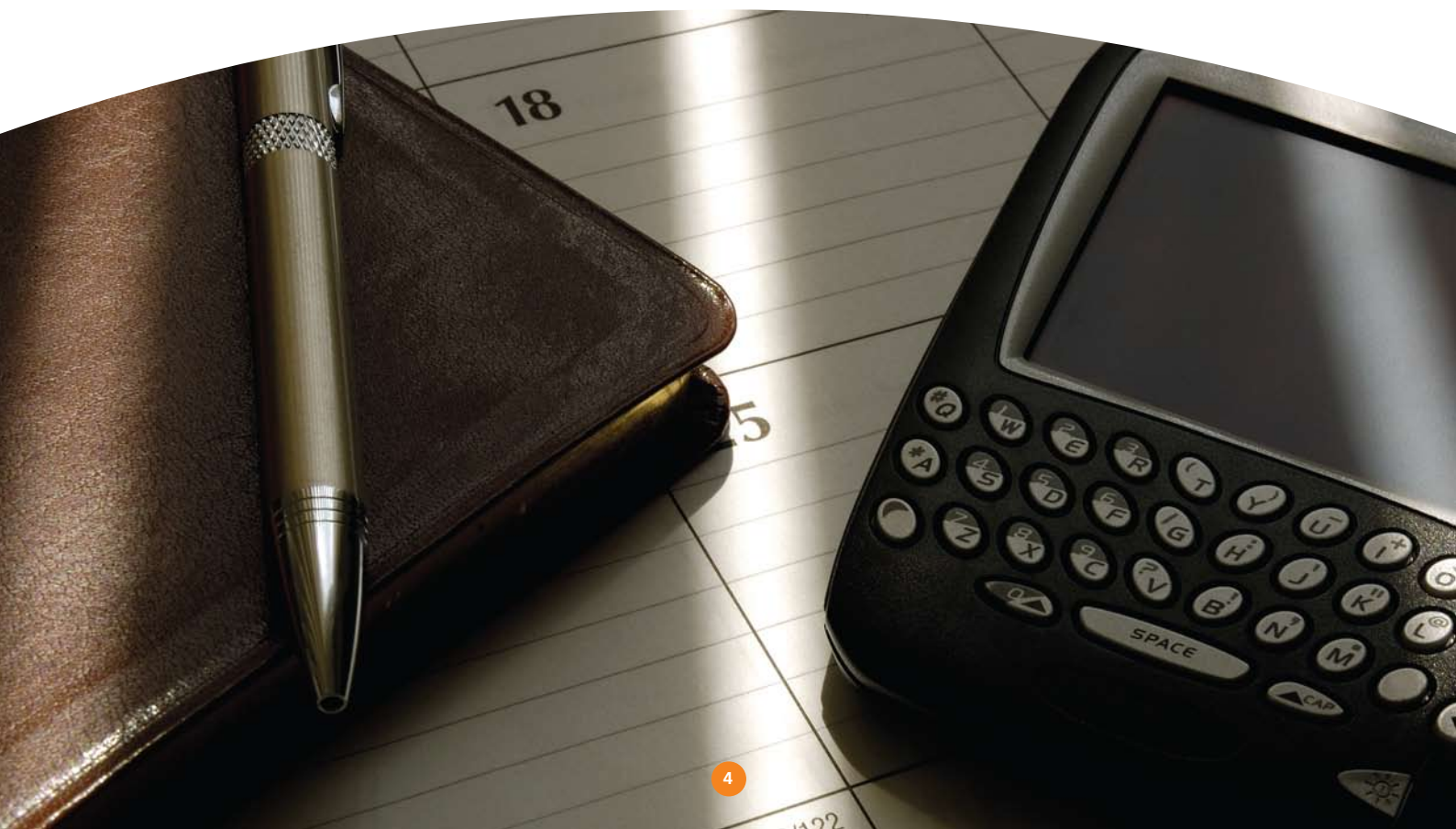
If the premiums are an allowable deduction for tax purposes, the proceeds will be liable to tax. If the premiums are not allowable deductions, the proceeds are not liable to tax. Note, however, that just because tax relief is not sought on premiums, it does not automatically follow that the proceeds will be tax-free. It is therefore advisable that the company taking out the Keyperson Insurance writes to the Revenue to clarify the position.



