

SAMPLE CASE

SHARED OWNERSHIP STRATEGY

A STRATEGY USING CRITICAL ILLNESS INSURANCE

COMPANY NAME:

Holdco Inc.

INSURED PERSON &

RETURN OF PREMIUM OWNER:

Key person / Shareholder

PRESENTED BY:

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SHARED OWNERSHIP STRATEGY - CRITICAL ILLNESS INSURANCE

YOUR CURRENT SITUATION

The success of your corporation depends on your performance as a key employee and owner of the corporation. If you were to suffer a critical illness impacting your ability to contribute, your expertise would be difficult to replace and there may be a financial impact to your corporation.

A SOLUTION

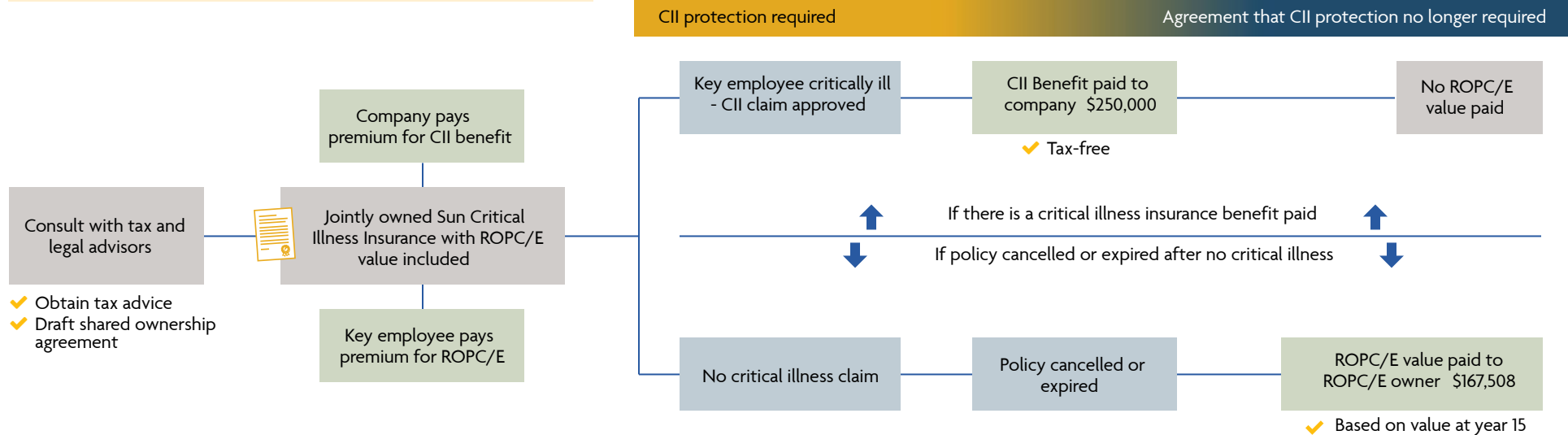
The Shared Ownership strategy using Sun Critical Illness Insurance makes it possible for you and your corporation to share in the risks and benefits of the insurance policy.

HOW A SHARED CRITICAL ILLNESS INSURANCE STRATEGY WORKS

You and your corporation jointly purchase a critical illness insurance (CII) policy on your health with the Return of premium on cancellation and/or expiry benefit (ROPC/E). You and your corporation have your lawyers draft a shared ownership agreement where your corporation owns and pays the premiums for the critical illness insurance coverage, and you own and pay the premiums for the ROPC/E value. If you experience a covered critical illness and survive the appropriate waiting period, your corporation collects the critical illness insurance benefit and you receive nothing for the ROPC/E premiums paid. However, if you remain healthy and the policy is eligible for cancellation, you can decide to cancel the policy. Upon cancellation or expiry, you will receive the ROPC/E value. The ROPC/E value is equal to all the premiums paid by both you and your corporation. If the ROPC/E value is paid, there may be tax consequences to you. Both you and your corporation need to obtain independent tax and legal advice on the potential consequences for your specific situations.

STRATEGY IMPLEMENTATION

TIMELINE OF POSSIBLE OUTCOMES



You and your corporation may select the option to add Return of premium on death benefit (ROPD) to the policy coverage. With this option, if the insured person dies while the policy is in effect with no CI claim payable, the returnable premium amount will be paid to the ROPD owner or the named beneficiary of the ROPD value.

