

Protect your business from the loss of key people

Many business owners insure their physical assets from destruction. But how would your business cope if a key person died prematurely or suffered a life-threatening illness?

Consider a top salesperson unsurpassed at harnessing client relationships or an executive whose operational know-how helps the business flourish.

Insurance on your key people can help prevent an unexpected loss from financially harming – or even destroying – the business you've worked so hard to build.

Every company has key people

Every company has people whose contributions are essential to its success, due to their:

- Strong technical skills
- Personal connections with valued customers
- Skills in attracting new business
- Responsibility for major projects

Whether it's a highly-valued employee, an owner or a partner; key people bring energy and expertise to a business that can be difficult and costly to replace.

The benefits of key person insurance

Key person insurance helps protect your business in many ways. If a key person dies or becomes critically ill, your business receives insurance monies at the time the funds are needed. Your business can use these funds to:

- Help keep your business running
- Find and train a replacement
- Compensate for lost revenues
- Assure creditors and suppliers that funds are available to meet commitments
- Assure customers your business has the means to continue

Life insurance for key people

With key person life insurance, your business is the owner and beneficiary of the policy. If the key person dies, your business receives the full death benefit tax-free – even if the person dies the very first day the policy is in effect.

What's more, many permanent life insurance policies can accumulate cash value. The cash value grows inside the policy on a tax-advantaged basis, which your business can access while the key person is living.* Your business can use the cash value to:

- Take advantage of business and investment opportunities
- Deal with emergencies and unforeseen expenses
- Reward the key person with a retirement bonus

Critical illness insurance for key people

With key person critical illness insurance, your business is also the owner and premium payor of the policy. Benefits are paid tax-free to the company after the key person meets the survival period, which is usually 30 days. Critical illness insurance benefits are tax-free to the company, provided the policy is considered accident and sickness insurance for tax purposes.

If the key person remains healthy, your business may recover its insurance costs with a return of premium rider. This can return up to 100 per cent of eligible premium paid, if there is no critical illness. However, the tax treatment of a critical illness insurance policy with a return of premium benefit is uncertain at this time.

Determine the financial impact of losing a key person. Implement key person protection as part of your business plan.

** If the accumulation stays within prescribed limits, the cash value is only subject to income tax when it is withdrawn.*

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