



Chapter 25 Uses of Health Insurance

Business Continuation Plans

1. Business Overhead Expense

- a. Reimburses businesses for overhead expenses in the event of owner's disability
- b. Sold on an individual basis to professionals in private practice, self-employed biz owners
- c. Employees' salaries, rent, leased equipment, etc.
- d. Does NOT cover employer's salary
- e. Premiums are tax deductible
- f. Benefits are taxable

2. Disability Buy Outs

- a. An agreement setting forth terms for buying and selling a partner's share of the business in the event they become disabled and can no longer participate in the activities of the company
- b. Drafted by an attorney, Legal & Binding
- c. Funded with disability income insurance
- d. Lump sum Payout
- e. Two-year elimination period

3. Key Person Disability Insurance

- a. Pays to the business in the event a key person becomes disabled
- b. Lump sum or monthly installments
- c. Designed to offset extra expenses of hiring & training a replacement
- d. Benefits are **tax free**
- e. Premiums are **not** tax deductible
- f. Business is the owner of the policy