THE SITUATION

A private equity firm lost a CEO of one of their key portfolio companies to a disability after he suffered a stroke. While the firm had purchased key person life insurance, yet this coverage did not protect them in the event of the stroke. They incurred a significant financial loss as the CEO can no longer perform his duties.

OUR REVIEW OF THE SITUATION

We reviewed the firm's key person insurance. The policies being maintained on their portfolio companies addressed the risk of death to a key executive, however the firm had neglected to cover the risk of disability, a risk 3 to 4 times greater than that of death during the working years.

OUR RECOMMENDATION

The private equity firm decided to expand their key person requirements to include key person disability coverage. We bound $6 million of key person disability insurance designed to pay a lump sum after a period of 12 months if the CEO become incapacitated.

THE RESULT

We deepened the relationship with the private equity firm by formulating a comprehensive key person human capital program, inclusive of coverage for both death and disability. Medical exams and financial underwriting requirements were aligned to streamline the program.

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