This is a track to follow in discussing key employee insurance with a business owner. The track consists primarily of a series of questions. Don’t rely on your memory. Use a written list of questions. Write down your client’s responses as they are given.

This line of questioning, once it becomes second nature to you, can be used in any situation dealing with key employee life insurance. Specifically, it can be used as follows:

1. **Fact Finding**: When you are talking with a business owner and Key Employee Indemnification is of interest, ask these fact and feeling questions.

2. **Single Need**: If you have come in on a single-need approach, this is a good exploratory track to run on with key employee life insurance.

3. **Disability Income**: The same track can be used for disability income insurance, with slight variations. For example, instead of talking about a lump sum payment at death, you’d talk about monthly income payments upon disability of a key employee.
"...Besides you, Business Owner, are there other key people—people whose death or long-term disability would have a substantial impact on profits?"

"...Who are they?" (You're looking for names and functions. Make notes of this information.)

"...Am I right in assuming that you're the main cause of profitability...the primary key employee?" (The responses from here to the end assume that the owner has responded "yes" to this question. Adjust the following as appropriate if the response was different.)

"...Are any of your key people insured as key employees?" (Assume no.)

"...What do you think would probably happen to your firm's normal operations and profitability if you had died last night?"

"...How much lost income and added expense would this be over a year's time if you had died last night?"

"...How would that impact your business and family?"

"...What would you want to see happen at your death regarding the business, its profitability, its survival, and your family's welfare?"
“...Would a substantial infusion of cash to the business at your death have that desired result?"

“...Would more than a year's worth of financial assistance be needed for the business to get back on its feet? If so, for how long would it be needed?"

(OR, instead of the last question, pick up here.)

"...How much do you have to sell to make a dollar in profit?"

"...If I can guarantee the profits on $1,000,000 of sales, would you be interested?"
(NOTE: The VSA's Pre-Tax Profit Equivalent Calculator is designed to illustrate this concept.)

"...Here's what's involved. You insure yourself or one of your other key people for $100,000. At age 45, for the kind of insurance I have in mind, this means about $1,000 yearly premium."

"...When the key employee dies, your business receives $100,000 from my insurance company. This is equal to profit on $1 million of sales for a company earning 10 cents per dollar of sales."

"...How's that sound so far?"

"...Let me tell you the best part...How would you like your company to supplement your retirement income, at no extra cost to you or the company?"

"...Here's how. If you live to retirement age, the company won't especially need this key employee policy any longer, and can cancel it, then use the policy's cash values to pay you, say, $10,000 a year, every year, so long as the cash lasts."
Knowing this line of questioning will help you conduct a meaningful fact-finding/feeling-finding interview regarding key employee insurance. In time you should make changes, additions and deletions so that it serves you even better.

Here are a couple of other "power questions" that you may want to memorize and use as the occasion seems to call for it.

- "What would happen to the company's profitability if you took a year's vacation and couldn't keep in touch by phone or letter or in person?" (This is what disability could cause for longer than a year, or what death can do permanently.)

- "Have you ever stopped to think about the fact that you conscientiously insure the assets which appear on your balance sheet, while you haven't insured the people responsible for the even more important bottom-line profit on your income statement?"

  (Response.) "Don't you think you should at least look into it?"

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