

# WANT TO KNOW ABOUT KEY PERSON INSURANCE?

Key person insurance, or key employee insurance, is coverage that will protect a company in the case of an untimely death or disability of a top salesperson, executive or business owner. Key person insurance provides peace of mind to business owners and shareholders alike, knowing that the business can continue operations without major disruption in the event of the loss of a key employee. If death or disability strikes your company, key person insurance may make the difference between the company's demise and its ultimate success.

## IS YOUR BUSINESS ADEQUATELY PROTECTED?

In many cases, and especially in small to medium size businesses, success depends upon a few top individuals that possess niche talents, skills and experience. These key employees are critical to the long term performance of the company. Losing one of these essential people due to a death or disability can have a damaging effect on any business.

Key person insurance provides the financial means to stabilize a company during the adjustment period after the loss of a key employee or executive. When a death or disability occurs, the business may lose critical management skills and may experience periods of falling sales and productivity. Additionally, significant costs will be incurred identifying and training the person or persons that have the ability take the place of the key employee. If your business would be dramatically impacted by the loss of one or more of your top people, key person insurance can effectively protect against this risk.

## HOW DOES KEY PERSON INSURANCE WORK?

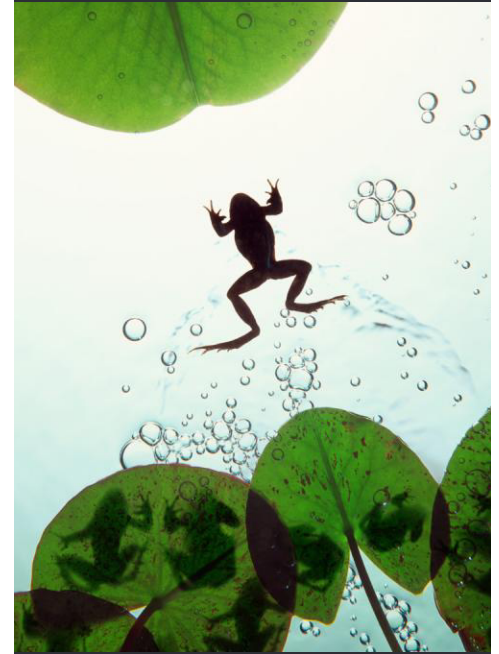
Businesses and business owners regularly use life insurance and disability insurance to protect themselves from the risks associated with death or disability. A business can buy policies on the key employees to cover the amount of funds needed to adequately replace them in the event of a death or disability. In most cases, the cost associated with securing key person insurance policies is very small relative to the potential benefit of coverage in the event a key worker dies or becomes disabled.

With both key person life and disability insurance, the business secures the policy on the life of the key person. It will own the policy, pay the premiums and be the beneficiary in the event the key employee dies or is disabled. The premium payments made by the company are not tax deductible but in most cases, the proceeds received are income tax free<sup>1</sup>.

Key person insurance policies are designed to protect the business—not the key employee. If a key employee dies or is disabled, the policy proceeds can be used by the company for any purpose. Normally, businesses will use the funds received from a key person policy to cover expenses associated with finding capable replacements or to cover short term revenue deficits.

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