



# Business

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Key Person Insurance Questionnaire

5264-02-2004



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## Questionnaire instructions

This questionnaire is designed for use in conjunction with the Business Markets Program Key Person Calculator. Once the questionnaire is complete, enter the data into the appropriate sections of the interactive calculator.

### 1. Determine the planning period

The planning period is the number of years required to hire, train and develop a new employee to the point where s/he would be of the same value to the firm as the individual replaced.

How long would it take to make a replacement employee as valuable as the individual she/he is replacing?

\_\_\_\_\_ years

Use this number of years when entering values in the questions below.

### 2. Determine net sales

To calculate net sales, estimate your company's gross sales and the cost of goods sold.

What is the annual gross revenue (sales) of your business? (A) \$ \_\_\_\_\_

What are the costs of goods sold? (B) \$ \_\_\_\_\_

The annual net revenue is (A-B) \$ \_\_\_\_\_

How much do you anticipate these sales increasing during the planning period? Use either percentage or dollar amount, but not both.

Year 2. \_\_\_\_ % \$ \_\_\_\_\_      Year 3. \_\_\_\_ % \$ \_\_\_\_\_      Year 4. \_\_\_\_ % \$ \_\_\_\_\_

Year 5. \_\_\_\_ % \$ \_\_\_\_\_      Year 6. \_\_\_\_ % \$ \_\_\_\_\_      Year 7. \_\_\_\_ % \$ \_\_\_\_\_

Year 8. \_\_\_\_ % \$ \_\_\_\_\_      Year 9. \_\_\_\_ % \$ \_\_\_\_\_      Year 10. \_\_\_\_ % \$ \_\_\_\_\_

(Enter results under the calculator heading "Net Annual Sales")

### 3. Calculate key employee compensation

Calculate the total compensation of the key employee for the duration of the planning period. This figure must include the cost of all employer-paid employee benefits.

In the current year, what is the total compensation of the key person, including all employer paid benefits?

\$ \_\_\_\_\_

By what percentage or dollar amount will this amount increase during the planning period? (Enter either percentage or dollar amount, but not both)

Year 2. \_\_\_\_ % \$ \_\_\_\_\_      Year 3. \_\_\_\_ % \$ \_\_\_\_\_      Year 4. \_\_\_\_ % \$ \_\_\_\_\_

Year 5. \_\_\_\_ % \$ \_\_\_\_\_      Year 6. \_\_\_\_ % \$ \_\_\_\_\_      Year 7. \_\_\_\_ % \$ \_\_\_\_\_

Year 8. \_\_\_\_ % \$ \_\_\_\_\_      Year 9. \_\_\_\_ % \$ \_\_\_\_\_      Year 10. \_\_\_\_ % \$ \_\_\_\_\_

(Enter results under the calculator heading "Key Person Base Compensation")

#### 4. Determine key person's contribution

Determine the amount of the key person's anticipated contribution to the net sales revenue of the business for each year of the planning period.

What percentage of the annual sales is attributable to the key person? \_\_\_ %  
(Enter results under the calculator heading "Sales Attributable to Key Person")

#### 5. Calculate replacement costs

These include all of the direct costs for each year of the planning period that relate to locating, hiring, compensating and training the replacement.

Estimate the total compensation of the replacement employee, including all employer paid benefits. \$ \_\_\_\_\_

What one-time costs will be incurred with this person? \$ \_\_\_\_\_

By what percentage or dollar amount will this amount increase during the planning period?  
(Enter either percentage or dollar amount but not both)

Year 2. \_\_\_ % \$ \_\_\_\_\_ Year 3. \_\_\_ % \$ \_\_\_\_\_ Year 4. \_\_\_ % \$ \_\_\_\_\_

Year 5. \_\_\_ % \$ \_\_\_\_\_ Year 6. \_\_\_ % \$ \_\_\_\_\_ Year 7. \_\_\_ % \$ \_\_\_\_\_

Year 8. \_\_\_ % \$ \_\_\_\_\_ Year 9. \_\_\_ % \$ \_\_\_\_\_ Year 10. \_\_\_ % \$ \_\_\_\_\_

(Enter these amounts under the heading "Replacement Initial Compensation" and  
Additional Expenses – one time")

#### 6. Estimate replacement contribution ratio

The contribution the new employee would make to the firm expressed as a ratio of the contribution the key person made to the firm for each year of the planning period. This number is to be expressed as a percentage. Only enter the amount until the new employee's ratio equals 100%.

What do you expect the contribution of the incumbent (as a ratio of the contribution the key person made) will be in the first year of employment? \_\_\_ %

By what percentage will this ratio increase during each year of the planning period?

Year 2. \_\_\_ % Year 3. \_\_\_ % Year 4. \_\_\_ %

Year 5. \_\_\_ % Year 6. \_\_\_ % Year 7. \_\_\_ %

Year 8. \_\_\_ % Year 9. \_\_\_ % Year 10. \_\_\_ %

(Enter these amounts under the heading "Relative Value of Replacement Employee")

#### 7. Discount Rate

What is the present value discount rate you would like to apply \_\_\_ %  
(Enter this percentage under the heading "Present Value Discount Rate")