

Key Person Checklist

Use this checklist when gathering information alongside the client to help the case go through underwriting efficiently. A separate checklist should be completed for each key person.

Questionnaire

Key Person Name: _____

Salary: \$ _____

Title/Position: _____

Percent ownership: _____

Age: _____

Planned retirement age: _____

Which of the following impacts would occur due to the death of this key person?

- | | |
|--|---|
| <input type="checkbox"/> Cost of temporary replacement | <input type="checkbox"/> Loss of business value to stockholders |
| <input type="checkbox"/> Cost of recruiting/training permanent replacement | <input type="checkbox"/> Loss of guarantee on business loans |
| <input type="checkbox"/> Profit losses due to decreased sales | <input type="checkbox"/> Business continuity (loss of an owner) |
| <input type="checkbox"/> Profit losses due to delay or cancellation of project | <input type="checkbox"/> Other _____ |
| <input type="checkbox"/> Replacement/outsourcing of specialized knowledge | |

How many years of coverage are needed? _____

What amount of death benefit is needed? \$ _____

What type of coverage is desired?

- Term life insurance
- Guaranteed Universal life insurance
- Indexed Universal Life insurance

Which valuation method was used to determine death benefit amount?

Note: these are not additive, be sure to select only one.

- Multiples of income method** – Simply multiply the key employee's salary by a factor.
For example $100,000 \times 10 = 1,000,000$ death benefit.
- Replacement cost method** – Based directly on the incurred costs associated with a replacement (i.e. salary, ongoing expenses for hiring and training, as well as costs associated with lost revenue).
- Contributions to earnings method** – Calculated based on the amount of profits (%) directly contributed by the key employee. This figure is then multiplied by the number of years needed to train a replacement (e.g. 40% of company profits x 3 years of training = _____).

Next Steps

When ready to proceed, fill out the required business insurance supplement form and submit it along with the completed application.

Including this checklist and a cover letter can also aid the underwriting process.