

TABLE OF CONTENTS

List of diagrams and tables	xviii
List of abbreviations	xix

CHAPTER 1

FINANCIAL PROTECTION PROVIDED BY ACCIDENT AND SICKNESS INSURANCE

1.1 For individuals and their families	2
1.1.1 Financial goals of individuals and their families	2
1.1.1.1 Wealth accumulation	3
1.1.1.2 Retirement income	3
1.1.1.3 Family needs	4
1.1.2 Financial risks that threaten individuals and their families	4
1.1.2.1 Unexpected expenses	4
1.1.2.2 Loss of income	5
1.1.2.3 Loss of savings	5
1.1.2.4 Lower standard of living	5
1.1.2.5 Inflation	5
1.1.2.6 Longevity	6
1.1.2.7 Debt	6
1.1.3 Personal risks that threaten individuals and their families	7
1.1.3.1 Likelihood of disability	7
1.1.3.2 Loss of independence and costs of long-term care	7
1.1.4 Needs met by accident and sickness insurance for individuals	8
1.1.4.1 Protection for income	8
1.1.4.2 Protection for savings	8
1.1.4.3 Protection for assets	9
1.2 For business owners	10
1.2.1 Goals	10
1.2.1.1 Business profitability	11
1.2.1.2 Business succession	11
1.2.1.3 Sale at fair market value	11

1.2.2	Business risk	12
1.2.3	Risk management	12
1.2.3.1	Self-funding.....	12
1.2.3.2	Insurance	13
1.2.4	Needs met by accident and sickness insurance for businesses.....	13

CHAPTER 2

INSURANCE TO PROTECT INCOME

2.1	Sources of income protection	16
2.1.1	Individual disability insurance.....	16
2.1.2	Group disability insurance	17
2.1.3	Creditor disability insurance (and other providers)	17
2.1.3.1	Mortgage disability insurance compared to individual disability insurance (traditional)	17
2.2	Individual disability insurance.....	18
2.2.1	Types of individual policies.....	18
2.2.1.1	Non-cancelable policy.....	19
2.2.1.2	Guaranteed renewable policy	19
2.2.1.3	Cancelable policy.....	19
2.2.1.4	Guaranteed issue policy	20
2.2.1.5	Non-traditional disability insurance plans.....	21
2.2.2	Policy benefits	21
2.2.2.1	Amount of benefit.....	22
2.2.2.2	Waiting period.....	23
2.2.2.3	Benefit period.....	24
2.2.2.4	Exclusions and limitations.....	24
2.2.2.5	Denial of benefits	25
2.2.2.6	Rehabilitation benefit	26
2.2.2.7	Benefits for recurring disability	27
2.2.2.8	Benefits for presumptive disability	29
2.2.2.9	Survivor benefit.....	29
2.2.3	Policy premium factors	30
2.2.3.1	Impact of gender and age	30

2.2.3.2	Health issues	31
2.2.3.3	Definitions of disability	32
2.2.3.4	Occupational clause	34
2.2.3.5	Waiver of premium.....	35
2.2.4	Riders to address needs	36
2.2.4.1	Concept of customization.....	36
2.2.4.2	Differences between “equivalent” riders.....	36
2.2.4.3	Future purchase option (FPO)	36
2.2.4.4	Cost of living adjustment (COLA).....	38
2.2.4.5	Accidental death and dismemberment (AD&D)	39
2.2.4.6	Partial and residual disability benefits	39
2.2.4.7	Return of premium (ROP)	41
2.2.4.8	Ratings and exclusion riders.....	41
2.2.4.9	Hospitalization benefit.....	42
2.2.5	Taxation of individual disability insurance (DI) benefits.....	43
2.2.5.1	Tax treatment of premiums and benefits.....	43
2.2.5.2	Taxation differences between personally owned and corporately owned disability insurance (DI) policies	43
2.2.6	Conversion of policy	44
2.3	Group disability insurance.....	44
2.3.1	Providers of group disability insurance.....	44
2.3.1.1	Employer.....	45
2.3.1.2	Association	45
2.3.2	Types of group disability insurance (DI) policies	46
2.3.2.1	Short-term disability (STD).....	46
2.3.2.2	Long-term disability (LTD).....	47
2.3.2.3	Leave of absence	47
2.3.3	Plan enrolment and membership	48
2.3.3.1	Qualification period	48
2.3.3.2	Premium payment.....	48
2.3.3.3	Terminating membership	49
2.3.4	Amount of benefit	49
2.3.4.1	Non-evidence maximum coverage	50
2.3.4.2	Maximum overall coverage	50
2.3.4.3	Group offset amendment	51

