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# EHP: Executive Health Plan

COULD YOUR COMPANY MANAGE WITHOUT YOU?



 **Desjardins**  
Insurance  
Life • Health • Retirement

# A solution for your business in the event of a critical illness

The Executive Health Plan (EHP) allows you to own a critical illness policy jointly with your company.\*

Your company will receive a tax-free lump-sum benefit if you are diagnosed with a covered critical illness, and if you remain healthy, you could benefit from tax advantages and get back all disbursements made by both you and your company.

In the event of a critical illness, your company can use the tax-free amount to:

- Keep its financial plans on track
- Limit its financial losses by hiring qualified replacement personnel
- Repay debts, thereby reassuring its creditors, suppliers and customers
- Buy back your shares, or the shares of another shareholder who is ill or wishes to retire
- Help you get back on your feet by paying you a portion of this amount\*.

\*Company refers to a Canadian-controlled private corporation.

\*This portion will be taxable.

# Setting up an EHP

- 1 Your company and you jointly purchase Health Priorities – Business critical illness insurance.
  - Your company pays the disbursements for the critical illness and death benefits for the desired coverage period.
  - You pay the disbursements for the health benefit.\*

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- 2 Your legal advisor prepares a joint ownership insurance agreement.

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- 3 At the first of the following events, a tax-free benefit is paid if:
  - You are diagnosed with a covered illness, your company receives the critical illness benefit.
  - You die, your company receives the death benefit.
  - You remain healthy until the expiration of the coverage period selected by your company, you can claim the health benefit.

**The critical illness benefit** is a tax-free amount paid to your company if you are diagnosed with one of the 26 covered illnesses.

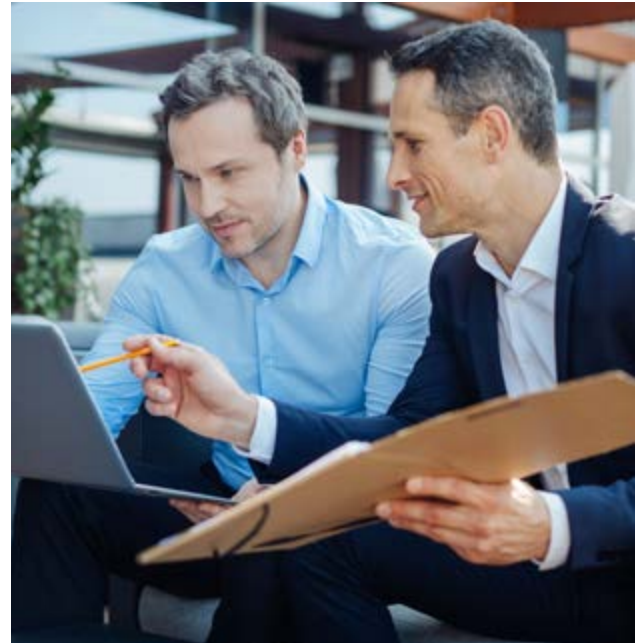
**The death benefit** is a tax-free amount paid to your company if you die prematurely. This amount is the higher of 100% of all disbursements or 25% of your insurance amount.

**The health benefit** is a tax-free amount paid to you if you remain healthy. This amount can be up to 100% of what you and your company have disbursed.

\*The disbursement split between you and the company reflects the situation at which you take out a Health Priorities – Business T75 policy with the agreement that the company needs coverage if you were diagnosed with a critical illness. This coverage is required by the company until you turn 75.

# Joint ownership insurance agreement

This agreement sets out the rights and obligations for the parties involved in this insurance contract.



## Don't let the unexpected affect the financial future of your company.

Desjardins Insurance does not guarantee the tax consequences of the Executive Health Plan (EHP). Our comments on the tax consequences are based on the legislation and administrative policies issued by the tax authorities as of January 15, 2018, and do not cover all possible situations. These tax implications may be different in the event of changes to legislation or administrative policies. All clients wishing to establish an EHP must first consult their legal and tax advisors.