Setting up Keyperson Insurance

The procedure for effecting Keyperson Insurance on the life of an individual is as follows:

- The decision to effect an insurance policy for the purpose of Keyperson Insurance should be made and minuted at a board meeting of the directors of the company. This resolution should clearly show that the intention of the company in effecting the policy is to protect against financial losses in the event of the death or serious illness of the keyperson.
- The company effects a policy on the life of the keyperson for the amount required to protect against anticipated financial loss. A director of the company signs the application form 'For and on behalf of the company' - ideally, this should be a different person to the individual covered, but this does not have to be the case. The company's seal should be affixed to the application form over the signature of the director.
- On acceptance by the life office, the company pays the premiums and the keyperson is on cover. A keyperson financial questionnaire will generally be required by the life office before it will accept the policy. This is to be completed and signed by the life insured. Zurich Life will decide whether this questionnaire is required.
- Zurich Life will not accept a policy as a keyperson case if the term runs past his/her Normal Retirement Age.



Quantifying the cover

Loss of Profits

- The impact on profits of losing the keyperson's expertise will need to be assessed. There are various approaches to calculating this e.g. a multiple of net profits or a multiple of the keyperson's current annual remuneration. You are recommended to seek independent professional advice in assessing this.
- The cost of hiring a replacement should also be considered. The longer the recruitment process, the higher the cost to the company.

Loans

- The sum insured can also cover any loans that the keyperson has made to the company, which will have to be repaid to his/her personal representative(s).
- Any company loans that the keyperson has personally guaranteed may have to be repaid, and should be considered.

Note: Tax treatment of the premiums/benefits can vary depending on what is being covered. Please refer to page 3.





About us

Zurich Life Assurance plc is a member of Zurich Financial Services, an insurance-based financial services provider with a global network of subsidiaries and offices in North America and Europe as well as in Asia Pacific, Latin America and other markets. Founded in 1872, Zurich Financial Services is headquartered in Zurich, Switzerland. It employs approximately 60,000 people serving customers in more than 170 countries.

As one of Ireland's most successful life insurance companies, we offer a full range of Eagle Star Pension, Investment and Protection products. We gained recognition for our excellent investment performance at the 2008 MoneyMate & Investor Magazine Awards when the company was named 'Best Investment Fund Manager' and was awarded 'Best Balanced Managed Pension Fund' and 'Best Balanced Managed Investment Fund'.

Our investment team, based in Blackrock, Co. Dublin, is responsible for funds under management of approximately €8.1 billion, of which pension assets amount to €4.4 billion (as at 30th June 2009).

We are committed to the provision of excellent customer service. We have won a number of industry service awards, including the Professional Insurance Brokers Association 'Broker Service Award of Excellence' 2008, for the sixth year in a row, and we are thirteen times winner of the Irish Brokers Association 'Service Excellence Award'. We are a market leader in providing policyholder information online through our innovative website, www.zurichlife.ie

We have a strong commitment to good corporate citizenship and are a founder member of Business in the Community Ireland (BITC).

Zurich Life Assurance plc

Eagle Star House, Frascati Road, Blackrock, Co. Dublin, Ireland.

Telephone: 01 283 1301 Fax: 01 283 1578 Website: www.zurichlife.ie

Zurich Life Assurance plc is regulated by the Financial Regulator.

Intended for distribution within the Republic of Ireland.

The information contained herein is based on Zurich Life's understanding of current practice as at August 2009 and may change in the future. It is not, and is not intended to be, a substitute for professional advice, which should be obtained before taking out this type of insurance.

