Introduction to Income Protection

Click the Next button to begin.
Welcome to the computer-based training program (CBT) on our Personal Income Protection Portfolio. In this module, you’ll learn about the need for income protection, key concepts, underwriting guidelines, policy provisions and target markets for our Personal Income Protection products.

1. Personal Income Protection Products
   - The Professional Series
   - The Foundation Series
   - Bridge Series

2. Lifestyle Protection Products
   - Critical Illness Recovery Plan
   - The Retirement Protector Policy

3. Business Income Protection Products
   - The Preferred Business Overhead Expense Policy
   - Disability Buy Sell Policy
   - Key Person Protector Policy
   - Business Loan Protector Policy

Click the Next button to continue.
Please note that in addition to this CBT program, the following resources are available. These booklets and product profiles provide detailed information on the features and provisions, underwriting guidelines, and target markets for each product in our Income and Lifestyle Protection Portfolio.

- **Individual Living Benefits Product Portfolio (05/13)**
  (English form 83236 / French form 83237)
Menu

Chapter 1: Overview of Income Protection
Chapter 2: Key Concepts
Chapter 3: Optional Benefits
Chapter 4: Underwriting
Chapter 5: Income Protection Products and Markets
  ▶ The Professional Series
  ▶ The Foundation Series and Bridge Series
Chapter 6: Self Study Guide

Note: Examples used in this training program are for illustrative purposes only.
Chapter 1: Overview of Income Protection

We are a world leader in providing Income Protection insurance to individuals and to employers.* Chapter 1 of this training module will provide answers to the following questions:

- Why is there a need for Income Protection?
- What is Individual Income Protection (IIP) insurance?
- What distinguishes our IIP plans from other Income Protection plans?
- How does IIP supplement income protection provided through Group STD and LTD plans?
- What are the advantages of multi-life marketing of IIP products?


Click the Next button to continue.
The Need for Income Protection

Personal income contributes to our quality of life in two ways. One is the financial reward that makes it possible to buy the products and services that we value. The other is the pride that comes from working to earn that income.

The loss of income is one of life’s greatest fears. It makes sense, therefore, that people will seek out ways to protect their income. Generally speaking, there are three ways to lose one’s income. Each presents its own set of problems, and each has a practical solution...
The Need for Income Protection

- First, income can be lost by the **death of a wage earner**. A worker’s untimely death can leave a family without their required resources. Fortunately, life insurance provides a solution for this concern.

- Second, income can be lost by **outliving one’s resources**. The financial fear of outliving one’s assets and savings in retirement can be resolved through a life annuity.

- The third way to lose one’s income is by **becoming disabled**. It involves both the financial as well as the emotional issues mentioned earlier. The practical solution to this problem is income protection insurance. We will be focusing on this important component of income protection and on our portfolio of products designed to meet this need.
The Need for Income Protection

Unfortunately, too many people do not fully understand the financial impact of disability, the chances of becoming disabled, or its insurance solution. The following chart graphically illustrates the financial impact of long term disability.
The Need for Income Protection

The risk of becoming disabled is much higher than most people realize. Ironically, thanks to medical advances, many of the conditions that once would have proven fatal are, instead, leaving a person disabled with long term medical needs.

In other words, what were once our “four major killers” (hypertension, heart disease, cerebral-vascular disease, and diabetes) are not as deadly as they used to be, but they may be disabling. This means the need for income protection is greater than ever.
See if you can answer this question…

What is the probability of a 36 year old being disabled for 90 days or longer?

A  50%  
B  35%  
C  20%  

Select A, B or C.
See if you can answer this question…

What is the probability of a 36 year old being disabled for 90 days or longer?

A 50%
B 35%
C 20%

That’s correct! Many young people believe they don’t have to worry about the possibility of long term disability and therefore, have no need for disability income protection. However, half of 35-year olds will have a disability lasting 90 days or more before age 65. Let’s take a closer look at these statistics...
See if you can answer this question…

What is the probability of a 36 year old being disabled for 90 days or longer?

A 50%
B 35%
C 20%

Actually, the answer is 50%. Many young people believe they don’t have to worry about the possibility of long term disability and therefore, have no need for disability income protection. However, half of 35-year olds will have a disability lasting 90 days or more before age 65. Let’s take a closer look at these statistics…

Click the Next button to continue.
The Need for Income Protection

For those who become disabled prior to age 65, the number of people out of 1000 who will be disabled for at least 90 days is illustrated below. The risk appears to decrease with age only because the amount of time remaining to age 65 becomes shorter, making it more possible that the aging individual might reach 65 without a disability.

<table>
<thead>
<tr>
<th>At age</th>
<th>Number disabled</th>
<th>% risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>25</td>
<td>578 out of 1000</td>
<td>60%</td>
</tr>
<tr>
<td>30</td>
<td>541 out of 1000</td>
<td>50%</td>
</tr>
<tr>
<td>35</td>
<td>501 out of 1000</td>
<td>50%</td>
</tr>
<tr>
<td>40</td>
<td>453 out of 1000</td>
<td>45%</td>
</tr>
<tr>
<td>45</td>
<td>396 out of 1000</td>
<td>40%</td>
</tr>
<tr>
<td>50</td>
<td>328 out of 1000</td>
<td>33%</td>
</tr>
<tr>
<td>55</td>
<td>246 out of 1000</td>
<td>25%</td>
</tr>
<tr>
<td>60</td>
<td>142 out of 1000</td>
<td>14%</td>
</tr>
</tbody>
</table>

Source: 1985 Commissioner’s Disability Table A
The Need for Income Protection

When dismissing the risk of disability, some people adopt the mistaken belief that they can outlast the problem. Most of these people do not realize that the average duration of a disability that lasts at least 90 days is 2 1/2 years -- a discomforting statistic for any client who lives paycheque-by-paycheque.
The Need for Income Protection

Take a look at the following table that shows the average duration of a long-term disability that lasts more than 90 days.

<table>
<thead>
<tr>
<th>At age</th>
<th>Average duration of disability</th>
</tr>
</thead>
<tbody>
<tr>
<td>25</td>
<td>2.1 years</td>
</tr>
<tr>
<td>30</td>
<td>2.5 years</td>
</tr>
<tr>
<td>35</td>
<td>2.8 years</td>
</tr>
<tr>
<td>40</td>
<td>3.1 years</td>
</tr>
<tr>
<td>45</td>
<td>3.2 years</td>
</tr>
<tr>
<td>50</td>
<td>3.1 years</td>
</tr>
<tr>
<td>55</td>
<td>2.6 years</td>
</tr>
</tbody>
</table>

Source: 1985 Commissioner’s Disability Table A
The Need for Income Protection

While some people underestimate the risk of disability, others cling to a belief that somehow, some way, they will find a replacement for their lost income if and when disability strikes. Here are some sources people rely upon to replace lost income in the event of disability:

- Personal/retirement savings
- Liquidation of assets
- Borrowing money
- Spouse’s income

Let’s consider the drawbacks of these non-insurance disability income replacement alternatives...

Click the Next button to continue.
Personal/retirement savings:
If you save 10% of your income each year, a disability can wipe out 10 years of savings in one year (accumulated at 5% annually).

Liquidation of assets:
The value of many assets are subject to market influences, and it is quite possible they would be liquidated at below-market value.

Borrowing money:
It is unlikely that any bank or relative would be willing to loan money to someone who is disabled, unable to earn an income, and whose future ability to repay is uncertain.

Spouse’s income:
In many cases, it takes two full incomes to support a family. When disability strikes, it is unrealistic to assume that current lifestyle will continue with the loss of one of those incomes. And if the healthy spouse does not presently work, it is unreasonable to expect that person to be a spouse, parent, private nurse and become the primary wage earner.
The Solution: Income Protection Insurance

Clearly, income protection insurance, which helps people *recover an income that is reduced or lost entirely because of a disabling injury or illness*, is the most logical choice available to protect against the financial impact of disability.

For pennies on the benefit dollar, income protection coverage affords policyowners to insure the things that make possible most of what is important in life: their income and their ability to earn an income.
Consider this scenario...

Sean, 36, is a lawyer with a small firm. He has Income Protection insurance. He was recently diagnosed with Multiple Sclerosis after diagnostic testing for some vision problems. Sean is still able to work full-time. His friends told him that they had heard that MS was automatically considered to be a disabling disease and encouraged him to apply for benefits under the plan. Do you think Sean could receive benefits under his Income Protection policy?

Yes  No

Select Yes or No.
Consider this scenario...

