

Key Person Protection for Family Farms

Protect the people who keep your farm moving

HoxtonWealth

FINANCIAL CLARITY · DELIVERED BY PEOPLE · ENABLED BY TECHNOLOGY

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INTRODUCTION

Protect the people who keep your farm moving

A family farm is more than a business. It is a livelihood, an asset built over generations and often a way of life.

But what would happen if one of the people essential to the farm were to die unexpectedly or suffer a serious illness?

Key Person Protection can help provide a financial safety net when the unexpected happens – helping the farm, partnership and family manage financial commitments and protect the future of the business.

What is Key Person Protection?

Key Person Protection is insurance designed to help protect a business financially if an individual who is particularly important to that business dies or, depending on the policy, suffers a specified critical illness.

For a family farming partnership, the appropriate structure can be considered alongside:

- The partnership agreement
- Agricultural and business assets
- Life insurance
- Existing borrowing
- Succession plans
- Relevant trusts
- Farm ownership
- Wills
- Inheritance-tax planning

The aim is to ensure that **money is available when it is needed** , rather than forcing the family or partnership to make difficult financial decisions at an already stressful time.

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WHY IT MATTERS

Why Key Person Protection Matters

Family farms can depend heavily on one or two individuals.

This might be:

- A farming partner who manages the day-to-day operation
- A partner who manages finances, customers or suppliers
- A younger family member being prepared to take over the farm
- A family member responsible for livestock or machinery
- Someone whose knowledge and experience would be difficult to replace
- A senior family member whose contribution remains critical to the business

If that person dies or suffers a serious illness, the financial consequences can extend well beyond the immediate family.

There may be:

Outstanding borrowing	Loans, overdrafts, mortgages or other business liabilities may continue even when the key person's income or contribution is lost.
Loss of income or profits	The farm may need to pay for additional labour, management or professional support.
Succession pressures	The family may need funds to help balance the interests of different family members.
Ownership and partnership issues	The death or incapacity of a partner can create uncertainty around ownership and the future operation of the farm.
Tax and estate considerations	The transfer of agricultural and business assets can involve complex inheritance tax and estate-planning considerations.

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THREE AREAS OF PROTECTION

Three Areas of Protection

1. Life Cover

Life Cover can provide a lump sum following the death of the insured person, subject to the policy terms and conditions.

For a farming business, the proceeds could potentially help with:

- Repaying or reducing business debt
- Funding additional labour or management
- Providing liquidity as part of a succession plan
- Providing financial support for the family
- Replacing lost income or profits
- Supporting the purchase or transfer of a business interest
- Helping the remaining partners continue operating the farm

The amount of cover should be considered carefully against the person's financial contribution, debts, ownership interest and the potential cost of replacing them.

2. Accidental Death Cover

Accidental Death Cover can provide an additional lump-sum benefit if the insured person dies as a result of an accident, subject to the policy definition and exclusions.

For a working farm, where machinery, vehicles, livestock, heights and other occupational hazards may form part of everyday life, additional accidental-death protection may be considered as part of a wider protection strategy.

It can provide an additional financial buffer at a time when the farm may suddenly face:

- Loss of an experienced operator
- Additional staffing costs
- Debt repayments
- Disruption to farming operations
- Family and succession pressures

IMPORTANT

Accidental Death Cover is subject to the specific policy wording, eligibility requirements and exclusions. It should not automatically be treated as a substitute for comprehensive Life Cover.

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THREE AREAS OF PROTECTION

Three Areas of Protection

3. Critical Illness Cover

A serious illness can affect a farm long before a person's death.

Critical Illness Cover can provide a lump sum if the insured person is diagnosed with a specified critical illness and meets the policy's definition and conditions.

Depending on the policy, this money could help the farming business:

- Cover additional labour
- Maintain cash flow
- Adapt working arrangements
- Fund specialist support or professional advice
- Pay for temporary management
- Meet loan commitments
- Allow the individual time away from the farm
- Give the family greater financial flexibility

Critical Illness Cover is particularly relevant where the continued involvement of one individual is essential to the operation of the farm.



The exact illnesses covered and the definitions used vary between insurers.

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THE KEY PERSON

Who is the “Key Person”?

There is no single definition that applies to every farm.

A key person could be someone whose:

Knowledge

is difficult to replace.

Skills

are essential to the farm’s operation.

Income generation

makes a significant contribution to the business.

Relationships

with customers, suppliers, contractors or professional advisers are important.

Management responsibility

keeps the farm running efficiently.

Ownership position

means their death or serious illness could affect the partnership or succession plan.

For many family farms, more than one person may need protection.

An Example for a Family Farm

Imagine a farming partnership operated by three family members.

One partner is responsible for:

- Livestock
- Machinery
- Day-to-day farm operations
- A significant proportion of the farm’s income

If that partner dies unexpectedly, the remaining partners could face:

Financial pressure	Existing borrowing and running costs continue.
Operational pressure	Someone needs to take over their responsibilities immediately.
Ownership pressure	Their share of the partnership may need to be dealt with.
Family pressure	Their estate and family may have legitimate financial interests.
Succession pressure	The remaining family members may need to find a workable solution.

Appropriately structured protection could provide a source of funds to help address these issues, subject to the policy terms and the legal and tax arrangements surrounding the farm.

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KEY BENEFITS

Key Benefits for a Family Farm

01

Financial Resilience

Provides a potential source of capital when the farm experiences the loss or serious illness of a key individual.

02

Business Continuity

Can help provide funds for labour, management and ongoing commitments.

03

Protection for Partners

Can help the remaining partners deal with the financial consequences of a partner's death.

04

Family Security

Can provide greater financial certainty for the family when circumstances change unexpectedly.

05

Succession Support

Can form part of a wider strategy for managing ownership and family interests.

06

Flexibility

Different types and amounts of cover can potentially be combined to reflect the individual needs of the farm.



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CHECKLIST

A Farming Protection Review

Every family farm is different.

Your Protection checklist:

People

- [ ] Who are the key individuals?
- [ ] What would happen if each person died?
- [ ] What would happen if they suffered a serious illness?

Money

- [ ] What debts and liabilities exist?
- [ ] What income does each key person generate?
- [ ] What would it cost to replace their contribution?

Ownership

- [ ] Who owns the farm?
- [ ] How is the partnership structured?
- [ ] What does the partnership agreement say?

Succession

- [ ] Who is expected to take over?
- [ ] Are different family members being treated fairly?
- [ ] Is there sufficient liquidity to support the intended plan?

Protection

- [ ] What existing Life Cover is already in place?
- [ ] Is there Critical Illness Cover?
- [ ] Is additional accidental-death protection appropriate?

Legal and tax

- [ ] Are wills up to date?
- [ ] Are appropriate trusts being considered?
- [ ] Has professional tax and legal advice been obtained?

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NEXT STEPS

Don’t Wait Until the Farm Needs the Money

Protection planning is about preparing before something happens.

For a family farm, the right conversation is not simply:

> “How much insurance do we need?”

It is:

> “What would happen to our farm, our partnership and our family if one of us was no longer able to be here?”

Once the potential financial impact is understood, appropriate protection can be considered.

Protect the people.
Protect the partnership.
Protect the future of the farm.

[Your Name / Adviser Name]
[Company Name]
[Telephone]
[Email]
[Website]

Book an appointment

Independent professional advice should be obtained before implementing any insurance, trust, partnership or succession arrangement.

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