



Key Person Insurance

Help Safeguard Your Most Valuable Employees

You rely on your key people. They make significant contributions to your business. But what would happen if one of them were no longer around due to death or a total disability? What would that mean for the future of your business? How would cash flow, revenues, profitability and morale be affected? What would customers and creditors think?

Protect your business by insuring your most valuable employees with key person insurance. It's an effective way to provide your business with funds to handle the loss of a key employee due to disability or death. You pay the premiums for the life and/or disability insurance policy and receive the disability benefits or death proceeds.

Who is a key employee?

A key employee is someone who:

- Contributes significantly to the financial success of a business
- May or may not be one of the owners¹
- Is responsible for management decisions
- Is highly paid
- May have a significant effect on sales
- May have a special rapport with customers or creditors

Why is key person insurance needed?

Businesses can suffer from a key employee's death or total disability in four ways:

- Loss of management skill and experience, especially in a business without management depth
- Disruption of business when clients withhold or delay their business until the impact of the employee's death or disability is known
- Cautious creditors waiting to assess how the death or disability affects the business
- Increased expenses associated with hiring and training a key employee's replacement

Benefits of key person insurance

- Having this coverage demonstrates financial stability to customers, creditors, shareholders and other stakeholders. It shows you have a contingency plan in the event of a death or disability.
- Insurance benefits help offset the costs of temporary staffing needs, finding a replacement, recruiting, filling revenue gaps, etc.
- Although the premiums are not deductible, any proceeds or benefits you receive are income tax free (if requirements for IRC Section 101(j) are met for life insurance).

FOR MORE INFORMATION

Contact your local representative.

¹ Cannot own more than 50% of the business to qualify for a Key Person Replacement disability insurance policy from Principal Life Insurance Company; other underwriting criteria must also be met.



WE'LL GIVE YOU AN EDGE[®]

Insurance products from the Principal Financial Group[®] (The Principal[®]) are issued by Principal National Life Insurance Company (except in New York) and Principal Life Insurance Company, Des Moines, IA 50392.

Disability insurance has limitations and exclusions. For costs and complete details of coverage, contact your Principal Life financial representative.