

Life



**Business solutions**

*from Midland National® Life Insurance Company*

# Key person life insurance

Protect the continuity of your business





# For the **life** of your business

## Key person life insurance

*Insure the key people who are essential to your business' success.*

Most companies have at least one person whose skills are vital to the success of the business. A key person may be an owner, partner, or employee.

Without this key person, your business would suffer serious consequences.

- loss of credit
- loss of key accounts
- diminished earnings
- unexpected replacement costs

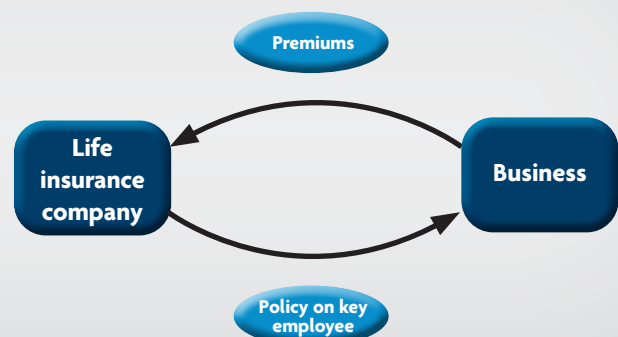
...Or even the loss of your remaining employees' confidence in the future of the company.

This strategy is designed to protect a business from financial loss at the death of a key person.

## How it works

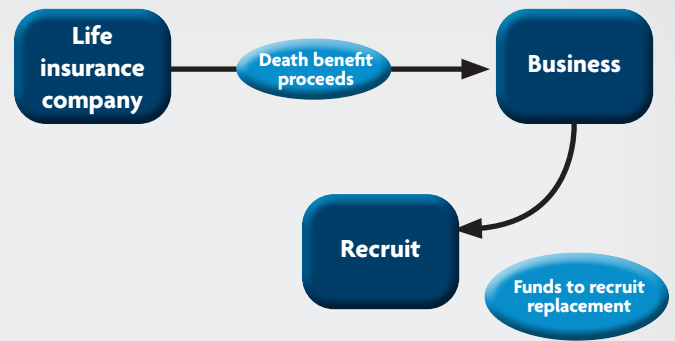
### Key employee life insurance

The employer purchases a life insurance policy on the employee and is the owner, premium payor, and beneficiary of the policy.



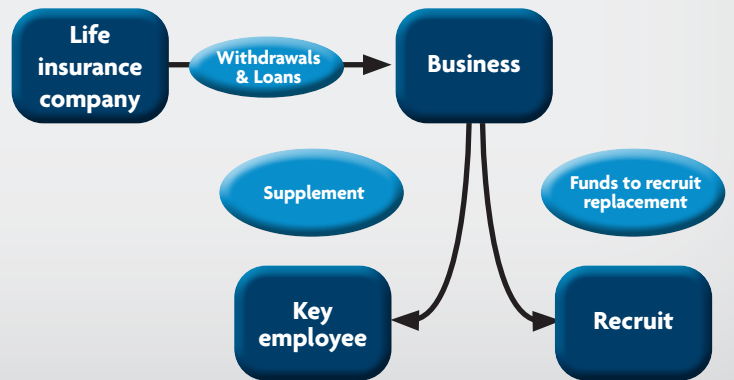
## Upon death of key employee

If death occurs, death benefits are paid to the employer and are generally received free of federal income taxes.



## Upon retirement of key employee

At the employee's retirement, the policy's cash value may be used by the employer to supplement the employee's retirement income through policy loans and withdrawals<sup>1</sup> or to help recruit a replacement. Income to the employee is taxable.



## Details

Features	Description
<b>Key employee life insurance</b>	<ul style="list-style-type: none"><li>• Provide cash to offset the loss of profits due to the death of a key employee.</li><li>• Provide funds to recruit and train a qualified replacement.</li><li>• Protect the company's credit position by reassuring banks and other creditors that the company will have the resources to honor its obligations, even if it loses a key employee.</li><li>• Provide a financial hedge against a loss in business value.</li></ul>
<b>Federal income tax</b>	Life insurance proceeds are generally received free of federal income tax. However, if the policy does not meet the notice and consent provisions under Internal Revenue Code section 101(j), proceeds in excess of the amount of premium paid will be included in the employer's income. Because the business has an interest in the tax-free death benefit, premium payments are not tax deductible.
<b>Alternative minimum tax</b>	Death benefits and cash value accumulation may be subject to the alternative minimum tax.
<b>Heirs</b>	If the employee is also a part owner in the business, proceeds can be used to buy the employee's interest from the employee's heirs or estate.
<b>Eligibility</b>	The employer can be selective about which employees to cover. Key employee life insurance may be used in most business entities.
<b>Retirement benefit</b>	Key employee life insurance may be used for providing benefits to the employee under a non-qualified deferred compensation plan. At retirement, the policy's cash value may be used to provide retirement income to the employee. <sup>1</sup>

## Protect the continuity of your business.

### Here's how to start:

1. Identify key people within your company
2. Work with your financial professional to determine the right length and amount of coverage needed
3. Review potential life insurance plans and illustrations before starting the application process

