**Key person insurance**

**Sample resolution authorizing purchase**

This sample resolution has been prepared as a guide to assist attorneys. It outlines the basic provisions which are usually included in such resolutions. The resolution is not intended as a final draft. Modifications may be required to fit the particular situation. The attorney will necessarily be responsible for the actual resolution and its wording.

*Sample document only – clients must consult legal counsel*

**Resolution Authorizing Key Person Insurance**

I, (Name) , Secretary of (Name of Corporation) , a corporation duly organized and existing under and by virtue of the laws of the State of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, do hereby certify:

That on the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_day of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_, a meeting of the Board of Directors of said Corporation was duly called and held at (Address) , at which a quorum was present, and the following resolution was unanimously adopted by said Board of Directors, to wit:

**Whereas,** (Name) has been employed by the Corporation for \_\_\_ years and is currently employed by the Corporation in the capacity of (Title of Position) ;

**Whereas,** the loss of (Name’s) services to the Corporation by reason of his/her death or long-term disability would seriously disrupt the operation of the business, cause an immediate loss of earnings and further losses in earnings inherent in securing and training a successor, and

**Whereas,** the Corporation desires to indemnify itself against such loss:

**Therefore, be it resolved,** that the Corporation does hereby approve and ratify the purchase of a life insurance policy (with Waiver of Premium Disability Benefit\*) from the Principal Financial Group®, upon the life of (Name) with a face amount (death benefit) of $ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ with the Corporation designated as owner and beneficiary; Corporation also will fully comply with the requirements of Internal Revenue Code (IRC) Section 101(j) in order to preserve the income tax-free nature of the life insurance death benefit payable to the corporation; and

*[Alternate language for disability policies:*

**Be it further resolved,** that the Corporation does hereby approve and ratify the purchase of a key person replacement disability insurance policy from the Principal Financial Group® on (Name) , with a monthly income benefit of $\_\_\_\_\_\_\_\_\_\_\_ or a lump sum benefit of $\_\_\_\_\_\_\_\_\_\_\_\_\_ with the Corporation designated as owner and beneficiary of said policy; and]

**Be it further resolved,** that the Corporation intends to maintain the above policy(ies) in full force and effect and to pay all premiums when due; all rights and benefits accruing from said policy(ies) shall belong solely to the Corporation, and (Name) shall have no interest whatsoever in any insurance contract(s); the cash value of said life insurance policy(ies), if any, shall be carried on the books of the Corporation as an unassigned asset. The Board of Directors shall have the right to assign, encumber, sell or dispose of said policy(ies) in any manner it may please and to receive any value of the policy(ies) for the benefit of the Corporation.

**In witness whereof,** I have hereunto set my hand and the seal of the Corporation in the city of \_\_\_\_\_\_\_\_\_\_\_\_\_\_, state of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, on this \_\_\_\_\_\_ day of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_.

[Corporate Seal and other formalities (Signature of Secretary)

of execution compliance with local law.] (Name)

*\*The wording used herein should coincide with the features and riders to be added to the policy(ies).*