2.3.4.4 Denial of benefits	52
2.3.5 Taxation of group disability insurance benefits.....	52
2.3.6 Integrating a group policy with an individual policy.....	53
2.4 Creditor disability insurance (and other providers).....	55
2.4.1 Amount of benefit	55
2.4.2 Taxation of creditor disability insurance benefits.....	55
2.5 How they compare	56

CHAPTER 3

INSURANCE TO PROTECT ASSETS

3.1 Critical illness insurance (CI).....	58
3.1.1 Coverage provided.....	59
3.1.1.1 Minimum/Maximum issue ages.....	59
3.1.1.2 Minimum/Maximum face amount	60
3.1.1.3 Qualification period	60
3.1.1.4 Survival (waiting) period.....	60
3.1.1.5 Duration of coverage.....	61
3.1.2 Types of policies	61
3.1.3 Conditions covered	62
3.1.3.1 “Big 4” – heart attack, stroke, cancer, and coronary bypass surgery.....	62
3.1.3.2 Expanded coverage.....	62
3.1.4 Riders available.....	64
3.1.4.1 Return of premium	64
3.1.4.2 Waiver of premium.....	64
3.1.5 Payment of benefits	65
3.1.5.1 Tax treatment of critical illness premiums, benefits and return of premium benefit	66
3.2 Long-term care.....	66
3.2.1 Canadian demographics	67
3.2.2 Long-term care options	68
3.2.2.1 Home care	68
3.2.2.2 Respite care.....	69

3.2.2.3	Assisted living	69
3.2.2.4	Nursing home (facility) care	69
3.2.3	Providers of long-term care	70
3.2.3.1	Publicly funded facilities	70
3.2.3.2	Publicly funded home care	70
3.2.4	Cost of long-term care	70
3.3	Individual long-term care insurance (LTC)	72
3.3.1	Purpose/Who needs it	72
3.3.2	Advantages	72
3.3.3	Coverage provided	73
3.3.3.1	Activities of daily living (ADLs)	74
3.3.4	Long-term care riders available	75
3.3.4.1	Cost of living adjustment (COLA)	75
3.3.4.2	Return of premium	75
3.3.5	Policy benefits	76
3.3.5.1	Tax treatment of long-term care benefits	77
3.3.6	Premiums	77
3.3.6.1	Tax treatment of long-term care premiums	77
3.4	Coordinating long-term care insurance (LTC) with other types of accident and sickness insurance	78
3.4.1	Long-term care insurance (LTC) and disability insurance	78
3.4.2	Long-term care insurance (LTC) and critical illness insurance (CI)	78
3.5	Limitations of critical illness insurance (CI) and long-term care insurance (LTC)	79

CHAPTER 4

INSURANCE TO PROTECT SAVINGS

4.1	Types of extended health coverage to protect savings	82
4.1.1	Individual extended health insurance	82
4.1.2	Group extended health insurance	83
4.2	Types of individual extended health coverage	83
4.2.1	Medical care	83
4.2.1.1	Coverage provided	84
4.2.1.2	Deductibles and co-insurance	84

