

Buy-Sell

Overview

Disability Buy-Sell is designed for small business owners to provide funds for the purchase of the insured's share of ownership in the business in the event that he/she is totally disabled. The policy is primarily designed for partnerships and professional corporations comprised of five or fewer principals. However, we will consider, on a case by case basis, businesses with up to 10 owners with at least a 10% interest in the business; contact your underwriter for details.

The owner may be the business, a trust, or each owner may own a policy on the other owners.

Optional Riders

Rider attachment is subject to MassMutual's rules and regulations in effect when application is made. The following rider is available at an additional cost for DI Buy Sell:

- FIO-Future Insurability Option Rider

Other Information

The existence of a formal Buy-Sell agreement is required. The policy owner must certify to the existence of a Buy-Sell agreement within one year of the policy issue, or the policy will be treated as if it were never issued and all premiums will be returned.

Cross-Purchase Agreement

This agreement is between the individual partners or shareholders. Each partner or shareholder will own a policy on each of the other partner(s) or shareholder(s). If one of the owners becomes disabled, each of the remaining owners will receive policy proceeds and then use them to purchase the disabled owner's share of the business.

For more than two owners of a business, MassMutual requires a Trust to be established (to pay premiums and act as the policyholder / beneficiary).

Entity Purchase Agreement

This agreement is made between the partners or shareholders of the business and the actual business entity. If one of the owners becomes disabled, the business entity (partnership or corporation) will receive the policy proceeds and then use them to purchase the disabled owner's share of the business.

[Advanced Underwriter: Buy Sell Plans Using Disability Income Insurance - AS1808e](#) (PDF)

Renewability

The Buy-Sell policy is conditionally renewable and has guaranteed premiums to the policy anniversary on or following the insured's 65th birthday by timely payment of premiums. Unless the policy is being reinstated after lapse, and the insured meets the conditionally renewable terms of the contract, MassMutual does not have the right to reduce or restrict any rights or benefits provided by this policy, increase premium, or extend the premium paying period.

The policy may be continued at guaranteed premium rates until the earliest of the following:

- The insured's 65th birthday
- The date the insured terminates active full-time employment for reasons other than total disability
- The date the Buy-Sell agreement is ended
- The date a benefit is paid
- The date one person owns more than 90% of the business entity

Definition of Total Disability

The Insured is totally disabled when he/she cannot perform the main duties of his/her occupation due to an injury or sickness, and is not working in any other occupation. The Insured must be under a doctor's care.

Many states have a modified definition of Total Disability.

Transferability

After the policy has been in-force for two years, coverage may be transferred to a new business as long as the following conditions are met:

- The insured ends active full-time employment with the business entity
- The insured is under age 50
- The insured is not totally disabled

The transfer must be requested within 90 days after this policy ends. The amount of coverage to be approved will be based on the value of the insured's share of the new business entity, but under no circumstances can it exceed the aggregate benefit payable under the existing contract. The policy cannot be transferred to a business we would not ordinarily issue. A new policy will be issued using attained age and current series rates.

Underwriting Requirements

In order for a Buy-Sell policy to be issued, the insured's business must meet the following Underwriting Guidelines

- Minimum number of owners is two and the maximum is five*
- Minimum percent of ownership is 20%*
- Single person or sole business owners are not eligible
- Businesses which have more than one owner, but desire Buy-Sell on only one owner, are not eligible (if other owner is a decline, special consideration will be given)
- All eligible owners of the business must apply for coverage in the same proportion as their business ownership
- Minimum number of years in the business
 - Business should be in existence for at least 3 years
 - Service professionals joining existing business, e.g., MD, Attorney – 1 year
- Closely held family businesses involving siblings or cousins are eligible for Buy-Sell
- Husband and wife, or parent and child businesses not considered

* We will consider, on a case by case basis, businesses with up to 10 owners with at least 10% interest in the business.

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