

Think about this: “Key Employee Insurance 101”

A key employee is one who has a direct and huge impact on the profits and success of a company due to his/her specific talent, experience and background. “Key employee insurance” insures a company against the loss of an employee who is critical to the success of the business.

The amount of insurance coverage required will depend on the role and responsibilities of the key employee. It is very important to provide supporting documentation while submitting an application to the insurance company for key employee insurance. Correct and timely information will ensure hassle free processing of the insurance application.

Coverage is usually limited to 5-10 times total compensation, depending on the insurance company. A cover letter with the application is always appreciated by the underwriter.

Required documentation that will facilitate underwriting:

1. Explaining why the employee is “key” to the success of the business. Including the special/unique talents and experience of employee is important.
2. Details of key employee’s compensation including non wage components such as potential loss of business contacts, premature repayment of loans, etc.
3. Percentage of employee’s present or future ownership interest in business.
4. How was the face amount for insurance /replacement cost determined?
5. Information on owner, premium payer and beneficiary of policy.
6. Information on other key employees in the business and the amount of insurance inforce on them.
7. Company organization structure such as if partnership, corporation, etc.
8. Nature of business which includes pending litigation information.
9. Company financials including net worth, fair market value, annual income and profit.
10. Most insurance applications will have a business insurance section, which must be completed.

Remember, an agent is called as a field underwriter because of his/her contact with the client and getting necessary details from the client is essential to being a good field underwriter. Add to this, a quickly issued and paid policy!

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