Customer Guide

Business as Usual

A guide to Corporate Co-Director Insurance

ROYAL LONDON IRELAND

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Welcome to Royal London Ireland

We've a strong heritage in Ireland and have been protecting customers here for over 190 years. Today we are owned by The Royal London Mutual Insurance Society Limited – the largest mutual life, pensions and investment company in the UK.

Our parent company's mutuality, meaning it is customer and member owned with no shareholders, allows us to adopt a mutual mindset. This means we take a longer-term view and focus on providing best customer outcomes. Whoever you are and whatever your aims, we'll look to provide you with great long-term value, first class service and support at all times.

Corporate Co-Director Insurance from Royal London Ireland

At Royal London Ireland, we know that protecting and minimising the risk to you and your business is of the highest importance to you and your fellow Directors. As prudent business people, you will most likely have already put measures in place to protect your company, such as insuring its property, equipment, stock and vehicles.

While these are all very sensible precautions, you should ask yourself one very important question. If one of the shareholders in your firm were to die, what would happen to your company?

Although this is not a question any of us like to think about, the reality is that the chances of one of the shareholders in a company dying during their working life is much higher than you may think. And the business consequences can be devastating.

How would your business cope?

In addition to the emotional distress and upset caused, the untimely death of a shareholder can have severe financial implications for the surviving shareholders. Both the company and the next of kin may be faced with a number of challenges.

Impact on the business

Inability to buy out the deceased shareholder

The ideal solution, from the other shareholders' perspectives, might be to buy back the deceased's shares.

However, the remaining shareholders may be unable to raise the required capital, particularly in challenging times when finance and loans are hard to get. Or indeed, the next of kin may refuse to sell.

A new shareholder

In the normal course of events, the deceased's shares in the company will become part of their estate. They may therefore pass to a new share owner, perhaps the deceased's spouse or one of their surviving children.

This could, depending on the circumstances and the individual, cause problems for the business, particularly if the deceased shareholder owned a large percentage of the company. For example, the new share owner may not have in-depth experience of the business, or they may wish to move the company in a new or unwelcome direction.

Alternatively, the next of kin may simply not want to take a position in the company.

Loss of control

If the deceased shareholder owned more than 50% of the company, their next of kin may automatically become the new majority shareholder.

Depending on the circumstances of the new shareholder, they may wish to take over control of the company immediately, or they may wish to sell their shareholding to an external party. In this instance, the remaining shareholders will have limited control over such decisions.

In all of these scenarios, neither the deceased's estate nor the surviving Directors are placed in a very satisfactory position.

Impact on the next of kin

As well as the untimely death of a loved one and the emotional distress involved, the next of kin may also find themselves facing some difficult decisions.

They may, for example, be in full time employment in another organisation and may have no interest in taking on the shareholder's role, preferring instead to sell their shares for an immediate capital sum.

Potential difficulties in the sale of shares

The company's Constitution may in fact give the other shareholders the right to block the sale of the shares to an outside party.

Without any way to sell the shares on the open market at their true value, the deceased's next of kin could be forced into a 'fire sale' of the shares to the other shareholders, at a lower price than that of the current market value.

Cash flow difficulties

The deceased's salary will cease on death. If the shares are not sold, the next of kin may be left holding a 'paper asset', particularly if they now own a minority holding in the company, producing little or no income.

The cash flow problem could be exacerbated if the shares inherited also give rise to an immediate Inheritance Tax liability.

The solution

There is, however, a solution available that safeguards the future of your business in the event of the death of a colleague.

Corporate Co-Director Insurance from Royal London Ireland offers you a cost effective way to:

- Put the measures in place to protect the business.
- Help enable the continued financial **stability of your business.**
- Ensure the deceased's next of kin **receive a capital sum** for the deceased's shareholding.

So, what exactly is it?

Corporate Co-Director Insurance is an arrangement between a private trading company and one or more of its shareholding Directors which enables the company to buy back a shareholder's stake in the company from their personal representatives on death, when needed.