4.2.2	Dental care	85
4.2.2.1	Coverage provided	85
4.2.2.2	Deductibles and co-insurance	86
4.2.3	Travel insurance	86
4.2.3.1	Coverage provided by an insurer	87
4.2.3.2	Coverage provided through a credit card	88
4.2.3.3	Pre-existing conditions	88
4.2.3.4	Benefits	89
4.2.3.5	Factors affecting premiums	90
4.2.4	Taxation of individual extended health insurance premiums and benefits	91
4.3	Group extended health coverage	91
4.3.1	Types of coverage	91
4.3.1.1	Prescription drugs	91
4.3.1.2	Enhanced medical and hospital care	92
4.3.1.3	Dental care	93
4.3.1.4	Vision care	93
4.3.1.5	Accidental death and dismemberment (AD&D)	94
4.3.2	Benefits	94
4.3.2.1	Deductibles and co-insurance	95
4.3.2.2	Reimbursement	97
4.3.2.3	Direct billing	97
4.3.3	Taxation of group extended health insurance premiums and benefits	97
4.3.3.1	Premiums and the medical expense tax credit	97
4.3.4	Integrating an individual policy with a group policy	98
4.4	Comparing individual and group policies	99

CHAPTER 5

INSURANCE TO PROTECT BUSINESSES

5.1	Forms of business ownership	102
5.1.1	Sole proprietorship	103
5.1.2	Partnership	103
5.1.3	Corporation	103
5.1.3.1	Privately held	104

5.1.3.2	Publicly held.....	104
5.2	Risks to the business owner	105
5.2.1	Inability to work	105
5.2.2	Inability to sell the business.....	105
5.2.2.1	In the event of disability	106
5.2.3	Loss of a key employee.....	106
5.2.3.1	In the event of prolonged disability	106
5.3	Insurance to address owners' inability to work.....	107
5.3.1	Disability business overhead expense (BOE) insurance	107
5.3.1.1	Purpose of the coverage.....	107
5.3.1.2	Who needs/qualifies for business overhead expense (BOE) insurance?	108
5.3.1.3	Definition of disability	108
5.3.1.4	What expenses qualify for reimbursement?.....	108
5.3.1.5	Benefits.....	109
5.3.1.6	Waiting period.....	109
5.3.1.7	Benefit maximums	109
5.3.1.8	Carryover of benefits/expenses	110
5.3.1.9	Provisions/exclusions.....	111
5.3.1.10	Tax treatment of premiums and benefits.....	111
5.3.2	Business loan protection disability insurance	112
5.3.2.1	Purpose	112
5.3.2.2	Who needs the coverage?.....	112
5.3.2.3	Eligible loans.....	112
5.3.2.4	Who qualifies for such coverage?.....	113
5.3.2.5	Benefits.....	113
5.3.2.6	Optional benefits.....	113
5.3.2.7	Exclusions.....	113
5.3.2.8	Tax treatment of premiums and benefits.....	113
5.4	Insurance to address the owner's inability to sell the business	114
5.4.1	Buy/sell agreements.....	114
5.4.1.1	Purpose of an agreement	114
5.4.1.2	Parties to the agreement.....	115
5.4.1.3	Elements of an agreement.....	116

5.4.1.4	Types of agreement.....	118
5.4.1.5	Taxation issues.....	119
5.4.2	Disability buyout insurance.....	119
5.4.2.1	Definition of disability	119
5.4.2.2	Waiting period.....	120
5.4.2.3	Benefit and benefit period	120
5.4.2.4	Coverage amount	120
5.4.2.5	Features of the policy.....	120
5.4.2.6	Termination of coverage	121
5.4.2.7	Tax treatment of premiums and benefits.....	121
5.5	Insurance to address the loss of a key employee	122
5.5.1	Key person insurance.....	122
5.5.1.1	Who is a “key person”?	122
5.5.1.2	Purpose of the coverage.....	123
5.5.1.3	Terms of the contract.....	123
5.5.1.4	Riders	123
5.5.1.5	Benefits.....	124
5.5.1.6	Waiting and benefit periods	124
5.5.1.7	Tax treatment of premiums and benefits.....	124
5.6	Other types of business insurance plans	125
5.6.1	Health and welfare trusts (HWTs)	125
5.6.1.1	Contributions to the trust.....	125
5.6.1.2	Income tax implications.....	125
5.6.2	Employee health trusts (EHTs)	125
5.6.3	Personal health spending plans	126
5.6.4	Grouped disability/critical illness plans	127
5.7	Taxation of benefits.....	127
5.8	Integrating business and personal disability coverage.....	130
5.8.1	Owner’s need for personal insurance.....	131