SHARED OWNERSHIP STRATEGY - CRITICAL ILLNESS INSURANCE

OWNERSHIP DETAILS

Company name:	Return of premium (ROP) value owner
Holdco Inc.	Key person / Shareholder
Initial monthly premium:	Initial monthly premium:
\$502.65	\$427.95
Benefit information:	Benefit information:
Critical illness insurance benefit upon covered claim	Return of premium on cancellation or expiry (ROPC/E) – Available after 15 years Return of premium on death (ROPD)

PLAN DESIGN DETAILS

Insured Person

Key person / Shareholder, male, age 50, non-smoker

Sun Critical Illness Insurance policy

Insurance coverage:	\$250,000
Coverage term:	Term 75
Payment period:	To age 75
Total initial monthly premium:	\$930.60
Holdco Inc. premium:	\$502.65
Key person / Shareholder premium:	\$427.95

ABOUT THIS PRESENTATION

This presentation was prepared for information purposes only. It is not an insurance contract or an offer to provide insurance. It does not form any part of any policy that may be issued and is not intended to provide or replace professional legal or tax advice. For your specific situation, please consult your own tax and legal advisors.

SHARED OWNERSHIP STRATEGY - CRITICAL ILLNESS INSURANCE

POLICY VALUES

The Shared Ownership strategy using Sun Critical Illness Insurance makes it possible for you and your corporation to share in the risks and benefits of the insurance policy. This ledger shows the applicable premium and benefit values that may be provided to you and your corporation.

Policy year	Age	Total policy premium (\$)	HOLDCO INC.		KEY PERSON / SHAREHOLDER		
			Base coverage premium (\$)	Critical illness insurance benefit (\$) ¹	ROP Premium (\$)	ROPD value (\$)	ROPC/E value (\$)
1	51	930.60	502.65	250,000	427.95	11,167	-
2	52	930.60	502.65	250,000	427.95	22,334	-
3	53	930.60	502.65	250,000	427.95	33,501	3,350
4	54	930.60	502.65	250,000	427.95	44,668	7,817
5	55	930.60	502.65	250,000	427.95	55,836	13,959
6	56	930.60	502.65	250,000	427.95	67,003	21,776
7	57	930.60	502.65	250,000	427.95	78,170	31,268
8	58	930.60	502.65	250,000	427.95	89,337	42,435
9	59	930.60	502.65	250,000	427.95	100,504	55,277
10	60	930.60	502.65	250,000	427.95	111,671	69,795
11	61	930.60	502.65	250,000	427.95	122,839	85,987
12	62	930.60	502.65	250,000	427.95	134,006	103,854
13	63	930.60	502.65	250,000	427.95	145,173	123,397
14	64	930.60	502.65	250,000	427.95	156,340	144,615
15	65	930.60	502.65	250,000	427.95	167,508	167,508
16	66	930.60	502.65	250,000	427.95	178,675	178,675
17	67	930.60	502.65	250,000	427.95	189,842	189,842
18	68	930.60	502.65	250,000	427.95	201,009	201,009
19	69	930.60	502.65	250,000	427.95	212,176	212,176
20	70	930.60	502.65	250,000	427.95	223,344	223,344
21	71	930.60	502.65	250,000	427.95	234,511	234,511
22	72	930.60	502.65	250,000	427.95	245,678	245,678
23	73	930.60	502.65	250,000	427.95	256,845	256,845
24	74	930.60	502.65	250,000	427.95	268,012	268,012
25	75	930.60	502.65	250,000	427.95	279,180	279,180

¹ We will pay the ROPC/E value instead of the critical illness insurance benefit if the ROPC/E value is greater.

KEY CONSIDERATIONS

Here are some of the many factors to consider when thinking about shared ownership of a Sun Critical Illness Insurance policy. Please consult with your professional tax and legal advisors to ensure this strategy is suitable for you.

