



# AIG Business Protection

## Double and single option agreement

This document can be used by Partners or Shareholders of a Business to ensure that if one of them dies or suffers a Critical Illness Event that:

- the deceased Shareholder's/Partner's Personal Representatives have the option to sell the deceased's Interest in the Business to the other Shareholders/Partners and/or;
- the remaining Shareholders/Partners have the option to buy the deceased's Interest in the Business and/or;
- the Shareholder/Partner suffering the Critical Illness Event has the option to sell their Interest in the Business to the other Shareholders/Partners.

If all parties agree not to exercise their right under their options, there is no requirement for any party to purchase or sell their Interest in the Business.

### Important Warning

**This document is provided as a specimen for consideration by Shareholders/Partners and their professional advisers. It is designed for use where all the Shareholders/Partners in the Business are parties. It does not make special allowance for family or connected interests, for the bankruptcy of parties or where a remaining party dies or becomes ill during an option period. Whilst every care has been taken in the preparation of this document, no responsibility can be accepted for the legal and/or taxation consequences of its use. The parties must consider their own personal circumstances in this respect and should take the advice of their own professional adviser as to its suitability and check the articles of association or partnership agreement before using this document.**

**This agreement is made on the**

day of		in the year of
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**Between**

<b>Shareholder/partner</b>	1.
<b>Shareholder/partner</b>	2.
<b>Shareholder/partner</b>	3.
<b>Shareholder/partner</b>	4.
<b>Shareholder/partner</b>	5.

# Definitions

The words in this form which begin with a capital letter have particular meanings which are set out in the table below.

Word	Definition
Business	Means the Company/Partnership referred to in clause 1.1 and for the purposes of this Agreement the Business shall include any successor partnership or company to which the entire business of the Business has been transferred.
Cover	Means the Term Assurance Cover and/or Critical Illness Cover which is effected by a Shareholder or Partner, pursuant to this Agreement.
Critical Illness Cover	Means any Cover which provides critical illness and/or permanent total disability cover and which is effected by a Shareholder or Partner pursuant to this Agreement.
Critical Illness Event	Means a critical illness, terminal illness or permanent total disability which gives rise to a payment of benefit under a Critical Illness Cover.
Interest in the Business	Means a Shareholder's shareholding in the Company or a Partner's interest in the Partnership, as the case may be.
Partner	Means any person owning capital in the Partnership mentioned in clause 1.1 who is a party to this Agreement.
Personal Representative	Means the personal representatives of a deceased Shareholder/Partner.
Shareholder	Means any person owning shares in the Company mentioned in clause 1.1 who is a party to this Agreement.

<b>1 The Agreement</b>
1.1 The parties to this Agreement are Shareholders/Partners in the Business known as:
Name of Company/Partnership
1.2 Each party agrees to effect Cover on their own life to support the payment of fair value for their Interest in the Business. Each party agrees to maintain their Cover and pay punctually all premiums and any other sums as they fall due and ensure that their Cover remains in force; that their Cover will be subject to a declaration of trust on terms agreed in writing with the other parties; and that they will not assign, charge or otherwise create any other encumbrance over their Cover without the prior written consent of the other parties.
1.3 At any time after entering into this Agreement - if a Shareholder ceases to be a Shareholder in the Company, or a Partner ceases to have an interest in the Partnership or a new Shareholder buys shares in the Company or a new Partner buys an interest in the Partnership - a new agreement must be entered into.
1.4 Any party to this Agreement who ceases to have an Interest in the Business shall cease to be a party to this Agreement on the date they cease to be a Partner or Shareholder of the Business or the date the Business is dissolved or resolution passed that the Business shall be liquidated.
1.5 Nothing in this Agreement shall in any way whatsoever prevent or hinder any party from disposing, charging, encumbering or otherwise dealing in any way with their Interest in the Business during their lifetime.
1.6 If this Agreement conflicts with the provisions of the Company's Articles of Association or any other agreement between the Shareholders/Partners relating to their Interests in the Business, this Agreement shall prevail.
1.7 Options under this Agreement shall be exercised by notice in writing delivered personally or sent by registered post to the last known or usual home address of the relevant party or Personal Representative as appropriate.
1.8 The price at which the Interest in the Business will be sold will be set in accordance with clause 5. An Interest in the Business shall be sold with full title guarantee and the sale and purchase of an Interest in the Business shall take place one month after the date of exercise of the option or the date on which the value of the Interest in the Business has been determined under clause 5, whichever is the later.
1.9 This Agreement shall be governed by and construed in accordance with the laws of England and Wales and the Courts of England and Wales shall have non-exclusive jurisdiction to settle any dispute or claim that arises out of or in connection with it. This Agreement shall bind Personal Representatives and no-one, other than a party to this Agreement or their Personal Representatives, shall have any right to enforce any of its terms.

