Why Key Person Disability and Accidental Death Coverage Matters in Mergers & Acquisitions

By Chris Lack

In the world of mergers and acquisitions (M&A), key person life insurance is often a given; most deals account for it to protect against the unexpected loss of a key executive. But what about the “what ifs”?

What if the bigger threat isn’t death but disability? What if life insurance can’t be secured due to underwriting challenges? What if the policy is delayed and the deal can’t afford to wait?

These are real risks that can disrupt a transaction and jeopardize its value. That’s why high-limit key person disability insurance and accidental death insurance are essential considerations in M&A planning. These solutions help mitigate exposure by ensuring financial protection and business continuity, even when unforeseen obstacles arise.

As the M&A landscape evolves in 2025 with shifting regulations and economic factors, insurance advisors have a critical opportunity to guide their clients in navigating these challenges proactively. By incorporating key person disability and accidental death coverage into the conversation, advisors can help safeguard deal value and provide strategic risk management solutions that go beyond the expected.

The Resurgence of M&A Activity Regulatory hurdles that previously stalled major deals are beginning to ease. High-profile transactions that faced federal roadblocks in recent years, such as the Albertsons-Kroger and JetBlue-Spirit mergers, may now have a clearer path forward. As deal flow accelerates, private equity firms and corporations alike are looking to secure their investments by protecting the key individuals who drive business success.

According to KPMG’s annual year-end survey, 76% of corporate and private equity dealmakers expect the election results to boost M&A activity, and 80% reported an increased appetite for deals. Similarly, a recent Teneo survey found that 83% of CEOs and 87% of investors anticipate a major resurgence in M&A transactions in

2025. With market optimism high, protecting human capital is more critical than ever.

The Need for High-Limit Key Person Disability Insurance

In any M&A transaction, a company's most valuable asset isn't just its intellectual property or customer base—it's the leadership team responsible for ensuring a smooth transition and ongoing success. If a key executive becomes disabled during the integration process, it can derail operations, delay strategic plans, and impact financial stability.

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Traditional key person disability insurance policies often provide insufficient coverage, with domestic benefits typically capped at $750,000. For high-stakes deals, solutions from the excess and surplus lines market—such as those available through Lloyd's of London—can provide significantly higher limits, ensuring businesses have the necessary financial protection to weather the unexpected loss of a key leader.

Here's an example: A private equity firm routinely purchased key person life insurance when acquiring new companies but had overlooked key person disability coverage. That changed when one of their CEOs suffered a debilitating stroke, rendering them unable to lead and drive the success of their investment.

This experience reshaped the firm's perspective on key person disability insurance. For an upcoming acquisition, they expanded their key person requirements to include disability coverage. A $6 million key person disability policy was structured to provide a lump-sum payout after 12 months if the CEO of the newly acquired company became incapacitated.

By introducing a comprehensive key person human capital program—encompassing both life and disability coverage—the advisor not only safeguarded the firm's investments but also strengthened their relationship with the client, reinforcing their role as a strategic risk management partner.

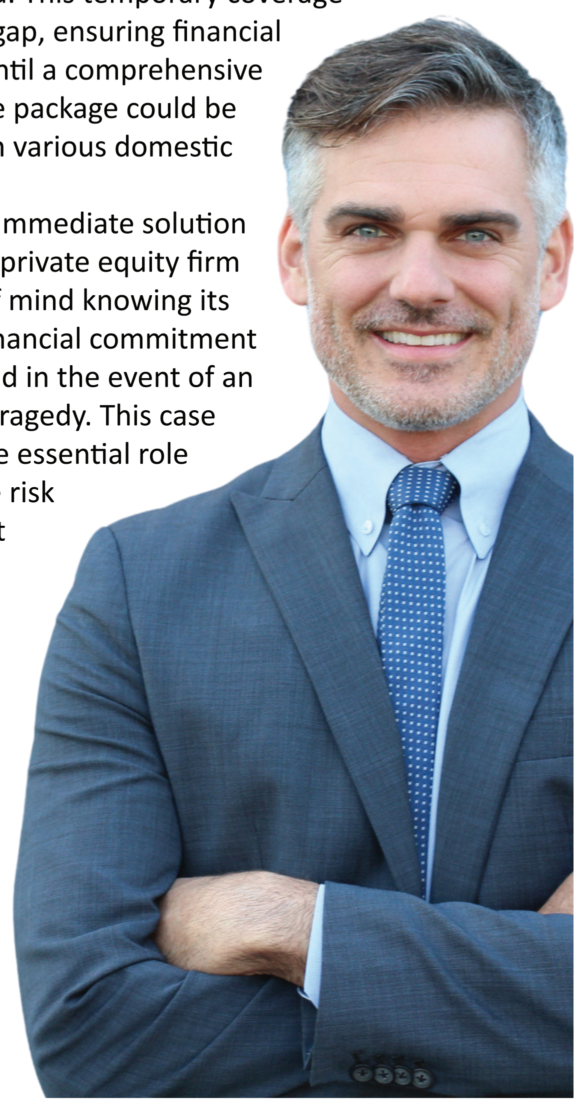
Accidental Death Insurance as a Strategic Safeguard