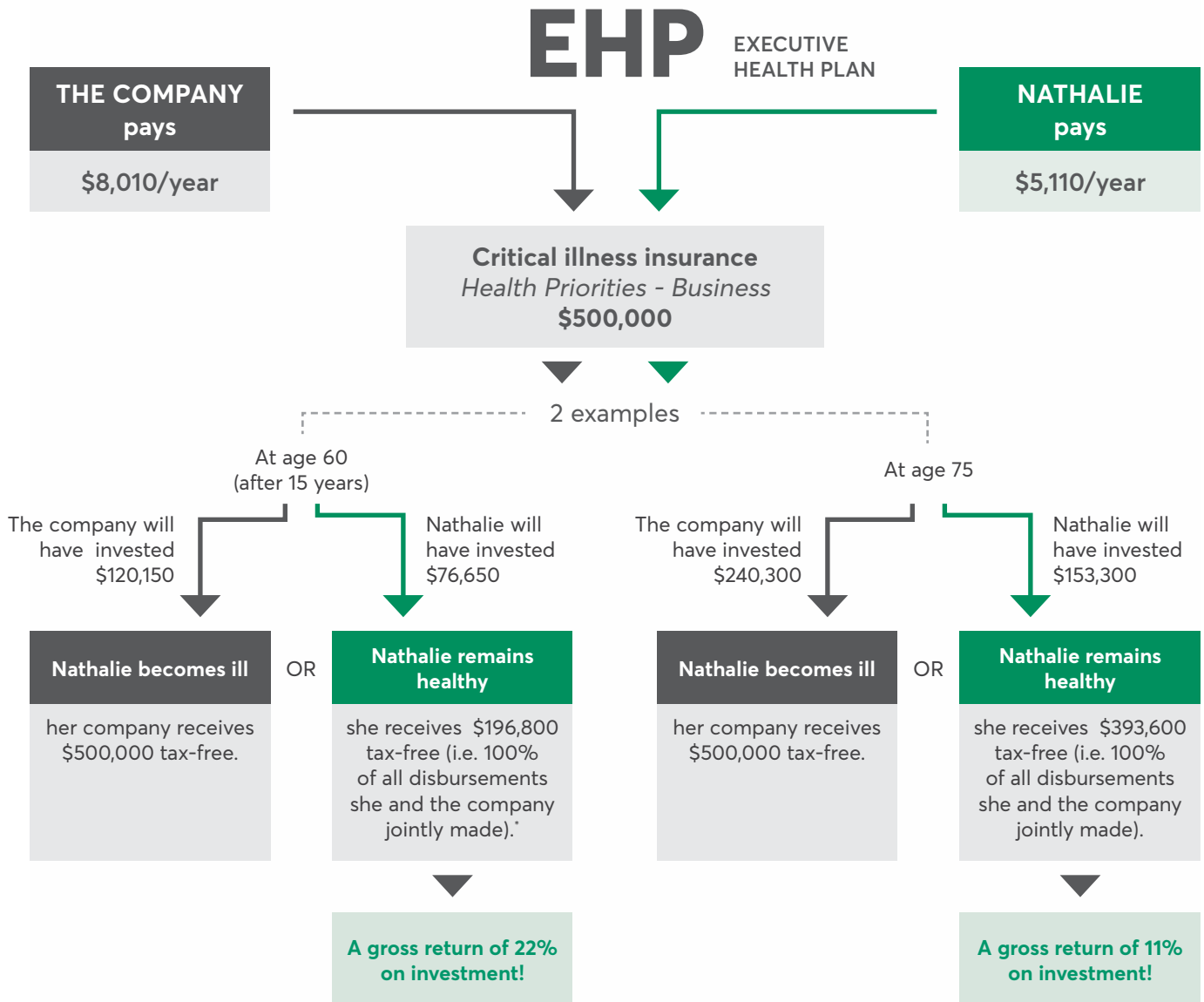
# How it works

## Example 1



**Nathalie, age 45, shareholder/owner of ABC Consulting Inc.**

Nathalie sets up an EHP for a term ending on her 75th birthday, with a critical illness insurance amount of \$500,000.



\* As the EHP ends when Nathalie reaches age 75, she cannot receive the health benefit of \$196,800 at age 60 without tax consequences unless the company no longer needs the coverage.