Sean, 36, is a lawyer with a small firm. He has Income Protection insurance. He was recently diagnosed with Multiple Sclerosis after diagnostic testing for some vision problems. Sean is still able to work full-time. His friends told him that they had heard that MS was automatically considered to be a disabling disease and encouraged him to apply for benefits under the plan. Do you think Sean could receive benefits under his Income Protection policy?

You’re right to say No. Income Protection policies are not designed to compensate individuals for the misfortune of having a medical condition. The purpose of Income Protection insurance is to help insureds recover income that is reduced or lost entirely because of a disability. Since Sean is still working full-time and we aren’t aware that he’s suffered any loss in income or time as a result of his medical condition, he’s not eligible for Income Protection benefits at this time. Sean may be eligible for benefits under a Critical Illness policy, however.
Consider this scenario...

Sean, 36, is a lawyer with a small firm. He has Income Protection insurance. He was recently diagnosed with Multiple Sclerosis after diagnostic testing for some vision problems. Sean is still able to work full-time. His friends told him that they had heard that MS was automatically considered to be a disabling disease and encouraged him to apply for benefits under the plan. Do you think Sean could receive benefits under his Income Protection policy?

Yes  No

Actually, the answer is No. Income Protection policies are not designed to compensate individuals for the misfortune of having a medical condition. The purpose of Income Protection insurance is to help insureds recover income that is reduced or lost entirely because of a disability. Since Sean is still working full-time and we aren’t aware that he’s suffered any loss in income or time as a result of his medical condition, he’s not eligible for Income Protection benefits at this time. Sean may be eligible for benefits under a Critical Illness policy, however.

Click the Next button to continue.
Try another question...

True or False?

Replacing a portion of someone’s paycheque is synonymous with helping people to recover an income.

True

False
Try another question...

True or False?

Replacing a portion of someone’s paycheque is synonymous with helping people to recover an income.

Good, this statement is False. Our Income Protection policies offer much more than partial paycheque replacement. Besides helping individuals replace income that is lost due to a disability, we also offer expert resources and financial support to help clients recover their ability to earn an income and return to productive work capacity as soon as reasonably possible.
Try another question...

True or False?

Replacing a portion of someone’s paycheque is synonymous with helping people to recover an income.

Sorry, this statement is False. Our Income Protection policies offer much more than partial paycheque replacement. Besides helping individuals replace income that is lost due to a disability, we also offer expert resources and financial support to help clients recover their ability to earn an income and return to productive work capacity as soon as reasonably possible.

Click the Next button to continue.
The Solution: Income Protection Insurance

We recognize that income and the ability to earn an income are a vital part of one’s dignity. Our “return to work” business philosophy is an important component of our Income Protection plans, and one that distinguishes us from the competition.

<table>
<thead>
<tr>
<th>Paycheque replacement policies</th>
<th>Income Protection policies</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of Income</td>
<td>% of Income</td>
</tr>
<tr>
<td></td>
<td>+ Rehabilitation Services</td>
</tr>
<tr>
<td></td>
<td>+ Return to work incentives</td>
</tr>
</tbody>
</table>

Click the Next button to continue.
Consider another scenario...

Mary feels fortunate to be covered under group short term disability (STD) and long term disability (LTD) at work, with all premiums being paid by her employer. She considers herself to be adequately protected and does not see a need for Individual Income Protection. Do you agree with Mary?

Select Yes or No.
Consider another scenario...

Mary feels fortunate to be covered under group short term disability (STD) and long term disability (LTD) at work, with all premiums being paid by her employer. She considers herself to be adequately protected and does not see a need for Individual Income Protection. Do you agree with Mary?

Yes  No

You’re right to disagree. While STD and LTD provide valuable protection and should be regarded with the utmost appreciation by those fortunate enough to have such coverage, there are plenty of instances where group coverage is not enough. Let’s consider some examples...
Consider another scenario...

Mary feels fortunate to be covered under group short term disability (STD) and long term disability (LTD) at work, with all premiums being paid by her employer. She considers herself to be adequately protected and does not see a need for Individual Income Protection. Do you agree with Mary?

Yes

No

Actually, Mary may not have sufficient protection. While STD and LTD provide valuable protection and should be regarded with the utmost appreciation by those fortunate enough to have such coverage, there are plenty of instances where group coverage is not enough. Let’s consider some examples...
How IIP supplements Group STD and LTD

- Most LTD plans limit, in some way, the **maximum income level** that can be used in determining an employee’s disability income benefit. As a result, the top salary earners may not have all of their income replaced. For top salary earners (typically the company president or other key employees), an IIP policy can make up the difference.
How IIP supplements Group STD and LTD

- Most LTD benefits are **not portable**. An employee cannot take them with him/her in the event that there is a change in employment. IIP policies are portable.

- **Bonuses** may not always be recognized with LTD benefit formulas. Employees and executives whose personal finances rely on bonuses may be inadequately covered by their LTD plan alone. An IIP policy may consider bonuses as insurable income if there has been at least a three-year history of stable and consistent bonuses.

- LTD benefits might help a disabled employee meet the costs of living, but they may do nothing for the **future**. Contributions to personal savings programs and employer-sponsored retirement plans usually come to an abrupt halt when an employee finds himself collecting LTD benefits. Likewise, employer contributions to help pay for group medical and dental expense coverage may cease with the employee’s disability. An IIP policy can help provide the extra money needed to keep retirement plans funded and insurance policies in force.

Click the Next button to continue.
How IIP supplements Group STD and LTD

The situations just mentioned illustrate cases where it might be beneficial to purchase Individual Income Protection to supplement existing Group STD and LTD coverage.

It is also important to note that a LIMRA study* showed a large percentage of businesses do not offer any disability insurance, and that 43% of employees would consider buying an employer sponsored disability product *(LAN Magazine, March 1996)* if that option was available to them...

*Source: US Response Analysis, Small Business Study, 1994*
Multi-Life Marketing

Selling Individual Income Protection products at the place of employment is a growing segment of the disability insurance business. Referred to as multi-life marketing, it is beneficial to both the insurer and the insured.
Multi-Life Marketing

Selling multiple policies at one time has the following advantages:

- There is a potential for substantial discounts and simplified underwriting.

- Multi-life business has exhibited good persistency.

- As employees join the company sponsoring the plan, there is always a steady stream of new clients.

- Top-up opportunities.

In addition, multi-life marketing of Individual Income Protection offers another opportunity to meet our corporate objective of providing comprehensive solutions to employers and employees.

Click the Next button to continue.
Eligibility

Now that we have established that there is a significant need for Individual Income Protection, you may be wondering if everyone is eligible to purchase IIP, either on their own or at their workplace...

The answer is -- not everyone, but many, will be eligible for IIP. Eligibility is generally based on a person’s occupation, medical history and income. We have products that are available to a wide array of occupations and incomes.
Multi-Life Eligibility

One of the advantages of purchasing Individual Income Protection through an employer-sponsored offering is that every eligible member of a group will be able to purchase a certain amount of coverage.

- With a Guarantee Standard Issue (GSI) case, employees can buy a certain amount of protection without any modification to the coverage offered.

- With a Guarantee To Issue (GTI) case, employees can buy a certain amount of protection, however we can make certain modifications to the coverage offered.

You’ll learn more about eligibility and multi-life underwriting in Chapter 3: Underwriting.
Summary

That concludes Chapter 1 - Overview of Income Protection. Here you learned:

- Many people underestimate the very real possibility of becoming disabled at any age, as well as the financial impact it would have upon their lives.

- Individual Income Protection (IIP) provides a solution that goes beyond just replacing income lost because of disability. Our “return to work” philosophy offers expert resources and financial support to help clients recover their ability to earn an income and regain a full and independent life.

- While employer-provided Group STD and LTD coverage is valuable and affordable, it can leave gaps in coverage that can be addressed through Individual Income Protection.

- Multi-life marketing enables employees to purchase Individual Income Protection through employer-sponsored arrangements.

Click the Menu button to return to the menu.
Chapter 2: Key Concepts

Now that you’re familiar with the basic nature and purpose of Individual Income Protection, it will be helpful to examine the key concepts and terms that are used when describing the various plans available. Some of the key concepts discussed in this chapter are:

- Earned Income
- Issue and Participation Limits
- Occupation Classification Codes
- Type of Plan
- Definitions of Disability
- Elimination Period
- Benefit Period
- Benefit Exclusions
- Waiver of Premium
- Return to Work Assistance benefit
- Recovery benefit
- Presumptive Disability benefit

Click the Next button to continue.
Introduction to Income Protection

Earned Income

As you learned in Chapter 1, Income Protection insurance is a form of insurance that pays a benefit when the insured suffers an illness or injury resulting in the loss of income or time.

