

Business Life Insurance

TAKING CARE OF BUSINESS

Coverage Options for Your Business and Key Individuals



Everything Insurance Should Be®

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BUSINESS LIFE INSURANCE

Understanding the concept

Cincinnati Life offers a variety of plans designed to meet your needs for business life insurance. The term “business life insurance” includes a variety of concepts. Although most benefit both the business and the owners/employees, it is easiest to classify plans as those designed primarily to benefit either the business or the individual.



Designing the plan

Plans that directly benefit your business may use life insurance owned by and payable to your business to help:

- cover the loss of your key person
- pay off business loans when your key person or owner dies
- provide cost recovery to your business for the expense of other business-provided benefits such as post-retirement health care
- provide funds to redeem stock from a deceased or retiring stockholder

For all of these arrangements, the life insurance premium is usually **not** tax deductible.

Plans that benefit you or your key people usually use business dollars to provide buy-sell funding or personal life insurance needed for family income or estate planning. Cash value policies may be used to provide supplemental retirement income under arrangements such as:

- executive bonuses
- deferred compensation/salary continuation
- split dollar life insurance

All of these plans allow you to choose who participates and how much benefit you provide. Participants are generally a select group of managers or highly compensated employees who are exempt from most Employment Retirement Income Security Act of 1974 requirements. For nonowner key people, the plan design may include vesting schedules or other restrictive features that encourage key people to remain with your business. Deferred compensation and split-dollar arrangements also offer the ability to design a plan that provides premium cost recovery to your business.

**Plan now for the future of
your business.**

Gathering the facts

With all these options, where do you start? First, answer these important questions:

What is the legal form of your business?

- ☐ C Corporation
- ☐ S Corporation
- ☐ Partnership
- ☐ Limited Liability Company (LLC)
- ☐ Sole Proprietor

If the business is a C corporation (or has elected to be taxed as a C corporation), what is its marginal tax bracket?

Answers to these questions are key to creating a plan that takes into account the difference between the personal and business income tax brackets.

Finalizing the details

Talk to your independent agent about your goals and priorities. Consider these questions:

1. Who will the plan primarily benefit?
 - ☐ your business
 - ☐ an individual
2. Which is more important to your business?
 - ☐ current tax deduction
 - ☐ future cost recovery

3. If planning for a nonowner key person, how important are restrictions?
 - ☐ very important
 - ☐ somewhat important
 - ☐ not important

4. Which is more important?
 - ☐ death benefit
 - ☐ cash value

5. What is the anticipated retirement age of the individual?

6. Who should own/control the policy after retirement?

7. What is your tolerance for complexity of plan design?
 - ☐ simple plans with little or no documentation and record keeping
 - ☐ complex plans requiring legal documentation and annual accounting

8. Are there any special considerations?

Owner/Key Person Information				
Name				
Title				
Gender				
Tobacco User? Y or N (If Y, what type)				
Date of birth	/ /	/ /	/ /	/ /
Ownership share	%	%	%	%
Personal tax bracket	%	%	%	%
Total compensation	\$	\$	\$	\$
Compensation for duties that could be performed by someone other than the key person	\$	\$	\$	\$

About Cincinnati Life

The Cincinnati Life Insurance Company stands among the top U.S. life insurers with a high financial strength rating from A.M. Best Co., an independent provider of insurance ratings since 1899. Through one of its predecessor companies, Cincinnati Life has more than a century of experience serving policyholders. A wholly owned subsidiary of The Cincinnati Insurance Company, Cincinnati Life was formed in 1988 when The Life Insurance Company of Cincinnati merged with Inter-Ocean Insurance Company. Please view cinfin.com for current information about Cincinnati Life and its financial strength ratings.

For more information, please contact your local independent agent recommending coverage.



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This brochure reflects Cincinnati Life's understanding of current federal tax laws and contains information of a general nature. Because tax laws are subject to change, seek advice from your own tax adviser.

This is not a policy. For a complete statement of the coverages and exclusions, please see the policy contract. Products available in most states.

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