

# One in four of UK SMEs would close immediately after losing a key person, Legal & General research shows

---

- ***More than a quarter (26%) of small businesses said that they'd face immediate closure if a key person died or became seriously ill. A further 26% would have to cease trading within a year***
- ***Legal & General surveyed over 700 SMEs from a range of sectors as part of its new 2019 'State of the Nation's SMEs' research***
- ***The research shows there are still opportunities for advisers to educate UK businesses about the importance of key person cover***

More than one in four (26%) small businesses in the UK would have to immediately close if a key person died or became critically ill, according to the latest iteration of Legal & General's leading research on the business protection market. The FTSE 100 financial services company's *State of Nation's SMEs* report found that 15% of businesses which had already suffered such an event had shut their doors. The research means that up to 1.5 million SMEs could be at risk of immediate closure should the worst happen, while a further 26% of companies in the survey said they would cease trading within a year.<sup>1</sup> A key person is someone whose illness or death would directly cause a financial issue for a business, such as a fall in revenue, loss of clients or even a loss of efficiencies.

Legal & General's survey, which was first launched in 2009, prompts concerns about the wider economic impact that could be caused by businesses not having a Key Person insurance policy. According to a recent Government paper, SMEs account for more than 99% of Britain's 5.7m private sector businesses and they employ over 16 million people.<sup>2</sup> Legal & General's research suggests that up to nearly three million of these companies could be at risk of closing within a year of losing a key person. It also means that around 4.3 million employees have little or no protection against losing their jobs if their employer suffered from a critical event.

Nearly two-thirds (63%) of the businesses Legal & General surveyed said they had more than one key person and SMEs were aware of the impact their loss could have on the firm's operations. Across the more than 700 small companies surveyed, losing a key person was ranked as the number one concern. Of those SMEs which had already suffered from such an event, nearly a third (30%) said that a business owner or important employee dying or becoming critically ill had impacted their profits. Almost one in five (19%) said it had lost them the confidence of

---

<sup>1</sup> Based on the 5.7 million SMEs referenced in the BEIS Business Population Estimates:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/746599/OFFICIAL\\_SENSITIVE - BPE 2018 - statistical release FINAL\\_FINAL.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/746599/OFFICIAL_SENSITIVE - BPE 2018 - statistical release FINAL_FINAL.pdf)

<sup>2</sup>

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/746599/OFFICIAL\\_SENSITIVE - BPE 2018 - statistical release FINAL\\_FINAL.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/746599/OFFICIAL_SENSITIVE - BPE 2018 - statistical release FINAL_FINAL.pdf)

their customers.

However, though these businesses were aware of the potential effects of losing a key employee, 70% said that they had either never considered, or did not understand the need for business protection. In fact, just under half (48%) of those surveyed said they didn't have cover in place for any of the key risks of key person, debt or share protection.

The research presents a clear opportunity for intermediaries to kickstart conversations with SME clients about Business Protection. Almost two-thirds of small business owners (63%) said they would be happy to be contacted by an adviser about this type of insurance.

**Richard Kateley, Head of Intermediary Development at Legal & General, said:**

“Small and medium businesses are essential to Britain's economy; they employ millions of people across the UK and make up more than 99% of the private sector. Yet our research shows that many of these companies could be a risk of closing their doors if a key person in their business died or became critically ill – more than a quarter would even have to cease trading immediately.

“SMEs are acutely aware of the risk losing someone important to their business could have, but whilst many companies will insure their computer systems or buildings, they often don't think about protecting their most important assets – their people. Without the relevant Business Protection, the impact of losing a key employee or business owner could threaten the ambitions and hard work of SMEs up and down the country.

“There is clearly still a significant lack of awareness about Business Protection. I firmly believe that financial advisers have a critical role to play changing this situation – nearly three-quarters of SMEs that took out business protection had sought advice beforehand. This shows the vital role intermediaries play in making sure businesses are protected. If they had not sort advice, they may have never considered cover in the first place. At Legal & General, we're committed to working with intermediaries to ensure businesses, with the right knowledge, are better placed to make informed decisions and protect themselves against life's unforeseen events.”

...ends...

**FURTHER INFORMATION (JOURNALISTS ONLY)**

Sarah Whybrow  
Communications Director  
[Sarah.Whybrow@landg.com](mailto:Sarah.Whybrow@landg.com)

Charlotte Merlin-Jones  
Nick Seymour  
020 7440 8670  
[landg@rostrum.agency](mailto:landg@rostrum.agency)

[www.legalandgeneral.com/adviser](http://www.legalandgeneral.com/adviser)

## NOTES TO EDITORS

The information contained in this press release is intended solely for journalists and should not be relied upon by private investors or any other persons to make financial decisions.

## ABOUT LEGAL & GENERAL

Established in 1836, Legal & General is one of the UK's leading financial services groups and a major global investor, with international businesses in the US, Europe, Middle East and Asia. With over £1 trillion in total assets under management, we are the UK's largest investment manager for corporate pension schemes and a UK market leader in pensions de-risking, life insurance, workplace pensions and retirement income. We have also invested over £19 billion in direct investments such as homes, urban regeneration, clean energy and small business finance.

Legal & General Assurance Society Limited. Registered in England and Wales No. 166055. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Registered office: One Coleman Street, London EC2R 5AA.

---