A legally binding agreement between the company and its shareholders is drawn up, and one or more Life Cover policies **owned by the company** are put in place. This ensures that the company has the required funds available from the Life Cover policy proceeds to purchase the shares from the deceased's estate within a specified period after their death. The next of kin will receive the value of the deceased's shareholding.

The key benefits of Corporate Co-Director Insurance are:

- On the death of a Director, the surviving shareholders retain control of the company, as funds are available to ensure the deceased's shares are bought back by the company and cancelled. (This ensures certainty of ownership for the remaining Directors).
- Dependants of the deceased shareholder realise and receive the value of the shares. (This ensures funds are available for a fair and just provision for the dependants of the deceased Director).

Peace of mind provided by:

- Pre-empting the problem before it occurs.
- Obtaining agreement by all parties.
- Providing the funds when needed, to match the solution.

Finally, one of the key benefits of Corporate Co-Director Insurance versus traditional Co-Director Insurance is that the **cost is borne totally by the company and not by the shareholders personally.** This is subject to certain criteria being fulfilled. You'll find full details on pages 10–11.

So, what exactly is it? continued

Why take out Corporate Co-Director Insurance?

They may not be pleasant statistics to ponder, but the probability of at least one of the shareholders in a company dying could be much higher than you may think.

Number of shareholders in firm	Probability of at least one shareholder dying before age 65
2	18%
3	25%
4	32%
5	39%
6	44%
7	50%
8	54%

Source: CSO Table 17 on Irish Life 2015/17; all shareholders assumed to be aged exactly 40 and males.

How does Corporate Co-Director Insurance work?

Corporate Co-Director Insurance is a contract entered into between the company and each shareholding Director. The contract specifies that in the event of a Director's death, the company would acquire the option (to be exercised within a limited period, usually three months, after death) that compels the deceased shareholder's next of kin to sell their shares back to the company at a fair value. This is referred to as a **'Call Option'**.

The company arranges appropriate Life Cover on the relevant shareholder, so that if a shareholder died, funds are available to buy back their shares.

Likewise, the deceased's personal representatives would acquire an option to compel the company to purchase the shares from them at a fair value. This is called a **'Put Option'**.

In this way, Corporate Co-Director Insurance enables either the company itself (not the surviving Directors) or the deceased's next of kin to trigger the purchase/sale of the deceased's shares after death.

In the event of the death of a shareholder covered by such an **Option Agreement**, the company would use the proceeds of the policy to buy back the deceased's shares on death and cancel them, or hold them as 'treasury shares'. The surviving shareholders would therefore gain full ownership of the company.

While the cost of the Life Cover is borne totally by the company, with no personal outlay for the shareholders, Corporate Co-Director Insurance arrangements can be complex and may not be appropriate for all companies. A number of taxation issues arise and certain legal restrictions apply. More details on these are set out in the Appendix section of this brochure.

In summary, having Corporate Co-Director Insurance in place ensures:

The next of kin of a deceased shareholder are not tied to the company in the long-term and can rapidly realise their shares for a capital lump sum.

The surviving shareholders retain full control over the company as the company itself will buy back the shares of a deceased shareholder.

The cost of the Life Cover is borne totally by the company and not personally by the individual Directors.

Your Financial Broker will be happy to take you through the range of benefits associated with Corporate Co-Director Insurance from Royal London Ireland. They can assist you throughout the entire process, outlined on the following pages.

Business case example

AB Ltd. is a manufacturing company comprising three shareholding Directors, Tony, Michelle and Martin, each owning 33% of the limited company.

The Directors want to ensure that if they die:

1. The surviving Directors retain control of the company, as **funds are available** to ensure the deceased's shares are bought back by the company and held as 'Treasury Shares' or cancelled.
2. Dependants of the deceased shareholder receive the **value** of the deceased's shareholding.

The solution

The shareholding Directors, Tony, Michelle and Martin, have decided to arrange Corporate Co-Director Insurance.

They are putting Corporate Co-Director Insurance in place as it has, subject to meeting Revenue and Companies legislation criteria, **cost benefits versus 'traditional' Co-Director Insurance.**

Having considered the current estimated market value of the company (€1,200,000) and their individual share values (€400,000 approximately as they each own 33% of the company), they each enter into an Option Agreement with their limited company.

