Shareholder protection

Allowing for sufficient funds to be available in the event of the death or serious illness of a shareholder

What is it?

If a business owner dies, their share of the business usually passes to their beneficiaries, which means the control of that share does too. The other business owners may not have the money available to buy that share, so a shareholder protection policy can provide a lump sum to help them make the purchase and regain control of the business.

Why is it important?

Losing a shareholder can have a destabilising, and sometimes devastating, impact on a business, which could include:

- Losing control of a proportion, or even all, of the business
- The sale of that share to a competitor
- Working with a beneficiary whose priorities may not align with yours.

Any business that is owned by multiple partners or shareholders should consider putting in place a shareholder agreement and protection.

An example of how much it might cost

The cost of shareholder protection varies depending on various factors such as the age, health and lifestyle status of the individual shareholders, and the amount of cover and policy length required. Here is an example of what it could cost for a business worth £1,000,000 of which there are two owners, each with a 50% shareholding, therefore £500,000 of life insurance each.

Age	Years	Monthly premium
35	30 years	£23.79
45	20 years	£40.18
55	10 years	£71.63

Quotes are indicative figures only, and are subject to medical underwriting, but based on non-smoker status, level life cover only of £500,000, to age 65.

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Find out more

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