The individual who suffers a disabling accident or illness, yet continues to work full-time at their regular occupation and earn a full income, may naturally evoke sympathy for his or her plight, but the situation does not warrant the payment of insurance policy benefits.

Benefits are closely linked to earned income. Let’s review the differences between earned and unearned income...

- Diagnosed with MS
- Still works full-time
- No loss of income or time

Click the Next button to continue.
Earned Income

- Earned income is income that results from a person’s ability to work. This would include salary, wages, commissions and fees. In certain circumstances, bonuses as well as pension plan or profit sharing plan contributions made by the employer may also be considered as earned income.

- Unearned income would include rent, royalties, and investment earnings and is usually not eligible for consideration when determining a person’s maximum benefit qualification because it is generally not dependent upon the insured’s ability to work. (However, unearned income may be taken into consideration if it is determined to be excessive.)
Earned Income

Try a “discovery” question...

The goal of income recovery insurance is to replace approximately what percentage of an insured’s gross salary?

A 100%  C 60%
B 75%  D 50%

Select A, B, C or D.
Earned Income

Try a “discovery” question...

The goal of income recovery insurance is to replace approximately what percentage of an insured’s gross salary?

A 100%  B 75%  C 60%  D 50%

That’s correct -- the answer is 60%. The goal of income recovery is to replace most, but not all, of the insured’s after-tax take-home pay, which in most cases is about 60% of gross pay. If disability benefits exceeded the net income brought home by a worker, the incentive to return to work would be minimized.

Click the Next button to continue.
Earned Income

Try a “discovery” question...

The goal of income recovery insurance is to replace approximately what percentage of an insured’s gross salary?

- A 100%
- B 75%
- C 60%
- D 50%

Actually, the correct answer is 60%. The goal of income recovery is to replace most, but not all, of the insured’s after-tax take-home pay, which in most cases is about 60% of gross pay. If disability benefits exceeded the net income brought home by a worker, the incentive to return to work would be minimized.
**Issue and Participation Limits**

Although presented as a *percentage* here for discussion purposes, most companies use an income chart that identifies a maximum insurance available for any given earned income level. This is known as the Issue and Participation Limit.

Note that the Issue and Participation Limit applies to Income Protection benefits received *from all sources* (LTD and IIP policies).

Our Income Replacement Chart can be found in the **Underwriting Guidelines** booklet under section E.
**Issue and Participation Limits**

Individual Income Protection benefits can either be **taxable** or **non-taxable**. Clearly, this is an important consideration when determining the total income replacement coverage in force. Logically, Issue and Participation Limits are generally higher when benefits are taxable.

Benefits are taxable if an employer pays part or all of the premium and is therefore able to take a deduction for them. Benefits are non-taxable when all premiums are paid by the individual or employee with after-tax dollars.

Recognizing this, we use an income replacement chart that differentiates between taxable and non-taxable income benefits.

Click the Next button to continue.
Occupational Classification Codes

As you know, a person’s occupation plays a central role in determining his/her eligibility for IIP coverage and premium charge. Some jobs are more dangerous than others and good underwriting demands that this be recognized in the selection process.

Occupations exposed to higher-than-acceptable losses are either not insurable or insurable at higher premium. The risk posed by each occupation is measured by a code that designates its risk classification.

The chart on the following screen lists and describes the Occupational Classification Codes...

Click the Next button to continue.
# Introduction to Income Protection

## Occupational Underwriting: Classification Codes

<table>
<thead>
<tr>
<th>Class</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class 4A</td>
<td>Includes professionals and executives who, because of favourable experience, qualify for a preferential rate basis for income protection coverage (e.g., architects, attorneys, MDs).</td>
</tr>
<tr>
<td>Class 3A</td>
<td>Encompasses other professionals and 100% office workers whose particular occupations exhibit a high degree of stability and responsibility (e.g., auditors, clerks with office duties only, office managers). A number of occupations do not qualify for 3A consideration because the related industry has produced less favourable experience.</td>
</tr>
<tr>
<td>Class 2A</td>
<td>Contains supervisory positions of various operations, without manual work, and certain skilled technical workers (e.g., owners of small business, such as bowling alleys, carpet and rug cleaning, etc.).</td>
</tr>
<tr>
<td>Class A</td>
<td>Includes manual workers who have no unusual accident hazard (e.g., airline mechanics, carpenters, brick layers).</td>
</tr>
<tr>
<td>Class B</td>
<td>Covers the most hazardous insurable work (e.g., drill operators, truck drivers). Also in class B are a number of occupations whose experience has not been favourable enough to classify at A rates.</td>
</tr>
<tr>
<td>Individual Consideration</td>
<td>These individuals may qualify for class B at the underwriter’s discretion.</td>
</tr>
<tr>
<td>Non-insurable</td>
<td>Classified as NO in the Occupation Schedule - includes unskilled labourers and any occupation that is exposed to exceptional hazards.</td>
</tr>
</tbody>
</table>
Type of Plan

There are three types of Individual Income Protection plans:

- **Non-cancellable** refers to a policy that cannot be cancelled or changed, nor can its premium rates be increased for the lifetime of the policy.

- **Guaranteed Renewable** refers to a policy that cannot be cancelled or changed, but the premiums may be changed by the insurer. Premium increases or decreases are based on a block of business. They cannot be applied to selective individual insureds.

- **Cancellable** means that the insurer may take action that results in policy changes, premium changes or cancellation of coverage, but only for an entire block of business. They cannot be applied to selective insureds.
Type of Plan

Group LTD policies are typically cancellable; annual renewal underwriting of LTD cases may result in premiums being raised or lowered, policy provisions being changed, or - in the worst cases - coverage not being renewed.

We offer 2 plan types for IIP coverage (non-cancellable and guaranteed renewable), allowing for flexibility of design to best meet clients’ needs and budgets. In general, the higher the guarantee of renewability, the higher the risk for the insurer and, subsequently, the higher the cost for the client.

Try a question...
John is 48 years old and would like to purchase an IIP policy. He works in an industry that has experienced numerous mergers in recent years. Corporate restructuring has John concerned that he may lose his Group LTD insurance or even his job. He would like to purchase a secure, portable IIP plan, but is concerned about the cost. Which type of IIP plan would be best for John?

A. Non-Cancellable

B. Guaranteed Renewable

Click the Next button to continue.
John is 48 years old and would like to purchase an IIP policy. He works in an industry that has experienced numerous mergers in recent years. Corporate restructuring has John concerned that he may lose his Group LTD insurance or even his job. He would like to purchase a secure, portable IIP plan, but is concerned about the cost. Which type of IIP plan would be best for John?

A  Non-Cancellable
B  Guaranteed Renewable

Good, Guaranteed Renewable would be the best choice for John. It ensures John that his coverage will be renewed for a guaranteed period of time and is more cost effective than Non-cancellable.
John is 48 years old and would like to purchase an IIP policy. He works in an industry that has experienced numerous mergers in recent years. Corporate restructuring has John concerned that he may lose his Group LTD insurance or even his job. He would like to purchase a secure, portable IIP plan, but is concerned about the cost. Which type of IIP plan would be best for John?

A  Non-Cancellable

B  Guaranteed Renewable

Actually, Guaranteed Renewable would be the best choice for John. It ensures John that his coverage will be renewed for a guaranteed period of time and is more cost effective than Non-cancellable.

Click the Next button to continue.
Definition of Disability

Now let’s address another critical component of Individual Income Protection insurance - Definition of Disability. The definition of disability is important in determining when an insured becomes eligible for benefit payments under the policy. The definition of disability often varies between products but may include one or more of the following:

- **Total Disability:**
  - “Own Occupation”
  - “Regular Occupation”
  - “Any Occupation”

- **Residual Disability**

- **Partial Disability**

Click on an underlined term for a brief explanation, then click on “Back” to return to this screen.
Definition of Disability

Total Disability - “Own Occupation”

A definition of total disability that considers an individual totally disabled if unable, due to sickness or injury, to perform the important duties of his/her occupation.

Under this definition, the insured is eligible to receive benefits while they work in another gainful occupation, provided they are disabled from their own occupation.
Definition of Disability

Total Disability - “Regular Occupation”

A definition of total disability that considers an individual totally disabled if unable, due to sickness or injury, to perform the important duties of his/her occupation.

Under this definition, if the insured works in any other gainful occupation, he/she will not qualify for benefits.
Definition of Disability

Total Disability - “Any Occupation”

A definition of total disability that considers an individual totally disabled only if unable, due to sickness or injury, to perform the duties of any occupation for which he or she is suited by reason of education, training, or experience, taking into account prior economic status.
Definition of Disability

Residual Disability

Sometimes an insured suffers an accident or illness that leaves him or her less than totally disabled, but unable to earn a full income. Some policies allow policyowners to exercise a residual disability benefit to cover just this possibility.