**2 Option to sell in the event of death**

2.1 The parties agree that in the event of the death of any of the parties to this Agreement, their Personal Representatives shall have the option to sell that deceased party's Interest in the Business to the remaining parties. If such an option is exercised, the remaining parties shall (unless otherwise agreed) purchase it in proportion to their existing Interests in the Business.

2.2 The option specified in clause 2.1 must be exercised by the Personal Representatives at any time within six months of the date of the issue of a grant of representation to them.

**3 Option to purchase in the event of death**

3.1 The parties agree that in the event of death of any of the parties to this Agreement, each remaining party shall have the option to purchase the deceased party's Interest in the Business.

3.2 The option specified in clause 3.1 may be exercised by any or all of the remaining parties at any time within six months of the date of the issue of the grant of representation to the Personal Representatives of the deceased Shareholder/Partner.

3.3 Where the deceased party's Personal Representatives receive notice of the exercise of the option to buy from one or more of the remaining parties before the expiry of the period set out in clause 3.2, all of the remaining parties must (unless otherwise agreed) buy the deceased party's Interest in the Business in proportion to their existing Interests in the Business.

**4 Option to sell in the event of Critical Illness**

4.1 The parties agree that in the event of a party suffering a Critical Illness Event, that party shall have the option to sell their Interest in the Business to the other remaining parties. If such an option is exercised, the other remaining parties shall (unless otherwise agreed) purchase it in proportion to their existing Interests in the Business.

4.2 The option in clause 4.1 may be exercised by the party suffering the Critical Illness Event at any time within a period of 6 months from the date the illness was diagnosed or the occurrence of the event (as appropriate).

**5 Price**

5.1 The parties each agree that the price paid by the remaining parties for the Interest in the Business shall be a fair value as between a willing buyer and a willing seller and shall be determined by an independent valuer. The valuer shall be appointed by agreement between the parties within two weeks of the exercise of the option or in default of agreement on the application of any party to the President for the time being of the Institute of Chartered Accountants in England and Wales. The valuer shall act as an expert and not as an arbitrator and the decision of the valuer shall be final and binding on the parties.

5.2 If, after the death or Critical Illness Event of any Shareholder/Partner, the option under clause 2.1, 3.1 or 4.1 is exercised and, for any reason, the sum payable under the Cover(s) is:

(a) less than the agreed value of that Shareholder's/Partner's Interest in the Business the balance of the agreed value shall be paid in:

equal instalments every

and the outstanding amount from time to time shall (tick applicable)

bear interest at

not bear interest

(b) more than the agreed value of that Shareholder's/Partner's Interest in the Business the other parties shall (tick applicable)

Retain the said excess without any obligation in the case of a deceased Shareholder/Partner to the Personal Representatives or family thereof and in the case of a Shareholder/Partner suffering a Critical Illness Event that Shareholder/Partner

Pay over the said excess to the Personal Representatives of the deceased Shareholder/Partner or the Shareholder/Partner suffering a Critical Illness Event (as the case may be) as though the agreed value was equal to the sum assured

In WITNESS whereof the said Shareholders/Partners have hereunto set their hands the day and year first before written

<b>Shareholder/partner 1</b>	Signature	Full name	
<b>Independent witness</b>	Signature of Witness	Full name	
	Address		
		Postcode	Date

<b>Shareholder/partner 2</b>	Signature	Full name	
<b>Independent witness</b>	Signature of Witness	Full name	
	Address		
		Postcode	Date

<b>Shareholder/partner 3</b>	Signature	Full name	
<b>Independent witness</b>	Signature of Witness	Full name	
	Address		
		Postcode	Date

<b>Shareholder/partner 4</b>	Signature	Full name	
<b>Independent witness</b>	Signature of Witness	Full name	
	Address		
		Postcode	Date

<b>Shareholder/partner 5</b>	Signature	Full name	
<b>Independent witness</b>	Signature of Witness	Full name	
	Address		
		Postcode	Date

<b>Shareholder/partner 6</b>	Signature	Full name	
<b>Independent witness</b>	Signature of Witness	Full name	
	Address		
		Postcode	Date

The Agreement should be retained by the Shareholders/Partners and kept with the Company's Articles of Association or Partnership Agreement. It should not be returned to AIG.



[www.aiglife.co.uk](http://www.aiglife.co.uk)