Shareholders	Share Value
Tony	€400,000
Michelle	€400,000
Martin	€400,000

AB Ltd. now takes out Corporate Co-Director Insurance on each director

Please note: examination of the company's Constitution, as well as in-depth investigation into Capital Gains Tax treatment is absolutely imperative. In some instances, a Shareholding Director may be excluded from the insurance arrangement should they not meet all seven tests outlined in Appendix 1.

In this case, the value of Tony's shareholding is €400,000. So he requires Life Cover of €400,000, which, for example, may cost €600 per annum. The same goes for Michelle and Martin.

So, in this example, the total cost of the three policies is €1,800 per annum. Premiums are paid by the company.

Proceeds payable on death are treated as a realised capital receipt in the hands of the company. Therefore, they are exempt from Capital Gains Tax (CGT) if the sole purpose of the policy is to enable the company to purchase its own shares, and the premiums are not deducted for Corporation Tax purposes.

In the event of Tony's death, AB Ltd. would acquire the right to exercise a **'Call Option'**, compelling Tony's next of kin to sell their shares back to the company.

Alternatively, Tony's next of kin can also exercise their **'Put Option',** compelling AB Ltd. to buy back their shares. Both the **'Put Option'** and **'Call Option'** are usually exercised within a limited period of time, usually three months.

Once the company buys Tony's shares, it can then choose to hold them as **Treasury Shares** or cancel them.

Tony's estate receives the €400,000 value of his share of the firm.

Business case example continued

Benefits of Corporate Co-Director Insurance

The cost is borne totally by the company and not the individual Directors.

The shareholding Directors are not subject to a benefit-in-kind charge in respect of the premiums paid by the company.

Nor do the company have to increase Tony, Michelle or Martin's salary so they can pay for their Life Cover premiums. This would also be more expensive as they would have to additionally take income tax among other charges into account.

There is therefore a **greater cost saving** for the company with Corporate Co-Director Insurance over traditional Co-Director Insurance, where the burden of premium payments falls on the Directors personally.

However, there are Revenue and Companies legislation criteria which **must be met** in order to benefit from Corporate Co-Director Insurance. If your company does not meet these criteria you should proceed with traditional Co-Director Insurance (please refer to Appendix 1 for more details).

Companies and their shareholders must consult with their relevant Legal Adviser, Taxation Consultant and/or Financial Broker to consider the potential suitability of a Corporate Co-Director Insurance arrangement, **before** entering into such an arrangement.

Setting it all up

There are a number of steps involved in setting up a Corporate Co-Director Insurance arrangement:

Step 1 – Who should be included?

All shareholding Directors should be considered for inclusion.

Step 2 – Examining the company's Constitution

The company's Constitution may need to be amended in order to remove any restrictions it may contain in relation to the company buying back its own shares.

It may also need to be changed to specifically include an object permitting the payment of premiums under a Corporate Co-Director Insurance arrangement. A Special Resolution of the members of the company is necessary in order to amend its Constitution.

Companies should consult with their relevant Taxation Consultant, Legal Adviser and/or Financial Broker when considering a Corporate Co-Director Insurance arrangement.

Step 3 – Consider Taxation implications

The potential taxation implications for the company and the shareholder's next of kin of a Corporate Co-Director Insurance arrangement are set out in Appendix 1 of this brochure. The circumstances of each shareholder to be included in the arrangement should be checked in order to verify whether all of the seven tests outlined in Appendix 1 will be likely to apply on the purchase of their shares by the company on death.

If a particular shareholder's circumstances are such that all seven tests are unlikely to be met, then strong consideration should be given to excluding that Director from this insurance arrangement, as the taxation implications of a distribution is likely to be unattractive for all parties concerned.

Indeed, it may prove more beneficial to insure all of the Directors under a traditional Co-Director Insurance arrangement, which does not directly involve the company.

