LIFE INSURANCE in CANADA

PAY LESS FOR MORE COVERAGE

Ivon T Hughes

Dedication | Dédicace

This ebook is dedicated to my godchildren, Olian Solis St-Cyr et Nailo Langevin.

Cet ebook est dédié à mes filleuls, Olian Solis St-Cyr et Nailo Langevin.

Preface

We listen to people whose financial goals and problems differ in many ways. The basics never change: the desire to provide financial protection to ensure that their dependents can continue with the same or better lifestyle.

This book is designed to raise and answer your questions before you apply for a policy. We suggest you start with the Table of Contents and look for the topics in which you're most interested.

Being independent, our brokers do not promote any one life insurance company or any particular type of life insurance plan. And we provide premium rates from ALL the companies quoting.

The objective is to provide the questions and answers that will make purchasing life insurance a better experience.

"Thank you, Ivon, for your quick and forthright response.

I appreciate all your recent efforts and those of ten years ago in meeting my particular insurance needs.

I wish you well. "

Terry, Ontario

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Life Insurance Basics

Life Insurance: What is it?

Life insurance is a way to protect your survivors and dependents against unexpected or untimely financial hardships resulting from the death of the insured. A life insurance contract or policy is a legal agreement between you and an insurance company that guarantees payment of the amount of the issued policy upon the death of the insured – who may or may not be the policy owner!

Financially speaking, a life insurance contract spreads the financial risk of the insured's death among all the insured individuals of similar age. Everyone pools their money, and then the pool – the insurance company's general fund – pays the amount of the policy to the widows, widowers, orphans or other beneficiaries of the insured who died. Furthermore, in Canada, the benefit paid to surviving family members is almost always tax-free.

This eliminates the financially devastating blow that can result from the death of a breadwinner and to ensure that cash is available for survivors.

Why buy life insurance?

Life insurance protects your family if you die unexpectedly. Cash from a life insurance policy can help your loved ones cover these unexpected expenses:

- Replacing lost income
- Estate and legal fees
- Final income taxes
- Funeral costs
- Unexpected financial commitments by the insured like credit cards and undeclared payments

Do I Need Life Insurance?

Consider the following reasons to own life insurance and ask yourself if you have addressed these problems:

- Does anyone else depend on you financially, such as a parent, grandparent, brother or sister?

- If you were to die prematurely, how would your spouse and dependent children survive financially? Where would their income come from? How much income could they reasonably generate and for how long?

- If you are a single parent, what level of support payments are you making or getting? How would these be kept up in the event of the contributor’s death?

- Are there any other family members or organizations to whom you would like to leave money?

- Life insurance can play a role in business or farm succession plans by providing capital.

- What would happen if your business partner suddenly passed away? Would you want to be able to buy out the business interest from his or her heirs?

- If you passed away, do you want your business partners to have the cash to buy out your business interest from your heirs, who may not want to get involved in running a small business?

- Do you expect to pass on capital property to your heirs? Where will the money to pay the tax come from? Will your family have the cash to easily pay the tax? Or would they have to liquidate inherited property at less than its full value to pay the taxes?

All these are common, basic life insurance planning considerations that get to the heart of what life insurance is all about: Taking care of the people we care about, even after we’re gone.

How Much Life Insurance Do I Need?

How do you figure out how much life insurance you need? A ballpark measure sometimes used is between fifteen and twenty times current gross income. However I feel that the best way to make sure that your family has enough money to live on and your spouse enough money to retire on, is to make this simple calculation. If you contribute income you are replacing would have never gone up because you never got a promotion and never got a raise.

Furthermore, I have always urged clients to assume a low interest rate to make this calculation. I've never met a family that has ever been left too much money.

The calculation is not complicated. Here's how it works:

The Life Insurance Needs Calculation

A life insurance policy proceeds of $1 million at 4%, will yield an annual income of $40,000 which must be added to your regular income. If you get a lesser or higher interest rate, just adjust the figures, accordingly.

When the children are gone, the spouse can then use the income for his or her own use -- or buy a life annuity to maximize retirement income!

TIP: *It's important to review your insurance needs every year. As your family or business situation changes, so may your insurance needs.*

Who should own life insurance?

Nearly everyone with earnings ahead of them, or everyone with any kind of assets, should have at least some life insurance in place, at least to pay funeral expenses. Whether you are married or single, or important functions that become very useful, even as life circumstances change.

For example:

- Are you waiting to get married? Or are you waiting to have children before getting a life insurance policy in place? That usually does not make good financial sense. You are likely in the best health of your life now, and now's the time to lock in the lowest premium. Life insurance does not generally get more affordable with time, but health circumstances can change – and you could easily lose access to life insurance if your health situation deteriorates. Once you have the policy in place, no one can take it away from you - provided you pay the premiums to keep the policy in force!

- Will your parents need your support as they get older? Even if your children are grown, you may still have people depending on you in the future.

- Will you have estate taxes, debts to settle, or anyone else to look after with a lump sum upon your death?

- Do you own a business? What happens if you or another partner or shareholder passes away? Do you have a buy-sell agreement in place? Is it fully-funded?

- How will final expenses be paid?

- Are you married or otherwise attached? How will your spouse or partner make ends meet when you are gone? Will you be able to maintain your current lifestyle if something happens to your spouse or partner?

- Does your home enjoy a full-time homemaker? What would it cost to hire someone to fulfill all those functions if the worst were to happen?

- Who will have to unwind your final affairs? What will be their cash/liquidity needs?

- Will people need to fly in for your funeral? Will they need a hotel? Young people and others on tight budgets have trouble affording things like that – but families want to be together. A life insurance contract can provide the cash to help with funeral expenses – not just for the funeral home, but for your own loved ones as well.

- Have you an up-to-date Will?

Household Contributors

As a member of your household, you provide financial support. Household expenses, education, retirement or help for aging parents are some of the things you care about.

Tip: The benefit payment from a life insurance policy is paid directly to the person(s) you name as beneficiary and is not taxed.