M&A transactions often move quickly, and insurance is frequently an afterthought, leaving limited time for comprehensive life insurance underwriting. A sudden death or catastrophic event involving a key executive can disrupt a deal and create significant financial instability. Accidental death & dismemberment (AD&D) insurance offers an immediate, short-term solution to bridge the gap.

Unlike traditional life insurance, which can take 90 to 180 days to underwrite, AD&D insurance can be implemented rapidly to protect against unforeseen events—whether it's a plane crash, a skiing accident, or even sudden illness, depending on the policy. This coverage ensures that financial relief is in place if a key executive can no longer fulfill their contractual obligations.

In another case, an advisor's private equity client had been acquired by a global investment firm. As a condition of the majority investment, the firm required life insurance for its managing partners. Given the complexity of the acquisition and the speed at which it was executed, the advisor was unable to secure fully underwritten traditional life insurance within the required timeframe.

Recognizing the urgency, a $25 million accidental death insurance policy with a 60-day term was quickly implemented. This temporary coverage bridged the gap, ensuring financial protection until a comprehensive life insurance package could be secured from various domestic carriers.



With this immediate solution in place, the private equity firm had peace of mind knowing its significant financial commitment was protected in the event of an unforeseen tragedy. This case highlights the essential role of innovative risk management solutions in safeguarding major investments and reinforcing trust in the fast-moving world of private equity acquisitions.

Protecting the Investment Beyond the Deal Closing

Buyers often focus heavily on financial and operational due diligence but overlook a critical blind spot: the vulnerability of key decision-makers. The success of an acquisition depends not only on assets and revenue projections but also on retaining and protecting leadership talent. Without proper safeguards, the full value of an acquisition may never be realized.

For insurance advisors, the message is clear: M&A clients need more than just transactional expertise—they need risk mitigation strategies that protect their most valuable assets. High-limit key person disability and accidental death insurance provide essential coverage, ensuring that deals move forward smoothly and that companies remain resilient in the face of unexpected events.

Strategies to Grow Your Practice in 2025

Insurance advisors can leverage these specialized products to expand their practice and strengthen client relationships in 2025. Here are three key strategies:

1. Leverage your centers of influence. Collaborate with attorneys, CPAs, and business brokers who facilitate high-value deals. Educate them on the importance of insuring key executives, positioning yourself as a critical risk management partner.
2. Showcase case studies and success stories. Demonstrate the impact of key person disability and AD&D insurance through real-world examples where these policies protected businesses from financial loss. Share these insights in client meetings, webinars, or marketing materials to build credibility and drive engagement.
3. Partner with industry experts. To excel in this space, a foundational understanding of available solutions is essential—but so is having a trusted specialist by your side.

As 2025 ushers in a new era of deal-making, these insurance solutions will be vital tools in safeguarding both investments and leadership continuity while providing insurance advisors with a lucrative opportunity to grow their practice.

__Exceptional Risk Advisors LLC__ was founded in 2007 and is the country's foremost expert in insuring complex human capital risks. Exceptional Risk Advisors develops, distributes, and underwrites specialized insurance products for the sports, entertainment, and corporate world. Located in Saddle Brook, NJ, the company's mission is clear: to be leaders and innovators in specialty insurance, and to foster lasting relationships with strategic partners. For more information, please visit: https://exceptionalriskadvisors.com

__Chris Lack__ heads up the Sports and Entertainment Insurance Division for Exceptional Risk Advisors, Mahwah, NJ. Chris' expertise revolves around designing cutting edge insurance solutions for high profile risks that traditional life and disability carriers are unable to deliver. He can be reached at Chris.Lack@ExceptionalRiskAdvisors.com

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