

Business Life Insurance – Beyond the Basics

Most clients understand life insurance for family protection. But what about business life insurance? **Business life insurance helps protect continuity, succession planning, and urgent expenses when the unexpected happens.**

Start with the structure

What type of business is it?

Business life insurance planning starts by identifying the business structure.



Sole proprietor

- One person owns and operates the business
- No legal separation between owner and business
- Often referred to as a non-incorporated business



Partnership

- Two or more individuals or corporations work together for profit
- Can be general or limited liability partnerships
- Ownership can be transferred or inherited



Corporation

- Separate legal entity
- Owned by shareholders, managed by directors and officers
- Liability is limited to assets invested
 - Profits may be paid as dividends or retained (kept in the company)

Corporate structures

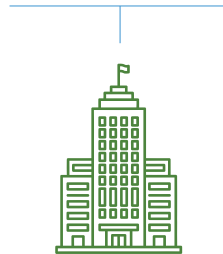
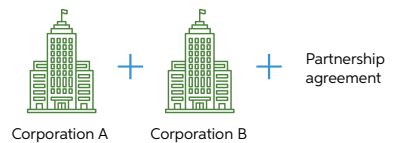
1. Operating company (OpCo)
2. Partnership
 - a. Corporation A + Corporation B + Partnership agreement
3. Holding company (HoldCo)
 - a. Holding company + Operating company
4. Multi corporation
 - a. Holding company A + Holding company B + Operating company



Operating company (OpCo)



Partnership

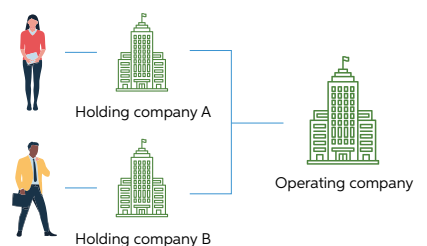


Corporation

Holding company (HoldCo)



Multi corporation



Agreements matter! Shareholder/partnership agreements often drive what needs funding



What business life insurance is solving

The need for business life insurance

- Key person insurance
 - **Stabilizes human capital** when someone critical is lost
- Corporate liabilities
 - Supports **terms & conditions of business loans**
- Business continuity
 - Helps address **revenue erosion & rising operating costs**
- Shareholder/partnership agreement
 - Supports **buy out funding obligations**

Understanding and securing the right coverage helps support continuity and stability.



Active vs passive assets

Active assets – Used to earn and generate **taxable business income** (e.g., machinery, equipment, computers, inventory).

Passive assets – Used to earn and generate **taxable investment income** (e.g., term deposits, marketable securities, real estate, life insurance).

The Income Tax Act is complex and has many rules that impact these assets. The assets play a role for the various objectives of the business owner(s).



Options for after tax profits

- Pay shareholders via **dividends**
- Retain earnings in **active assets**
- Retain earnings in **passive assets**
- Use a **combination** approach



When an active owner is lost, it's not just emotional—it's financial

- Revenue disruption + cash flow instability
- Rising expenses and operational challenges
- Lease obligations continue even during downturns
- Agreements may trigger share transfers and funding needs
- Professional fees (legal/accounting) may be required for transition planning



Identifying and quantifying risks helps clients prepare and protect continuity.

Want to learn more? Reach out to your ivari Sales Director for next steps.

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