



Key Person Life Insurance

To minimize your risks in the event that one of your "key" employees dies, becomes disabled or leaves the company prematurely, consider Key-Person Life Insurance.

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Key Person Life Insurance for Your Business

As a business owner, you may employ at least one individual who is essential to your company's success. This person may be a partner, or have a unique expertise that is unmatched throughout the rest of the company. If this person's exit from the company is planned, such as retirement or voluntary termination, then you can prepare for the loss and take the necessary precautions to minimize the impact. However, if the departure is unplanned due to an unexpected death, disabling accident or a sudden quitting, then the company is exposed to financial risks.

If you employ individuals who are vital to your company's success, especially if your business is small, consider Key-Person Life Insurance. This insurance solution can protect your organization's solvency in the event that you lose the key person without warning, and also the investments made by lenders and investors to your company.

Advantages of Key-Person Life Insurance

- Can be easily implemented and does not require Internal Revenue Service (IRS) approval; only requires an annual report to the IRS.
- Life insurance benefits are paid to the company tax-free.
- Customers, creditors, lenders and stockholders have the assurance that the business has a continuation plan and coverage in place.
- There is flexibility in what the funds can be used for.

How does Key-Person Life Insurance Protect My Company?

- You purchase life insurance on the key individual(s).
- You are the beneficiary of the life insurance policy, and apply for and own the policy. If the key employee dies prematurely, the policy pays out to you.
- Tax-free dollars from the policy can be put towards finding, hiring and training a replacement employee, compensation for lost business during the transition and/or financing timely business transactions.
- Policy can be transferred to a departing key employee as a retirement benefit or to a different key individual, upon the retirement of the original key employee.
- Can be used to buy out the key employee's shares or interest in the company.
- Premiums are based on several factors, including the key employee's age, physical conditions and health history. The amount of coverage also affects the premium.

Things to Consider

- Estimate the value of your key employees. Think about the projects that would be lost without these people, the amount of sales generated by these people and costs associated with replacing them.
- Determine if this coverage is necessary, as Credit Insurance will cover outstanding loans and debts.

Your business is probably like most: one or two of your employees are vital to the survival of the organization. In fact, these individuals may be critical to your overall success and profitability. Consider purchasing Key-Person Life Insurance to reduce the backlash in the event that one of these key employees leaves you prematurely.

Considerations to Ponder...

Would losing one of your employees have one or more of the following effects?

- Reduce your earning capabilities?
- Create a loss of a specialized skill?
- Disrupt everyday business operations?
- Create customer concern due to a loss of expertise?
- Impact a special project or sales campaign in a negative way?
- Jeopardize your financial security?

If so, then you need Key-Person Life Insurance!

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Know your coverage, know your risk.