

## Financial Underwriting – Key Employee

“Key Employee” insurance insures a company against the “loss” of an employee whose services are critical to the success of the organization, as well as the expense of replacement. A “Key Employee” is: an individual whose specific talents, experience, background, and/or knowledge provide services that make a substantial contribution to the success of the business. One who has a direct effect on the profits of the company. The “one” vital factor in the success of a venture and/or the security of a loan. The amount of coverage required will vary depending on the role of the key employee. With the help of a field representative, the owner/employer can use techniques to evaluate the potential loss and effects of a key employee’s death. Typically the amount of coverage requested reflects the loss of income for the business for some period of time, a percentage of an existing debt, or costs associated with finding and training an individual(s) to replace specific areas of expertise. Underwriting a “Key Employee” is difficult when documentation supporting the need and purpose for insurance are not provided with the application for insurance. An underwriter’s evaluation begins with understanding how the amount of coverage was determined (does it make sense) and why this individual is key. Additional considerations are: Total compensation, if and how other key employees are covered, beneficiary, owner, premium payer, financial health of the company, ownership interests, special talents/skills/history of this key employee. For example, the client is the founder of a successful company and his or her talents/skills are directly responsible for a significant part of the bottom line results. When submitting an application for life insurance, the field representative should submit a cover letter that provides the underwriter with the business/client’s objectives and how they were determined.

**1. Company name:**

---

**2. Nature of business:**

---

**3. Organization type:** Sole Proprietorship - Partnership- Corporation - Other

**4. Financial information:**

Annual Sales: \_\_\_\_\_

Fair Market Value: \_\_\_\_\_

Net Profit: \_\_\_\_\_

Business Net Worth: \_\_\_\_\_

**5. Are the firm and its officers free from business failures, bankruptcies, or pending suits?**

If No; please give details including dates

---

**6. Is Key Employee an owner?** \_\_\_\_\_ If yes, please provide percentage of ownership \_\_\_\_\_%

**7. Key Employee facts, including title, job duties, impact on net profits, biography, and description of why he or she is “Key” to the success of the business, etc:**

---

---

---

---

---

---

**8. Key Employee’s total salary package, including salary, bonuses, stock options, fringe benefits, etc:**

---

---

---

---

**9. Estimated cost to replace Key Employee:**

---

**10. Are other Key Employees similarly insured?** \_\_\_\_\_