



## Avant Life Insurance

A guide to life insurance  
for your business



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## Do you need life insurance for your business?

As a doctor and practice owner, you face many challenges in setting up your practice, from maintaining daily operations to ensuring long-term business continuity. While you and your practice work to help and protect your patients, do you have sufficient protection to cover your practice for life's uncertainties?

### Something to think about:

- How would you pay rent, wages and other fixed expenses if you, or another revenue-earning key person or practice partner, were temporarily sick or injured?
- If a key person in your practice passes away, or is unable to fulfil their duties due to temporary or permanent medical conditions, could your practice continue to operate?

- In the event of your practice partner's death, how comfortable would you feel being in business with their surviving spouse or children, if they inherited their share of the business?
- Could you afford to buy their share under the shareholder's agreement?

One way to protect your practice against these uncertainties is through life insurance for business purposes.

### This guide gives an overview of the type of life insurance policies your practice may need.

Setting up these policies as part of a business succession plan or protection strategy can be complex and is generally not covered under general financial advice. And compared to personal insurance, they are treated differently for tax purposes, so we recommend you seek appropriate advice.

## How life insurance for business differs from individual life insurance

Life insurances for business purposes are typically owned by companies or held by business partners as part of carefully drafted legal arrangements. You can use these insurances to manage the risks that impact the short and long-term viability of your business, as well as its future ownership structure and control.

Some risks include:

- temporary illness
- death
- critical illness
- disability of key persons or business partners.

# Types of life insurance for business

## Key person insurance

### How does it work?

Key person insurance involves taking out life insurance covers, including life cover, total and permanent disability (TPD) insurance, trauma cover and income protection. The business owns and pays for these policies to protect its financial position should something happen to a key person. Unlike personal or superannuation-owned policies, the business is the owner.

In the event of a claim, the business receives the insurance benefit, usually paid as a lump sum. Some insurers may offer monthly benefits.

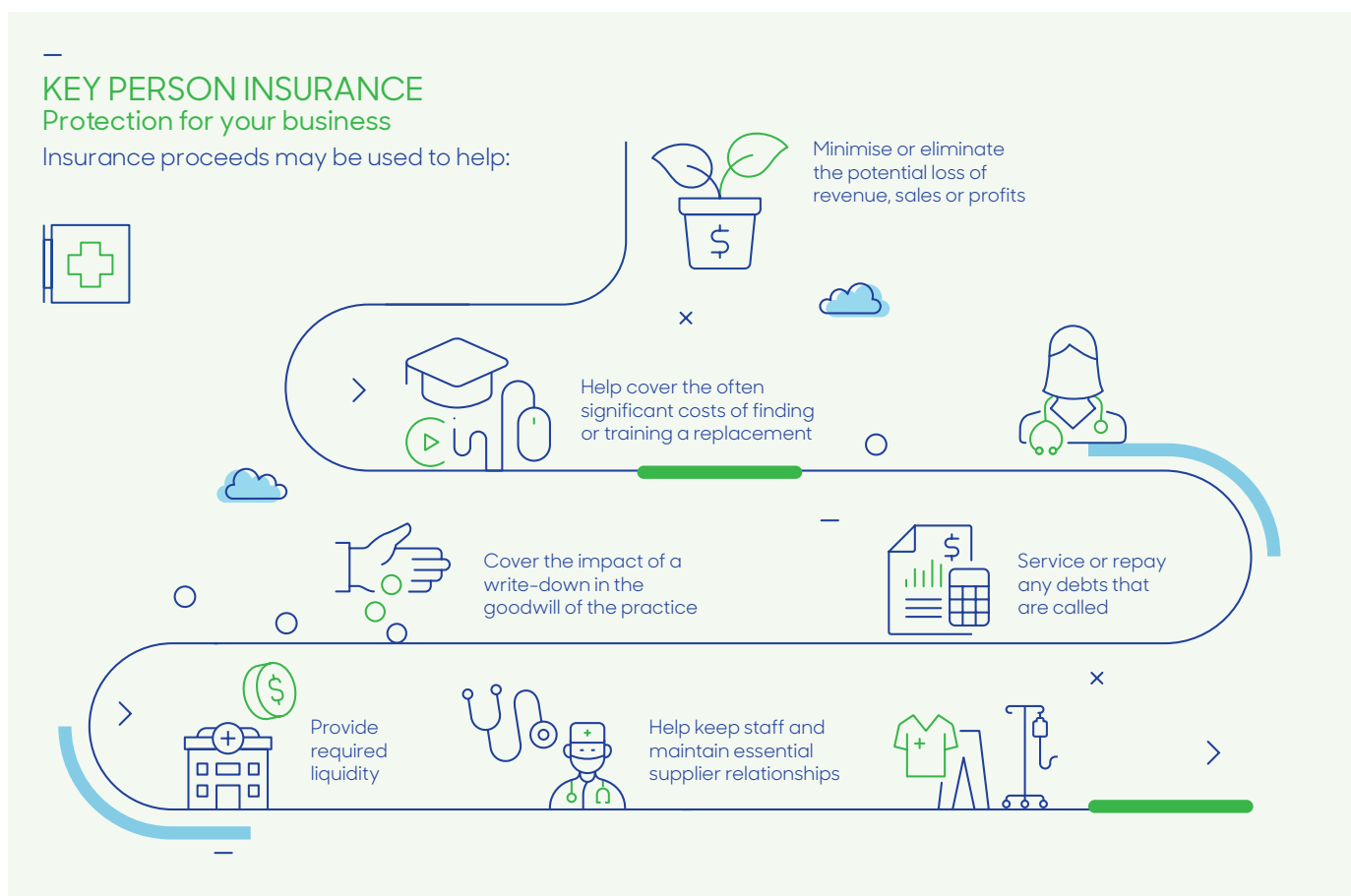
### Who is a key person?