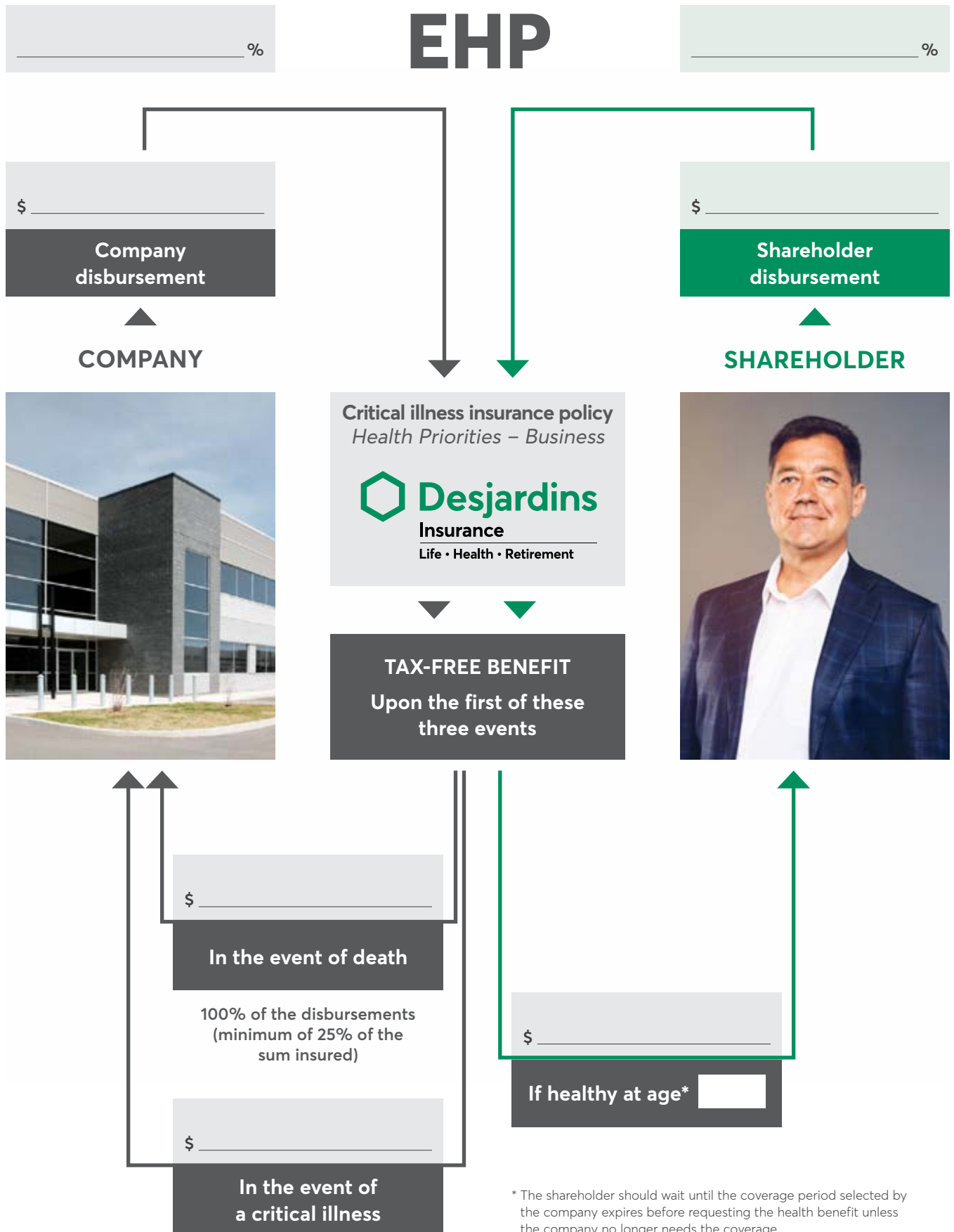
Note 1: In order to simplify the presentation, the death benefit has not been illustrated. Should Nathalie pass away before any critical illness benefit is paid, her company would receive the higher of the following payments:

- 100% of all disbursements made OR
- 25% of the insured amount.

Note 2: As the company and the shareholder will jointly hold the insurance contract, a legal document must be drafted to stipulate the terms and conditions of the agreement. You should seek assistance from legal and tax advisors when planning your EHP strategy.

Note 3: The gross return is calculated on the assumption that Nathalie invests \$5,110 per year from her personal funds in an investment generating taxable interest income. This investment would need to generate a gross return of 22% on her investment over 15 years to get \$196,800 net of tax, which is the equivalent of the health benefit. A marginal tax rate of 49.97% was used to illustrate this example.

## Example 2



## The health benefit: an excellent return on your investment

The EHP allows you to take advantage of the tax benefits associated with businesses and insurance. If you remain healthy, you will receive up to 100% of the disbursements you and your company paid into the coverage. The health benefit provides an excellent return on investment.

**The health benefit  
is a financial strategy  
that could allow you  
to earn additional  
income in anticipation  
of retirement.**



# Defer your disbursements for one year... without interest

If your business experiences financial challenges that make it difficult to pay the EHP disbursements, you have the option of deferring them for one year without paying interest. Please note that your EHP coverage must have been in-force for at least five years prior to requesting a deferment.

