



Would your company be at risk of failing if your top personnel/employees passed away or unable to work due to an injury? Key Person or Key Man Insurance is a business insurance policy that protects your business from crumbling if one of your top personnel is unable to complete his duties. With this policy in place the business will be the beneficiary and receive the payout so the business can survive if an irreplaceable member dies.

■ What Is Key Person Insurance?

Key Person Insurance is a policy that protects small business that rely on a number of employees or management to lead the company. Replacing a business's Key Person will take time and could cost that business their customers during the transition. Key Person Insurance is designed to help the business in case a crucial member of the company unable to fulfill their duties.

Advantages of Having Key Person Insurance:

- The policy can help recruit and train a new employee to replace the previous Key Person
- The coverage provided from the policy, will help enhance the credibility of the company when in the process of commercial borrowing.
- Your business may be able to access the policies cash value through a withdrawal or loan if needed.
- Your business pays for the premiums, and they are non-deductible.
- In the event of loss from a death to your Key Person, the policy will cover the insured party.
- If the business is a partnership, this policy allows the partners to buy out the other's shares in case of unexpected death. This avoids being in a partnership with an unexpected person (*Spouse or Heir*).

Why your company should have Key Person Insurance?

■ Should My Business Have Key Person Insurance Protection?

Key Person Insurance is a specialty policy and it might be the right fit for your small business or it might not. First, you need to evaluate your business and determine if you have any Key Personnel that are irreplaceable or are crucial to the business' day to day activities. If your business could not function without one of those individuals, Key Person Insurance protection might be right for your business.

How much insurance should my business purchase?

There is not a specific blueprint to follow when deciding if your business needs Key Person Insurance or how much protection it needs. Your business may want to consider the financial effects of losing a Key employee.

For example, If you are the owner taking out a policy on yourself, you may want enough protection to help your successors close the business and pay off any debts. If you are taking a policy out on a key employee, you might want to have enough coverage to provide a financial cushion while you find a replacement for that employee.

■ How Does Having Key Person Insurance Add Value To Your Business?

Having Key Person Insurance policy in place on one of your employees can make it easier to obtain certain types of financing from banks or capital from investors because it helps lower the risk of your business going under.

Also, having the Key Person Insurance policy on an employee can strengthen the relationship between the employee and the business. It helps show the employee that the business is invested in them and see them as a crucial member to the success of the business.

If you are interested in learning more about how Key Person Insurance can help protect your business in case of an untimely illness or death, please contact our office. Granite Insurance is always happy to be a resource for any questions or concerns!



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For more information, please contact your Account Manager on your Granite Insurance team!