What kind of life insurance should I own?

Many people get confused over how life insurance is structured. There are three basic types of life insurance you can buy. Each can be great tools – in the right context, and for the right people. The most important thing is that you start with the right amount to begin with, that the premium is affordable and that it is likely to still be in place when the insured dies!

With those three guideposts in mind, let's look at the three basic varieties of life insurance: term, whole life and universal life.

Term Life Insurance

Term policies provide insurance coverage for a specified period e.g., 10-years, 20-years, or "to age 100." A benefit is paid only if you die during the term of the policy. Generally, premiums are level for the length of the term. If the insurance is extended, then the premium would be calculated according to the insured's age at the time of the extension.

Tip: For most people, I recommend buying a *renewable* term policy. That means that you can renew your policy as the end of its term *without submitting medical evidence.* Even if you get sick, you can still elect to continue the insurance. You could have cancer, but the life insurance company cannot refuse to renew the term policy if you have a renewable term policy. However, if you are still healthy at the end of the term, you may be able to renew at a lower rate by undergoing a medical exam or even change to another company.

You have the option of exchanging your policy for a permanent insurance policy – a whole life or universal insurance policy (see below) – without submitting evidence of insurability. However, again, if you are in good health, submitting evidence may reduce the cost.

If your immediate obligations are large and the funds available to spend on insurance are small, take whatever insurance policy will meet your needs *now*; something is better than nothing! If your choice is term insurance to start with, make sure it's renewable and convertible into a permanent policy. This will give you the flexibility you need to make changes later on.

Term insurance is the cheapest life insurance available and will meet the requirements for most people. Over time, premiums eventually do increase for those who did not take a policy for a long term.

Guaranteed Renewable and Convertible Term Insurance

Guaranteed renewable means that you can renew your policy at the end of its term, for a higher premium, without submitting medical evidence. Once you've reached the age of 70 or so, however, the policy may not be renewable. So a term life policy to age 100 may be the best option.

Convertible means that you can exchange your policy for a permanent insurance policy, again without submitting evidence of insurability.

Term to 100

Often categorized as a permanent plan. “Term to 100” policies provide life insurance coverage through to age 100. They don’t have cash values and accordingly, premiums are lower than for whole life policies. At age 100, most of these policies become paid up which means that the coverage becomes permanent, with no further premiums payable.

In most cases, this is the cheapest life insurance available.

Whole Life Insurance

This is the policy that fully guarantees the level of premiums you pay, the death benefit and the growing cash values within the policy.

How does it work?

With whole life insurance, your premiums are guaranteed never to go up, for as long as you live. Likewise, your death benefit is guaranteed never to go down. That is, guaranteed level death benefit and guaranteed level premium, *for life.*

Most whole life insurance includes a feature called cash value. The simplest way to think of it is this: It’s like building up equity in your home. Your cash value within the policy grows over time. You can borrow against this cash value, or you or use it as collateral. You may also withdraw your cash value directly, but this lowers your insurance coverage.

Think of it from the insurance company’s perspective: Financial services companies make money, in part, from lending money to borrowers. A loan against a permanent life insurance policy is the safest loan a company can make. It's certainly a safer loan than any banker could dream of.

Why? Because death is certain. The insurance company knows the loan is good, because if you choose not to pay back the loan (a perfectly legal and acceptable choice with life insurance policy loans!), they will be able to pay themselves back when you pass away: They just subtract the principal and interest from the death benefit.

For example you have $20,000 cash value in your policy, of which you borrow $5000. If you decide not to pay it back, your beneficiary will receive $95,000 on your death.

The life insurance company incurs nearly zero risk from the loan. And because it's so safe for the lender, it's also one of the lowest-cost sources of credit around, in most cases.

The ability to borrow significant sums of money so cheaply, with the option to repay the policy or to let the balance accrue with interest against the death benefit, is among the most powerful features of permanent life insurance.

Who buys Whole Life?

Whole life insurance usually appeals to people who don't like surprises. They want the assurance that their coverage is guaranteed for as long as they live. They also want to know exactly how much they will pay for their insurance each year and for how long.

Basic Features

1. Level Premiums: most permanent policies have premiums that remain level over the lifetime of the policy.

2. Cash Value: When a life insurance company sells an insurance policy, it sets aside reserves in order to cover the expected death claim. The older you get, the more reserves the insurance company must set aside as a claim gradually becomes more likely as you age. Reserves accumulate as 'cash value.' The cash value is available to you if you want to borrow against your policy or to cancel.

3. Participating Policies & Policy Dividends: Some life insurance companies are owned by stockholders, while others are mutually owned by the policyholders themselves. These policyholder-owned companies are called *mutual* companies. When the company makes a profit, they can pay these profits to life insurance policy owners as dividends. The life insurance policies that these companies sell that are eligible for dividends are called *participating* life insurance policies, or "par" for short. A participating policy shares in the financial experience of the insurance company and policy dividends are declared annually and paid to policyholders. Dividends can be paid in cash, left in the policy to accumulate, used to pay part of the premiums or used to purchase additional insurance. These policies are often used to line up cash for large purchases. Dividends in a life insurance policy are never guaranteed – the insurance company cannot predict its future profitability, after all. But many mutual insurance companies have gone decades without missing a dividend.

4. Non Participating Policies: A non-participating policy does not share in the insurer's earnings and does not receive any dividends. They may receive a small guaranteed crediting rate, however.

The Universal Life Insurance Policy

What is Universal Life?

Universal life insurance is a blend of term insurance, permanent insurance and a savings account. You get the advantages of the affordability of a term plan, the potential lifetime protection of permanent insurance and the advantage of tax-deferred savings growth within the life insurance policy.

Unlike whole life, which use long term interest rate assumptions, these policies use current interest rates, which can be adjusted periodically if interest rates change. The policyholder has the potential of getting more coverage for less premium, but it involves sharing some risk with the insurer. Premiums can be increased if interest rates decrease. Although, premiums can be decreased if the reverse holds true.

