



Key Person Insurance, What is That?

Who is a Key Person?

Key person(s) is/are those whose skills, talents and expertise in your practice that are critical to the continued growth, success, value and profitability of the practice. Also known as key person, key man, or key employee.

What is Key Person Insurance?

Key Person Insurance is simply an insurance policy on those “key persons” whose skills, talents and expertise in your practice that are critical to the continued growth, success, value and profitability of the practice. The value of the life insurance is based on the value to the practice the key person represents.

Why Key Person Insurance?

Key Person Insurance provides a practice the peace of mind knowing that the business can continue to operate without a major disruption in the financial health of a practice. When a key person dies the financial responsibilities of a practice continue; by having life insurance to provide some stability during a time of sorrow, allows a practice to continue without the financial stress of the loss of a key person.

- If you have one Key Person in their 30s, there’s a 24 percent chance that they will not live to age 65.
- If you have two Key Persons in their 40s, there’s a 30 percent chance that one will not live to age 65.
- If you have three Key Persons in their 50s, there’s a 45 percent chance that they will not live to age 65.

How Does Key Person Insurance Work?

The practice buys a life insurance policy on the life of the key person. The practice will own the policy, pay the premiums AND be the beneficiary. These policies are designed to protect the practice from financial instability, from the death of a key person, not to protect the key person.

The life insurance proceeds are used by the business for any purpose it chooses but is usually used to fund the efforts and expenses of replacing the deceased key person. Premiums on the life insurance are not deductible.

Problem:

ABC Medical Group has designated Dr. Jones, 50 years old and Dr. Smith, 45 years old, as key persons. They are looking for a way to continue the medical group in the event of their death.

Solution:

ABC Medical Group calculates Dr. Jones is worth \$750,000 to the practice as well as Dr. Smith so they secure a key person life insurance policy on them.

	Dr. Smith 45 yrs old		Dr. Jones 50 yrs old	
	Monthly	Annual	Monthly	Annual
10-Year	\$ 39.61	\$ 445.00	\$ 60.97	\$ 685.00
15-Year	\$ 58.30	\$ 655.00	\$ 92.34	\$ 1,037.50

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For your convenience click onto [Fact Finder](#) and fax back the filled out form to Bob Wolf at 213-576-8563.