

DATE: November 5, 2020 **N° 2020-31**
CATEGORY: **INSURANCE**
TO: Managing General Agents, Associate General Agents, Advisors, General Agents and National Accounts
SUBJECT: **New Empire Life Disability Credit Protect Rider for Par and Solution Series plans**

Effective November 19, 2020, we are pleased to announce that the new Empire Life Disability Credit Protect rider will be available as an optional rider for new Par or Solution Series policies.

With the Empire Life Disability Credit Protect rider, advisors can help clients design a bundled insurance solution that not only provides life insurance and critical illness benefits, but can also provide monthly benefits to those who can't work due to a disability and help cover their eligible debt payments. Clients can choose a 12-month or 24-month benefit period.

Bundle it with life coverage to achieve an insurance solution with great rates that is competitive with mortgage life and disability products

Monthly Premium Comparisons

Premium quotes were obtained for different options to cover life insurance needs for \$250,000 mortgage (initial principal amount) and disability insurance needs for monthly mortgage payments of \$2,000.

Life and Disability Coverages by Carrier		Monthly Premiums ¹ for Male Standard Non-smoker			Monthly Premiums ¹ for Female Standard Non-smoker		
		35	45		35	45	
Empire Life ²	Solution 25 + DI rider	\$63.14	\$120.92	Lowest	\$69.21	\$120.87	Lowest or 2 nd lowest
Assumption Life ²	FlexTerm 25 + DI rider	\$66.42	\$121.32		\$71.10	\$124.25	
iA ²	Pick-A-Term 25 + DI rider	\$63.59	\$124.29		\$71.01	\$121.32	
La Capitale ²	Term 25-Pure + DI rider	\$66.83	\$129.04		\$75.12	\$127.21	
SSQ ²	Term Plus 25 + DI rider	\$63.88	\$121.48		\$71.69	\$126.17	
BMO ³	Mortgage Life + DI	\$70.51	\$134.68		\$70.51	\$134.68	
CIBC ³	Mortgage Life + DI	\$66.50	\$128.50		\$66.50	\$128.50	
RBC ³	HomeProtector + DI	\$74.39	\$141.87		\$74.39	\$141.87	
Scotia ³	Mortgage Life + DI	\$76.50	\$141.50		\$76.50	\$141.50	

¹ Premiums for mortgage life insurance and disability rider stay the same during the initial term of the mortgage, but the amount of life insurance coverage decreases as the mortgage balance decreases. Premiums for Term 25 life insurance stay the same for the first 25 years of coverage and premiums for the disability insurance rider stay the same for life of the coverage. Term life insurance with a disability rider and mortgage life insurance with a disability rider have different features and eligibility requirements.

² Premiums shown are the monthly premiums for the life insureds indicated for the initial 25 years of Term 25 life insurance with coverage amount of \$250,000 and a disability insurance rider with a maximum monthly disability benefit of \$2,000 and a 24-month benefit period. Premiums amounts for competitor products were determined by Empire Life in a survey conducted on September 21, 2020.

³ Premiums shown are the monthly premiums for the life insureds indicated for mortgage life insurance and a disability insurance rider with a monthly disability benefit of \$2,000 and a 24-month benefit period. Premiums amounts are for the initial term of the mortgage and were determined by Empire Life in a survey conducted on September 21, 2020.

Screening questions and life underwriting approaches

We utilize screening questions and Life underwriting for the Empire Life Disability Credit Protect rider:

Screening questions - allow advisors to pre-determine if a life insured is eligible to apply; and

Life underwriting approach – Life underwriting is used to determine if a life insured is qualified for coverage.

To qualify for the rider, a life insured must be:

- ✓ working for remuneration for **a minimum of 20 hours per week** at the time of the application and **for at least 8 months during the past 12 months**
- ✓ **able to answer “no” to all of the Empire Life Disability Credit Protect screening questions** – 6 main health questions which incorporate a build chart and uninsurable occupation listing.
- ✓ **considered as “true” standard for the life insurance coverage** – while we currently consider a life insured with 100% to 149% rating as “standard” risk class for life insurance, to qualify for the Disability Credit Protect rider, the life insured must be rated 100% standard for life insurance, without any exclusions.