A universal life insurance policy consists of a life insurance benefit and an investment account. You decide what to do with each part of the policy and you can increase or decrease your premiums and your death benefit, within certain limitations. Earnings on the investment account may or may not be guaranteed, depending on the investment chosen.

New money or adjustable policies usually guarantee the premiums and death benefit for a specified stretch of time e.g., five years and re-adjust the premiums and/or death benefit at the end of the period, according to investment conditions at that time.

How does it work?

With term insurance, you pay only enough premium to cover the cost of insurance for the current year. In a universal life policy, however, your payment is paid into what is called a *policy fund*. The insurance company taps your policy fund to pay for your cost of insurance, while any surplus is invested on a tax-deferred basis. Most universal life policies offer a variety of investments to suit your objectives and risk tolerance.

Depending on your yearly payments and increases in your investment accounts, the policy fund value can be used to help pay the future cost of insurance. Think of your policy fund as a 'reserve tank.' Yes, the cost of insurance goes up over time as you grow older. But by funding your reserve tank, you create a pile of money that you can tap to keep your life insurance policy in force much later in life – when the cost of insurance would otherwise result in premiums being unaffordable.

You can make withdrawals or borrow from the policy fund, but this could lower your death benefit. You may also contribute extra premium (within certain limits) to increase your tax-deferred savings.

Many people choose to fund their life insurance policy as much as they can earlier in their lives, enjoying the security of a death benefit and the availability of the cash reserves should they need them. Meanwhile, they take advantage of the tax-deferred growth of their savings or investment choices within the policy to supplement their retirement savings, to help finance other investments such as real estate, to fund educational expenses or anything else they like.

Death Benefit

With universal life insurance, the amount of the death benefit can be flexible. You can choose to have the death benefit stay the same or increase. It depends on how much you deposit and withdraw from the policy over time and how well your investments perform.

Who Buys Universal Life?

Universal life coverage is a good choice for people who want a tax-effective way to save for their retirement outside of an RRSP or pension plan. It can also be a smart choice for individuals with a large estate that they want to preserve.

Costs

The first question you should ask if you are considering a universal life policy is “How much will it cost me?”

Table: Types of Life Insurance

	Whole Life	Universal Life	Term
Period of Coverage	Life	Life	Depends on term in contract. Often renewable for additional terms.
Premiums	Guaranteed. Usually remain level.	Flexible. Can be increased or decreased by policyholder within certain limits.	Guaranteed to remain level for the term of policy e.g., 10, 20 years, etc. Increases with each new term.
Death Benefits	Guaranteed in contract . Remain level. Dividends may be used to enhance death benefits in participating policies.	Flexible. May increase or decrease according to fluctuations in cash value fund.	Guaranteed in contract.
Cash Values	Guaranteed in contract	Flexible. May increase or decrease according to investment returns and level of policy holder deposits.	Usually none. Some long term policies have a small cash value.

Other Non-forfeiture Options	Guaranteed in contract.	Guaranteed in contract.	See above.
Dividends	Payable on participating policies. Not guaranteed.	Most policies are non-participating and do not pay dividends.	None

"My valued financial security advisors"

My association with Ivon Hughes and Hughes Trustco goes back 25 years.

Widowed in 2009, I have been relying on them, not only as agents for my insurance annuity policies, but more importantly as my valued financial security advisors.

My heirs, though willing, are not financial experts and will be relieved to be able to turn to Ivon and Hughes Trustco. In arranging annuities has made it possible for me to enjoy lifelong monthly income to add to pensions - Allowing me security and peace of mind.

Without the thoughtful expertise of Hughes Trustco and Ivon, my old age would be far from ideal.

I am enormously grateful to them and him."

Pam Taylor, Montreal, Quebec

Table: Advantages & Disadvantages

	Whole Life	Term
Advantages	+ Provides protection for your entire lifetime, if kept in force. + Premium cost usually stays level, regardless of age or health problems. + Has cash values that can be borrowed against or used to continue protection if premiums are missed. Cash value can also be withdrawn if the policy is no longer required. + If the policy is participating, it receives dividends that can be taken in cash, left to accumulate at interest or used to purchase additional insurance. + Can be used as an easy credit source for loans as they cannot be refused.	+ Suitable for short or long term insurance needs or specific liabilities like a mortgage. + Provides more immediate protection because initially, it is less expensive than permanent insurance. + Can be converted to permanent insurance without medical evidence often up to ages 65 or 70.

Disadvantages	- Initial cost may be too high for a sufficient amount of protection for your current needs. - May not be an efficient means of covering short-term needs. - Cash values tend to be smaller in the early years. You need to hold the policy, say 5 to 7 years with a dividend paying policy, when the cash values become larger.	- If renewed, premiums increase with age. - Renewability of coverage will terminate at some point pattern to age 100 has not been purchased. - If premium is not paid, the policy terminates after 30 days and may not be reinstated if health is poor. - Usually no cash values and no forfeiture options. - Less likely to be in force at the time the insured dies.

Life Insurance Premiums

Before your application is approved, the insurance company has to assess the degree of risk involved. Obviously, the older you are or the poorer your health, the higher the risk to the insurance company. Fair value is achieved by pooling similar risks together. Data and statistics are gathered and used to classify people by risk groupings. Insurance prices - the premiums - reflect the value of the risk assessed. The lower the risk of the group, the lower the premium. In evaluating risk, an insurance company looks at many factors, such as age, sex, medical history, physical condition and so on. For example, women ordinarily pay lower premiums than men based on evidence that women live longer. Lower premiums also apply to non-smokers.

Beneficiaries

The beneficiary is the person or persons named under the policy to receive the insurance money on your death. You can nominate a named beneficiary, your estate or a trust.

Tip: *If you name the beneficiary, the money does not go through your estate but goes directly to the person or organization you name. No probate fees normally apply.*

You may also want to name one or more *contingent beneficiaries*, in the event you outlive the first beneficiary you name. If the first beneficiary is deceased at the time of your death, or when the life insurance company attempts to pay the claim, the insurance company will then go down the list to the contingent beneficiary.

