

QUESTIONS AND ANSWERS ON THE OAR LIFE INSURANCE OFFER

What is term 10 life insurance?

Term 10 life insurance is temporary insurance. Rates increase every 10-years.

What is permanent life insurance?

Permanent insurance is lifetime coverage. Policies are either universal life or participating whole life. Universal life insurance offers pure insurance with limited cash value. A participating whole life insurance policy is an asset accumulation, estate, and retirement planning vehicle where the cash value and death benefit increase as dividends are paid into the policy. If Radiologists want permanent insurance at the time of application/issue, we can have their policy issued as permanent coverage.

Can Radiologists convert from term insurance to permanent life insurance?

YES. Each OAR term policy is issued with a conversion feature which allows policy holders to convert their term insurance to permanent universal life coverage at standard rates. If a policy holder wants participating whole life coverage, the conversion must be done within the first five policy years. All conversions are processed through the OAR insurance program.

What does no medical test mean?

No medical test means no blood or urine, no doctor or nurse visit and a one-page medical questionnaire.

What if I answer YES to any of the questions on the OAR insurance application?

If you answer yes to the medical questions on the application, Sun Life will underwrite your eligibility for insurance which may result in a standard or rated policy or a declined application. Applicants will receive a policy once their application has been accepted by Sun Life and we have the minimum number of applications.

How is this offer different then applying for regular life insurance?

An individual applying on his/her own would have to go through full medical underwriting which includes a 43-page application, blood and urine tests, a doctors or nurses visit and a physician's report which may lead to ratings, exclusions or declined coverage.

Is this group life insurance?

NO. The OAR offering is individual insurance where you own and control the policy.

Can my Medicine Professional Corporation own and pay for the life insurance?

YES.

How do the rates of the OAR plan compare to other insurers?

The rates are competitive however ONLY the OAR plan has a simplified application and no medical tests required. Other companies require a full medical, a 43-page application, blood and urine tests and a visit from a doctor/nurse.

Male age 60; \$500,000 term 10

1. Canada Life – \$2,465
2. OAR plan – \$2,485
3. Manulife – \$2,520

Male age 50; \$750,000 term 10

1. Canada Life – \$1,238
2. OAR plan – \$1,255
3. Manulife – \$1,285

Male age 40; \$750,000 term 10

1. Manulife - \$538
2. Canada Life – \$555
3. OAR plan – \$572

Female age 60; \$500,000 term 10

4. Canada Life – \$1,745
5. OAR plan – \$1,755
6. Manulife \$1,770

Female age 50; \$750,000 term 10

4. OAR plan – \$850
5. Manulife – \$857
6. Canada Life – \$863

Female age 40; \$750,000 term 10

4. Canada Life – \$398
5. OAR plan – \$407
6. Manulife – 426

Can I cancel my insurance if I no longer want it?

YES

What if Radiologists want life insurance for more than 10 years?

For those who want more than a ten-year term but not permanent lifetime coverage, they may choose to exchange their term 10 policy to a term 20 or 30 policy before the 5th policy year. A term exchange must be done before the 5th policy anniversary and the policy anniversary nearest:

- The insured's 65th birthday if converting to a policy with a 20-year renewal period.
- The insured's 55th birthday if converting to a policy with a 30-year renewal period.

Why is there a limited time enrollment period?

A limited time enrollment period protects the insurer against anti-selection.

HOW MUCH LIFE INSURANCE SHOULD I HAVE?

It depends on how much income your family requires, the number of years they require income and the level of liquid assets you have.

For example....

- If you predeceased your spouse and dependents and had to provide an income of \$245,000 for 20 years, you should have a minimum liquid asset base of \$3.7M plus funds to pay off the outstanding mortgage.
- If you need income for 30 years for your spouse and dependents, you should have liquid assets of \$5.0M plus funds to pay off the outstanding mortgage.
- **Life insurance is there to fill the gap between your liquid assets and your needs.**

HOW CAN I USE LIFE INSURANCE AS A CORPORATE RETIREMENT/INVESTMENT PLAN?

There are three reasons physicians use participating whole life as an asset owned and paid for by their Medicine Professional Corporations.

1. **Tax free growth.** Similar to an RRSP, money inside a whole life policy is deemed by Canada Revenue Agency to be tax-exempt and is not considered a passive investment under the tax rules.
2. **Performance.** Dividends, once paid, are guaranteed and vested. So too is the increase in annual cash values and death benefits. The current dividend interest rate is **6.25%**.
3. **Guarantees.** Every year you get a policy statement the cash value and estate benefits are guaranteed. Unlike your regular investments (stocks, bonds, mutual funds) which fluctuate year by year, every year dividends are paid in, these values **guaranteed** and **vested**.

Capital built up inside a whole life policy can be used to help fund retirement. Using a corporate retirement plan, you can access the cash value through a withdrawal, a policy loan, or by assigning the policy to a bank as collateral for a line of credit.

