



KEY PERSON INSURANCE

Key Person Insurance is a type of business insurance taken out to indemnify either an employer or a lender against the financial loss that could result from the premature death or extended incapacity of a company's most essential employees. Depending on the type of business, this might be a company founder, a top salesperson, a lead researcher, or a project manager. These individuals are considered key employees because they either have valuable expertise specific to the business or are, in one way or another, responsible for the bulk of the company's revenue. Their loss could significantly impact the profitability and stability of the business. Start-up companies are especially vulnerable in this area and, as such, it is not uncommon for banks, venture capitalists, and other lenders to require this type of coverage be implemented as a condition of providing funding.

Individual life insurance policies and disability insurance policies are the products of choice to address this type of need. They are owned by the company with the company typically being named the beneficiary as well. The life insurance policy would provide the funds to guarantee business loans, offset lost income resulting from project cancellations or lost sales based on customer's lack of faith in the ongoing viability of the company. The Key Person disability policy is a specialty product designed to provide the funds to enable a company to recruit, hire, and train a replacement for the incapacitated employee.

For further information, please contact:

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