With residual disability, the insured who experiences at least a 20% drop in earnings due to a less-than-total disability, a residual disability or an accident or sickness, will be entitled to a benefit. The monthly benefit amount is based on the percentage of lost income.
Definition of Disability

Partial Disability

With the partial disability benefit, the insured who experiences a loss of time or duties (as defined in the policy) due to a less-than-total disability will be eligible for a flat percentage of their monthly benefit (maximum 50%). The insured does not have to prove a loss of earnings to qualify for this benefit.
Introduction to Income Protection

Definition of Disability

Total Disability - Own Occupation vs. Regular Occupation

Many feel that “Own Occupation” is the only definition of disability worth considering. What most people don’t realize, however, is that Regular Occupation is the same as Own Occupation in that you are considered disabled if you cannot work in your occupation.

The only difference is that Own Occupation allows you to collect total disability benefits even if you are working in another occupation - something that very few people see the need for, especially if their policy also includes a Residual disability component.
Definition of Disability

Total Disability - Own Occupation vs. Regular Occupation

Further complicating the confusion around this issue is an inconsistency between how Group LTD and Individual IP has labelled the definitions of disability.

<table>
<thead>
<tr>
<th>Group LTD</th>
<th>IIP</th>
</tr>
</thead>
<tbody>
<tr>
<td>N/A</td>
<td>Own Occupation</td>
</tr>
<tr>
<td>Own Occupation</td>
<td>Regular Occupation</td>
</tr>
</tbody>
</table>

Many people’s perception is based on Group Long Term Disability (LTD). Regular Occupation in the IIP world is the same as Own Occupation in the Group world.
Definition of Disability

Do you think a policy can be set up so that the definition of disability changes after a period of time?

Yes

No

Select Yes or No.
Definition of Disability

Do you think a policy can be set up so that the definition of disability changes after a period of time?

Yes  No

You’re right to say Yes. For example, a policy may protect a person’s “Regular Occupation” for 24 months and then continue to pay benefits only if the person cannot perform “Any Occupation” that he/she is reasonably suited for based on training and experience. The cost for a policy that includes an Any Occupation definition of disability is lower than one that provides Own Occupation or Regular Occupation protection for the duration of the policy.
Definition of Disability

Do you think a policy can be set up so that the definition of disability changes after a period of time?

Yes  No

Actually, the answer is Yes. For example, a policy may protect a person’s “Regular Occupation” for 24 months and then continue to pay benefits only if the person cannot perform “Any Occupation” that he/she is reasonably suited for based on training and experience. The cost for a policy that includes an Any Occupation definition of disability is lower than one that provides Own Occupation or Regular Occupation protection for the duration of the policy.

Click the Next button to continue.
Elimination Period

There are several basic features of any income protection policy that play an important role in determining its cost and operation. One of these features is the Elimination Period.

The Elimination Period (EP) is conceptually similar to a deductible. It is the period of time that must elapse after the onset of disability before benefit payments begin. No benefits are payable, even on a retroactive basis, during the Elimination Period. Note that the insured must continue to be disabled during the EP.

Generally speaking, premiums decrease as Elimination Periods lengthen. Selecting a longer elimination period is a direct way to reduce premium costs. Common EPs are 30, 60, 90, 120, 180, 365, and 730 days.

Click the Next button to continue.
**Benefit Period**

The Benefit Period (BP) is the length of time over which benefits will be paid. Generally speaking, premiums increase as benefit periods lengthen. Common BPs are *two years, five years, and to age 65*. 

Click the Next button to continue.
Benefit Exclusions

Benefit exclusions refer to situations where benefits will not be paid. There are certain types of losses that, logically, do not represent an insurable risk. Disabilities arising from any of the following events or activities are excluded from coverage at all times:

- War or any act of war, whether declared or not;
- Normal pregnancy or childbirth, but we will cover disabling complications of pregnancy or childbirth; and
- During any period that an insured is incarcerated

Note: The list of exclusions may be more extensive for some products.
Sandra owns an IIP policy with a 90 day elimination period. On 6/8, Sandra was diagnosed with a medical condition requiring surgery. She stopped working on 6/15, the day of her surgery. Sandra’s employer continued to pay her salary from 6/15 until 9/15. If Sandra continues to meet the definition of disability, what would be the earliest date benefit entitlement could begin?

A  August 1st  B  Sept. 15th  C  Dec. 15th

Select A, B, or C.
Sandra owns an IIP policy with a 90 day elimination period. On June 8th, Sandra was diagnosed with a medical condition requiring surgery. She stopped working on June 15th, the day of her surgery. Sandra’s employer continued to pay her salary from June 15th until September 15th. If Sandra continues to meet the definition of disability, what would be the earliest date benefit entitlement could begin?

A  August 1st  B  Sept. 15th  C  Dec. 15th

Good! Benefit entitlement could occur as early as September 15th. The 90 day elimination period begins on the first day of disability. Benefits are paid in arrears.
Sandra owns an IIP policy with a 90 day elimination period. On 6/8, Sandra was diagnosed with a medical condition requiring surgery. She stopped working on 6/15, the day of her surgery. Sandra’s employer continued to pay her salary from 6/15 until 9/15. If Sandra continues to meet the definition of disability, what would be the earliest date benefit entitlement could begin?

A  August 1st   B  Sept. 15th   C  Dec. 15th

No, benefit entitlement could occur as early as September 15th. The 90 day elimination period begins on the first day of disability. Benefits are paid in arrears.
Sandra’s policy has a 5 year benefit period. What does that mean?

A  Coverage will end 5 years from the effective date of the policy.

B  Benefits will end 5 years from the effective date of the policy.

C  Benefits will be paid for up to 5 years.

Select A, B, or C.
Sandra’s policy has a 5 year benefit period. What does that mean?

A Coverage will end 5 years from the effective date of the policy.
B Benefits will end 5 years from the effective date of the policy.
C Benefits will be paid for up to 5 years.

Yes, C is the right answer. The Benefit Period is the maximum period of time during which the insured may receive disability benefits for any one disability.
Sandra’s policy has a 5 year benefit period. What does that mean?

A Coverage will end 5 years from the effective date of the policy.
B Benefits will end 5 years from the effective date of the policy.
C Benefits will be paid for up to 5 years.

Sorry, C is the right answer. The Benefit Period is the maximum period of time during which the insured may receive disability benefits for any one disability.
Waiver of Premium

All of our Individual Income Protection policies include a Waiver of Premium provision.

After the insured has been disabled for 90 days, we will waive premium payments while disability continues. We will also refund premiums paid during that 90 day period. (the Bridge Series waiver of premium is slightly different).
Return-to-Work Assistance Benefits

Available with most of our Individual Income Protection policies, the Return to Work Assistance benefits may cover the cost of occupational, physical and vocational rehabilitation services which are aimed at returning the insured to work capability.
Recovery Benefit

Designed to encourage disabled insureds to return to full-time work in their own occupation despite a continuing loss of income, the Recovery benefit provision provides a benefit for a period of time (varies by product) in an instance where the insured who has returned to his or her occupation continues to suffer at least a 20% loss of earnings.

Both the Return to Work Assistance benefit and the Recovery benefit help define the meaning of our “return-to-work” business philosophy.
Presumptive Disability benefit

Most of our IIP products also include a standard Presumptive Disability benefit. This provision pays a monthly benefit if the insured suffers any one of the following irrevocable losses:

- Sight
- Speech
- Hearing
- Use of two limbs

This benefit is payable for the maximum benefit period regardless of the insured’s ability to work.

Click the Next button to continue.
Try a final review question...

After an insured has been disabled for 90 days under our Professional Series policy, he/she will not have to pay premiums while the disability continues.

Select True or False.
Try a final review question...

After an insured has been disabled for 90 days under our Professional Series policy, he/she will not have to pay premiums while the disability continues.

Good, this statement is True. This IIP policy include a Waiver of Premium provision. We will waive premiums after an insured is disabled for 90 days. We also will refund premiums paid during that time.
Try a final review question...

After an insured has been disabled for 90 days under our Professional Series policy, he/she will not have to pay premiums while the disability continues.

**True**  **False**

**Sorry, this statement is True. This IIP policy include a Waiver of Premium provision. We will waive premiums after an insured is disabled for 90 days. We also will refund premiums paid during that time.**

Click the Next button to continue.
Summary

That concludes Chapter 2 - Key Concepts. Here you learned about the following concepts and provisions found in Individual Income Protection plans.