CHAPTER 6

CLIENT PROFILE

6.1	Personal situation of client	134
6.1.1	Personal details.....	135
6.1.1.1	Age	135
6.1.1.2	Gender.....	135
6.1.1.3	Sports, hobbies, activities or pursuits	136
6.1.2	Marital status.....	136
6.1.3	Dependents.....	137
6.1.4	Occupation.....	138
6.1.4.1	Duties.....	138
6.1.4.2	Work history.....	138
6.1.4.3	Future work plans	139
6.1.5	Health.....	139
6.1.5.1	Personal health history	139
6.1.5.2	Family health history.....	140
6.1.6	Retirement goals	140
6.1.6.1	Travel and living abroad or living at home	140
6.2	Client income	141
6.2.1	Sources of earned income	141
6.2.1.1	Salary, bonuses and commission income from working	141
6.2.1.2	Business income.....	142
6.2.2	Sources of unearned income	142
6.2.2.1	Income earned by spouse.....	142
6.2.2.2	Investment income.....	143
6.2.2.3	Support payments.....	143
6.2.2.4	Pension income	143
6.2.2.5	Royalties and other income sources.....	144
6.2.2.6	Disability income.....	144
6.2.3	In-kind income.....	145
6.2.3.1	Contribution to elder care from stay-at-home caregiver.....	145
6.2.3.2	Community programs.....	145
6.2.4	Other sources of income	145
6.2.4.1	Emergency funds and other assets	146

6.3	Client expenses	146
6.3.1	Living expenses	147
6.3.1.1	Mortgage statement or rental agreement.....	147
6.3.1.2	Bank statements	147
6.3.1.3	Budget	147
6.3.2	Savings and investments	148
6.3.2.1	Registered investment account statements	149
6.3.2.2	Non-registered investment account statements.....	150
6.3.2.3	Pension plan statements.....	150
6.3.2.4	Life insurance statements	150
6.3.3	Debt.....	151
6.3.3.1	Personal line of credit and Home Equity Line of Credit (HELOC) statements	151
6.3.3.2	Credit card statements.....	152
6.3.3.3	Tax liabilities	152
6.3.3.4	Other liabilities	153
6.4	Financial situation of the client.....	153
6.4.1	Net financial position	153
6.4.1.1	Review of assets.....	154
6.4.1.2	Review of liabilities	154
6.4.1.3	Cash flow statement	155
6.5	Insurance situation of the client.....	157
6.5.1	Personal and/or group coverage in place.....	157
6.5.1.1	Type of policy/policies.....	157
6.5.1.2	Characteristics of coverage	158
6.5.1.3	Cost of coverage.....	158
6.5.2	Government coverage.....	159
6.5.2.1	Employment Insurance (EI)	159
6.5.2.2	Canada Pension Plan (CPP)/Québec Pension Plan (QPP)	159
6.5.2.3	Workers' Compensation.....	161
6.5.2.4	Tax treatment of contributions paid and benefits received under government programs.....	161
6.6	Client profile finalized.....	162

CHAPTER 7

INSURANCE RECOMMENDATION, CONTRACT AND SERVICE NEEDS

7.1	Insurance recommendation	165
7.1.1	Basis for the recommendation.....	166
7.1.2	Recommendations to manage premiums.....	166
7.1.2.1	Extending waiting period, shortening benefit period, reduced benefits	166
7.1.3	Head office modifications for non-standard risks.....	167
7.1.3.1	Suggesting exclusions, limitations and ratings.....	168
7.1.3.2	Suggesting deductibles.....	168
7.1.4	Providing quotes	169
7.1.5	Documenting the recommendation	169
7.1.5.1	Rationale for recommendation.....	169
7.1.5.2	Client expectations	170
7.1.6	Presenting complementary policies.....	171
7.1.7	Revising the recommendation.....	171
7.2	Application for insurance.....	172
7.2.1	Attention to detail required	172
7.2.1.1	Naming of beneficiary	173
7.2.2	Agent’s contribution to application.....	174
7.2.2.1	Agent’s comments	174
7.2.2.2	Medical questions	175
7.2.2.3	Inspection report	176
7.2.2.4	Hazardous sports and occupations questionnaires	176
7.2.3	Necessary documents and procedures	176
7.2.3.1	Medical exam.....	177
7.2.3.2	Confirmation of income	177
7.2.3.3	Replacing existing coverage	178
7.3	Underwriting by insurer	178
7.3.1	Factors affecting premiums	178
7.3.1.1	Morbidity rates	179
7.3.1.2	Ratings and exclusions.....	180
7.3.2	Financial underwriting	180