Consideration	Action
There are currently no specific income tax laws pertaining to the taxation of the shared ownership of critical illness insurance plans. The Canada Revenue Agency (CRA) has not ruled on the tax consequences of the arrangement.	Consult with your tax and legal advisors to understand the potential tax consequences of this arrangement.
In this illustration the owner of the ROP benefit is assumed to be the insured key employee, however a shared ownership agreement can be designed with a different owner of the benefit.	Consult with your tax and legal advisors to understand how different shared ownership structures can apply.
Premiums paid for the critical illness insurance benefit and the premiums paid for the ROPC/E or ROPD values are not deductible from taxable income.	Consult with your tax and legal advisors to ensure the premiums are properly treated for tax purposes.
Where your corporation is the critical illness insurance benefit payee, the benefit will be paid tax free. The proceeds will not create a credit to the corporation's capital dividend account (CDA).	Understand that credit to a corporation's CDA is available only for life insurance death proceeds received by the corporation as beneficiary of a policy.
Where the payee of the ROP value is different from your corporation, a taxable shareholder or employee benefit may arise from payment of any ROPC/E or ROPD value.	Consult with your tax and legal advisors to understand the impacts if the ROPC/E value is considered a taxable benefit.
If the ownership of the critical illness insurance coverage is transferred to you from your corporation, the fair market value of the benefit may be a taxable shareholder or employee benefit to the ROP benefit owner.	Consult with your tax and legal advisors to understand the potential tax consequences of a policy ownership change.
If the ownership of the ROP benefit is transferred from you to the corporation, the fair market value of the benefit may be paid tax-free to the key employee/owner.	Consult with your tax and legal advisors to understand the potential opportunity of a policy ownership change.
This presentation is based on values from the Sun Critical Illness Insurance illustration accompanying this presentation of the same date.	Read this presentation together with the product illustration, as it's incomplete without it.



Sun Critical Illness Insurance

Term 75 illustration

Sun CII provides a lump sum benefit to help you respond to the personal or business financial impacts of the insured person being diagnosed with and surviving an illness covered by the plan.

Designed for:

Key person / Shareholder

Insured person:

Key person / Shareholder

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Benefits of Sun Critical Illness Insurance

Today, more than ever, people are surviving illnesses that were once fatal. Your well-being, and the well-being of your family or business, depends on the strength of your financial plan. Adding **Sun Critical Illness Insurance** (Sun CII) to your plan can help see you through such a life changing event. Critical illness insurance gives you a lump sum payment if you are diagnosed with and survive an illness covered by your plan. This extra measure of security helps give you the freedom to concentrate on what's most important – recovery.

Sun CII provides the following plan designs and optional benefits:

- Term 10 (T10)**
 - Affordable critical illness coverage which renews every 10 years up to age 75.
- Term 75 (T75)**
 - Critical illness coverage up to age 75.
- Lifetime (T100)**
 - Critical illness coverage for life.
- Flexibility**
 - Optional benefits to tailor coverage to your needs:
 - Return of premium on death (ROPD)
 - Return of premium on cancellation and/or expiry (ROPC/E)
 - Total disability waiver
 - Owner waiver
 - Long-term care conversion option
 - Two limited pay options:
 - A 10-pay option available on Lifetime plans
 - A 15-pay option available on Term 75 and Lifetime plans
 - A unique approach to children's CII coverage:
 - 5 additional childhood illnesses
 - 2 unique ROPC/E options designed specifically for children
- Guarantees**
 - Covered illnesses, premiums, benefit amounts and return of premium values are fully guaranteed for your Sun CII policy.
 - Guaranteed conversion of Term 10 coverage to a Sun CII policy with level premiums.

SUN LIFE FINANCIAL

For more than 150 years, Sun Life Financial has been one of the most trusted names in financial services. We provide a diverse range of protection and wealth products and services to individuals and corporate customers. Sun Life's group of businesses have helped millions of customers worldwide achieve peace of mind that comes with planning for lifetime financial security – and we're well-positioned to do so for years to come.

Sun Life Assurance Company of Canada is the insurer and a member of the Sun Life Financial group of companies.

COVERAGE INFORMATION

Sun CII Term 75

Sun CII Term 75 offers a lump sum benefit that can help you respond to the critical illnesses listed below and defined in the policy. The selected coverage offers guaranteed level premiums. Coverage continues until the policy ends at the policy anniversary nearest the insured person's 75th birthday.

These illnesses are eligible for a one-time full benefit payout. When the benefit is paid, the critical illness insurance policy ends.