**Talk to your financial professional today!**



# Choose **Midland National** for your life insurance protection.

## Strength and stability since 1906

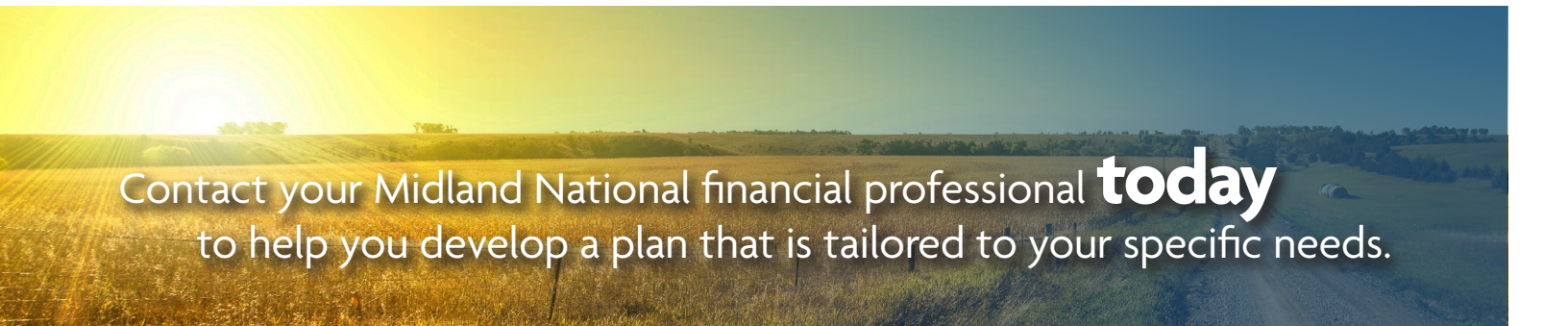
With over 115 years of business under our belt, Midland National's continued and consistent financial strength is a result of our conservative and disciplined investment strategy, our private ownership structure, and doing what is right for our policyowners.

## Privately owned and customer focused

As a privately owned company, Midland National is not subject to the short-term earnings pressures that publicly held companies often face. We are a company with plans to perpetuate itself for hundreds of years, not the next quarter or the next fiscal year. We focus on the long term. We focus on you.

## High ratings for financial strength

Independent agency ratings provide a vital picture of an insurer's ability to keep its commitments to you, the customer. As a company, we've received A+ marks from A.M. Best, Fitch Ratings, and S&P Global Ratings.<sup>2</sup> These ratings are based on financial strength, operating performance, and the ability to meet our obligations to our policyowners and contract holders. Our consistently high ratings show that with Midland National, you aren't just buying a product. You're buying a commitment to you and your family.



Contact your Midland National financial professional **today**  
to help you develop a plan that is tailored to your specific needs.

Midland National does not provide legal or tax advice. Please consult with a qualified legal or tax advisor before entering into or paying additional premiums with respect to such arrangements.

1. Tax consequences will result if withdrawals exceed premiums paid into the policy (the investment in the contract). Policy loans from life insurance policies are generally not subject to federal income tax, provided the policy is not a Modified Endowment Contract (MEC), as defined in section 7702A of the Internal Revenue Code, and provided that the policy does not terminate before the death of the insured. A withdrawal or loan from a MEC is taxable upon receipt until all gain (the excess of cash value over premiums paid) has been distributed, and the taxable amount is also subject to a 10% penalty tax (exceptions may apply in the case of individual owners). Withdrawals and policy loans will reduce death benefits and cash values. Policy loans are subject to interest charges. Death benefits and cash values may be subject to the Alternative Minimum Tax.

Income and growth on accumulated cash values is generally taxable only upon withdrawal. Adverse tax consequences may result if withdrawals exceed premiums paid into the policy. Withdrawals or surrenders made during a Surrender Charge period will be subject to surrender charges and may reduce the ultimate death benefit and cash value. Surrender charges vary by product, issue age, sex, underwriting class, and policy year.

2. A.M. Best is a large third-party independent reporting and rating company that rates an insurance company on the basis of the company's financial strength, operating performance, and ability to meet its obligations to contract holders. A+ (Superior) is the second highest rating out of 15 categories, and was affirmed for Midland National Life Insurance Company as part of Sammons Financial Group on July 30, 2021.

S&P Global Ratings awarded its "A+" (Strong) rating for insurer financial strength on February 26, 2009 and affirmed on June 2, 2021, to Midland National Life Insurance Company as part of Sammons Financial Group. The A+ (Strong) rating, which is the fifth highest out of twenty-two, reflects the financial strength of Midland National Life Insurance Company, member of Sammons Financial Group. A+ Stable Rated by Fitch Ratings. Fitch Ratings, a global leader in financial information services and credit ratings, on April 23, 2021, assigned an Insurer Financial Strength rating of A+ Stable for Midland National. This rating is the fifth highest of 19 possible rating categories. The rating reflects the organization's strong business profile, low financial leverage, very strong statutory capitalization and strong operating profitability supported by strong investment performance. For more information, read the Fitch Ratings Report at <https://www.fitchratings.com/research/insurance/fitch-affirms-ratings-of-sammons-financial-group-outlook-stable-23-04-2021>.

The term financial professional is not intended to imply engagement in an advisory business in which compensation is not related to sales. Financial professionals that are insurance licensed will be paid a commission on the sale of an insurance product.

Insurance products issued by Midland National Life Insurance Company, Administrative Office, One Sammons Plaza, Sioux Falls, SD 57193. Products, features, riders, endorsements, or issue ages may not be available in all jurisdictions. Limitations or restrictions may apply.

Sammons Financial® is the marketing name for Sammons® Financial Group, Inc.'s member companies, including Midland National® Life Insurance Company. Annuities and life insurance are issued by, and product guarantees are solely the responsibility of, Midland National Life Insurance Company.

