

## DISABILITY SOLUTION SHEET

# Key Person Disability for Non-Owner Employees

Ah, the well-oiled machine. Everything working smoothly to produce top-rate results. For a business owner, it might be the definition of success. Of course, the machine only runs when the right people are in place. If one of those people were unable to perform their role due to illness or injury, would things run as smoothly? Would they run at all?

Business owners understand risk, and they understand the need to reduce it whenever possible. **The risk of losing a key employee — someone essential to the success of the business — is one that can be protected against.**

### IDENTIFY KEY EMPLOYEES

First, it's important to identify key employees. It varies by company, but it could be the top sales person or the computer programmer who is the only one that knows how to update the software that makes things run. It could be the industry expert that can create the competitive bid that secures a client. Even though an employee isn't an owner, a knowledgeable, loyal employee can be almost irreplaceable.

### HOW KEY PERSON DISABILITY INSURANCE WORKS

Key person disability is an insurance product that helps a business owner replace lost revenue when an essential employee becomes disabled.

There are many different options for coverage, but in most cases the benefit:

- Is paid directly to the business on an indemnity basis — which means that there are no restrictions on how the money is used
- Is received tax-free to the business, but premiums are not tax-deductible
- Can be as much as three times the key employee's income, depending on the carrier and how the policy is designed
- Can be paid monthly, as a lump sum, or as a combination of the two
- Can be paid for a benefit period of up to 24 months

### HOW TO DESIGN COVERAGE

Design should be based on salary, responsibilities and the impact the employee's absence will have on the business's bottom line. For example, a salesperson making \$240,000, in their mid-40s, could benefit from a plan with the following elements:

- 90-day waiting period
- \$20,000 monthly benefit, available from day 91-365, resulting in an aggregate benefit of \$180,000
- \$500,000 lump sum benefit on day 365
- Total benefit of \$680,000

This type of policy would typically cost the business around \$3,500 annually. Your business owner clients might be surprised by the amount of benefit available — even while keeping the premium reasonable.

### GET STARTED

Many business owners have purchased key person life insurance. Key person disability insurance goes hand-in-hand with life insurance when it comes to providing complete protection. Talk to your business owner clients about protecting their top employees from all types of risk.

Contact your Ash disability team at (800) 589-3000 to help create a foundation for paychecks made possible.

DISABILITY  
INSURANCE



**Key Person Disability is a simple solution to protect against the loss of an essential employee due to illness, accident or injury by:**

- Providing funds for temporary replacement staffing
- Assuring clients and partners that the business is financially stable
- Offsetting the cost of recruiting new talent