

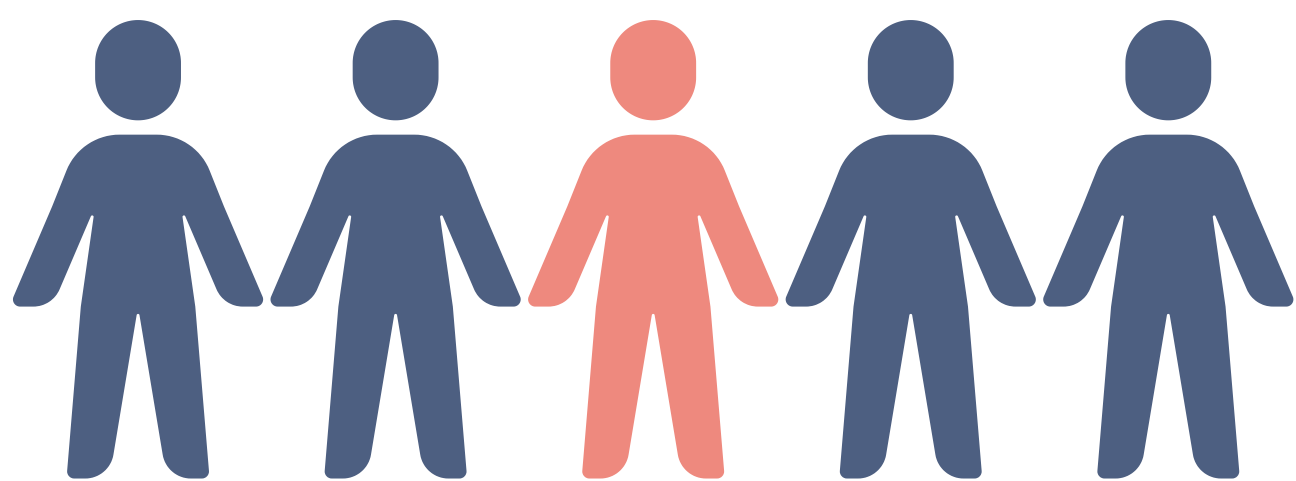
KEY EMPLOYEE LIFE INSURANCE

WHAT IS IT

Key employee life insurance is owned by a company on the life of one of its important employees. The death of a key employee can cause serious problems to a business such as lost sales, lower earnings and added costs for hiring and training a replacement. Key employee life insurance provides a death benefit that helps the business replace these costs and operate smoothly after losing a key employee.

HOW IT WORKS

1. The business applies for and owns a life insurance policy on the key employee. The business is also the beneficiary.
2. At the death of the key employee, the business receives the death benefit and uses it for related business expenses or losses.



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BENEFITS

- Protects a business from losses caused by the death of a key employee.
- Can also be used to fund entity redemption buy-sell, nonqualified deferred compensation and cross-endorsed split-dollar agreements.
- Provides death benefit as tax-free income to the business.
- Business can use cash value in case of an emergency.
- Policy can be terminated or transferred if a key employee leaves the business.

CONSIDERATIONS

- Written EOLI Notice and Consent rules apply.
- May have transfer for value issues.
- May be subject to corporate creditors.
- Employee has no rights to the policy.
- Premium payments are not income tax-deductible by the business. Health of the employee affects insurability.