- Earned Income
- Issue and Participation Limits
- Occupation Classification Codes
- Type of Plan
- Definitions of Disability
- Elimination Period
- Benefit Period
- Benefit Exclusions
- Waiver of Premium
- Return to Work Assistance benefit
- Recovery benefit
- Presumptive Disability benefit

In the next chapter, you’ll be introduced to some common Optional Benefits that may be added as riders to our IIP policies.

Click the Menu button to return to the menu.
Chapter 3: Optional Benefits

In Chapter 2, you reviewed several standard Individual Income Protection provisions. In this chapter, we’ll look at a few optional benefits that may be added as riders to the base IIP policy at the time of purchase. These riders can substantially enhance a policy’s value. Note: Optional benefits vary by product. Refer to the Product Profile brochures for availability and detailed descriptions.

- Future Income Option (FIO) benefit
- Cost of Living Adjusted (COLA) benefits
- Disability in Your Own Occupation benefit
- Accidental Death and Dismemberment benefit
- First Day Hospitalization benefit
- Health Care Profession benefit

Click the Next button to continue.
Future Income Option (FIO) benefit

This rider offers future insurability protection by allowing insureds to **increase their coverage without providing proof of good health**. The insured may purchase additional coverage on each policy anniversary up to age 55, regardless of their health or occupation, as long as they have adequate income to qualify for the increased amount at the time they decide to exercise the option.

Also, a **special LTD increase** is available if the insured has lost group LTD insurance because the LTD coverage has terminated or the insured has left their employment. This special LTD option can only be exercised once.

Click the Next button to continue.
Cost of Living Adjusted (COLA) benefits

This optional benefit increases the monthly benefit amount while disabled to keep pace with the ever-rising cost of living.

The disability benefit is adjusted annually based on the actual rise in the Consumer Price Index with a 2% minimum and a 10% maximum, compounded annually. There is no cap on the total increase.

Click the Next button to continue.
Disability in Your Own Occupation benefit

This optional benefit changes the definition of disability to mean the insured is unable, due to sickness or injury, to perform the important duties of their own occupation and they are receiving appropriate physician’s care.

Click the Next button to continue.
Accidental Death and Dismemberment (AD&D) benefit

This rider pays a lump-sum benefit for specific losses due to accidental bodily injuries sustained by the insured as follows:

- Full benefit for death, loss of two limbs, loss of sight in both eyes
- Half benefit for loss of either a hand or foot
- One-third benefit for loss of sight in one eye

The specific loss must occur within 6 months of the accident.
First Day Hospitalization benefit

This optional benefit provides for payment of the monthly disability benefit from the first day of hospitalization, as long as the insured satisfies the definition of disability and has been hospitalized for 72 hours. This rider may only be added to policies with an elimination period of 90 days or less.
Health Care Professional benefit

This optional benefit is available to qualified health care professionals. It waives the requirement that the insured be under the care of a physician in order to qualify for disability benefits, provided they are HIV impaired or Hepatitis impaired and due to this impairment:

- They are restricted or prohibited from performing the important duties of their occupation, or
- Their patients refuse treatment from them because they have to disclose to their patients their impairment as required by law or by a written policy of general application of a medical regulatory body or medical licensing body.

Try a few questions now on optional benefits...

Click the Next button to continue.
Which optional benefit waives the elimination period if certain conditions are met?

A  Disability in Your Occupation benefit
B  Future Income Option benefit
C  First Day Hospitalization benefit
D  Health Care Profession benefit

Select A, B, C or D.
Which optional benefit waives the elimination period if certain conditions are met?

A  Disability in Your Occupation benefit
B  Future Income Option benefit
C  First Day Hospitalization benefit
D  Health Care Profession benefit

Correct, the answer is C. The First Day Hospitalization benefit provides benefit payments from the first day of hospitalization as long as the insured satisfies the definition of total disability and has been hospitalized for 72 hours. This optional benefit is only available on policies with an elimination period of 90 days or less.
Which optional benefit waives the elimination period if certain conditions are met?

A  Disability in Your Occupation benefit
B  Future Income Option benefit
C  First Day Hospitalization benefit
D  Health Care Profession benefit

Sorry, the answer is C. The First Day Hospitalization benefit provides benefit payments from the first day of hospitalization as long as the insured satisfies the definition of total disability and has been hospitalized for 72 hours. This optional benefit is only available on policies with an elimination period of 90 days or less.
Which optional benefit enables the insured to increase his/her amount of monthly benefit without providing proof of good health?

- **A** Disability in Your Occupation benefit
- **B** Future Income Option benefit
- **C** Cost of Living Adjusted benefits
- **D** Health Care Profession benefit

Select A, B, C or D.
Which optional benefit enables the insured to increase his/her amount of monthly benefit without providing proof of good health?

A. Disability in Your Occupation benefit
B. Future Income Option benefit
C. Cost of Living Adjusted benefits
D. Health Care Profession benefit

Good, the answer is B. The Future Income Option (FIO) benefit allows the insured to purchase additional coverage on each policy anniversary up to age 55, regardless of their health or occupation, as long as they have adequate income to qualify for the increased amount. This benefit also includes a special LTD increase that is available if the insured loses Group LTD coverage. The LTD increase option can only be exercised once.
Which optional benefit enables the insured to increase his/her amount of monthly benefit without providing proof of good health?

A  Disability in Your Occupation benefit
B  Future Income Option benefit
C  Cost of Living Adjusted benefits
D  Health Care Profession benefit

Sorry, the answer is B. The Future Income Option (FIO) benefit allows the insured to purchase additional coverage on each policy anniversary up to age 55, regardless of their health or occupation, as long as they have adequate income to qualify for the increased amount. This benefit also includes a special LTD increase that is available if the insured loses Group LTD coverage. The LTD increase option can only be exercised once.
Summary

That concludes Chapter 3 - Optional Benefits. Here you learned about some of the riders that may be purchased to enhance the base IIP policy. Refer to the Product Profile brochures for availability and detailed descriptions.

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Future Insurability Option (FIO) benefit</td>
<td>Insured may purchase increased coverage each policy anniversary up to age 55, regardless of health or occupation.</td>
</tr>
<tr>
<td>Cost of Living Adjusted (COLA) benefit</td>
<td>Benefit payment increases (between 2% and 10%) each anniversary while disabled, based on actual change in Consumer Price Index.</td>
</tr>
<tr>
<td>Disability in Your Own Occupation benefit</td>
<td>Changes the definition of disability to means the insured is unable to perform the important duties of their own occupation.</td>
</tr>
<tr>
<td>Accidental Death and Dismemberment benefit</td>
<td>Pays a lump-sum benefit (full, half, 1/3) based on specified losses resulting from accidental bodily injury.</td>
</tr>
<tr>
<td>First Day Hospitalization benefit</td>
<td>Begins monthly benefit payments from the first day of hospitalization, provided the insured is hospitalized for 72 hours.</td>
</tr>
<tr>
<td>Health Care Profession benefit</td>
<td>Removes the requirement that the insured be under the care of a physician in order to qualify for benefits, provided the insured is HIV impaired or Hepatitis impaired.</td>
</tr>
</tbody>
</table>
Chapter 4: Underwriting

This chapter provides an introduction to underwriting for our Individual Income Protection products.

Please note that this chapter presents conceptual information only. Refer to the Underwriting Guidelines booklet, the Product Profile brochures, and the Occupational Schedule booklet for additional information.
**What is Underwriting?**

In general, underwriting is the process of qualifying an individual (or business) for insurance coverage.

Underwriting for income protection insurance is a unique and complex task. Typically, each person applying for coverage must complete an application and provide the underwriter with any additional information that might be required to make a determination. The application is a legal document and becomes part of the policy.
What is Underwriting?

The underwriter must consider:

- **Occupational duties** - to evaluate the hazardous nature of an occupation and the likelihood of a disability occurring

- **Financial information** - to determine, among other things, how much insurance the individual is eligible to buy

- **Medical history** - to evaluate the significance of past and current medical conditions

Occupational duties, financial information, and medical history can be obtained directly from the applicant. In addition, medical information from the applicant’s physician may also be obtained. Let’s take a closer look at each of the three areas of underwriting...

Click the Next button to continue.
Occupational Underwriting

The underwriter must closely evaluate a person’s occupational duties. Since Income Protection products insure an individual in the event he/she is unable to earn an income due to a disability, the risk assigned to the applicant’s occupation plays a central role in determining the eligibility for coverage and the premium charge.