It is important that all parties to be involved in the arrangement are satisfied that the Capital Gains Tax treatment will apply on the sale of the shares to the company before the insurance arrangement is set up.

Companies and their shareholders must consult with their relevant Legal Adviser, Taxation Consultant and/or Financial Broker to consider the potential suitability of a Corporate Co-Director Insurance arrangement, before entering into such an arrangement.

Step 4 – Prepare the appropriate Option Agreement

Assuming that any changes required to the company's Constitution have been made, the company in conjunction with its own Legal and Taxation advisers, should then prepare a separate **Option Agreement** in respect of each shareholder.

Royal London Ireland can provide a specimen Agreement, but this should not be used without consultation with the company's own Legal and Taxation advisers who should draft an agreement suitable to the company's own needs and circumstances.

Setting it all up continued

Step 5 – Approve the Option Agreement(s) by Special Resolution

To ensure that shareholders voting on the required special resolution make an informed decision, a copy of the Option Agreement(s) must be made available to the shareholders on request. A copy must also be available for inspection by shareholders at the registered office of the company for the notice period of the meeting.

The resolution will be ineffective if the shareholder who is a party to the relevant Option Agreement votes in favour of the resolution at the Extraordinary General Meeting (EGM) and without his or her votes, the special resolution would not have been passed.

Step 6 – Set up the required company-owned life assurance policies

At this final stage, Applications for the relevant policies are submitted to Royal London Ireland, in order to initiate the process of putting the required cover in place.

In most cases, the Application will contain all the information we need.

However, in some cases the individual to be insured may also be required to attend a medical examination.

Also in certain circumstances, the company may be asked to complete a financial questionnaire in order to assist Royal London Ireland in their examination of the amount of cover proposed.

In summary

Corporate Co-Director Insurance from Royal London Ireland enables the shareholders of a private company to put in place a structure to allow the shares of a deceased shareholder to be bought by the company shortly after death, thereby allowing the surviving shareholders to retain control of the company.

Of course, the upset and anguish caused by the death of a colleague can never be compensated for.

However, by taking out Corporate Co-Director Insurance with Royal London Ireland, you can have the funds available to help limit the financial damage and disruption caused by the untimely death of a Director in your firm.

The ultimate aim of Corporate Co-Director Insurance is to put the structures, processes and monetary agreements in place now to pre-empt the problems caused by a Director's death.

Most importantly, it allows you to place a financial worth on each Director's share of the company. This can help ensure you have the funds available to protect your business and the deceased's estate financially, in the face of the death of one of the firm's Directors.

Your Financial Broker will be happy to take you through the range of benefits associated with Corporate Co-Director Insurance from Royal London Ireland. They can help you put a solution in place to meet the individual needs of your company.

Added protection

Specified Serious Illness Cover from Royal London Ireland provides additional security to you and your business.

What is Specified Serious Illness Cover?

Specified Serious Illness Cover from Royal London Ireland provides additional security to you and your Business. It pays a guaranteed lump sum if the insured person on a Corporate Co-Director Insurance policy is diagnosed as suffering one of the covered specified serious illnesses during the term of the policy.

How would your business cope?

As well as protecting your business from the adverse financial affects of the death of a Director, it may also be wise to consider what would happen if they suffer a serious illness or disability, preventing them from continuing as an active participant in the company.

As with the death of a Director in your company, their unexpected serious illness can also undermine the financial stability of your business.

The solution

Having a **Specified Serious Illness Cover** policy in place, as well as Life Cover, to provide the necessary funds to buy back shares following the serious illness of a Director.

The **Option Agreement** could provide for the buy back of a Director's shareholding in such circumstances, in addition to a buy back on death.

Such an agreement would ensure that an ill Director could not be forced to sell their shares against their will. This would have to be drafted by your legal advisers. You should also seek taxation advice on any potential Capital Gains Tax implications.

Why take out Specified Serious Illness Cover?

You may think that the chances are unlikely, but the probability of suffering a serious illness may be much higher than you think.

Did you know?