7.3.3	Medical underwriting	180
7.3.3.1	Attending Physician’s Statement (APS)	181
7.3.3.2	Medical Insurance Bureau (MIB)	181
7.4	Insurance contract	182
7.4.1	Need for prompt delivery	182
7.4.2	Need for agent awareness of change since application	183
7.4.2.1	Dealing with rated cases	183
7.4.3	Providing contract disclosure	184
7.4.3.1	Factors that limit coverage (statutory provisions)	185
7.4.3.2	Tax treatment of premiums benefits	185
7.4.4	Policy feature opportunities	186
7.5	Policy claims	187
7.5.1	Requirements for a claim	187
7.5.1.1	Receipts	188
7.5.1.2	Medical proof of diagnosis or treatment	188
7.5.1.3	Review factors that reduce benefits	189
7.6	Client service	189
7.6.1	Agent’s service role	189
7.6.1.1	Providing claim forms and other relevant documents	190
7.6.1.2	Importance of promptness and accuracy	190
7.6.1.3	Strategy for ongoing awareness of client situation and needs	191
7.6.1.4	Documenting services provided	191

CHAPTER 8

GROUP PLAN SPECIFICS

8.1	Understanding the group	193
8.1.1	Makeup of the group	194
8.1.1.1	Number of members	194
8.1.1.2	Age/Gender	194
8.1.1.3	Turnover rate	194
8.1.2	Nature of the business	195
8.1.3	Comparative businesses	195
8.1.4	Employee data sheet	195

8.2	Products and services.....	196
8.2.1	Elements of an Employee Assistance Plan (EAP)	197
8.2.2	Group insurer’s services.....	198
8.2.2.1	Plan member enrolment.....	199
8.2.2.2	Premium billing	199
8.2.2.3	Claims adjudication.....	200
8.2.3	Group brokerage services	200
8.3	Coverage	201
8.3.1	Existing coverage	201
8.3.1.1	Existing plan design	201
8.3.1.2	Claims experience	202
8.3.1.3	Satisfaction with current group provider	202
8.3.2	Proposed new coverage.....	202
8.3.2.1	New plan design	203
8.3.3	Funding formulas	204
8.3.3.1	Non-refund accounting.....	204
8.3.3.2	Refund accounting	204
8.3.3.3	Administrative Services Only (ASO)	205
8.3.4	Responsibility for premium payment	205
8.3.4.1	Non-contributory	205
8.3.4.2	Contributory	206
8.4	Costs.....	206
8.4.1	Premium rates.....	206
8.4.1.1	Manual rating	207
8.4.1.2	Experience rating.....	207
8.4.1.3	Blended rating.....	207
8.4.1.4	Credibility	207
8.4.2	Taxation and group plan registration	208
8.4.2.1	Employee payment of long-term disability premium	208
8.4.2.2	Registration of short-term disability plan with Employment and Social Development Canada (ESDC)	209
8.4.2.3	Group premium tax	209
8.4.3	Claims experience and other product cost drivers	210
8.5	Claims administration.....	210

8.6	Coordination of benefits	211
8.7	Agent's service role.....	212
8.7.1	Ongoing awareness of client situation and needs	212
8.7.2	Documentation of service provided	213
CONCLUSION		214
 APPENDIX A		
<hr/>		
	Adults with disabilities that need help with everyday activities, by sex and age groups, Canada, 2001 and 2006.....	216
BIBLIOGRAPHY		217