

# PLDO and Starkweather & Shepley Issue White Paper on the Impact Connelly v. United States Could Have on Businesses

*Lessons Learned in Business Succession Planning as Connelly v. United States Unfolds offers key insights/recommendations - from a legal & insurance perspective.*



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[Pannone Lopes Devereaux & O'Gara LLC](#) (PLDO) and [Starkweather & Shepley Insurance Brokerage, Inc.](#) (S&S) today issued a co-authored White Paper on how an impending U.S. Supreme Court decision in *Connelly v. United States* (“Connelly”) could impact small- to medium-sized businesses that include a component of life insurance in their buy-sell agreements and operating agreements.

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We urge business owners to review their succession plans and agreements with their insurance, legal and estate advisors, especially if there are changes in ownership or revaluations of the business.”

*PLDO Attorney Leah A. Foertsch*

The key question to be addressed during oral arguments on March 27, 2024, is whether proceeds of a key person insurance policy should count toward a company’s valuation for federal estate tax purposes. Depending on the justices’ decision in *Connelly*, the business and owner’s estate could be exposed to significant tax liability. This landmark case could also trigger the IRS to argue that life insurance proceeds are indeed assets of a company, even if the intention of those proceeds were to be a funding vehicle for the business’s succession plan.

Lessons Learned in Business Succession Planning as *Connelly v. United States Unfolds* offers key insights and recommendations — from both a legal and insurance perspective — about key personal insurance policies and shareholders agreements, both in the corporate context, as well as within the estate plan of each key shareholder or member. To access the White Paper, [click here](#).

“We urge business owners to review their succession plans and agreements with their insurance,

legal and estate advisors, especially if there are changes in ownership or significant revaluations of the underlying business interest,” said PLDO Attorney Leah A. Foertsch. “Importantly, they need to abide by the stated terms and conditions in order to avoid unintended tax consequences.”

“A key person life insurance policy is a combination of life insurance and business insurance. If designed properly, it will provide immediate funds that will help a business recover from any financial loss caused by the death of an owner, partner, or essential employee. When this triggering event occurs, it might be impossible to conduct business as usual. Therefore, it is important that policies are reviewed on a regular basis to ensure that the coverage is still appropriate and that it aligns with the current needs and structure of the overall succession plan”, comments VP, Life/Asset Protection Specialist, Kimberly Muldoon.

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#### ABOUT PANNONE LOPES DEVEREAUX & O’GARA LLC

Pannone Lopes Devereaux & O’Gara (“PLDO”) attorneys are highly skilled with a proven track record of achievement representing clients with respect to complex matters in a wide range of disciplines and industries. The founders of PLDO were formerly partners in an international law firm and are trained in multiple disciplines. The primary areas of practice for the firm include banking and creditor’s rights, corporate and business law, employment law, civil litigation, special masterships, health care law, municipal law, nonprofit law, data protection and cyber law, criminal defense-white collar, estate planning, probate administration and trust litigation, and real estate and commercial lending. The core values of respect, integrity, quality service and responsiveness are stressed each day at PLDO and the firm is committed to supporting the community in a meaningful way. The firm has offices in Rhode Island, Massachusetts and Florida. For more information, visit [www.pldolaw.com](http://www.pldolaw.com)

#### ABOUT STARKWEATHER & SHEPLEY INSURANCE BROKERAGE, INC.

Established in 1879, Starkweather & Shepley is presently the largest independent agency in Rhode Island and the 61st largest Insurance brokerage firm in the U.S., along with being a top 10 Best Places to Work in Insurance, large-sized company, by Business Insurance. Starkweather & Shepley, held in Trust since 1935, ensures the firm will remain privately held in perpetuity, providing certainty to clients and associates alike. The firm provides commercial and personal insurance, health and employee benefits, surety bonding and risk management services. These services are provided nationally and internationally, through its partnership with Assurex Global. Headquartered in East Providence, RI, Starkweather has additional branch offices in Providence, Newport, Middletown, & Westerly, RI, Bristol, and Shelton, CT, Westwood, Sturbridge and

Martha's Vineyard, MA: Palm Beach Gardens and Naples, FL.

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