WHAT HAPPENS TO THE INVESTMENTS IN MY CORPORATION WHEN MY SPOUSE AND I PASS AWAY AND WE WANT THE ASSETS TO BE DISTRIBUTED TO OUR HEIRS?

Generally, when the owner of the corporation dies and is survived by their spouse, the shares can be transferred to a spouse or spousal trust tax-free. When you and your spouse both pass away, the next step is to distribute the assets out of the corporation to the children/heirs/beneficiaries.

Some Radiologists feel they don't need life insurance because they have enough assets to retire on. However, as indicated in the member survey, many **Radiologists don't realize their corporate assets are subject to three levels of tax when they pass away and the assets are distributed.**

1. Personal capital gain on the disposition of shares of the corporation,
2. Corporate tax on the liquidation of corporate investments,
3. Dividend tax on distribution of assets out of the corporation.

Without advanced tax planning, tax can erode up to 70% of your corporate assets.

Permanent life insurance combined with advanced tax planning can reduce the tax erosion and increase the net estate your heirs receive.

COMPARISON: OMA GROUP LIFE INSURANCE VS SUN LIFE OAR INSURANCE

Below is the quality and cost comparison of the OMA Group Life insurance plan to the OAR’s individual life insurance offer. With the OMA group life insurance, rates increase every 5 years, the policy is not convertible to permanent coverage and the OMA offers only \$50,000 non-medically to physicians up to age 50.

	OMA Group Life insurance	OAR Individual Life insurance
Rates	Increase every 5 years	Increase every 10 years
Coverage end date	Coverage begins to reduce at age 65 and expires by age 75	Coverage is guaranteed until age 85 when the policy expires
Underwriting	Full application with blood, urine, a doctor/nurse visit and a physician’s report	One page medical questionnaire. No blood or urine tests, no doctor or nurse visit. *
Convertible to permanent insurance?	No	Yes
How much can be issued <u>non-medically</u>	<u>Only</u> \$50,000 if for physicians up to 50 <u>\$0</u> for physicians over 50	\$750,000 – up to age 59 \$500,000 – Age 60-65 \$250,000 – Age 66-69

* If you answer yes to the medical questions on the application, Sun Life will underwrite your eligibility for insurance which may result in a standard or rated policy or a declined application. Applicants will receive a policy once their application has been accepted by Sun Life.

IMPLICATIONS:
The iron clad guarantees of the individual OAR Sun Life offer including a conversion to permanent insurance coverage, a simplified application, no medical and a superior cost structure (even after OMA rebate) provides far greater value when compared to the OMA group life insurance.s

What is the cost?

Below is a chart illustrating the cost for coverage.
Your cost is based on on your age nearest at the time of approval and will not change for ten years. For example a male age 50 non smoker can apply for \$750,000 of term 10 insurance at a rate of \$112.95/month.

AGE 25-59: \$750,000			
MALE		FEMALE	
25	\$42.08	25	\$27.23
26	\$42.75	26	\$27.23
27	\$42.75	27	\$27.23
28	\$42.75	28	\$27.23
29	\$42.75	29	\$27.90
30	\$42.75	30	\$28.58
31	\$42.75	31	\$29.25
32	\$42.75	32	\$30.60
33	\$42.75	33	\$31.28
34	\$42.75	34	\$31.95
35	\$42.75	35	\$32.63
36	\$44.10	36	\$33.98
37	\$46.13	37	\$35.33
38	\$47.48	38	\$36.00
39	\$49.50	39	\$36.00
40	\$51.53	40	\$36.68
41	\$55.58	41	\$39.38
42	\$59.63	42	\$42.08
43	\$65.03	43	\$44.78
44	\$70.43	44	\$47.48
45	\$74.48	45	\$47.48
46	\$82.58	46	\$54.90
47	\$89.33	47	\$60.30
48	\$96.75	48	\$65.70
49	\$105.53	49	\$72.45
50	\$112.95	50	\$76.50
51	\$127.80	51	\$89.33
52	\$142.65	52	\$100.80
53	\$158.85	53	\$112.95
54	\$177.08	54	\$125.78
55	\$194.63	55	\$135.23
56	\$220.28	56	\$157.50
57	\$244.58	57	\$175.73
58	\$271.58	58	\$195.30
59	\$301.28	59	\$216.23

AGE 60-65: \$500,000			
MALE		FEMALE	
60	\$223.65	60	\$157.95
61	\$252.00	61	\$178.65
62	\$283.50	62	\$198.00
63	\$319.05	63	\$219.15
64	\$358.65	64	\$242.55
65	\$401.85	65	\$263.70

AGE 66-69: \$250,000			
MALE		FEMALE	
66	\$231.08	66	\$156.15
67	\$259.20	67	\$177.30
68	\$290.70	68	\$201.60
69	\$325.80	69	\$224.55