



Coastal Insurance Consulting, LLC

Case Study Series – How to position Disability & Life insurance for Business Succession Planning

CASE STUDY DETAILS

- 3 business owners with equal share, revenue ~ \$6 Million, \$500K+ individual earnings
- Looking for a \$9 Million Dollar “Insurance” Valuation (\$3 million buy-out for each partner)
- **Goals - ensure each partner has equal Individual Disability Income Protection, maximize Income Protection with Group Disability, and protect the agency in the event of a partner’s death or disability**

STRATEGY

Utilize 1 Insurance Carrier (PRINCIPAL) to maximize discounts and underwriting discretion.

- **25% multi-life discount** for Business Disability Policies with 3 applicants or more
- Implement Individual Disability: \$15K/mo. of Non-Can True Own Occ coverage for one partner; the other two partners already had individual DI coverage inforce
- Implement Key Person Disability: 90 day waiting period, \$20K per month for 21 months, then \$330K lump sum (total \$750K benefit)
- Implement Disability Buy-Out: 2 year waiting period (coincide with their buy/sell agreement), then \$2 million lump sum, and \$16,670/mo. for 5 years (total \$3 million benefit)
- Implement Life Insurance Buyout: 20-year term for \$3 million total death benefit
- Implement Group Disability: \$15K/mo. of Group Disability Coverage for all partners, minimum benefit and cost for all other staff

Total Annual Premiums

- Individual Disability: \$6,625 (20% discount)
- Disability Key Person: \$8,712 (25% discount)
- Disability Buyout: \$26,616 (25% discount)
- Life Insurance: \$12,000
- **Total Premium: \$53,953**
 - Ongoing **Renewal Comp from Disability** years 2-10: **\$8,391**



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