

# Key Person Life Insurance for Business Owners

Using PL Promise Term



**Goal:** Secure affordable life insurance coverage to protect a business against the financial impact of losing a key employee.

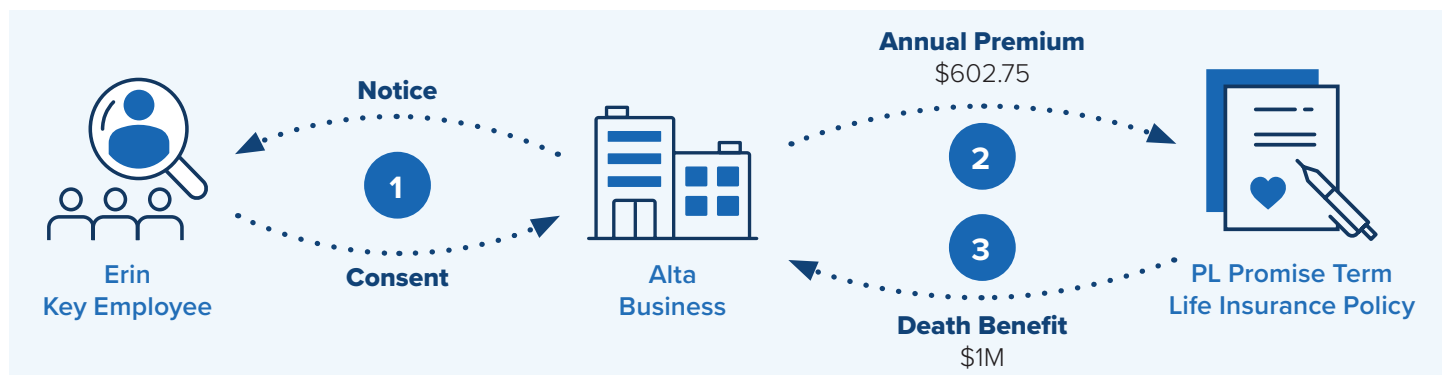
## Scenario

Beth owns Alta, a start-up technology software business. She relies heavily on Erin, her experienced engineer, who is a key business employee. Beth is concerned that she doesn't have a plan currently in place to protect the business against long-term financial disruption if Erin were to suddenly pass away.

Beth meets with her financial professional, who explains that implementing a key person strategy using life insurance could help provide the financial security needed through death benefit proceeds and liquidity. After reviewing quotes from multiple carriers, they decide to use the PL Promise Term<sup>1</sup> life insurance product with this key person strategy.



## Approach



**Assumptions:** PL Promise Term 20, female, age 40, Preferred Non Tobacco risk class, \$1,000,000 face amount.

- 1. Notice and Consent:** Alta provides a written notice to Erin that includes intentions to buy and be the beneficiary of a \$1M PL Promise Term policy insuring Erin's life. Erin then provides Alta with written consent to purchase the PL Promise Term policy.
- 2. Premium:** Alta buys PL Promise Term on Erin's life, pays a non-deductible \$602.75 annual policy premium, and is the owner and beneficiary.
- 3. Death Benefit:** In the event of a sudden loss of Erin, Alta will receive the life insurance \$1M death benefit income tax-free.<sup>2</sup> This liquid payout helps mitigate the financial impact and disruption to the business and helps recruit and train a replacement.

<sup>1</sup>PL Promise Term is level premium term life insurance. Policy series #P16LYT, S16LYT10, S16LYT15, S16LYT20, S16LYT25, or S16LYT30, varies based on level premium period chosen and state of policy issue.

<sup>2</sup>For federal income tax purposes, life insurance death benefits generally pay income tax-free to beneficiaries pursuant to IRC Sec. 101(a)(1). In certain situations, however, life insurance death benefits may be partially or wholly taxable. Situations include, but are not limited to: the transfer of a life insurance policy for valuable consideration unless the transfer qualifies for an exception under IRC Sec. 101(a)(2) (i.e., the transfer-for-value rule); arrangements that lack an insurable interest based on state law; and an employer-owned policy unless the policy qualifies for an exception under IRC Sec. 101(j).

## Considerations

- If Alta's needs change in the future, an option is available to convert all or a portion of PL Promise Term to PL Promise Conversion UL policy.<sup>3</sup> The policy would convert to an equivalent risk class—with no new underwriting approval required.
- Through our streamlined Pacific Accelerated Life+ (PAL+) underwriting process, Erin received an offer with no medical exam and no attending physician statement (APS) required.
- Unlike PL Promise Term insurance, PL Promise Conversion UL provides coverage beyond the term of the existing policy (from age 90 to 121), as long as Alta continues to pay the premiums.

**Result:** Alta receives financial protection in the event of Erin's premature death, with the death benefit providing liquidity to help cover the significant costs of recruiting and training a qualified replacement. This support helps minimize disruptions to sales and overall business operations.

<sup>3</sup>PL Promise Conversion UL (Form series P17LYCUL, varies based on state of policy issue).

There are circumstances in which replacing your client's existing life insurance or annuity can benefit your client. As a general rule, however, replacement is not in your client's best interest. You should make a careful comparison of the costs and benefits, including any applicable surrender charges, of your client's existing policy and the proposed policy to analyze how a replacement may affect your client's plan of insurance. You should provide this detailed information to your client and discuss whether replacement is in your client's best interest.

**For questions or more ideas on how to use PL Promise Term, reach out to your  
PL Promise Sales Team at  
(888) 900-9777 or at [LynInternalSales@PacificLife.com](mailto:LynInternalSales@PacificLife.com)**

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All guarantees and benefits of the insurance policy are subject to the claims-paying ability of the issuing insurance company. They are not backed by the broker-dealer and/or insurance agency selling the policy, or any affiliates of those entities other than the issuing company affiliates, and none makes any representations or guarantees regarding the claims-paying ability of the issuer.

The primary purpose of life insurance is to provide death benefit protection in the event of the insured's death.

Life insurance is subject to underwriting and approval of the application and may incur monthly policy charges.

The home office for Pacific Life Insurance Company is located in Omaha, Nebraska.

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