

Business Owners:

Asset Accumulation to Asset Preservation



Accumulation & Preservation

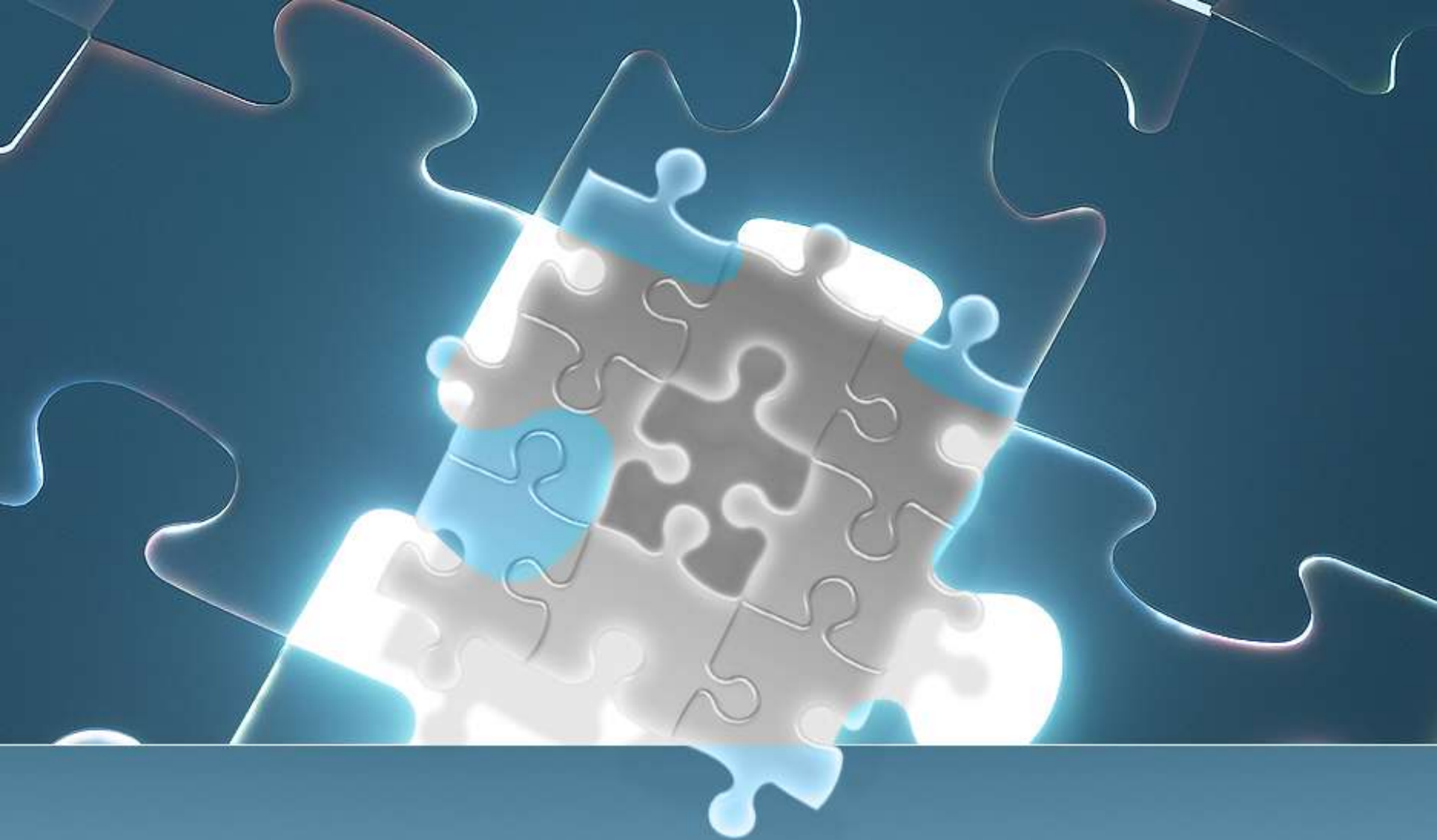
Business Owners have multiple needs

Income Protection

Business
Overhead

Disability
Buy-Sell

Long-Term Care



Business Overhead Expense



What is the Purpose?

