



KEY PERSON

DISABILITY INSURANCE



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Key Person Disability Insurance

Most companies have key employees to which the success and profitability of the firm are directly related. Most businesses would not be prosperous without the knowledge, experience and skill of such Key Persons.

While it is routine for companies to insure tangible assets such as office equipment and real estate, most overlook the obvious need for protecting against the loss of a Key Person as the result of a disability.

The loss of a Key Person can be devastating, not only affecting the profitability of the firm, but also productivity, customer relations, employee morale and in general the overall effectiveness of the firm. Protection against the loss of cash flow and the usual increase in costs when a key employee becomes disabled can be obtained with Key Person Disability Insurance.

Key person disability insurance benefits may be used at the discretion of the employer. The most common uses for benefits are to cover expenses of a recruiter to find a replacement, to reimburse losses due to reduced productivity, to provide travel expenses for a new account manager to meet with clients and to supplement overtime payments for the existing staff to cover the additional workload.



Who Is Considered A Key Person

Key Persons exist in all companies, and are not defined by occupation, salary, or title alone. Key Persons may be employees or employers. Their performance and value dictate the success or failure of companies. Typically, we consider Key Employees to be top sales people who hold large accounts or executives that maintain important business relationships. While this may statistically be the most common use for Key Person Disability Insurance, it is not the rule. A Key Employee is anyone who provides significant value to a company and whose long-term absence would cause significant loss to that firm, such as:

- A well known doctor or surgeon who attracts patients.
- A hairstylist who is on the cutting edge of fashion.
- A stockmarket expert who seemingly can foresee the future.
- An entertainer whose popularity brings in the crowds.
- An architect whose unique designs are in high demand.
- An internet technician who single-handedly supports a company's companies network.
- A chef whose menu creates a line around the block.
- A dentist whose charisma keeps his clients smiling.



Monthly Benefits

The monthly benefit option provides significant cash flow to the business following an elimination period of 30, 60, 90, or 180 days. The benefit amount is determined by analyzing several different factors and are also dependent upon the needs of the firm. Typically 150% of a Key Person's income can be replaced. Monthly benefits are scheduled to pay for 12 to 24 months.

In some cases, benefits in excess of 150% and unrelated to income may be obtained. Additional information can be provided to demonstrate the value and the likely loss a firm will suffer in a Key Person's absence.



Lump Sum Benefits

The lump sum benefit provides a capital infusion to a firm in the single cash payment. This approach is typically used when a firm has significant cash flow or savings sufficient for a temporary period of disability. But concerns of a long period of disability, causing a major financial pinch, create the need for a lump sum benefit. The benefit amounts may be up to three times the annual income of the Key Person, but larger benefits are available, subject to financial justification. With elimination periods of six or twelve months.



Disability Basics

Term of Insurance

The term of insurance is the period of time that the policy is non-cancellable. The terms of the policy nor the premium can be altered by the insurer provided premiums are paid on time.

Elimination Period

The elimination period is the time which must pass after the date of the injury or sickness, prior to the loss payee receiving benefits. A variety of elimination periods are available.

Benefit Period

The benefit period is the number of months that benefits are payable during a period of disability. Benefit periods may range from one month to “to age 65”.

Loss Payee

All disability benefits from the policy will be paid to the designated loss payee.

Owner

The owner or policy owner is the person or entity that has the right to request modifications to the policy.

New Term of Insurance

A new term of insurance may be offered at the expiry date, subject to underwriting.

Premium Mode

Premium payments may be made on a monthly, quarterly, semi-annual, annual or single premium basis. All premium payments are available on an electronic transfer or credit card deduction. And certain premium modes may be paid by check.

Grace Period

A grace period of thirty-one days applies to any premium installment payment.

Waiver of Premium

Following the initial premium payment, if you become totally or residually disabled for more than 90 days, the policy will waive any future premium amount due, for as long you remain totally or residually disabled.

Policy Provisions

Presumptive Disability

If due to a sickness or injury you have totally lost: the use of both hands, or both feet, or one hand and one foot, or the sight of both eyes, or the hearing of both ears, or the ability to speak. The elimination period will be waived. The monthly benefit will be paid for the entire benefit period or as long as the loss exists.

Transplant Benefit

If you donate an organ after the policy has been in force for at least six months, any total disability resulting from the surgery will be considered an illness.

Recurrent Disabilities

If after a period of total disability you return fulltime to work and within six months you are once again totally disabled, you can elect to continue the previous claim without the need for a new elimination period or choose to have a new elimination/benefit period. Once a period of six months has elapsed from returning to work, any new claim will have a new elimination and benefit period.





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This is not intended to be a complete outline of coverage. Actual wording may change without notice. Underwriters reserve the right to modify terms and conditions at time of underwriting.