Creditor Protection

The beneficiary designation affects whether or not insurance proceeds are protected from your creditors.

Normally insurance laws provide that where a spouse, child, grandchild or parent is named as the beneficiary, the insurance money is exempt from seizure by any creditors you have. But you need to be sure that this law applies where you live.

Divorce

One common use for the life insurance contract is to ensure that child support or alimony payments are made, even if the payor passes away. There are two ways to accomplish this:

- Make it part of the formal agreement that your ex-spouse take out life and disability insurance on his or her life naming you as the beneficiary. If you want to ensure that the beneficiary can't be changed without your consent, require your ex-spouse to name you as irrevocable beneficiary.

- Take out a life insurance policy on your ex-spouse' s life. Name yourself as owner and beneficiary and pay the premiums. Then nobody can cancel the policy and you have complete control.

Term Life Insurance Quote
Find out what it will cost from all the companies. Visit us at:
www.hughestrustco.com

Charitable Gifts

You can use a life insurance policy to make charitable donations.

Premiums

Life insurance premiums are mostly paid on a monthly basis, usually through automatic bank withdrawals. Other options available from most companies are annual, semi-annual and quarterly payments.

You can limit the number of years you pay premiums and telescope them into a shorter time-frame. For example, you may wish to have a permanent life policy fully paid up at age 65 so no premiums would be payable after retirement.

What If I Stop Paying?

There is a 30-day grace period after the due date to pay a premium. If the premium is not paid by the end of this grace period, a term policy lapses, but will still provide some coverage if there is some cash value.

Reinstatement of a lapsed policy can usually take place within two years on payment of overdue premiums, plus interest and submission of satisfactory medical evidence.

Options

A number of optional layers of protection or features can be added to your policy. These optional add-ons are usually called *riders.* Here are some common examples of popular riders.

1. Accidental Death & Dismemberment: Guarantees an additional payment to your beneficiary, often doubling the amount of your policy, should you die from an accident. These policies may also pay out a set benefit in the event of the loss of one or more limbs or eyesight.

2. Disability Waiver Of Premium: Pays your premiums and keeps your policy in force should you become disabled and unable to work. The last thing you would want is for your life insurance policy to lapse because you lose your job because of a disability. The waiver of premium rider usually costs a few dollars per month, but could be a valuable source of protection should you suffer a disabling injury while your family is still dependent on you.

3. Guaranteed Insurability: Enables you to purchase additional insurance at specified times in the future without a medical or other evidence of insurability.

4. Automatic Premium Loan: The cash values already built up in your policy may be used to pay premiums.

Borrowing Against Your Life Insurance Policy

You may borrow the available cash value in your policy, according to the terms in your contract. You can then can repay the loan to yourself in a lump sum, or in installments. If you don’t repay the loan, any unpaid balance, plus interest, is deducted from the proceeds of the policy at the time of your death.

One major advantage is the ease with which you can take out a policy loan. Since the loan is already secured by your life insurance policy, there are no credit checks, no income verification to worry about, no underwriting, and none of the usual hassle. Just request the loan through your agent or the branch office of your life insurance company. You will have your money in days.

The loan may be fully or partially taxable, depending on the circumstance.

"Outstanding service and counsel"

"For the past two years Mr. Ivon Hughes has provided me with outstanding service and counsel in helping to identify and obtain the appropriate type and amount of life insurance to suit my financial needs and family circumstances. His professional, courteous demeanor, and breadth of insurance knowledge has made him a pleasure to deal with. I recommend him to you for your insurance requirements."

T. Finkel, Ontario,Canada

Policy Dividends

Dividends occur in participating life insurance policies. Again, dividends are not guaranteed, but the track record of life insurance company dividend payments has been excellent, even through global depressions and world wars. Some mutual companies have succeeded in paying dividends every year, year in and year out, without fail, for over a century.

When a mutual life insurance company announces a dividend, you get to choose how you will receive the benefit. These are the most common dividend options:

1. Increase Your Death Benefit:
Use your annual dividends to add extra amounts of coverage to your policy at no cost to you. The life insurance company credits your cash value, and your death benefit increases by a certain multiple of that additional cash value, depending on your age.

2. Reduce The Cost Of Your Insurance:
Use your dividends to reduce your premiums on the policy every year.

3. Take As Cash:
You can, of course, take policy dividends in cash.

4. Leave To Accumulate:
Leave dividends on deposit with the insurance company to earn interest or to be invested in a fund.

Life Insurance Values

Comparing Policies

Comparing the values of one policy with another can be difficult, especially given the different features and characteristics each may have. But here are some pointers.

1. Comparing term polices is relatively straight forward, provided that the parameters are the same e.g., $200,000 ten-year renewable term insurance for a 37 year-old female non-smoker. Compare what the premium is today for each policy, but also add up what the premiums will be over a 20-year period. Renewal increases can vary significantly between policies.

2. Comparing permanent policies with other permanent policies is more difficult. Are the policies participating or non-participating? What features are guaranteed? What interest rate assumptions are made? If it’s a participating policy, what are the assumptions being made about future dividend rates? Are they reasonable?

Always get a full comparison of the insurance you are going to buy. You wouldn't buy a car without checking the price at other dealers or over the Internet would you? Before you agree to replace a life insurance policy, or even if you’re just trying to choose between two or more options for new life insurance coverage, ask us at *info@hughestrustco.com* to send you comparison figures.

Tip: *Make sure that the new policy is issued and in force and that you review it carefully before you request termination of your old policy. Termination requires a written request from you. The Life Insurance Disclosure Form cannot be used for this purpose.*

The Life Insurance Application Process

Application Process

Once you make your decision to purchase a policy, you fill out an application to the insurance company.

The application requires your name, age and other identifying information and spells out the amount and type of insurance policy for which you are applying, who you have named as beneficiary and how you wish to pay the premiums. Typically, it also includes a health questionnaire.