- **In Ireland 1 in 4 men will get cancer by age 75.***
- **In Ireland 1 in 4 women will get cancer by age 75.***
- **Five-year average net survival of Irish cancer patients for the diagnosis period 2014–2018 is 65%.****
- **Approximately 7,500 people suffer a stroke in Ireland annually.*****

Sources:
*Cancer in Ireland 1994-2022: Annual statistical report of the National Cancer Registry (2024)
**Cancer in Ireland 1994-2021: Annual Report of the National Cancer Registry (2023)
***Irish Heart Foundation 2025.

But with adequate Specified Serious Illness Cover and Life Cover in place, you will have a lump sum available to help deal with any adverse financial consequences caused by the death or serious illness of a Director in your company.

Your Financial Broker can offer you professional advice to meet the specific needs and offer the best solutions for your firm.

Please note:
Not all incidences of illnesses such as cancer or a stroke will be covered under Royal London Ireland's Specified Serious Illness Cover policy. We will only pay a claim based on our Specified Serious Illness Cover definitions. The Policy Conditions provide a detailed description and explanation of the specified serious illnesses we cover, the exact conditions which must be met for a claim to be paid and the terms and conditions that apply. The Policy Conditions booklet is available on request from your Financial Broker.

Appendices

Appendix 1 – Taxation treatment of Corporate Co-Director Insurance

As part of a Corporate Co-Director Insurance arrangement, the company will be required to effect and maintain a policy on the life of each shareholding Director who is to be a party to an Option Agreement with the company.

The following is intended as a guideline only in respect of the taxation treatment of Corporate Co-Director Insurance policies. **Royal London Ireland recommends that before effecting this type of insurance, companies should seek independent legal and taxation advice on the suitability and taxation treatment of a Corporate Co-Director Insurance arrangement.**

Taxation of premiums

Under current Revenue practice, the premiums on such policies are not allowable deductions for Corporation Tax purposes.

Policy proceeds

- The proceeds payable on death would be treated as a realised capital receipt in the hands of the company, and exempt from Capital Gains Tax provided the sole purpose of the policy is to provide funds to enable the company to purchase its own shares.
- If the buy back of the shares is deemed to be a distribution (see the following paragraph) then the company would be required to deduct Dividend Withholding Tax at the standard rate on the payment.

The Director and next of kin distribution

Where a company redeems its shares, any amount paid by the company in excess of the original issue price may be treated as a distribution for tax purposes. There are two implications if this treatment were to apply to the purchase by the company of its own shares:

- The company would have to deduct Dividend Withholding Tax at standard rate on the amount paid for the shares; and
- The vendor of the shares would be liable to income tax at marginal rate under Schedule F on the amount of the net distribution received plus Withholding Tax, but with a credit allowed for the Withholding Tax deducted at source.

Not a distribution

However, the purchase by a company of its own shares might not be treated as a distribution if all of the following seven conditions apply. In this case, the sale of the shares by the vendor to the company would be treated as a disposal (and not a distribution) for Capital Gains Tax purpose:

1. The company must be an unquoted trading company or the unquoted holding company of a trading group.
2. The purchase of the shares is made wholly or mainly for the purpose of benefiting a trade carried on by the company or by any of its 51% subsidiaries.
3. The purchase of the shares must not form part of any scheme or arrangement, the main purpose or one of the main purposes of which is to enable the owner of the shares to participate in the profits of the company or by any of its 51% subsidiaries, without receiving a dividend. Where shares are being bought back after the death of a shareholder, it is clear that the intention of such a buy back is not to avoid taking dividends, but rather to facilitate the disposal of the shares by the next of kin.
4. The vendor must be resident and ordinarily resident in the State for the year in which the company purchases the shares. The residence and ordinary residence of the deceased's personal representatives are taken as those of the deceased shareholder immediately before his or her death.
5. The shares must have been owned by the vendor for at least 5 years before the shares are purchased, or 3 years where the shares are being purchased after the shareholder's death. The period during which the deceased's personal representatives own the shares also counts towards the 3-year ownership requirement.
6. The vendor and his associates i.e. spouse, if living together, and children under age 18, must reduce their shareholding after the purchase by the company, by at least 25%. Where all of a vendor's shares are being bought back by a company, and his associates have no other shareholding in the company, then this requirement will clearly be met.