Owners work hard to build their companies into profitable businesses

Businesses need it's owners to continue to grow and thrive

What happens to the business if an owner were to become disabled.....



What are the Results?

- Fixed expenses can not be paid due to a loss of revenue.
- Creditors may demand immediate payments.
- Banks may cut back on credit or recall loans.
- Customer and employee confidence declines
- Value of the business erodes

The end result..... A failed business



Overhead Expense Policy

Purpose of the contract:

During the insured business owner's disability, reimburses covered expenses incurred in the daily operation of the business



Who Needs BOE?

Business Owners who need to protect their businesses and themselves against the losses they would experience if they were to become disabled.

Small Businesses Owners of:

- Medical & Dental Practices
- Law & Accounting Firms
- Engineering & Architectural Firms
- Autobody Shops
- Contractor





Overhead Expense Policy

Mechanics of the policy

- A reimbursement contract
- The benefit payable is the Insured's share of those fixed expenses that are normal and customary in the operation of the Insured's office or business.
- Monthly reimbursable expenses covered up to the stated maximum monthly benefit
- "Unused benefits" can be carried over to a subsequent month



Overhead Expense Policy

Covered expenses normally include:

- Mortgage interest or lease payments
- Utilities
- Installment costs of furniture or equipment
- Taxes on business property
- Employee compensation (but not the owner)
- Property & Liability insurance premiums
- Janitorial, maintenance & laundry services
- Salary of a replacement hired to continue the services of the professional



Product Features

Benefits

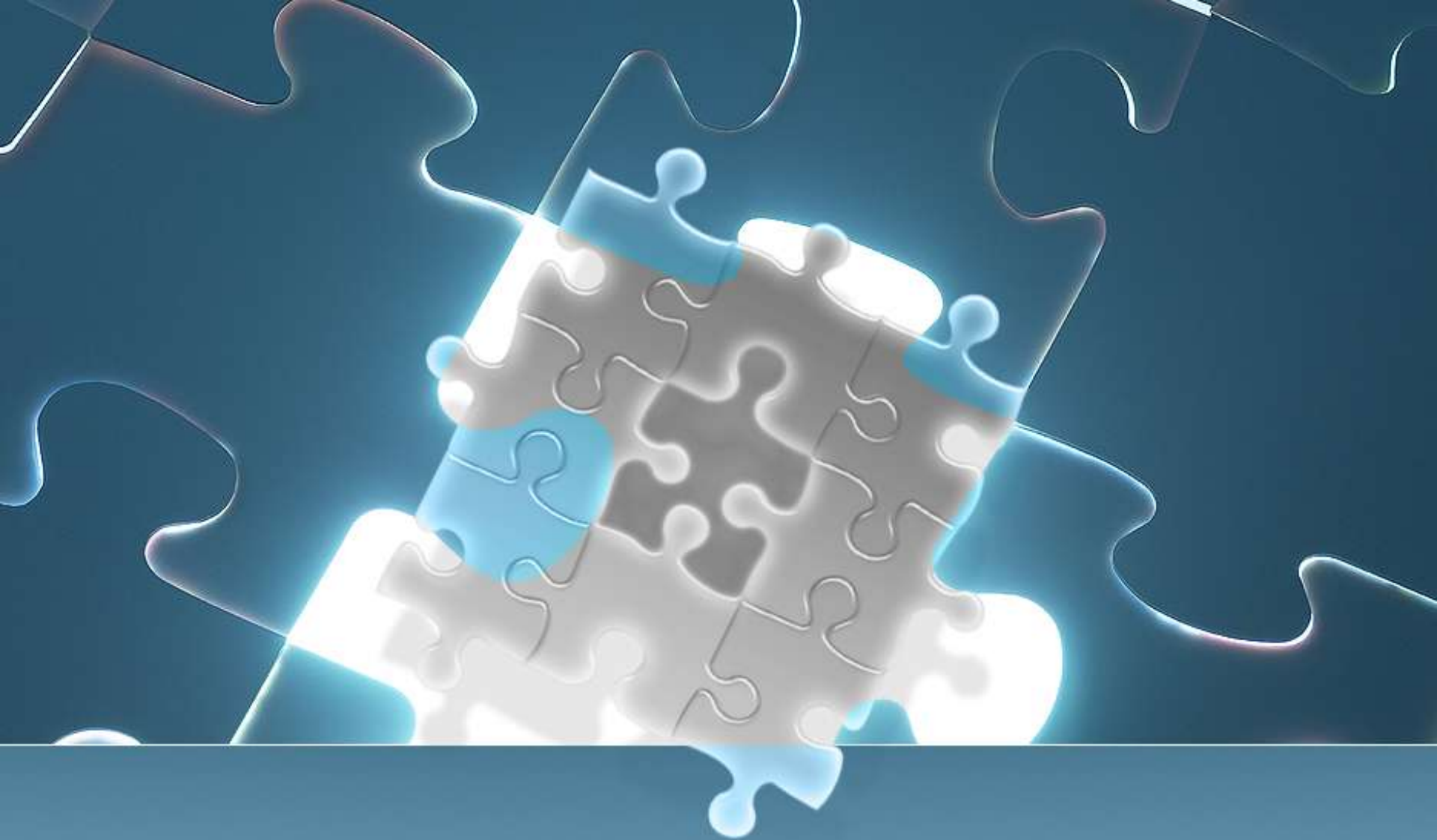
- The benefit paid is the amount equal to the covered monthly expenses actually incurred in the operation of the Insured's office or business.
- Monthly reimbursable expenses covered up to the stated maximum monthly benefit.
- If the Insured incurs less than the maximum covered expense any "Unused benefits" can be carried over to a subsequent month
 - Carryover of benefits provision
 - Extended benefit provision