Take a moment to review the Occupational Classes...
### Occupational Underwriting: Classification Codes

| Class 4A | Includes professionals and executives who, because of favourable experience, qualify for a preferential rate basis for income protection coverage (e.g., architects, attorneys, MDs). |
| Class 3A | Encompasses other professionals and 100% office workers whose particular occupations exhibit a high degree of stability and responsibility (e.g., auditors, clerks with office duties only, office managers). A number of occupations do not qualify for 3A consideration because the related industry has produced less favourable experience. |
| Class 2A | Contains supervisory positions of various operations, without manual work, and certain skilled technical workers (e.g., owners of small business, such as bowling alleys, carpet and rug cleaning, etc.). |
| Class A  | Includes manual workers who have no unusual accident hazard (e.g., airline mechanics, carpenters, brick layers). |
| Class B  | Covers the most hazardous insurable work (e.g., drill operators, truck drivers). Also in class B are a number of occupations whose experience has not been favourable enough to classify at A rates. |
| Individual Consideration | These individuals may qualify for class B at the underwriter’s discretion. |
| Non-insurable | Classified as NO in the Occupation Schedule - includes unskilled labourers and any occupation that is exposed to exceptional hazards. |

Click the Next button to continue.
Occupational Underwriting: Classification Codes

When using the occupational classification codes, the underwriter will classify the applicant based on what he/she **does**, not on what they call themselves or their job title.

Click the Next button to continue.
Occupational Underwriting

Try a question on occupational underwriting...

True or False?

Past claims experience is a factor that helps determine which occupations qualify for a preferential rate basis for Income Protection coverage.

Select True or False.
Introduction to Income Protection

Occupational Underwriting

Try a question on occupational underwriting...

True or False?

Past claims experience is a factor that helps determine which occupations qualify for a preferential rate basis for Income Protection coverage.

Yes, this statement is True. Classification codes are assigned to occupations based on their degree of risk to the insurer. Past claims and underwriting experience provide information needed to assess risk. Occupational classes with favourable experience receive a preferential rate basis.

Click the Next button to continue.
Occupational Underwriting

Try a question on occupational underwriting...

True or False?

Past claims experience is a factor that helps determine which occupations qualify for a preferential rate basis for Income Protection coverage.

Sorry, this statement is True. Classification codes are assigned to occupations based on their degree of risk to the insurer. Past claims and underwriting experience provide information needed to assess risk. Occupational classes with favourable experience receive a preferential rate basis.

Click the Next button to continue.
Financial Underwriting

The second area of concern for the underwriter is financial information.

Different types of financial documentation must be submitted with the application depending upon the employment status of the applicant and the amount of coverage requested. Obtaining and submitting all of the required financial documentation with the application improves the underwriting processing time.
Financial Underwriting

True or False?

It is important for an underwriter to know whether an individual is applying for coverage to replace another plan or to supplement existing coverage.
Financial Underwriting

True or False?

It is important for an underwriter to know whether an individual is applying for coverage to replace another plan or to supplement existing coverage.

You’re right to say True. It is very important that accurate information concerning existing coverage be obtained. Income protection benefits from all sources cannot exceed the coverage amount corresponding to the insured’s net earned income in the issue and participation table.
Financial Underwriting

True or False?

It is important for an underwriter to know whether an individual is applying for coverage to replace another plan or to supplement existing coverage.

You should have said True. It is very important that accurate information concerning existing coverage be obtained. Income protection benefits from all sources cannot exceed the coverage amount corresponding to the insured’s net earned income in the issue and participation table.

Click the Next button to continue.
Financial Underwriting

Underwriting uses the following sources to gather information about existing coverage:

- Application
- MIB (Medical Information Bureau)
- Inspection reports
- PHI (Personal History Interview)
Financial Underwriting

In addition, some of our IIP products have an Integration of Benefits provision built in. This ensures that benefits are coordinated with other sources of income received during disability.

Under this provision, disability benefits will be reduced by any amount that the sum of the benefits for disability, current earnings, and other income or disability benefits exceeds a certain percentage of the insured’s pre-disability income.
Medical Underwriting

The third component of underwriting is an evaluation of medical history. An underwriter must have accurate information on an applicant’s past and current medical conditions. Documentation of medical history is vital, since not doing it thoroughly is one of the largest contributors to total underwriting time.

An Attending Physician Statement (APS) may be required to develop accurate information on significant medical histories. This information is obtained by an outside medical vendor specializing in the service and who has specifically contracted with us.
Medical Underwriting

A Personal History Interview (PHI) is conducted by specially trained interviewers who work for a third party vendor. The questions asked by the interviewers amplify the information on the application relating to personal, financial and health aspects.

The PHI can also be used to gather details which have been omitted or partially completed on the application.

Click the Next button to continue.
Frank had back surgery to correct a disk problem 5 years before applying for individual income protection insurance.

True or False?

This medical history probably makes him ineligible for income protection coverage.
Frank had back surgery to correct a disk problem 5 years before applying for individual income protection insurance.

True or False?

This medical history probably makes him ineligible for income protection coverage.

Very good, this statement is False. If an individual has an adverse medical history, we may issue a policy with certain modifications. This process is referred to as substandard underwriting.

Let’s examine the reasons for substandard underwriting, as well as some of the possible modifications that can be made...
Frank had back surgery to correct a disk problem 5 years before applying for individual income protection insurance.

True or False?

This medical history probably makes him ineligible for income protection coverage.

Actually, this statement is False. If an individual has an adverse medical history, we may issue a policy with certain modifications. This process is referred to as substandard underwriting.

Let’s examine the reasons for substandard underwriting, as well as some of the possible modifications that can be made...
Substandard Underwriting

Substandard underwriting refers to some modification of coverage to address an increased risk to the insurer due to the applicant’s medical history, physical condition, laboratory findings or some non-medical situation (such as an avocation or driving record).

The objective of substandard underwriting is to modify the coverage being approved so that the experience results (morbidity) of the substandard group to which the applicant belongs are the same as a standard group.
Substandard Underwriting

The Head Office underwriter can consider a variety of actions to modify coverage. Examples include:

- **Extra premium** (a rating)
- **Full exclusion** (e.g., exclude the left eye)
- **Limited period (LP) exclusion** (e.g., a 90 day LP exclusion of the left eye which provides full coverage for the left eye but only after the stated 90 days of disability)

- We can also modify coverage by using a "Qualified Condition Rider (QCR)" - this rider provides for payment of a specified named impairment but it specifies the elimination period, the benefit period and the indemnity that we will allow for this specific condition.

Click the Next button to continue.
Substandard Underwriting

Other possible modifications include:

- Change in benefit period
- Change in elimination period
- Reduction of indemnity amount
- Removal of certain optional benefits (e.g., Future Income Option, Cost of Living Adjustment, etc.)
- Offering of another product within the portfolio
- Any combination of the above

Substandard underwriting allows us the flexibility to offer coverage to as many applicants as possible.
Multi-Life Underwriting

One of the advantages of purchasing Individual Income Protection through an employer-sponsored offering is that we can offer financial and medical underwriting concessions because there is a “spread of risk” across multiple lives. There are 3 categories of multi-life underwriting concessions:

- **Guarantee Standard Issue (GSI)**
- **Guarantee To Issue (GTI)**
- **Large Case Discounts**

Click each underlined option to learn more. When done, click the Next button to continue.
Guarantee Standard Issue (GSI)

A Guarantee Standard Issue offer guarantees that every eligible member of a group will be able to buy a certain amount of coverage without any modifications to the coverage offered. There is a requirement that the individual not have been disabled, hospitalized, or house confined in the last six months (can be as high as 3 years).

The criteria for GSI cases are:
- 10+ lives
- 100% participation
- 25% discount
Guarantee To Issue (GTI)

A Guarantee To Issue offer guarantees that every eligible member of a group will be able to buy a certain amount of coverage. However, we reserve the right to make certain modifications to the coverage offered and full medical and financial underwriting applies.

The criteria for GTI cases are:

- 15+ lives
- Voluntary participation
- 20% participation with 15-life minimum

GTI cases are generally voluntary cases. Discounts do not apply to most GTI offers.
Large Case Discounts

Large case discounts are available for groups of 25 lives or greater. The discount is 25%. This discount is a combination of the 15% Select discount and 10% Large case discount.

**Note:** The Producer shares in the cost of the large case discount through commission reduction.
Summary

That concludes Chapter 4 - Underwriting. Here you learned:

- Underwriting for Income Protection insurance involves careful evaluation of an applicant’s occupation, financial information and medical history.

- Underwriters can approve coverage, deny coverage, or approve coverage with certain modifications.

- Approving coverage with specific modifications is referred to as Substandard Underwriting and allows us to offer coverage to as many applicants as possible.

- Multi-life underwriting concessions include Guarantee Standard Issue (GSI), Guarantee To Issue (GTI) and Large Case Discounts.

**Note:** Please see the Underwriting Guidelines, Product Profiles, and Occupation Schedule for detailed underwriting information for each product.

