



Now is the Time for Key Person Coverage

Situation: A financial professional contacted DBS's in-house advanced case design resource to brainstorm when to approach business prospects that had expressed an interest in discussing supplemental executive benefit arrangements for key employees. Prior to COVID-19, the financial professional ran a successful telemarketing campaign focusing on mid-sized corporations. The campaign specifically promoted executive benefit arrangements that can be established on a discriminatory basis to help supplement retirement income for key executives. The financial professional was in the process of meeting with the business owners when COVID-19 caused most states to institute stay-at-home orders.

Problem: The financial professional wanted to know if it was too early to reconnect with the businesses now that states were beginning to permit businesses to open.

Solution: The DBS advanced case design resource described how it is likely that most business owners were adversely impacted and experienced revenue loss as a result of COVID-19. She suggested that business owners are likely still concerned that COVID could continue to negatively impact revenue since the Delta variant is showing that the pandemic is not over. Therefore, at the present time, businesses may be reluctant to proceed with an arrangement requiring a long-term commitment. However, they likely recognize the current precarious business situation and how the death of a key person at this time could result in a permanent business closure.

The DBS associate suggested a two-phase approach. In phase one she suggested that a term policy on a key person with the business as an owner and beneficiary to help protect the business against loss caused by an untimely death. She noted that acquiring the coverage is relatively easy and inexpensive. The executive insured as a key person may be the same individual the business owner initially desired to help with supplemental retirement income. By underwriting the executive for key person coverage first, the financial professional will be in a better position to proceed with the executive benefit arrangement when there is less economic uncertainty.

Result: The financial professional liked the two-step approach and proceeded to begin reconnecting with the business owners.

