



# BUY/SELL

HIGH LIMIT DISABILITY INSURANCE



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## Buy Sell Disability Insurance

Businesses can be structured in a variety of ways including partnerships, LLC's and corporations. For any company, the sudden disability of a partner can be more detrimental than a sudden death. The healthy partner now is burdened by the disabled partner. The disabled partner, not able to productively contribute now sits on the sidelines. In some cases, the disabled partner continues to earn a salary, but does not contribute positively to the company. The company will quickly realize that it is in their best interest for the healthy partner or partners to buy out the disabled partner.

Funding a Buy Sell agreement might be difficult for a company. Some business owners feel that they do not need to be concerned with a disability until it happens as they can take out a loan to buy-out the disabled partner. Finding a lender might be difficult for the owner, since one of the key assets to the company's success is currently disabled and others are trying to pick up the slack.

Buy Sell Disability Insurance is a perfect solution to this problem and an effective way to save the company from financial distress. Proper planning is one of the keys to a successful business.

Many insurers offer disability insurance for Buy Sell agreements, but many companies have limitations as to who the coverage can be offered to and/or the amount of coverage they are willing to insure.



# Buy Sell Agreement

Once a Buy Sell agreement has been established by the business owners, the next course of action is how to fund the agreement. Life insurance tends to be the first thought, and coverage can easily be obtained in the life insurance market. Disability insurance will often need to be brought to the attention of the owners, as it is not always an obvious issue.

A Buy Sell disability insurance policy will require that the disabled owner be permanently and totally disabled. Permanent Total Disability means that the disabled individual will not recover based upon the opinion competent medical authority. A business owner will not want to release their ownership in the company if they are only temporarily unable to work.



# Benefit Structure

## Lump Sum Benefit

Buy Sell disability policies are typically designed to mirror the requirements of the buy sell agreement. The most common of which is a Lump Sum payout after a 12 month elimination period. Although other elimination periods are available, 12 months is the industry standard as it often takes at least 12 months to determine if the insured is unable to return to work.

## Monthly Benefit

Although monthly benefits are not the traditional manner of funding a Buy Sell agreement, a monthly benefit option is available, payable from 12 months up to 120 months.

## Definition of Total Disability

Own occupation is defined as the occupation in which you are gainfully employed for the majority of the time during the 12 months prior to the time you become disabled. If you have limited your occupation to the performance of the substantial and material duties of a single specialty, underwriters will deem that specialty to be your occupation provided that your industry widely recognizes that occupation as a specialty.



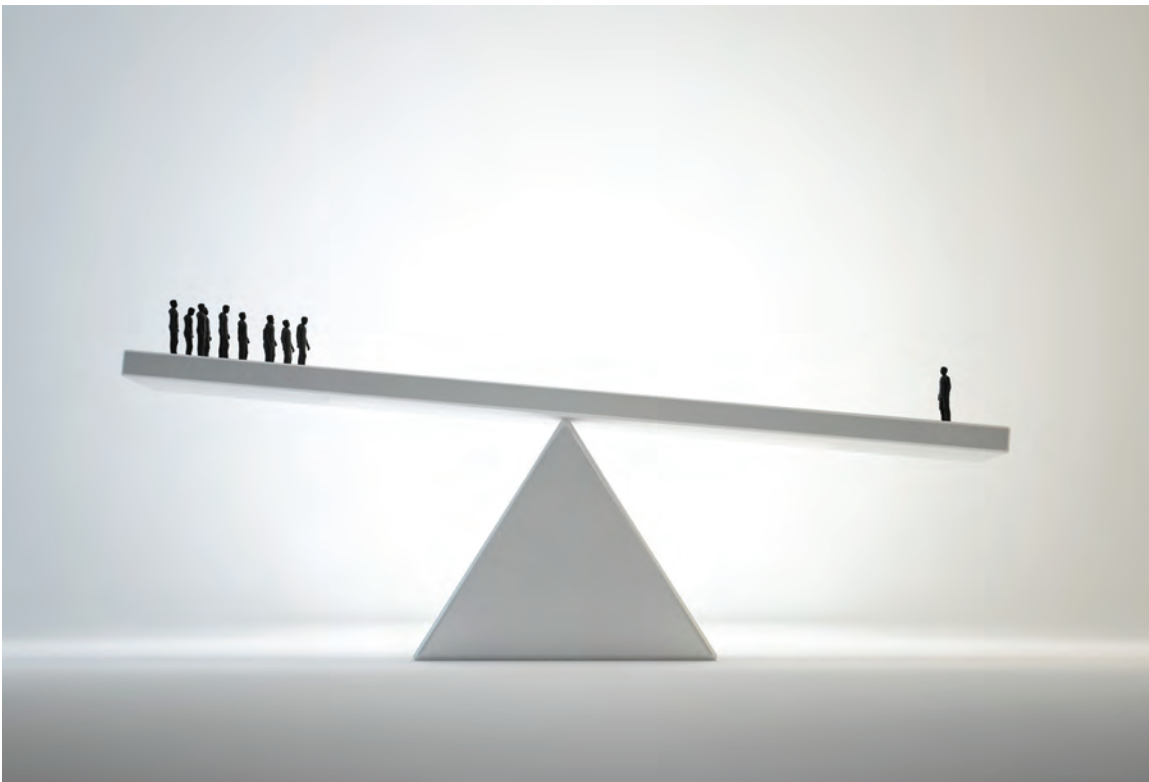
## Buy Sell Plus

Buy Sell insurance is a fairly simple concept to grasp, but the business owner's daily contributions that can easily be overlooked. How will the company be able to pick up the slack of the disabled owner? Will it require others to work overtime, a temporary replacement, a new employee? How will the company fund these additional expenses?

The Buy Sell Plus helps alleviate the stress on the company by providing a combination of both Buy Sell and Key Person coverage.

Key Person monthly benefits are offered after a 90 day elimination period for a nine month benefit period. Once an owner is disabled they will have a 90 day elimination period followed by nine months of benefits which are then followed by the Buy Sell benefits.

By combining both policies into one, a bundle discount is created; a single policy that covers both Key Person and Buy Sell at a cost lower than two independent policies. Superior insurance coverage is offered at a reduced cost.



# Disability Basics

## Term of Insurance

The term of insurance is the period of time that the policy is non-cancellable. The terms of the policy nor the premium can be altered by the insurer provided premiums are paid on time.

## Elimination Period

The elimination period is the time which must pass after the date of the injury or sickness, prior to the loss payee receiving benefits. A variety of elimination periods are available.

## Benefit Period

The disability buy sell benefit may be either a lump sum or monthly installments payable in various options up to 120 months.

## Loss Payee

All disability benefits from the policy will be paid to the designated loss payee.

## Owner

The owner or policy owner is the person or entity that has the right to request modifications to the policy.



## Policy Provisions

### New Term of Insurance

A new term of insurance may be offered at the expiry date, subject to underwriting.

### Premium Mode

Premium payments may be made on a monthly, quarterly, semi-annual, annual or single premium basis. All premium payments are available on an electronic transfer or credit card deduction. And certain premium modes may be paid by check.

### Grace Period

A grace period of 31 days applies to any premium installment payment.

### Waiver of Premium

Following the initial premium payment, if you become totally or residually disabled for more than 90 days, the policy will waive any future premium amount due, for as long you remain totally or residually disabled.





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