- Acquired brain injury due to external trauma
- Aortic surgery
- Aplastic anemia
- Bacterial meningitis
- Benign brain tumor
- Blindness
- Cancer
- Coma
- Coronary artery bypass surgery
- Deafness
- Dementia, including Alzheimer's disease
- Heart attack
- Heart valve replacement or repair
- Kidney failure
- Loss of independent existence
- Loss of limbs
- Loss of speech
- Major organ failure on a waiting list
- Major organ transplant
- Motor neuron disease
- Multiple sclerosis
- Occupational HIV infection
- Paralysis
- Parkinson's disease and specified atypical parkinsonian disorders
- Severe burns
- Stroke

Each illness listed below is eligible for a partial payout of 15% of the critical illness insurance benefit amount to a maximum of \$50,000 per condition. When we pay a claim for a partial payout illness, the policy remains in force. The CII benefit and Return of premium benefits are not reduced by the amount of the partial payout. One claim is permitted per partial payout illness to a maximum of four partial payments.

- Cancer – chronic lymphocytic leukemia (CLL) Rai stage 0
- Cancer – ductal carcinoma in situ of the breast
- Cancer – gastrointestinal stromal tumours classified as AJCC Stage 1
- Cancer – grade 1 neuroendocrine tumours (carcinoid)
- Cancer – papillary thyroid cancer or follicular thyroid cancer stage T1
- Cancer – stage 1A malignant melanoma
- Cancer – stage A (T1a or T1b) prostate cancer
- Coronary angioplasty

A full description of the covered conditions is included in the Guide to critical illness definitions.

OPTIONAL BENEFITS

Return of premium on death (ROPD)

The returnable premium amount will be paid to the ROPD beneficiary if the insured person dies while the policy is in effect and the CII benefit is not payable.

Return of premium on cancellation or expiry (ROPC/E – 15 years)

A percentage of the returnable premium amount will be paid to the owner if they cancel the policy on or after the 3rd policy anniversary, if the CII benefit is not payable. This benefit has no value prior to the 3rd policy anniversary.

We determine the percentage as follows:

- on or after the 3rd policy anniversary we pay 10% of the returnable premium amount,
- an additional 7.5% per year is added to the initial 10% up to a maximum of 100%, as shown in the chart below.

Policy anniversary	Percentage
3	10.0%
4	17.5%
5	25.0%
6	32.5%
7	40.0%
8	47.5%
9	55.0%
10	62.5%
11	70.0%
12	77.5%
13	85.0%
14	92.5%
15+	100.0%

The returnable premium amount will be paid to the owner if the policy has not been cancelled and therefore expires (ends) and the CII benefit is not payable. This coverage expires on the policy anniversary nearest the insured person's 75th birthday.

Client summary



Key person / Shareholder

Male, age 50, non-smoker

Insurance coverage	Amount (\$)	Initial monthly premium (\$)
Sun CII Term 75	250,000	498.60
Optional benefits		Initial monthly premium (\$)
Return of premium on death		7.65
Return of premium on cancellation or expiry – 15 years		420.30
Policy fee		\$4.05
Total initial monthly premium		\$930.60

Policy values

Premiums shown below are payable monthly. Policy values are illustrated at the end of the policy year.

The values shown in the ROPC/E column below are based on the ROPC/E – 15 years

Policy year	Age	Total premium (\$)	ROPD value (\$)	ROPC/E value (\$)	Critical illness insurance benefit (\$)
1	51	930.60	11,167	-	250,000
2	52	930.60	22,334	-	250,000
3	53	930.60	33,501	3,350	250,000
4	54	930.60	44,668	7,817	250,000
5	55	930.60	55,836	13,959	250,000
6	56	930.60	67,003	21,776	250,000
7	57	930.60	78,170	31,268	250,000
8	58	930.60	89,337	42,435	250,000
9	59	930.60	100,504	55,277	250,000
10	60	930.60	111,671	69,795	250,000
11	61	930.60	122,839	85,987	250,000
12	62	930.60	134,006	103,854	250,000
13	63	930.60	145,173	123,397	250,000
14	64	930.60	156,340	144,615	250,000
15	65	930.60	167,508	167,508	250,000
16	66	930.60	178,675	178,675	250,000
17	67	930.60	189,842	189,842	250,000
18	68	930.60	201,009	201,009	250,000
19	69	930.60	212,176	212,176	250,000
20	70	930.60	223,344	223,344	250,000
21	71	930.60	234,511	234,511	250,000
22	72	930.60	245,678	245,678	250,000
After this point, the total of all premiums paid is equal to or greater than the critical illness insurance benefit.*					
23	73	930.60	256,845	256,845	250,000
24	74	930.60	268,012	268,012	250,000
25	75	930.60	279,180	279,180	250,000

* If the insured person qualifies for a full benefit payout after this point we will pay the greater of the returnable premium amount or the benefit amount.

