

Shareholder Protection

What is Shareholder Protection?

It is a life only or life & critical illness term assurance policy put in place for Shareholders to provide a financial lump sum in the event of an insured Shareholder's death or specified critical illness (if applicable).



Why does my business need Shareholder Protection?

In the event of one of the business owners passing away or suffering a critical illness, shareholder protection provides financial support allowing the remaining shareholders to buy these shares back into the business and retain ownership. This helps to avoid disruption and provides stability for the business and surviving shareholders.

If surviving shareholders do not have the financial resource to purchase shares back in this scenario, then they could fall outside of the business to either next of kin, who does not have the expertise needed or sold on resulting in loss of control.

Tax implications

These differ depending on how the policy is set up. We suggest you speak to a legal advisor and accountant to discuss how this relates to your individual tax circumstances.

Contact information

Should you have any queries regarding Shareholder Protection or any other Employee Benefit or Business Protection requirements then please do not hesitate to contact us at:

EBenquiries@thecleargroup.com

Why is an agreement needed?

An appropriate agreement is always needed to ensure the wishes of the shareholders are adhered to. This is a formal agreement that once executed forces the sale of the shares back to the surviving shareholders, or for the next of kin of the deceased to ensure they can sell the shares and gain the financial benefit. This can include single/cross option agreements and/or business trust arrangements.

How much cover is needed?

You will need to know the value of your shares and ensure you regularly check this figure has not changed. We would recommend speaking with your Accountant or Solicitor but one of our team can help you work out the most appropriate method for your business requirements.

Cover options

Shareholder Protection can be arranged as just a life insurance policy or a life and critical illness insurance plan. Sums assured for the combined life and critical illness cover would need to be the same as they have to be based on the value of the shares and can only be bought once.