

Key Person Life Insurance

Protecting your investment in your top employees.

What is Key Person Life Insurance?

Key Person Life Insurance from American Family Life Insurance Company helps to protect your business against possible loss due to the death of a top employee. This is usually a member of the management team. It is designed to help your business through the financial hardship resulting from the death of a key employee.

What does it do?

Key Person Life Insurance:

- Helps provide cash needed to offset losses to your business.
- Helps provide the money you need to attract and train a replacement.
- May help you to retain a favorable credit standing.
- May help you avoid the forced sale of your business.

How does it work?

Key Person Life Insurance provides cash when you experience the loss due to the death of a valuable economic asset — a key employee. The key person life insurance policy is owned and paid for by the business, and the business is the beneficiary of the policy.

Why should you insure key people?

If you lose a key person, it may mean:

- Reduced sales.
- Loss of clients.
- Loss of credit.
- Loss of management skills and expertise.
- Time and expense of recruiting and training a replacement.

Life insurance on key employees can help provide the money you need to financially offset these types of losses.

What happens if the key person terminates employment or retires?

The business may:

- Cash in the policy (permanent life insurance only).
- Terminate the policy.
- Transfer ownership of the policy to the employee.
- The business may also be able to continue the policy.



How do you determine the economic value of a key person?

Two examples of how to calculate the value of a key person are:

Option 1

Determine the annual business profits attributable to each key person, then multiply this figure by the number of years needed to find and train a replacement.

Option 2

Use some multiple of the key person's annual salary. The multiple generally ranges from 3 to 10, depending on how critical the individual is to the financial success of the business.

Key Employee	Annual Salary	Insurance Needed
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Using life insurance for business situations may have tax implications. Many states have specific regulations regarding key person life insurance. Neither American Family Life Insurance Company nor its agents are authorized to give tax or legal advice. Employers should consult with their own tax advisor and attorney for tax advice and Employer-Owned Life Insurance Reporting requirements.