How Empire Life Disability Credit Protect works

- It is designed to provide coverage for monthly eligible debt payments if the life insured can't work due to disability caused by an illness or injury
- Upon approval of a claim, it pays a monthly benefit equal to the lesser of: 1) the monthly eligible debt payments and 2) the maximum monthly benefit amount (shown on the Data Page of the policy).
- The maximum monthly benefit amount is the lower of: \$3,500 and 3.5% of the amount of the life insurance coverage to which the rider is attached.

Be sure to check out the sample contract available on the advisor site of empire.ca for details such as maximum benefit periods, limitations and exclusions.

Here is a sample scenario:

John applied and was approved for an EstateMax Life Pay Coverage with the Enhanced Coverage dividend option. He added an Empire Life Disability Credit Protect rider with a 12-Month Benefit Period:	
EstateMax coverage amount (base + Enhanced)	= \$75,000
For the rider:	
Maximum amount that John can select as a monthly benefit (3.5% of \$75,000)	= \$2,625
Maximum monthly benefit amount selected by John	= \$2,500
Note: Empire Life Disability Credit Protect premium will be calculated based on the maximum monthly benefit amount, in this case \$2,500.	
2 years later, John becomes disabled due to an accident. He cannot work, and is under the continuous care of a physician. He makes his first claim under the Empire Life Disability Credit Protect rider. He provides all claim requirements to confirm his disability and two eligible debts and their monthly payments, as follows:	
\$240,000 mortgage with a financial institution, monthly payment of \$1,500	
\$80,000 personal loan with a financial institution, monthly payment of \$800	
John's claim is approved and he continues to meet all requirements at the end of the Waiting Period. As the policy owner, John will receive the monthly benefits for this claim for a maximum of 12 months. The monthly benefit amount is the lower of:	
<ul style="list-style-type: none">• the maximum monthly benefit amount of \$2,500; and• total eligible debt payments of \$2,300 (\$1,500 + \$800)	
The Empire Life Disability Credit Protect monthly benefit amount for this claim	= \$2,300
Note: premiums will not be refunded if the monthly benefit paid is less than the maximum monthly benefit amount or if there are no eligible debts at claim time.	

Key product features

Availability	<p>Can be added as an optional rider to the following life insurance plans:</p> <ul style="list-style-type: none"> • EstateMax & Optimax Wealth • Solution Series <p>The rider CANNOT be added to an inforce life insurance policy.</p>
Coverage type	<ul style="list-style-type: none"> • Single life only (rider can be added for each life insured for joint cases) • Only one Empire Life Disability Credit Protect rider will be allowed per life insured per policy.
Issue Age	18 to 60
Premium	<p>Guaranteed level & payable to age 65. Calculated based on the maximum monthly benefit amount shown on the Data Page.</p> <p>Important note: Waiver of premium benefit is not included with the Empire Life Disability Credit Protect rider. Premiums are required even if monthly benefits are being paid.</p>
Coverage expiry	At age 65
Maximum monthly benefit amount limits per life insured	<p>Minimum: \$300</p> <p>Maximum: \$3,500 or 3.5% of the amount of the life insurance coverage to which the rider is attached, whichever is lower</p>
Benefit periods	<p>Owner can choose a benefit period of</p> <ul style="list-style-type: none"> • 12 months; or • 24 months <p>The benefit period cannot be changed after the policy takes effect.</p>
Elimination & Waiting Periods	<p>Elimination Period – 30 consecutive days from onset of disability</p> <p>Waiting Period – 30 consecutive days from onset of disability if the disability is a result of an accident or if life insured is hospitalized for a minimum of 72 hours consecutively</p> <p>– 90 consecutive days for all other causes</p> <p>No monthly benefit is payable during the Elimination Period.</p> <p>If the life insured continues to be disabled from the same cause at the end of the Waiting Period, monthly benefits will be paid as of the 31st day after the onset of disability.</p>
Temporary Insurance Agreement (TIA)	Not available
Beneficiary	The beneficiary of the monthly benefit payment is the owner of the policy.
Maximum benefit periods	<p>For a 12-month benefit period</p> <ul style="list-style-type: none"> • Maximum benefit period per claim = 12 months • Maximum aggregate benefit period for all claims = 24 months <p>For a 24-month benefit period</p> <ul style="list-style-type: none"> • Maximum benefit period per claim = 24 months • Maximum aggregate benefit period for all claims = 48 months <p>If the life insured recovers from a disability for which monthly benefits were being paid and becomes disabled from the same cause within 6 months of recovery, it is</p>

