KEY PERSON INSURANCE	ONE WAY BUY-SELL AGREEMENT	CROSS PURCHASE BUY-SELL AGREEMENT
• **WHAT:** Key person insurance is a type of life insurance policy that a business buys on the life of its owner or the person capable of running the business. • **PURPOSE:** Should there be a sudden loss of the business owner due to death or incapacity, this type of insurance provides an insurance payout to avoid business disruptions due to capital. • **HOW:** The business takes out an insurance policy on the key person (usually the business owner) and pays the premiums. Should the business owner pass away or become incapacitated, the business becomes the beneficiary of the policy. These funds can then be used to continue day-to-day operations until a new owner or a person capable of running the business can be found.	• **WHAT:** Also known as an entity-purchase agreement, this is a type of life insurance policy that a business takes out on each of its owners in the amount equal to each owner's interest. • **PURPOSE:** Should there be a sudden loss of one of the business owners due to death, this type of insurance policy allows the business to pay off that owner's share to his/her estate and continue business operations. • **HOW**: The business takes out an insurance policy on each of its owners equal to his or her share in the business. Upon death, the business receives the insurance payout and pays out the deceased owner's estate for its share of the business. This allows the business to continue operations without any disruptions.	• **WHAT:** Also known as a "business pre-nup." When partners go into business together they form a legally binding agreement that stipulates how each owner's share of the business will be assigned upon death or upon leaving the business. • **PURPOSE:** This allows for control of ownership in the business, should one of the owners die or become incapacitated. The agreement can restrict the owner from selling to an outside party by preventing the deceased owner's estate from transferring his or her interest to an outsider, depending on the terms of the agreement. • **HOW:** "Cross-purchase agreements" allow the remaining owners to buy the interests of the deceased owner through a life insurance policy. "Redemption agreements" require the business to buy the interest of the selling owner (not a death event). These type of agreements are tailored to the specific business situation.