Click the Menu button to return to the menu.
Chapter 5: Income Protection Products and Markets - Introduction

Our dominant position in the Income Protection field is due largely to its full line of top-quality Individual Income Protection products and related services designed to appeal to a wide range of markets. We offer a “Flagship” and an “Alternative” product in several markets to appeal to a variety of needs and budgets.

- The Professional Series
- The Foundation Series
- Bridge Series

This introductory section of Chapter 5 provides a brief overview of the products and their target markets. The remaining product sections provide a more detailed comparison of the flagship and alternative products for each target market.

Click the Next button to continue.
The Professional Series

The Professional Series is our flagship individual income protection policy for Professional and Fee-for-service markets. The target market includes fee-for-service professionals, non salaried professionals and consultants, as well as other high income professionals and executives who work in corporate business settings.

The Professional Series is a Non-cancellable policy that includes total, residual and long-term partial definitions of disability. This type of plan and flexibility in disability coverage, made possible through a wide range of optional benefits, makes this policy highly desirable.

Click the Next button to continue.
The Foundation Series

The Foundation Series is the flagship product for the Salaried Employee and Middle Income markets. The target market includes middle income professionals, small business owners and farmers, as well as many of the blue and gray collar type occupations.

The Foundation Series is a Non-cancellable policy. The basic product design provides for a two-year Regular Occupation definition of total disability. After two years, the definition of disability becomes an Any Occupation definition. This policy offers a wide selection of optional benefits.
Bridge Series

Bridge Series is the alternative product for the Salaried Employee and Middle Income markets. In addition, Bridge Series may be available to certain “non-traditional” work arrangements such as part-time, seasonal or contract.

Bridge Series is Guaranteed Renewable policy with a two-year Regular Occupation followed by an Any Occupation definition of disability. The policy includes other cost containment provisions which allow us to provide quality coverage at a reduced premium. It may also offer more flexibility in terms of the offering that Underwriting may consider.

Click the Next button to continue.
## Income Protection Products

This chart summarizes the target markets for the Income Protection Products:

<table>
<thead>
<tr>
<th>Target Markets</th>
<th>Flagship Product</th>
<th>Alternative Product</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional / Fee-for-Service</td>
<td>The Professional Series</td>
<td></td>
</tr>
<tr>
<td>Salaried employee, middle income market, small business owner and farmer</td>
<td>The Foundation Series</td>
<td>Bridge Series</td>
</tr>
<tr>
<td>Non-Traditional and expanded markets</td>
<td>Bridge Series</td>
<td></td>
</tr>
</tbody>
</table>

Click the Next button to continue.
**Income Protection Products**

Try a couple of questions on the products and their target markets...

**True or False?**

An individual who is newly self employed or working part-time may be eligible for a Bridge Series policy.

True  False
Income Protection Products

Try a couple of questions on the products and their target markets...

True or False?

An individual who is newly self employed or working part-time may be eligible for a Bridge Series policy.

Yes, this statement is True. Bridge Series is the alternative product for the Salaried Employee and Middle Income markets, but may also be available to individuals with certain non-traditional work arrangements such as part-time, seasonal or contract.

Click the Next button to continue.
Income Protection Products

Try a couple of questions on the products and their target markets...

True or False?

An individual who is newly self employed or working part-time may be eligible for a Bridge Series policy.

Actually, this statement is True. Bridge Series is the alternative product for the Salaried Employee and Middle Income markets, but may also be available to individuals with certain non-traditional work arrangements such as part-time, seasonal or contract.
Summary

That concludes the introductory section of Chapter 5. Here you were introduced to our Individual Income Protection products and their target markets.

- **The Professional Series** (flagship product) for the Professional/Fee-for-Service market

- **The Foundation Series** (flagship product) and **Bridge Series** (alternative product) for the Salaried Employee and Middle Income market

**Note:** Each of these products are covered in more detail in the product-specific sections of Chapter 5.
Introduction to Income Protection

The Foundation Series and Bridge Series: Introduction

This section provides information on the similarities and differences between The Foundation Series and Bridge Series, our flagship and alternative products for the Salaried Employee and Middle Income markets.

While The Foundation Series is often viewed as a more comprehensive policy, Bridge Series delivers a more efficient price via its plan structure, integration of benefits, and certain exclusions and limitations.

Click the Next button to continue.
The Foundation Series and Bridge Series: Introduction

In addition to targeting middle income professionals, small business owners, farmers, and many of the blue and gray collar occupations, Bridge Series is also available to some non-traditional work arrangements such as part-time, seasonal or contract. In this way, it “bridges” the gap between traditional income protection products such as The Foundation Series and non-traditional products.

**Note:** Bridge Series is offered only as a Level Premium policy, while The Foundation Series is offered as either a Level Premium or Step-rate policy.
Product Comparison

Let’s compare these two products in terms of key income protection features...

Here is how the two products compare in terms of plan type. As you can see, the differences are the same as with The Professional Series and Quantum.

<table>
<thead>
<tr>
<th>Feature</th>
<th>The Foundation Series</th>
<th>Bridge Series</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan Type</td>
<td>▸ Non-cancellable to age 65</td>
<td>▸ Guaranteed renewable to age 65</td>
</tr>
<tr>
<td></td>
<td>▸ After age 65, it is guaranteed renewable for life if the insured is working full-time</td>
<td>▸ After age 65, it is conditionally renewable for life while the insured is working full-time</td>
</tr>
</tbody>
</table>

Click the Next button to continue.
Product Comparison

The two products have the same definition of disability and include a standard Return-to-Work Assistance benefit:

<table>
<thead>
<tr>
<th>Feature</th>
<th>The Foundation Series</th>
<th>Bridge Series</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disability coverage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total disability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• First 24 months: The insured is unable to perform the duties of his/her regular occupation and is not working at any other gainful occupation.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• After 24 months: The insured is unable to perform the duties of any occupation based on his/her education, training and experience.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return to work benefits</td>
<td>Return to Work Assistance benefit</td>
<td></td>
</tr>
</tbody>
</table>

Click the Next button to continue.
### Product Comparison

The Foundation Series only coordinates benefits with auto insurance policies, while Bridge Series includes the **same other income benefits** as Quantum.

<table>
<thead>
<tr>
<th>Feature</th>
<th>The Foundation Series</th>
<th>Bridge Series</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integration of Benefits</td>
<td>▸ No-fault auto insurance</td>
<td>▸ The monthly benefit is reduced so that the sum of the monthly benefit, current earnings, and other income benefits does not exceed 85% of pre-disability earnings.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▸ After coverage has been in force for 12 months, we will not reduce the benefit below the lesser of 25% of the monthly benefit purchased, or $1,000.</td>
</tr>
</tbody>
</table>
Let’s see if you can recall some other sources of income benefits…

All of the following are considered other income benefits for the purposes of benefit integration EXCEPT:

A. Income received from Group STD or LTD policies
B. Income received from salary continuation plans
C. Income received from a retirement plan (other than CPP/QPP)
D. Income received while working (i.e., current earnings)

Select A, B, C or D.
Introduction to Income Protection

Let’s see if you can recall some other sources of income benefits…

All of the following are considered other income benefits for the purposes of benefit integration EXCEPT:

A  Income received from Group STD or LTD policies
B  Income received from salary continuation plans
C  Income received from a retirement plan
D  Income received while working (i.e., current earnings)

Good, the answer is C. Retirement benefits are not included as other income benefits. The other choices above are included, as well as disability benefits from provincial or federal government plans (CPP/QPP, Workers’ Comp, etc.) and automobile insurance benefits.

Click the Next button to continue.
Let’s see if you can recall some other sources of income benefits…

All of the following are considered other income benefits for the purposes of benefit integration EXCEPT:

A. Income received from Group STD or LTD policies
B. Income received from salary continuation plans
C. Income received from a retirement plan
D. Income received while working (i.e., current earnings)

Sorry, the answer is C. Retirement benefits are not included as other income benefits. The other choices above are included, as well as disability benefits from provincial or federal government plans (CPP/QPP, Workers’ Comp, etc.) and automobile insurance benefits.

Click the Next button to continue.
Which product includes a Return to Work Assistance benefit?

A  The Foundation Series
B  Bridge Series
C  Both products
D  Neither product

Select A, B, C or D.
Which product includes a Return to Work Assistance benefit?

A  The Foundation Series  C  Both products
B  Bridge Series  D  Neither product

Good, the answer is C. Both The Foundation Series and Bridge Series include a Return to Work Assistance benefit. Our assistance may include such services as:

- Coordination of physical rehabilitation services
- Financial and business planning
- Vocational evaluation
- Education
- Job placement for a new occupation
- Work site modification (ergonomic furniture or equipment, mobility enhancing equipment, visual and/or audio devices, etc.)