	<p>treated as a continuation of the previous claim for the purposes of the maximum benefit period per claim. Otherwise, a recurring disability from the same or a different cause is treated as a new claim for the purposes of the maximum benefit period per claim.</p>										
Maximum monthly benefit amount	<p>The monthly benefit amount is determined at claim time and is equal to the <u>lower</u> of the following amounts:</p> <ul style="list-style-type: none"> • maximum monthly benefit amount for the rider as shown on the Data Page • total monthly payments of all eligible debts at onset of disability <p>Monthly benefits will stop being paid under some circumstances e.g. if life insured is no longer disabled. For details, refer to the sample contract available on the advisor site of empire.ca.</p> <p><i>Important note: Life Insured must be residing in Canada or U.S. for the duration of the benefit period in order to receive the monthly benefit. If an eligible debt is paid in full during the benefit period, the portion of the monthly benefit being paid with respect to that eligible debt will stop being paid.</i></p>										
Eligible debts	<p>Most personal/corporate debts and some lease obligations of the life insured or corporate owner are eligible. A few examples are:</p> <ul style="list-style-type: none"> • Personal or student loan • Mortgage • Vehicle lease • Rent for residential property lease • Line of credit • Commercial loan <p>Note: the loan provider must be a Canadian financial institution. Please refer to contract for further details.</p> <p>The following are NOT considered eligible debts:</p> <ul style="list-style-type: none"> • loans or leases contracted within 120 days prior to the onset of disability • loans or leases contracted after the onset of disability • loans or leases covered under other disability insurance • loans or leases between individuals or persons that are related persons • credit card balances • commercial loans for buildings with seven units or more, including any unit in which the life insured or policy owner is living • living benefit advance or policy loans on a life insurance policy 										
Commission schedule	<table> <tr> <td>Fast & Full with eBundle FYC:</td> <td>42%</td> </tr> <tr> <td>Fast & Full FYC:</td> <td>38.5%</td> </tr> <tr> <td>Paper FYC:</td> <td>35%</td> </tr> <tr> <td>Year 2 to 5:</td> <td>5%</td> </tr> <tr> <td>Year 6+:</td> <td>2%</td> </tr> </table>	Fast & Full with eBundle FYC:	42%	Fast & Full FYC:	38.5%	Paper FYC:	35%	Year 2 to 5:	5%	Year 6+:	2%
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Disability definitions

Disability or disabled means:

- For a Life Insured who is Gainfully Employed, the total and continuous incapacity caused by an Accident or Illness that prevents the Life Insured from performing, for any period of time, the regular duties of the work for which the Life Insured is Gainfully Employed; or
- For a Life Insured who is not Gainfully Employed, the total and continuous incapacity caused by an Accident or Illness that prevents the Life Insured from working for salary, wages or commissions in any capacity for any period of time.

Applying is easy

Online via Fast & Full Life Application

- Built-in Empire Life Disability Credit Protect Screening Questionnaire in step 5 (Health tab) makes it easy to pre-screen life insureds to determine eligibility to apply
- If life insured is not eligible to apply, i.e. answers "Yes" to any one of the screening questions, the rider is removed from the application and a new premium quote and illustration, without the rider, will be generated

Using our paper Life & Health Application (D-0082)

- Use the Empire Life Disability Credit Protect Screening Questionnaire (INS-2853) to pre-screen life insureds to determine eligibility to apply
- If life insured qualifies to apply for the rider, submit the INS-2853 with the Life & Health Application

To avoid unnecessary declines, be sure to complete the INS-2853. **Only** submit the completed screening questionnaire if life insured answers "no" to ALL questions.

Transition rules

For pending "in the mill" Par or Solution Series applications submitted before November 19, 2020, please submit the Empire Life Disability Credit Protect Screening Questionnaire (INS-2853) and the selected maximum benefit amount and period prior to policy issue.

Any policies issued before November 19, 2020 but not yet settled, must be returned for reissue with the Empire Life Disability Credit Protect Rider Screening Questionnaire and the selected maximum benefit amount and period, so the disability rider can be added prior to policy settle. Once a policy is inforce, the rider cannot be added.

Reference

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