Your signature on the application authorizes the insurance company to contact your attending physicians and hospitals to confirm information and to contact the Medical Information Bureau.

The application is then sent to the insurance company's underwriting department, which reviews it for completeness, assesses the risk presented and decides if the policy can be offered on the basis for which it has been applied or on a better or worse basis.

The larger the amount of insurance applied for, the more extensive the information needed to assess risk. Many factors such as age, sex, condition of health, medical history, financial situation, occupation and dangerous sport activities are taken into account before an application is approved.

Tip: *Be upfront when answering the questions on your application form. Life insurance is a good faith contract and requires full disclosure by the applicant and insurer. Withholding information could make your policy null and void.*

Most Risks Are Standard

The insurer's objective is to issue a policy, not to turn away clients. About 96% of applicants for life insurance receive the coverage they apply for and qualify for standard premium rates.

Only 4% of those who apply for life insurance are declined due mainly to health factors.

Once a policy is issued at standard rates, the company cannot later charge a higher premium or add other restrictions because you have become a substandard risk.

If your policy is issued on a substandard basis and the case for this no longer exists, the company will consider removing the extra premium. For example, if you were significantly overweight when the policy were first issued, but you have lost the weight via diet and exercise, and your other health indicators such as blood sugar levels and blood pressure have improved significantly, you may be an excellent candidate for reapplying for a better rating.

Healthy Life Style

Non smokers get life insurance at substantially lower rates than smokers, reflecting the lower risk they present. Usually, a declaration that one is a non-smoker when a policy is applied for and has been so for at least one year is sufficient to obtain the lower rates. Some companies also offer preferred rates if you meet additional indications of a healthy life style e.g., fitness, weight control, low or no alcohol consumption.

When Is A Medical Required?

Each insurance company sets its own rules for confirming the information supplied in the application and the health questionnaire. For large amounts of life insurance or where an unfavourable health history is involved, the company may request other evidence such as an electrocardiogram or other test.

Privacy Of Personal Information

All employees of insurance companies, agents, brokers, or anyone else acting for an insurance company, must comply with strict privacy rules.

The consent of the individual is the bottom line. Most personal information is obtained directly from the individual who applies for a policy. If information is required from any other source, the individual concerned will be notified and his or her written authorization will be obtained whenever possible. And no information will be used for any other purpose or disclosed to any other party without the individuals consent, unless required by law.

If you want to know what personal information an insurance company has in its records about you, you can, with proper identification, write to the company and request it. Medical information may be released to you only through your personal physician. Also, you may correct what you believe to be erroneous personal information.

If you do have a concern or complaint, each insurance company has an officer to handle enquires and complaints regarding personal information.

Medical Information Bureau

This is a membership of life insurance companies, for the confidential exchange of factual underwriting information. Its sole purpose is to serve as an alert against fraud or misrepresentation. When you sign an application, you authorize the insurance company to contact the MIB.

Where the application has a condition significant to health or longevity, the insurance company provides the MIB with a brief, coded report. These reports are mostly of a medical nature, but other factors such as an adverse driving record or participation in hazardous sports are also taken into account. This information will only be disclosed to another MIB member to which the individual has applied for insurance.

An insurance company may not decline an applicant because of the information obtained from the MIB but can use the report as a basis to request further information.

Confidentiality is closely safeguarded.

Tip: Not everyone who applies for life insurance has a file with the MIB. In fact, only one in 10 does. If you want to see if the MIB has a file on you and to verify the information, you can contact the Medical Information Bureau in your area.

Free Look

With most companies there is at least a 10 day free look at your policy or your money back. That is, you have up to 10 days from the time the policy is issued to inspect your life insurance contract and projected illustration to inform your carrier or agent that you do not want the policy. The insurance company must generally then refund any premiums you have already paid and the policy is null and void.

Life Insurance Replacement

From time to time, it may make sense to replace one life insurance policy with another. People do this to save money in premiums, for example, or to switch to a policy structure that better suits their long-term objectives.

Replacing life insurance isn’t something you want do lightly, but it sometimes makes very good sense. Before you replace an in-force life insurance policy with a new one, here are some principles to keep in mind:

1. Have a clear picture of your insurance needs and objectives. Work through an updated financial needs analysis. Consider the budget you have to meet those needs.

2. Review your current policy. If it no longer fulfills your needs, could it be altered to do so? If you have dividend options in an existing permanent insurance policy, can you use them to increase coverage? Don't hesitate to ask your existing agent or insurance company for help with this review.

3. Be aware of the pros and cons of both your current and proposed policies:

- Do you fully understand the values of your current policy guaranteed values, accumulated dividends, future values?
- Are you losing tax advantages or creating a tax liability if you change plans?
- What are the cost implications of being older today or perhaps not in the same health as when you took out the polices? What evidence of insurability is required on a new policy?
- Are there circumstances where your new policy does not pay benefits? For example, is there a new two-year suicide provision? A military service exemption?
- If the new policy is term, is it guaranteed renewable and convertible to another type of policy without evidence of insurability?
- Are premiums guaranteed? If not, when would they increase? What is the maximum level to which they could rise?

4. If you decide to go ahead with a replacement, the agent recommending the replacement in most jurisdictions must complete a Life Insurance Disclosure Form. It's intended to help make you fully aware of the pros and cons of both policies. This form must be properly and fully completed. Read it carefully before signing.

Life Insurance For Home And Work

Life Insurance for the Self-Employed

Self-employed individuals have a need to protect their stake in their businesses. For most, this means life and disability insurance and life insurance for themselves and their key people. Here's how life insurance can be used:

1. As collateral for a business loan, sometimes at the request of the financial institution making the loan. If it is necessary to assign the policy as security, a portion of the premium is deductible as a business expense.

2. To fund a buy-sell agreement, to provide surviving partners or shareholders with the cash to buy out the deceased's share and to keep the business going.

