

# Critical Illness Insurance Needs Analysis (post-issue)



**Contract underwritten by Desjardins Insurance on:** \_\_\_\_\_  
MM/DD/YYYY

This form is used to re-evaluate the needs of the policyowners and the insured covered by a critical illness jointly-owned (shared-ownership) contract, when the Health Benefit (Return of premium) is claimed before the end of the originally established coverage period required for the company\*.

Name of policyowner 1: \_\_\_\_\_

Name of policyowner 2: \_\_\_\_\_

Name of insured: \_\_\_\_\_

The insured is a:  Shareholder  Key employee

EHP contract number: \_\_\_\_\_

Current age of the insured: \_\_\_\_\_

Age of the insured when the contract was issued: \_\_\_\_\_

Years elapsed since the contract was issued: \_\_\_\_\_

Company's coverage originally scheduled to age/for a duration of: \_\_\_\_\_ years

The premiums paid by the company since the contract was issued: \$ \_\_\_\_\_

\* This re-evaluation is also recommended when a decrease in the amount of insurance is requested. The latter results in a partial payment of the Health Benefit.

The tax implications set out in the following three situations are based on legislation and administrative policies published by the tax authorities as of June 2021. Desjardins Insurance expressly reserves the right to amend its comments, without notice, with respect to the tax implications outlined above in the event of any change in the legislation and administrative policies. Desjardins Insurance does not guarantee the tax outcomes of the three situations described and cannot be held liable for any tax consequences that may arise from the three situations. The information is provided to offer guidance to representatives when dealing with clients. Clients should consult their own legal and taxation advisors.

The **insured** wants to take advantage of the Health Benefit before the end of the company's original coverage under the jointly-owned insurance contract. In such a case, one of the following three situations applies (check the appropriate box):

- The insured ceases to be involved with the corporation in any way:
- In this case, there is no longer a need for insurance. The company would not normally be impoverished to the benefit of the shareholder or the key employee in this situation. There are therefore no tax consequences\*\*.
- The insured remains an active part of the company, but substantially decreases their activities and/or ceases to play a key role in the company's activities. Their responsibilities are transferred to another person.

Specify: \_\_\_\_\_

- In this case, if there is no longer a need for the insurance, the company would not normally be impoverished to the benefit of the shareholder or the key employee. There are therefore no tax consequences\*\*.
  - On the other hand, if the need for insurance remains, there is a strong likelihood that the company would become impoverished, resulting in tax consequences (see the evaluation formula below). Whether a need for insurance exists depends on the facts of the case.
- The insured remains active in the company and continues to play the same role as before:
- In this case, the need for insurance remains. There is a strong likelihood that the company will become impoverished to the benefit of the shareholder or the key employee, and therefore there will be tax consequences. The company will have paid a higher portion of the premiums than it normally would have had to assume (see the evaluation formula below).

\*\* For a key employee who is not a shareholder, the tax authorities might be of the view that he has received a taxable benefit by virtue of his employment upon the payment of the health benefit even if the company is not impoverished. Since the determination of the value of the benefit is a question of fact, clients should consult an independent taxation advisor in this regard.

## Evaluation formula (if applicable)

The following formula can be used to calculate the portion of the premiums paid by the company to the shareholder's or the key employee's benefit.

Total premiums actually paid by the company: \_\_\_\_\_

Less total revised premiums<sup>1</sup> the company **should have paid**: - \_\_\_\_\_

**Portion of the premiums paid by the company to the shareholder's or the key employee's benefit:** = \_\_\_\_\_

## Signatures

To the best of our knowledge, the above information is true and complete.

In witness whereof, we have signed at \_\_\_\_\_ on \_\_\_\_\_

_____ Name of policyowner 1 (legal company name) (use block letters)	_____ Signature of authorized legal representative of policyowner 1 (company)
_____ Name of policyowner 2 (insured shareholder or key employee) (use block letters)	_____ Signature of policyowner 2
_____ Name of insured (use block letters)	_____ Signature of insured
_____ Name of the representative (use block letters)	_____ Signature of representative

<sup>1</sup> The company's revised premium is the one that would have been established when a term critical illness contract was issued (T10, T20, T65 or T75) with ROPD, corresponding to the number of years that have elapsed since the contract was issued.