Understanding the illustrated policy values

The return of premium on expiry at the policy anniversary nearest the insured person's 75th birthday will be \$279,180.

The premiums shown above are guaranteed and include the policy fee and any ratings used for this illustration.

Premium summary

Premiums and fees shown are payable monthly.

The values shown in the ROPC/E column below are based on the ROPC/E – 15 years.

Policy year	Age	Base coverage premium (\$)	ROPD premium (\$)	ROPC/E premium (\$)	Policy fee (\$)	Total premium (\$)
1	51	498.60	7.65	420.30	4.05	930.60
2	52	498.60	7.65	420.30	4.05	930.60
3	53	498.60	7.65	420.30	4.05	930.60
4	54	498.60	7.65	420.30	4.05	930.60
5	55	498.60	7.65	420.30	4.05	930.60
6	56	498.60	7.65	420.30	4.05	930.60
7	57	498.60	7.65	420.30	4.05	930.60
8	58	498.60	7.65	420.30	4.05	930.60
9	59	498.60	7.65	420.30	4.05	930.60
10	60	498.60	7.65	420.30	4.05	930.60
11	61	498.60	7.65	420.30	4.05	930.60
12	62	498.60	7.65	420.30	4.05	930.60
13	63	498.60	7.65	420.30	4.05	930.60
14	64	498.60	7.65	420.30	4.05	930.60
15	65	498.60	7.65	420.30	4.05	930.60
16	66	498.60	7.65	420.30	4.05	930.60
17	67	498.60	7.65	420.30	4.05	930.60
18	68	498.60	7.65	420.30	4.05	930.60
19	69	498.60	7.65	420.30	4.05	930.60
20	70	498.60	7.65	420.30	4.05	930.60
21	71	498.60	7.65	420.30	4.05	930.60
22	72	498.60	7.65	420.30	4.05	930.60
23	73	498.60	7.65	420.30	4.05	930.60
24	74	498.60	7.65	420.30	4.05	930.60
25	75	498.60	7.65	420.30	4.05	930.60

Important events	At end of policy year
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Expiry of Sun CII Term 75 policy	25
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ABOUT THIS ILLUSTRATION

- This report was prepared for illustration purposes only and is not an insurance contract or an offer to provide insurance. It does not form part of any policy that may be issued.
- Details of your coverage information have been summarized. Please review your policy for a complete description of your coverage.
- All coverages and benefits illustrated will be subject to underwriting review and approval.

GLOSSARY

Age	Age means a person's age on their birthday nearest to a particular date. This is known as "age nearest". A person's age at the policy date means their age on their birthday nearest to a policy date. For example, if the insured person's actual age is 34 years and 7 months, the "insurance age" will be 35. When we say a benefit ends at 65, it means the policy anniversary nearest their 65 th birthday.
Policy anniversary	The month and day every year that is the same as your policy date.
Policy date	This is the start date of your insurance policy.
Policy year	The 12-month period that runs from one policy anniversary to the next policy anniversary.
Premiums	This illustration is based on Sun Life Financial's premium rates on the date shown below. Premiums shown are based on the specifics illustrated: plan type, benefit type, amount of insurance, age, smoking status, sex and insurance rating. If any of these are incorrect and your policy is issued with different specifics, the premiums and values may change.
Returnable premium amount	The returnable premium amount is the sum of all premiums paid, including rated premiums, minus: <ul style="list-style-type: none">• any advanced return of premium amount we have paid.• any premiums paid for the long-term care conversion option, if included in the policy.• any unpaid premiums including interest.
Taxation	Currently there are no specific income tax laws governing the taxation of critical illness insurance policies. Sun Life Financial's understanding of current tax law is that any benefits paid from a critical illness insurance policy to the policy owner will not be taxed as long as the policy owner has paid all the premiums using after-tax money. We believe that this tax treatment applies to critical illness insurance policies owned by individuals, corporations and other entities. This is not a complete summary of the tax issues applicable to critical illness insurance policies. To review the tax treatment of a critical illness insurance policy in your situation, speak to your tax professional.