Overhead Expense Policy

Taxation Issues

- Premiums for overhead expense coverage are deductible (Revenue Ruling 55-264, 1955-1 CB11)
- Policy benefits are taxable; however, the benefits are used to reimburse covered expenses, which are deductible



Buy-Out



Disability Buy Out

- If plan exists - Life insurance is often taken care of
- Disability presents more difficult problems
 - Disabled owner is dead “productively”
 - Illegal to bury him or her!
 - Still has a voice in business, but will change:
 - Not interested in investing in company
 - Wants full salary, benefits and split of profits - NOW!
 - Produces nothing!



Disability Buy-Out Policy

Purpose of the contract

- Funds the buy-out agreement
- Pays the corporation or co-owner(s) benefits upon the disability of an insured owner
- Provides funds to purchase the business interest of the disabled owner



Disability Buy-Out

Advantages for the Disabled Owner

- Assures a definite price and buyer under mutually agreed upon terms
- No need to worry about the firm's ability to meet the buy-out commitment
- Family members can place their efforts on meeting the needs of the disabled owner rather than protecting the business
- Provides extra cash to help meet the needs that a disabling condition can generate



Disability Buy-Out

Advantages to the Active Business Owner(s)

- Assures they have funding for their buy-sell agreement to buy-out the disabled owner for a predetermined price at a pre-arranged time after disability strikes
- Customers, creditors and employees are assured of business continuity
- Active owner(s) retain control of the business rather than the disabled owner's family members
- Competitors cannot buy the disabled owner's business interest in the firm and force out the active owners



Product Features

Buy-Out Benefit

In order for the Insured to receive benefits, most policies require that the Insured be totally disabled through the end of the elimination period and the following conditions are satisfied:

- the Insured has an ownership interest in the business
- the Insured is *Actively Employed* by the business and
- the policy is in force
- there is a valid buy-sell agreement in effect