Appendices
continued

7. The vendor and his associates combined must not be connected with the company after shares are sold to the company.

   This means that after the buy back, the vendor and his associates combined must not own or control more than 30% of the equity of the company. Where the deceased's full shareholding is bought back by a company, and his associates have no other shareholding in the company, then this requirement will clearly be met.

Capital Gains Tax

Where all of the seven tests outlined above apply, then the sale of the shares to the company may be treated as a disposal for Capital Gains Tax purposes, and not as a distribution.

For Capital Gains Tax purposes, shares on death are deemed to be acquired by the next of kin, at their market value at the date of death. There is then no Capital Gains Tax liability on death.

If the next of kin sell their shares shortly afterwards to the company, a liability to Capital Gains Tax on the shares would only arise in respect of any increase in the value of the shares from the date of death to the date of disposal.

Loss of Business Relief

Please also note that the disposal of the shares by the next of kin shortly after death may result in the loss of any Business Relief applicable to those shares for Capital Acquisition Tax (CAT) purposes. Where the spouse of the deceased would have inherited the shares sold, then no Inheritance Tax would have applied anyway, and so any loss of Business Relief in this case would be immaterial.

Where, however, the shares sold back would have been inherited by some other beneficiary, e.g. a child of the deceased, the potential loss of Business Relief for CAT purposes may be significant and hence should be borne in mind before entering into a Corporate Co-Director Insurance arrangement.

Returns

A company which makes a payment which it treats as not being a distribution by virtue of satisfying the relevant conditions in Chapter 9, Part 6 of the Taxes Consolidation Act, 1997, must make a return on Form AOS1 of this payment. The return is required at the same time as the Form CT1 for the accounting period in which the payment is being made.

Appendix 2 – Legal restrictions on Corporate Co-Director Insurance

The main area that may restrict the setting up of Corporate Co-Director Insurance and hence should be considered carefully before entering into such an arrangement, is the legal power of a company to purchase its own shares.

The power of a company to buy back its own shares

Chapter 6, Part 3 of the Companies Act 2014, allows a private company to buy back its own shares in certain circumstances, and subject to certain conditions:

- A company can only purchase its own shares if its Constitution allows it.
- A company can only buy back its own shares under an Option Agreement entered into in advance of the purchase, which must be approved by a Special Resolution.
- A copy of the contract must be available for inspection by members both at the registered office of the company for the notice period of the meeting at which the resolution will be passed, and at the meeting itself.
- A company cannot buy back all its own shares.
- Only fully paid up shares can be purchased by the company.
- A company purchasing its own shares must pay in full for the shares at the time of purchase.
- A company can only buy back its own shares out of profits available for distribution, as defined in Section 117 of the Companies Act 2014, or where a company proposes to cancel the shares on acquisition, out of the proceeds of a fresh issue of shares made for the purpose of the acquisition.
- Copies of the contracts of purchase of the shares must be kept at the company's registered office for a period of 10 years after the share buyback.
- The company must make a return to the Companies Registration Office of details of the number and class of shares purchased, their nominal value and the date on which they were delivered back to the company, within 30 days of the delivery to the company of the shares purchased.

Royal London Ireland recommends that you seek advice from your Legal Adviser, Taxation Consultant and/or Financial Broker before putting any measures in place and write to your tax office seeking clarification on the relevant tax treatments.

Want to know more?

If you have a question about Corporate Co-Director Insurance then you can contact your Financial Broker. They can provide you with any additional information you need. See details below.

Financial Broker Stamp:

For information about Royal London Ireland visit our website:

Website
www.royallondon.ie

For information about our Privacy Policy, please read our Privacy Notice available at **www.royallondon.ie/privacy-policy**

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Feedback on the content and clarity of this booklet is very welcome.
Please email feedback@royallondon.ie

The information contained in this brochure is based on Royal London Ireland's understanding of current law and Revenue practice as at November 2025 which may change in the future.

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