



BUSINESS LOAN PITFALL

Insurance producers regularly recommend business owners purchase Business Overhead Expense (BOE) insurance to cover business expenses in the event of disablement. A concern that business owners should be aware of is that BOE benefits only cover the interest on business loans and they ignore the principal repayment. BOE policies do not cover principal repayments because the business is essentially transferring capital from the business into equity in the loan. With most business loans, the interest is typically a fraction of the overall monthly expense. In the event of disablement, lenders are still going to require the full monthly payment. Without a benefit for both the principal and the interest, businesses may have difficulty repaying the lender.

The primary advantage Loan Indemnification Disability Insurance has over Business Overhead Expense is that the policy covers principal and interest. Covering principal and interest enables businesses to continue repaying the lender stress-free.

The Loan Indemnification underwriting tailors the policy structure to the specifics of the business loan. Policies have a declining benefit schedule, and the monthly benefit mirrors the loan to lessen premium costs.

When businesses secure a loan, they should always consider buying Loan Indemnification in addition to Business Overhead Expense.



PETERSEN[®]
INTERNATIONAL UNDERWRITERS

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