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Protecting Tech Titans

Use DI Insurance to Protect a Tech Company's Most Critical Asset - it's Visionaries and Owners of Specialized Knowledge.

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Names of people like Mark Zuckerberg, Marissa Mayer, Elon Musk, Larry Page and Sheryl Sandberg have become household brands that represent success in Silicon Valley. And while people often think of Apple as a company that was launched in the garage of a teenager's parents, or Facebook as a firm that stemmed from a college student's dorm room, today's reality is that private equity, venture capital and angel investors are deploying capital to either throw gas on the fire of a tech start-up who has a good footing, or hire the right talent to build new technology for emerging and often disruptive new markets.

But what happens if investors lose their Mark Zuckerberg? Tech companies depend on their Chief Technology Officers whom investors count upon to make it across the finish line. The loss of a key individual due to death or disability, particularly when the firm's technology relies on its human capital, is certain to result in devastating redemptions, if not in the total dismantling of a tech company. So it is not surprising that for these tech titans with specialized knowledge, the specter of disability or death always hangs ominously over them.

Many key-persons are protected by life insurance, or at the very least, by a succession plan that shifts neatly into place when they pass away. But statistics show that the risk of disability during one's working years is significantly higher than the risk of death. For example, a 45-year-old executive is three times more likely to suffer a disability lasting longer than 90 days than to die before the age of 65.

Unfortunately, less than 35 percent of corporations that secure key-person life insurance also secure the corresponding key-person insurance: disability income (DI) insurance. Using markets once reserved for elite athletes and entertainers, carriers such as Lloyd's of London have developed key-person disability products designed to protect a company's most critical asset — the tech company's visionary. These carriers can deliver disability benefits of up to $100 million for those individuals, whose vision, knowledge and experience are critical to their companies' operation and future.

We recently worked with the CEO and founder of a large cloud-based communications-services company in Silicon Valley. The company was fully-aware that its visionary leader, who, at that time, was in his late-40s and lived a healthy and active lifestyle, was the fuel that drove the business engine, and that any type of long-term disability would derail the company's plan for future growth. A decision was made to take a $50 million buy-sell coverage policy as a hedge against the CEO no longer being able to perform his duties.

For every Facebook, there are 100 mid-level corporations operating in Silicon Valley where the key tech person needs DI insurance. To avoid offering DI insurance to these individuals because they have not graced the cover of a high-profile magazine or are not the darlings of social media is to put a company and everything it has built over the years in harm's way. If you have not included tech titans in your DI prospecting database, now is the time to start.

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