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# Why Business Owners Should Consider Key Person Life Insurance

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While business owners may be focused on maintaining profitability — especially over the past few months — it is important to realize that there are other and potentially more significant uncertainties that could derail your business at any time.

If you've worked hard to build a successful business, it is important to make sure it is protected with the right insurance coverage. Losses associated with property and liability aren't the only risks your business may face. Part of a strategic business plan includes mitigating risks associated with the loss of a key person or employee.

## What is a key person?

A key person or key employee is considered a valuable contributor in your organization, an individual who plays a vital role in the success of your company. For some businesses, this can even be the owner.

In the event of the death of a key employee, the loss may lead to a disruption of daily operations resulting in lost clients and profits, as well as the time and money to recruit and train a qualified replacement. **Key person life insurance** can help by paying a death benefit to help cover financial losses that may occur during this time of transition and ensuring the continuity of your business.



## Who might need key person protection?

- Owners who rely on a salesperson for a majority of their revenues
- Business partners who want to continue the enterprise if a partner passes away
- Businesses seeking investors or loans
  - The SBA, most banks, venture capitalists and private equity firms will not enter into a contract unless there is key person protection on a company's key leaders.

## Here's how it works

1. The business buys a life insurance policy on its key employee(s), funds the premiums, and is the named beneficiary of the policy.

2. In the event the employee passes away, the business receives the death benefit payout.
3. The business can use the money to help cover expenses associated with finding a suitable replacement, as well as covering debts such as business loans and investments.

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