Buy-Sell Plus

Disability Insurance

The missing link in your business planning: Why you need Buy-Sell Plus to protect your business in case of long-term disability.

1. The Underlying Need – The success of a small business stems in large part from the productivity of it's owners. If one of the owners becomes disabled, the business may suffer as well. The potential for conflict between the owners may increase, not to mention what might happen if the disabled person's family feels the need to step in to protect their interests. That's why having a buy-sell agreement in case of long-term disability is a great idea. It provides the disabled owner with a guaranteed market for their share of the business. It also protects the healthy owners from having shares sold to a third party.

2. Quality Definitions – Definitions are the most important part of a disability contract since they determine when and if a claim will be paid. With Buy-Sell Plus, total disability means you can't do the substantial duties of your regular occupation*. The insurance company is responsible for determining if total disability exists and when the trigger date of the buy-sell agreement is reached, removing another potential source of conflict between the owners. The trigger date will be after either 12 or 24 months of disability since you wouldn't want to sever the business relationship for shorter term disabilities.

3. Choice of Funding Methods – Once the buy-sell agreement is triggered, the disabled partner must sell their share of the business. The purchase can be made in a lump sum or spread out in installments – the latter may have taxation advantages. You can also use a "downpayment" method, which consists of an initial lump sum followed by monthly installments.

*For occupation category 2A, you must also not be working in another occupation.

4. Choice of Ownership Arrangements – You can set up the buy-sell agreement as a "crosspurchase" or "corporate redemption". With a cross-purchase, each business owner buys a policy on each of the other owners. With a corporate redemption, the business owns policies on each owner. There are certain tax considerations that should be reviewed with your lawyer or accountant before making your choice. We will reimburse the owner of the policy(ies) for the expense of buying-out the disabled owner, based on the value of the business when disability occurs or when the buy-sell trigger date is reached, whichever is better.

5. Sale of Business Benefit – In addition to the above, we will reimburse the legal and accounting fees associated with executing the buy-sell agreement, up to $5,000.

6. Death Benefit – If you are using the installment funding method and die while on claim, we will continue to reimburse buy-sell expenses for up to three months.

7. Non-Cancellable, Guaranteed Renewable Protection to Age 63 – As long as you continue to pay the required premiums, we cannot raise your rates, add restrictions, cancel your policy or reduce your benefits because of a change in occupation or health. However, Buy-Sell Plus terminates if you leave the business, subject to the transfer and conversion options described below.

8. Transfer of Insurability Option – If you buy shares in another company, you can transfer the existing buy-sell coverage (some restrictions apply).

9. Conversion Option – If you find that you no longer need buy-sell protection, you can convert to one of our excellent income protection plans (some restrictions apply).

10. Taxation of Benefits – Disability benefits are tax-free. However, the sale of the business is a taxable event so care should be taken when setting up the buy-sell agreement.

Your advisor can explain these features in further detail.

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Insurance

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