3. To insure the key people in the company. Life insurance is often used as a safeguard against financial loss to the firm caused by death of the owner, a partner or a key employee.

4. To provide protection to the business person's family against the debts of the company. Unless the company is set up as a limited company, the individual (and his/her estate) assumes full personal responsibility for the business debts. A life insurance policy in place can provide the cash necessary to pay off or settle any business obligations left over at the death of an owner.

Life Insurance In The Business Context

Being successful in a new business requires careful planning and a big investment of your time and effort. It's also a huge responsibility. If you are a sole proprietor, you are the heart and soul of the business. If you have partners, they rely on you to contribute to its continued success. In either case, your employees and their families depend on your future efforts in the business and upon the business itself for their livelihoods and to support their families.

All these people stand to suffer immensely in the event of the death of a business owner, partner and in some cases even from the passing of a key executive or salesperson upon whom the business depends.

By providing your business with a source of cash in the event of your death, or the death of a key individual, life insurance can help to sustain the enterprise and ensure continuity if the worst were to happen.

The funds can be used to:

- Provide the company with cash flow during the transition period
- Recruit and train a key individual's replacement
- Buy out shares in the business from a deceased partners' or business owner's heirs.

In addition to your succession concerns, don't forget that your business helps to support your own family's lifestyle. Many businesses also have loans and investments made by family, friends and financial institutions to consider. You'll want to have adequate personal coverage to ensure your family won't be left with debt related to your business, or won't have their investments destroyed by your death.

Sustaining your family and sustaining your business are related but separate considerations. The life insurance options that best meet your needs – including the mix of term and permanent coverage and the amount of cash value you choose to amass will depend on the specifics of your business financing and whether you already have some type of personal coverage.

Passing on a Legacy

Life insurance offers a way to give your children or grandchildren something for their future. Alternatively, you can use life insurance to leave a generous gift to a favorite charity or cause. Self-employed individuals have a need to protect their take in their businesses. For example:

Collateral. Life insurance cash value makes excellent collateral for a business loan. Often, financial institution making the loan will request the loan be collateralized in this way.

Tax Deduction. If the policy secures a business loan, a portion of the premium is deductible as a business expense.

Buy out Heirs. If you have a business partner who dies, you will likely wind up partnered to your partner's spouse and/or children. They will expect their share of the income from the business, but may have little or nothing to contribute to make the business successful. Worse, disinterested heirs can actually be disruptive to a small business. Life insurance can be used to fund a buy-sell agreement, and to provide surviving partners or shareholders with the cash to buy out the deceased's share and to keep the business going. That way,

the heirs get the cash they want, and the surviving business owners get to keep running the company as they see fit.

Key Person Insurance. Many businesses use life insurance insure the key people in the company. Life insurance is often used as a safeguard against financial loss to the firm caused by the death of the owner, a partner or a key employee. If the cash flow is significant, the company can also build up substantial cash value in a permanent life insurance policy to create a significant business cash reserve.

Replacement Tip: Make sure that the new policy is issued and in force and that you review it carefully before you request termination of your old policy. Termination requires a written request from you. The Life Insurance Disclosure Form cannot be used for this purpose.

Older? Insurance Can Be Found

There may be times when older people see a special need for extra life insurance. If you are in good health, you can obtain life insurance at premiums that reflect your present age. Yes, older people have to pay higher premiums than younger people, all things being equal. But the likelihood of payout is that much higher, of course. If you are in good health, we can generally help you find a carrier willing to issue you a policy at nearly any age.

But what happens if you are not insurable?

The possibility that you may become uninsurable at any time is a great reason not to wait, but to act right away. *Uninsurability* means you have developed a health condition that makes it a bad idea for a

life insurance company to issue you a policy – at any premium. Anyone can have a life-changing accident or develop a life-threatening illness at any age, so it's a good idea to lock in whatever insurance you can afford now – preferably guaranteed renewable and convertible – in order to preserve your options later.

Now, for those who have developed significant health problems, a few life insurance companies offer *Guaranteed Issue Plans*. That is, life insurance policies that are issued with no medical questions asked. Typically, up to $25,000 or $50,000 will be issued to those between ages 50 and 75 or older at higher premiums. Be aware that restrictions apply if death occurs within the first two or three years of taking out the policy. Read the contract so you understand the exclusions and limitations. And make sure your beneficiaries know them, too.

Living Benefits

Many people suffering from a lengthy and terminal illness, such as bad health problems, a stroke or cancer, find themselves financially strapped to cover the growing expenses of care and infirmity, especially if they do not have adequate disability insurance.

Life insurance companies have responded to this need by making it possible for the terminally ill to receive a partial pre-payment, called *living benefits.* These allow an insured policy owner or other insured individual to receive accelerated benefits of the death benefit from their existing life insurance policies. Specific guidelines vary from company to company but typically a percentage of the death benefit up to a certain limit is allowed.

A claim must be accompanied by medical documentation that the life insured is terminally ill. Sometimes the release from the beneficiary acknowledging the pre-payment is also required since it will reduce the amount he or she gets with the eventual death benefit.

There is also now the possibility of selling your policy even if you are not critically ill but are now older and no longer need the policy. Often these funds can then be used to purchase an annuity to provide more income!

What is the role of Government Regulators?

Most life and health insurance companies that operate in Canada and the U.S. are regulated for solvency by various federal, state and provincial agencies. These regulators inspect companies to assess their safety and soundness. In addition, the companies must submit annual financial statements to the regulators. If the insurance company's general fund gets too small, or if it's insufficiently liquid, regulators can take specific steps up to and including declaring the company insolvent. When this happens, they will transfer the policies and company assets to other insurance companies that are on a sounder financial footing.

How Life Insurance Consumers are Protected in Canada

What is Assuris and How Does It Protect the Consumer?

Assuris protects Canadian policy holders in the event that their life insurance company should fail.

Assuris guarantees that policyholders will retain up to $200,000 or 85% of the promised death benefit, whichever is higher. If the policy includes a savings or cash value component, Assuris guarantees that the policyholder will retain up to $60,000 or 85%, whichever is higher.

