

Securing Key Person Insurance

This playbook outlines the steps a business needs to take to obtain key person insurance. This aims to protect the business financially in the event that a crucial employee is lost.

Step 1: **Identify Key Persons**

Evaluate your staff and identify the individuals whose loss would significantly impact the business. This often includes founders, top executives, and those with specialized, hard-to-replace skills.

Step 2: **Assess Impact**

Conduct a thorough assessment of the financial impact the loss of each key person would have on the business. This should include potential lost revenue, recruitment and training costs for a replacement, and any impacts on business relationships or projects.

Step 3: **Determine Coverage Needs**

Based on the financial assessment, determine the amount of insurance necessary to protect the business from the ramifications of losing a key person. This coverage figure should mirror the estimated financial loss.

Step 4: **Shop for Insurers**

Research and contact insurance providers to find policies that offer key person insurance. Compare coverage limits, exclusions, premiums and the reputability of each insurer.

Step 5: **Application Process**

Work with the chosen insurance provider to complete the application process for key person insurance. This may involve providing documentation about the key person's role, their impact on the company, and possibly medical examinations for the individual being insured.

Step 6: **Policy Review**

Closely review the terms of the policy before signing, ensuring that coverage amounts, premiums, and any exclusions or clauses are clearly understood and agreed upon.

Step 7: **Purchase Coverage**

Once satisfied with the policy terms, complete the purchase of the key person insurance. Secure and organize all related documents for easy access when needed.

Step 8: **Inform Key Persons**

Notify the individuals who are being insured. This often includes details on why they are being insured, the coverage terms, and any actions they may need to take, like completing a medical examination.

Step 9: **Regularly Review Policy**

At least annually, review the insurance policy and assess whether the coverage continues to meet the company's needs. Update the policy as needed to reflect changes in the business or the roles of the insured individuals.

General Notes

Legal Considerations

Consult with a legal professional to understand the compliance and regulatory requirements of taking out key person insurance, especially concerning consent from the individual being insured and tax implications.

Insurance Advisor

Consider hiring an insurance advisor or broker with experience in key person insurance to help navigate the process and recommend the best options for the business's unique needs.