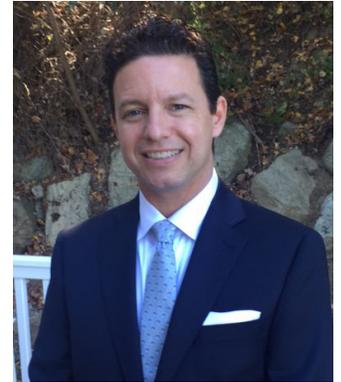


The Business Case for Key Person Insurance

Whether your client is the king of the c-suite or the queen of the Seven Kingdoms, key person insurance is the name of the game.



Frank Zuccarello

By Frank Zuccarello

When HBO's phenomenally successful "Game of Thrones" launched its final season this year, TV screens were filled with images of kings and queens jockeying for positions of power while falling victim to perilous pitfalls, enemies lurking around every corner, various forms of treachery, and unimaginable risks. So how were they protected?

Whether we're talking about the battlefield or the boardroom, today's titans of the c-suite need a lot more than armies at their disposal if they want to protect not only themselves but their business as well, should they succumb to a serious injury or disease that could potentially "dethrone" them.

Many organizations are protected by key-person life insurance, or at the very least have a succession plan should the rain maker pass away. But statistics show the risk of disability during the working years is significantly higher than the risk of death. A 45-year-old executive is three times more likely to suffer a disability lasting longer than 90 days than to die before the age of 65.

Which leads us to this very important question: Why do so many risk managers protect the vision, but ignore protecting the visionary? Why do Daenerys Targaryen's disciples buy into her vision of a united Seven Kingdoms, but don't blink an eye when she climbs on the back of a fire-breathing dragon and soars into the clouds (with nary a seatbelt for protection).

It's a problem we still see in today's corporate environment. Hundreds of millions of dollars are spent insuring towering steel-and-chrome skyscrapers, but the key person in the corner office is unprotected.

So why is it that the majority of risk managers don't think about it, even though there have been numerous



surveys done showing that a company's biggest asset rides the elevator every day? It's not just the plant, or the building they should be protecting but the person who's driving the business while sitting in the c-suite.

Risk managers need to evaluate the risk to key personnel and c-suite executives by looking at how they are leveraged against the success of the company. What is the potential impact should they not be able to perform their duties. Ask yourself: If that person left in the middle of the night, who could successfully run the company? And what would be the cost to replace that person from outside if there were no one in place in-house?

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Or are they irreplaceable? If Mark Zuckerberg should be unable to head up his burgeoning social media empire, is there realistically someone else to fill that void? In some companies, it is unlikely.

But every case doesn't have to spotlight a high-profile leader like Zuckerberg or even a Cersei Lannister. There are many mid-level corporations (or kingdoms) where the key person needs disability protection just as badly. All we have to do is go online to read about how everything changes in the blink of an eye, which only serves to underscore the importance of the job of a risk manager.

In today's competitive business environment, protecting the value of a star executive is more critical than ever. And the tools are right there in front of them. Using markets once reserved for elite athletes and entertainers, carriers like Lloyd's of London have developed key person disability products designed to protect a company's most critical asset. These carriers have the ability to deliver disability benefits of up to \$100 million for individuals whose vision, knowledge, connections and experience are critical to a company's operation and future.

There is no doubt that high-powered executives are tough minded and confident. Therefore, preparing for a disability runs contrary to the way they view themselves. This may help explain why so many brush off the need for the coverage. But insuring against a disability preserves what executives value the most and why they're in business: namely, control.

We recently worked with the CEO and Founder of an extremely large cloud-based communications services company in Silicon Valley. The company was fully aware that its visionary leader, who at that time was in his late-40s and lived a healthy and active lifestyle, was the fuel that drove the business engine, and that any type of long-term disability would derail the company's plan for future growth.

A decision was made to take out a \$50 million key-person disability insurance policy as a hedge against the CEO no longer being able to perform his duties. Benefit limits for key-person protection are also available in excess of \$100 million per person and are most commonly purchased in conjunction with a large life insurance transaction.

It doesn't matter if your client is a Zuckerberg or a Lannister, whether their domain is Manhattan Island or the Iron Islands, the key players in the game need to be protected at all costs. As their trusted advisors you wear the hand of the king pin, which designates you as your client's closest advisor — the one to offer them counsel in the decisions that can protect both themselves and their livelihood.

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