For more information contact Assuris Information Centre at 1-866-878-1225 toll free, or see the Assuris website at www.assuris.ca

"Ivon was extremely helpful in providing comparative quotes and then efficiently attending to all aspects of setting up my retirement annuities.

I am happy to report that I have just received my initial quarterly payments exactly on schedule.

Ivon was very responsive in answering questions and providing advice. I am more than pleased with the quality of service provided by Ivon and his team and would highly recommend the Hughes Trustco Group to anyone considering annuities."

Allan F. from B.C.

LIFE INSURANCE in CANADA

PAY LESS FOR MORE COVERAGE

Financial Needs Analysis

- Step A: Identify your current debts and financial needs.
- Step B: determine your future financial needs.
- Step C: Deduct your assets and financial resources

(Step A + Step B – Step C = Your life Insurance needs)

<u>Step A:</u> Identify your current debts and financial needs

Mortgage	$ ______________
Loans (auto, credit cards, personal, etc…)	$ ______________
Final expenses (probate, executor fees, others)	$ ______________
Total	$ ______________

<u>Step B:</u> Determine future financial needs

Your gross income annually	$ ________________
Amount of income your survivor needs annually	$ ________________
Emergency fund	$ ________________
Child-care expenses	$ ________________
Education fund	$ ________________
Total	$ ________________

<u>Step C:</u> Determine your assets and financial resources

Cash and savings	$ ________________
Stocks, bonds of funds	$ ________________
Real Estate	$ ________________
Business or farm assets	$ ________________
Insured Mortgage(s) and loan balances	$ ________________
Total life insurance benefit	$ ________________
Total	$ ________________

Step A + Step B – Step C = Your Life Insurance Needs $ ______________

Glossary

Accidental death benefit – increases the death benefit paid to your beneficiary if you die accidentally.

Beneficiary – person(s) or entities whom you choose to receive an inheritance. For example, the beneficiary of your life insurance policy will be paid the amount of the death benefit. The beneficiary could be an individual, a business or a charity.

Cash value – the portion of the money, beyond what you pay for your cost of insurance, that grows within your policy on a tax-deferred basis. You can usually borrow against this value and, in some cases, any remaining amount is paid to the beneficiary.

Cost of insurance – the amount you pay to cover the cost of insurance for all basic insurance benefits and any additional benefits included in the policy.

Coverage for children – provides a small benefit if one of your children dies but also gives your children the ability to obtain lifetime coverage. They may even be able to increase their coverage when the children become adults, regardless of changes in health or other risk factors.

Death benefit – the amount of money paid or due to be paid on the insured person's death.

Evidence of insurability – may include medical, financial, lifestyle, and family medical history information and other personal history information needed to approve your application for life insurance.

Guaranteed insurability – lets you increase your coverage amount, without having to prove that you are in good health.

Key person – a business owner, partner or employee who is vital to the success of the business because they provide money to support its operation, contribute special skills, or both.

Living benefit – pays part of the death benefit in advance if you are diagnosed with a terminal illness. This is usually a discretionary payment made by the insurance company and is not normally found in your policy.

Permanent life insurance – provides lifetime coverage even though you pay premiums for only a pre-determined period of time. As long as your premiums are paid, your life insurance stays in effect, no matter what your age or health. Most permanent life insurance policies have a cash value that grows over time, tax-deferred. This cash value can be a useful alternative vehicle for savings outside of registered retirement funds.

Policy anniversary – anniversary of the date every year that your policy became effective. A good time to schedule annual life insurance reviews.

Policy fund – where your payments earn interest based on the investment account options you choose. The cost of your insurance is deducted from this fund and whatever is left-over grows tax-deferred.

Premium – the monthly or annual payments you make in exchange for your life insurance policy.

Principal (or face value) – the original amount "borrowed" by a bond issuer. This represents the price of an individual bond when it is first issued for sale to investors.

Term insurance benefit – gives you the ability to add term insurance to a permanent or universal life policy to protect you, your spouse, a family member or business partner for a temporary need.

Term life insurance – provides temporary insurance protection. Offers the highest death benefit amount per dollar of premium – in the short-term. Often they are more expensive in the long run than permanent insurance, if the insured lives out to near life expectancy.

Universal life insurance – combines permanent insurance protection plus the ability to make investments that grow tax-deferred within the policy.

Waiver of premium – if you become disabled and unable to earn an income, your coverage continues, though you don't have to pay your premiums.

Testimonials

Thanks for contacting me well prior to my previous term insurance expiring and providing me with choices and quotes by email to be able to come to an informed decision concerning the application for new term coverage.

I am very pleased with your looking after all the administrative processes concerning the implementation of the current term insurance and certainly appreciate your professional handling of everything involved with it.

Best regards,

Erwin – Alberta

"As an independent working woman, I realized in June 2003 that I better get a guarantee that my income would continue if I became disabled. I contacted Ivon who shopped the market (I have enough of my own shopping to do) for the best disability insurance quote and who got me a great policy at a great price. Now I know I have tax free income and if you, the reader, are not protecting your most valuable asset, your income, you should do something about it."

Margot Daley - Ontario, Canada

★★★★★

"To Whom It May Concern;

I have known Mr. Ivon Hughes for over 25 years. In 1987, I purchased from him a participating whole life insurance policy of $254,000.00 with Canada Life to cover my mortgage and my family.

At the time, I was just beginning a professional accounting practice and did not have a lot of personal equity and was married with 2 young children and wanted to provide security for my family. I managed to pay the monthly premiums and the policy generated cash value from which I could borrow.

I used this borrowing power to finance my daughter's trip abroad as well as my son's education and special occasion celebrations.

I still have this policy today and can attest to the fact that the security this policy provided helped me through some difficult times.

As an added benefit, which can't really be anticipated for future purchases, I received shares of Canada Life on demutualization, which led to a significant capital gain.

