

SUN CRITICAL ILLNESS INSURANCE

Shared ownership with Sun Critical Illness Insurance

Meet James and Kirk

James and Kirk own Yourbusiness.ca. This very successful company owes a large part of its success to the efforts of Maury, vice-president sales & marketing.

- Owning a business has its advantages, but keeping valued employees in a competitive job market is a constant challenge. And it's always your best people you have to worry about.
- Maury, age 45, has become a key person on the Yourbusiness.ca team. As the vice-president, sales & marketing of Yourbusiness.ca, he has established important relationships with customers, suppliers and the bank, and he is largely responsible for the company's rapid growth.
- If Yourbusiness.ca were to lose Maury as a key person, the company could suffer not only lost revenue, but also the costs associated with getting the company back on track.



The challenge

Business continuation and executive benefit planning.

James and Kirk realize that losing Maury's expertise would represent about a \$250,000 loss due to reduced profit, decreased revenue and increased expenses – including the additional costs to find his replacement.

If Yourbusiness.ca cannot absorb these costs, its value could be seriously reduced and its existence may be threatened. James and Kirk need a financial strategy to protect Yourbusiness.ca against these risks.

They decide to have Yourbusiness.ca purchase critical illness insurance on Maury to protect the company from the financial loss it could sustain if Maury were to have a critical illness.

Since James and Kirk also want to retain Maury as a valued employee, they offer him an opportunity to share in the benefits that critical illness insurance offers through a shared ownership arrangement.

The solution

Shared ownership with Sun Critical Illness Insurance.

Portions of a Sun Critical Illness Insurance policy can be shared by different owners.

Yourbusiness.ca and Maury enter into a shared ownership agreement to share the costs and benefits of a Sun Critical Illness Insurance policy. This agreement is a private contract between the two parties.

Yourbusiness.ca and Maury apply for a Sun Critical Illness Insurance Term 75 policy with a return of premium on cancellation or expiry benefit on Maury. Unless cancelled at an earlier date, coverage ends on the policy anniversary nearest Maury's 75th birthday.

Yourbusiness.ca and Maury jointly own the critical illness insurance policy, but under the terms of the shared ownership agreement each owns and pays for different coverages under the policy. Yourbusiness.ca pays for the basic benefit of the critical illness insurance policy – providing the protection it needs, while Maury pays for the return of premium benefit. If Maury does not have a critical illness during the term of the agreement, and pays his premiums, he can get a return of premium benefit equal to the cumulative premiums he and the company have paid.

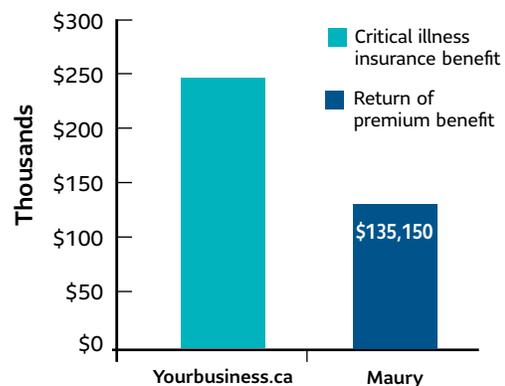
The result

Yourbusiness.ca gets the protection it needs and Maury gets an opportunity to share in the benefits offered by a Sun Critical Illness Insurance policy.

- If Maury is diagnosed with a covered critical illness during the term of the agreement, and satisfies the survival period, Yourbusiness.ca will receive a tax-free benefit of \$250,000.* Yourbusiness.ca can use the money for its own purposes and/or to make a taxable payment to Maury, subject to the terms of the agreement.
- If Maury is not diagnosed with a critical illness, upon cancellation of the policy Maury will receive a benefit of \$135,150. representing the combined premiums paid by Maury and Yourbusiness.ca**

Choosing the return of premium benefit is a smart way to encourage key persons to stay with a company.

Results summary***



* Currently, there are no specific tax laws pertaining to basic insurance plans. Consult your independent tax and legal advisor to ensure the arrangement meets your specific needs.
** Although there currently are no specific tax laws governing how a return of premium benefit is treated for tax purposes, there is a risk that a taxable benefit may arise. Consult your independent tax and legal advisor to ensure the arrangement meets your specific needs.
*** Only one benefit is paid. If Yourbusiness.ca receives the critical illness benefit no return of premium on cancellation or expiry benefit is payable to Maury. If Maury is not diagnosed with a covered critical illness, Maury will receive the return of premium on cancellation or expiry benefit, no basic benefit is payable to Yourbusiness.ca. The benefits shown are for illustration purposes and are not guaranteed. Actual results will vary.

Questions? We're here to help.

Contact your Sun Life representative for more information.