Key persons are essential to the daily operations, revenue generation and overall functioning of your practice.

They include business owners, founders, key executives, employed practitioners, or anyone whose absence or loss would have a substantial financial impact on the company.

Depending on the size and nature of your business, you may have more than one key person. For example, if you run a rural GP practice and employ three GPs, all three could be classified as key persons because their knowledge, skills and experience are crucial to the success of your practice.

### What can you use key person insurance for?







### How much cover will you need?

Consider these factors when deciding how much key person insurance you need:

- Evaluate the remuneration of the key person(s).
- Assess the key person's impact on the practice's profitability.
- Calculate the cost associated with recruiting and training a replacement.
- Account for any practice debts, especially if the key person is a guarantor.
- Decide whether cover is needed for more than one person.
- Consider potential tax consequences in the calculation.

To navigate the complexities of key person insurance and make informed decisions, seek advice from a qualified financial adviser.

Dr Annabelle Franklin  
Avant member



## Buy-sell agreements



### What is a buy-sell agreement?

This agreement determines what happens to a business partner's shares when they depart the business for specific reasons outlined in the agreement, such as retirement, death, or permanent disability. Usually, the agreement includes an option for the remaining shareholders or partners to purchase the shares of the departing shareholder.

### Why it's important to have a buy-sell agreement

When a business partner, or someone who owns a big part of a company, passes away without a proper plan, it may cause several problems.

**Inheriting shares:** If the deceased had a large share of the business, their family members might end up owning it. But they don't know much about the business or have no interest in running it.

**Buying the shares:** The remaining business partners might have the option to buy the shares from the family of the deceased. However, they might not have the money right away.

**Uncertainty for everyone:** The remaining partners and the family of the deceased may not be sure if they'll get a fair deal.

### Linking life insurance policies

Linking one or more life insurance policies, either self-owned, cross-owned, company-owned or held in an insurance trust, to the buy-sell agreement will cover the following events:

- death
- critical illness or trauma
- total and permanent disability (TPD).

When a business partner dies or is terminally ill, a life insurance policy held by the remaining partners can provide the necessary funds to buy out the deceased owner's interest and then compensate their family.



The buy-sell arrangement is a legal agreement you can link to life insurance, but you'll need the help of a qualified financial adviser and a legal expert to ensure everything is set up right.



## Business expense cover



Business expense insurance safeguards operational continuity if an owner becomes too sick or severely injured to work. It typically covers expenses for office rent, most loan payments, equipment or vehicle leasing costs and utility bills.

It will pay a regular amount to cover fixed costs for a limited time, with the maximum benefit payment period usually being 12 months. After this period, the owner can reasonably determine (with advice from a doctor) whether they can return to work. There is also usually a waiting period option before the policy will start reimbursing your business expenses – typically 14 days or a month.

Premiums for business expense insurance are generally tax-deductible, and benefits received will be assessable as income to either the business or the business owner.

### Protect your practice with Avant's expert financial advice

Book an obligation-free appointment with Nathan Brophy, Avant Financial Adviser, to learn how the insurances outlined in this guide can help protect your practice. Nathan's personalised advice considers your circumstances, needs or objectives, to help you make the right decision.

## How do I get the right advice?

Talk to one of our Avant Insurance Financial Advisers for advice tailored to your personal circumstances.



### Nathan Brophy Avant Insurance Financial Adviser

Authorised Representative Number  
1003404

nathan.brophy@avant.org.au  
0486009688

Call 9am – 5:30pm, Mon-Fri  
(Australian Eastern Time)



Download our [Financial Services Guide](#) for more information about Avant Life Insurance services.

### Important information about this guide

This guide has been prepared without taking into account your objectives, financial situation or needs. You should therefore consider the appropriateness of the advice within this guide in light of your own objectives, financial situations or needs, before acting on the advice.

Before purchasing life insurance, you should obtain the product disclosure statement (PDS) and the target market determination (TMD) to help you decide if life insurance is appropriate to your objectives, circumstances and needs.

# Avant Life Insurance

## Empowering doctors to face the future with confidence.



Book an appointment

[avant.org.au/life-insurance-advice](https://avant.org.au/life-insurance-advice)

1800 128 268

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Please contact us on 1800 128 268 if you need personal advice or visit our website for the full details of life insurance products that we distribute, including the terms, conditions, and exclusions that apply. Please read and consider the relevant policy wording or PDS and Target Market Determination before applying. MIM-262 01/24 (MIM-233)