I can therefore strongly recommend whole life insurance with dividends for any individual with a young family who is starting a business or profession. And Ivon is the man to buy it from. He gave me a full choice of companies in this and subsequent purchases. Of course he also looks after my clients"

Ron Weinman, CA - Montreal, Quebec

"For some time I had been looking for a good broker to guide me through the jungle of life insurance and most particularly, a disability insurance quote. Somehow I landed on Ivon's site, uncertain of what questions to ask and what was involved. Ivon supplied various types of disability insurance quotes from different companies until we agreed on the type of policy I needed. Now that I have a monthly income secure, and tax-free too, I do not have to be concerned if I become unable to work. I fully recommend his services."

T.W. - Ontario, Canada

"Hi Ivon. I know you have tried to call. I have been away lately. Just to keep you posted I am negotiating with a potential employer. Now that I am better armed with info on life insurance, I am making sure that they include it in the final offer. If everything plays out the way it should I will not be needing any supplemental insurance for the time being. Should I need anything in the future I will be sure to contact you. Appreciated your help and honesty."

P. Lanthier

★★★★★

"I would like to thank Mr. Hughes for providing great service. He found us the best price for our insurance needs. Originally, I had doubts about working with an insurance company so far from us but Mr. Hughes has done a great job!"

R & S Vine - British Columbia, Canada

★★★★★

"I have known Ivon Hughes for about 20 years. He arranged a portfolio for me in annuities. Our relationship has been a wonderful one. Mr. Hughes is a straight shooter and knows his business."

Dr. M.A. Gold, Jewish General Hospital - Quebec, Canada

★★★★★

"For the past two years Mr. Ivon Hughes has provided me with outstanding service and counsel in helping to identify and obtain the appropriate type and amount of life insurance to suit my financial needs and family circumstances. His professional, courteous demeanor, and breadth of insurance knowledge has made him a pleasure to deal with. I commend him to you for your insurance requirements."

T. Finkel - Ontario, Canada

★★★★★

"I have been dealing with Ivon Hughes at Hughes Trustco Group since 1989 for all of my family's insurance requirements.

What convinced me to deal with Hughes Trustco initially was the attention paid to every detail as well as the manner in which I was able to view the rates of many insurance companies and then make a decision on the best value for my dollar.

I am pleased to say that 15 years later, my insurance needs are still met with the same interest and attention as they were in 1989!

I have attached the first page of a sample quote from 1990 to show that he provides all the quotes from all the companies in order to make a decision."

Lindsay Riddell - Quebec, Canada

★★★★★

"I would just like to take this moment thank you for the exceptional service you have provided me and my husband. You have proven to be efficient and always available to deal with issues or answer question. Thank you once again."

V. & R. Davis - Ontario, Canada

★★★★★

"To whom it may concern,

It is my pleasure to furnish this letter of reference in favour of Mr. Ivon T. Hughes.

My acquaintenship with Mr. Hughes began in 1991, at which time he asked me to set up his office with current computer technology. My association with Mr. Hughes and his company, Hughes Trustco was and continues to be a pleasurable one.

In the period of 1991 to date, I subsequently became a client to Mr. Hughes and Hughes Trustco. I placed several investments with him, and now in my retirement, I can report that he was able to invest wisely on my behalf. It is worth noting also, that Mr. Hughes intervened on my behalf of a particularly difficult investment I had made prior to our association, and one involving a liquidated investment company. While the issue remains to be satisfactorily resolved, Mr. Hughes nonetheless contributes to moving it forward, and for which I am most grateful.

In summary then Madam or Sir, I can state that my association with Mr. Hughes and his company, Hughes Trustco, has be most satisfactory both as a supplier of services and as a client.

If I can be of any further service, please feel free to call upon me."

Respectfully,

Gordon A. Clark – Rockburn, Quebec

"I met Ivon a couple of years ago when he presented me with term life insurance quotes from different companies for our partnership insurance. I examined various proposals and decided to buy 4 term life insurance policies that suited us best.

However, I was unable to buy a critical illness policy which is very important to protect your income, as I was resident in the USA. Now that I have returned, I am applying for a critical illness policy so that in the event of a major illness, I will receive a lump sum payment. This gives me peace of mind as my family is protected by a cash payment if I live or the term life insurance payout if I die.

Wes Ramage - Cornwall, Ontario

"As I have a family and an income to protect, I needed to find coverage which was well affordable and comprehensive.

Because of the low cost, Ivon recommended term life insurance and supplied me with quotes from all the carriers. And he did the same for my critical illness policy, explaining in detail the different terms and prices.

I purchased the critical illness policy to protect my income and my family in the event of sickness. In addition, the term life insurance policy protects my family if I should die. I fully recommend Ivon to anyone seeking independent life insurance advice."

M. Hebert - Quebec City, Quebec

"As the President of Clearstone Group, I requested through Ivon's website term life insurance quotes for our partnership agreement. He supplied us with quotes from all the carriers from which we chose Canada Life to protect our families. It was a simple and easy procedure. Then to back up that policy, we took critical illness policies to pay us a lump sum in the event of a major sickness and so that the company could continue its work without having to support a partner who could no longer contribute. Now we intend to apply for health insurance. Overall, let me say that I am more than happy with Ivon's work and I recommend him as a broker who supplies you with the information you need."

Frank Famularo - President,The Clearstone Group, Montreal, Quebec

"As a partner in a major business, I was introduced to Ivon through the internet as someone who would deal with us fairly and simplify the mysteries of term life insurance and critical illness insurance.

Subsequently, I have purchased both term life insurance and critical illness insurance and am well satisfied with how our business has been handled. Dealing with Ivon has saved the company money because of his ability to answer questions about what coverage precisely was needed.

If you don't have critical illness to protect your income and term life insurance to protect your family, I suggest you get it now."

Robert Duffy - Montreal, Quebec

LIFE INSURANCE in CANADA

PAY LESS FOR MORE COVERAGE

Visit us online at TermLifeCanada.com

To view our other products visit us at HughesTrustco.com