I started a business. Should I insure my partner?

Name the business problem before discussing a policy.

Ask what the business would lose

If a partner died, would the first problem be lost revenue, replacing specialized work, repaying an obligation or deciding who owns the company? These are different problems. A policy can provide money, but it does not write an ownership agreement or decide how the money should be used.

Separate two common purposes

Key-person coverage is intended to help a business withstand the loss of an important person. Life insurance can also be considered as funding for a buy-sell arrangement. A buy-sell agreement addresses what happens to an ownership interest; the insurance and the agreement need to work together.

Start with the existing paperwork

Find the operating or shareholder agreement, any buy-sell provisions and relevant loan requirements. Ask how the business is valued, who has rights after a death and whether the documents still match the company. A conversation about coverage should begin with these facts.

Bring the right people in early

Business insurance decisions can involve legal and tax questions as well as an insurer's requirements. Coordinate with the business attorney, tax adviser and an appropriately licensed insurance professional before deciding ownership, beneficiaries or funding.

MY SITUATION IN ONE SENTENCE

Private notes - keep this copy

OFFICIAL / PRIMARY REFERENCES - TAP TO READ

NAIC: small business insurance
Guardian: life insurance for business owners
Guardian: key-person coverage

02 Compare with confidence

Business partners: start with the risk

Build a problem-by-problem checklist

For continuity, identify work that would stop and the time needed to replace it. For ownership, identify who would buy, who would sell and how the price would be determined. For debt, review the actual obligation rather than assuming every loan needs the same insurance arrangement.

Distinguish the roles clearly

Write down the proposed policy owner, insured person, premium payer and beneficiary. Then ask who receives the money and what legal duty requires them to use it as intended. A mismatch can undermine the purpose even when the policy itself is valid.

Plan beyond the first year

Ask what happens if a partner leaves, ownership percentages change, the business grows or a policy becomes unaffordable. Who monitors coverage and reviews the agreement? How will values be revisited? Put review dates in the business calendar.

Avoid the easy but incomplete answer

Do not assume insuring a partner automatically solves succession. Do not use a personal policy name as proof of business protection. Avoid making tax promises or choosing beneficiaries from a casual example. The legal arrangement, insurer requirements and actual business facts must align.

THE QUESTION I WANT ANSWERED FIRST

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03 Prepare for a conversation

Business partners: start with the risk

Prepare a brief, private business outline

Write down each partner's role, the concern you are trying to solve and the documents already in place. Mark unanswered questions about valuation or ownership. Keep financial statements, account details and identification documents out of public comments and the introductory contact form.

Questions for the professional team

Is our main need continuity, a buyout or both? What agreement must be updated before insurance is selected? Who should own and receive the benefit? What consent or notice requirements apply? How would the arrangement change if someone exits? Who will review the tax treatment?

Open the conversation with Derek

Try: "We want to understand whether insurance has a role in this specific business problem." Confirm his authorization in your state and experience with the type of arrangement. Ask how he would coordinate with your attorney and tax adviser.

Define the next decision

A productive first meeting may end with document review or a referral rather than a quote. Agree on what needs to be settled before a policy recommendation can be evaluated.

A clearer next step starts here.

BOOK A CONVERSATION **READ THIS ONLINE** **CALL DEREK**

Derek Patterson | (760) 504-4939
Start with your situation and state. Keep health records and detailed finances private.

General education, not a quote, eligibility decision or recommendation to buy or replace coverage. Terms and availability vary. Verify authorization, plan rules and deadlines with the appropriate professional or official program.

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