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THE COMMUNICATOR

INSIGHTS TO KEY PERSON INSURANCE

A definition of “Key Person” has evaded standardization over the forty-three year evolution of Business Disability Insurance. It is appropriate that this important coverage not be restricted by a tough, inflexible definition for key persons come in assorted shapes and sizes.

Technicians who print, fold and distribute one million copies of the 200 page Sunday Edition of the *Los Angeles Times* between midnight and six a.m. surely are KEY PEOPLE. Firms that size have back ups and a person not showing up for work will not STOP THE PRESSES!

Most needs for Key Person Indemnity is typically found in smaller sized businesses or professional firms. We insured one law firm with 58 attorneys. If one attorney failed to show up the cases in progress would not stop; they would be reassigned. But if Mr. X became disabled the firm could easily collapse, because Mr. X is the one who attracts the clients for the firm. This is true in many organizations. The loss of the business development person can severely punish the firm.

The Thoracic Surgeon who attracts business to his medical group or to a hospital is vital. The programmer who is developing an attractive software system, the engineer who holds a patent, the farm manager who can select and retain productive workers, the TV news anchor with a loyal following, are but a few examples of people whose disablement could inflict losses on the firm and fit the description of “KEY PEOPLE”.

Beyond the identification and recognition of KEY PERSONS comes the task of quantifying the potential damage to the firm based on the disability of a Key Person. We have built a Key Person Insurance Questionnaire to help with this process. It is a help to brokers and their clients in determining how much insurance is desired and can be justified. It is a good communication tool for the Underwriters and assists in placing this valuable coverage.

Key Person is a first cousin of Venture Capital Disability in which investors seek to protect themselves from losses due to disablement of the people whom they have backed to build a firm, a program or an idea.

I'm not as interested in the return ON my money as I am the return OF my money.
- Will Rogers

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