## EHP is also for key employees

Because the long-term absence of a key employee can often create just as big of an impact on a business as the owner's absence, you can also set up an EHP for your employees.

- Ensure the smooth running of your business in the event a key employee is away due to a critical illness
- Show your appreciation to your most important contributors with the Health benefit
- Make your employee's recovery as worry-free as possible



# Covered illnesses and conditions

You can select a coverage amount from \$10,000 to \$2,500,000. If you are diagnosed with one of the covered illnesses, your company is eligible to receive the insurance amount 30 days after diagnosis. In the event of a cancer diagnosis, the insurance amount is received without a wait time.

## Cancers and tumours

- Cancer (life-threatening)
- Benign brain tumour

## Cardiovascular

- Aortic surgery
- Coronary artery bypass surgery
- Heart attack
- Heart valve replacement or repair
- Stroke (cerebrovascular accident)

## Neurological

- Bacterial meningitis
- Dementia, including Alzheimer's disease
- Motor neuron disease
- Multiple sclerosis
- Parkinson's disease and specified atypical Parkinsonian disorders

## Vital organs

- Kidney failure
- Major organ failure on waiting list
- Major organ transplant

## Accident and functional loss

- Acquired brain injury
- Blindness
- Coma
- Deafness
- Loss of limbs
- Loss of speech
- Paralysis
- Severe burns

## Other

- Aplastic anemia
- Occupational HIV infection
- **Long-term care**

**Advance payment:** For a less severe diagnosis you can receive 15% of your total insurance amount, up to a maximum of \$50,000.

### Desjardins Insurance is the only insurance provider that pays an advance benefit for:<sup>1</sup>

- Cutaneous lymphoma without distant metastasis
- Endovascular treatment of aortic aneurysm or disease
- Carcinoma in situ
- Dermatofibrosarcoma
- Aortic aneurysm
- Insertion of cardiac pacemaker or cardiac defibrillator

The remaining balance is paid in the event of a new illness or surgery.

<sup>1</sup> As at February 2018.



## Long-term care (loss of independence)

If you are no longer able to perform at least two of the six activities\* of daily living on your own or if your mental capacity threatens your health or safety for 90 consecutive days, an advance payment for long-term care is paid to your company. This one-time advance is equal to 15% of the insurance amount, up to a maximum of \$25,000.

If you recover from this condition, the remainder amount of insurance will be available in the event of another covered illness, other than temporary loss of independence. If you do not recover and there is no reasonable chance of recovery, the remaining balance of the insurance amount is paid in full.

## 24/7 Health support

The EHP includes complimentary assistance services for you and your family which are accessible at any time on **DesjardinsLifeInsurance.com/HealthSupport**. Access reliable health information resources, as well as the option to get over-the-phone support, including:

- A health and well-being platform with reliable resources to help you make informed decisions
- 24/7 phone assistance services
- Leading medical specialists from world-renowned institutions like the Mayo Clinic who will give you an expert second opinion on your diagnosis and treatment plan (by Best Doctors®)
- Psychological counselling, as well as support from a health assistance team during recovery

The assistance services are not a contractual obligation of Desjardins Insurance.

\* Activities of daily living independently are: bathing, dressing, toileting, transferring, feeding and continence.

# Why choose Desjardins Insurance?

- 1 **The only insurer in Canada to cover all types of cancers<sup>1</sup> and a number of exclusive cardiovascular procedures<sup>2</sup>**
- 2 **Get back all or a significant amount of what you and your company have disbursed, tax-free, if you remain healthy until the expiration of the coverage period required by your company**
- 3 **Defer disbursements for a year without fees if you hit a rough patch (effective after the 5th policy year)**
- 4 **The only insurer that pays your company a minimum of 25% of your insurance amount if you die**

<sup>1</sup> For some cancers, a partial benefit of 30%, 15% or 1% will be paid depending on the severity of the diagnosis.

<sup>2</sup> As at February 2018.

# Look to the future with confidence

## Choose Desjardins Insurance

**Choose the strength and stability** of a company specialized in life and health insurance and retirement savings that over five million Canadians count on each day to ensure their financial security. Backed by over a century of experience, it is also one of the country's leading life insurers.

**Choose Desjardins Group**, the leading cooperative financial group in Canada and one of the country's best capitalized financial institutions. Desjardins Group enjoys excellent credit ratings comparable to those of several major Canadian and international banks and is recognized as one of the most solid financial institutions in the world.

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**You're working hard to build your business.  
We can help you protect it.**



Desjardins Insurance refers to Desjardins  
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