Click the Next button to continue.
Which product includes a Return to Work Assistance benefit?

A  The Foundation Series  
B  Bridge Series  
C  Both products  
D  Neither product  

Sorry, the answer is C. Both The Foundation Series and Bridge Series include a Return to Work Assistance benefit. Our assistance may include such services as:

- Coordination of physical rehabilitation services
- Financial and business planning
- Vocational evaluation
- Education
- Job placement for a new occupation
- Work site modification (ergonomic furniture or equipment, mobility enhancing equipment, visual and/or audio devices, etc.)

Click the Next button to continue.
Product Comparison

The Bridge Series includes more Exclusions than The Foundation Series:

<table>
<thead>
<tr>
<th>Feature</th>
<th>The Foundation Series</th>
<th>Bridge Series</th>
</tr>
</thead>
<tbody>
<tr>
<td>Built-in Exclusions</td>
<td>No benefits will be payable for periods of disability from:</td>
<td>No benefits will be payable for periods of disability from:</td>
</tr>
<tr>
<td></td>
<td>• An act of war</td>
<td>• An act of war</td>
</tr>
<tr>
<td></td>
<td>• Normal pregnancy or childbirth</td>
<td>• Normal pregnancy or childbirth</td>
</tr>
<tr>
<td></td>
<td>• A period of incarceration</td>
<td>• A period of incarceration</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Committing a criminal offense</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Intoxication</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Self inflicted injury or suicide</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Any opportunistic infection or other disease if the insured has AIDS or tested positive for HIV prior to the policy issue date</td>
</tr>
</tbody>
</table>
### Product Comparison

There is also a difference in terms of Limitations:

<table>
<thead>
<tr>
<th>Feature</th>
<th>The Foundation Series</th>
<th>Bridge Series</th>
</tr>
</thead>
<tbody>
<tr>
<td>Built-in Limitations</td>
<td>None</td>
<td>- Unemployment / Minimum work / Leave of absence / Residence</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Certain conditions such as Chronic Fatigue Syndrome, mental, psychiatric and emotional disorders</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Soft tissue injuries and degenerative disk disease</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Benefits are limited to a maximum of 24 months for the above situations (Residence limitation - 12 months).</td>
</tr>
</tbody>
</table>
Product Comparison

And finally, here’s a comparison of the Optional Benefits and product cost:

<table>
<thead>
<tr>
<th>Feature</th>
<th>The Foundation Series</th>
<th>Bridge Series</th>
</tr>
</thead>
</table>
| **Optional Benefits** | Future Insurability Option (FIO)  
Cost of Living (COLA) benefit  
Enhanced definition of disability  
Short-term Partial disability benefit  
Long-term Partial disability benefit  
First Day Hospitalization benefit  
Recovery benefit (up to 2 months)  
AD&D  
Health Care Profession benefit | Future Insurability Option (FIO)  
Cost of Living (COLA) benefit  
Enhanced definition of disability  
Short-term Partial disability benefit  
Long-term Partial disability benefit  
Hospitalization benefit |
| **Cost**           |                                                                                      | Approximately 15 - 20% less expensive than The Foundation Series (percentage will vary) |
Which product limits the benefit period to a maximum of 24 months for certain conditions such as Chronic Fatigue Syndrome?

A  The Foundation Series

B  Bridge Series

C  Both products

D  Neither product

Select A, B, C or D.
Which product limits the benefit period to a maximum of 24 months for certain conditions such as Chronic Fatigue Syndrome?

A. The Foundation Series  
B. Bridge Series  
C. Both products  
D. Neither product

Good, the answer is B. Bridge Series limits benefits to a cumulative maximum of 24 months during the life of the policy for all occurrences of disability related to Chronic Fatigue Syndrome, fibromyalgia, environmental illness, Epstein Barr syndrome, soft tissue injuries and degenerative disk disease.
Which product limits the benefit period to a maximum of 24 months for certain conditions such as Chronic Fatigue Syndrome?

A. The Foundation Series  
B. Bridge Series  
C. Both products  
D. Neither product

No, the answer is B. Bridge Series limits benefits to a cumulative maximum of 24 months during the life of the policy for all occurrences of disability related to Chronic Fatigue Syndrome, fibromyalgia, environmental illness, Epstein Barr syndrome, soft tissue injuries and degenerative disk disease.
Which product allows the insured to purchase optional benefits to include short-term and/or long-term partial disability protection?

A. The Foundation Series  
B. Bridge Series  
C. Both products  
D. Neither product

Select A, B, C or D.
Which product allows the insured to purchase optional benefits to include short-term and/or long-term partial disability protection?

A  The Foundation Series  C  Both products
B  Bridge Series  D  Neither product

Very good! Both products allow the insured to enhance their income protection coverage by purchasing short-term and/or long-term partial disability benefits. The definitions of partial disability and the maximum benefit period for partial benefits vary for each product, as well as for different occupational classes -- please refer to the Product Profiles for detailed descriptions.

Note that with The Foundation Series, the long-term partial disability benefit includes a built-in Recovery benefit; Bridge Series does not. This means that with The Foundation Series, an insured will be eligible for up to 2 additional months of partial disability benefits by returning to work in any occupation.

Click the Next button to continue.
Which product allows the insured to purchase optional benefits to include short-term and/or long-term partial disability protection?

A  The Foundation Series  
B  Bridge Series  
C  Both products  
D  Neither product

Sorry, the answer is C. Both products allow the insured to enhance their income protection coverage by purchasing short-term and/or long-term partial disability benefits. The definitions of partial disability and the maximum benefit period for partial benefits vary for each product, as well as for different occupational classes -- please refer to the Product Profiles for detailed descriptions.

Note that with The Foundation Series policy, the long-term partial disability benefit includes a built-in Recovery benefit; Bridge Series does not. This means that with The Foundation Series, an insured will be eligible for up to 2 additional months of partial disability benefits by returning to work in any occupation.

Click the Next button to continue.
Summary
You’ve now completed this section on our Individual Income Protection products designed for the salaried and middle-income market. The key differences are summarized below:

<table>
<thead>
<tr>
<th>Feature</th>
<th>The Foundation Series (Flagship product)</th>
<th>Bridge Series (Alternate product)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan Type</td>
<td>Non-cancellable to age 65</td>
<td>Guaranteed renewable to age 65</td>
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<td></td>
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## Summary

<table>
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<th>Feature</th>
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<th>Bridge Series (Alternate product)</th>
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</table>
| Built-in Exclusions | No benefits will be payable for periods of disability from:  
  - An act of war  
  - Normal pregnancy or childbirth  
  - A period of incarceration | No benefits will be payable for periods of disability from:  
  - An act of war  
  - Normal pregnancy or childbirth  
  - A period of incarceration  
  - Committing a criminal offense  
  - Intoxication  
  - Self inflicted injury or suicide  
  - Any opportunistic infection or other disease if the insured has AIDS or tested positive for HIV prior to the policy issue date |
| Cost             | Approximately 15 - 20% less expensive than The Foundation Series (percentage will vary)                   |                                                                                                  |

**Note:** For detailed policy provisions and underwriting guidelines for these products, refer to the **Product Profile** brochures, **Underwriting Guidelines** and **Occupational Schedule** booklet.

Click the Next button to continue.
Conclusion

You’ve now completed the final topic in this module. Here you learned about our Personal Income Protection Products.

1. Personal Income Protection Products
   - The Professional Series
   - The Foundation Series
   - Bridge Series

2. Lifestyle Protection Products
   - Critical Illness Recovery Plan
   - The Retirement Protector Policy

3. Business Income Protection Products
   - The Preferred Business Overhead Expense Policy
   - Disability Buy Sell Policy
   - Key Person Protector Policy
   - Business Loan Protector Policy

Click the Exit button to quit or the Menu button to review another chapter.
Module 1: Self Study Completion Guide

Thank you for completing the first step in this RBC Insurance Living Benefits training module. In order to complete this training and qualify for Continuing Education credits, you will need to complete the following steps:

Review Module 1: Introduction to Income Protection PowerPoint presentation in full (this document).

Complete Module 1 Workbook (Word document). You can complete this test in one of two ways:
1. Insert your answers directly into the form and then print the completed document.
2. Print the workbook and complete the form manually.

Return your completed workbook to RBC Insurance via email at producerlicensing@rbc.com or by mail to:
Licensing
RBC Insurance
6880 Financial Drive, Tower 1, 7th Floor
Mississauga, ON, L5N7Y5
Fax: 1-877-280-9742

Click the Next button to continue.
Module 1: Self Study Completion Guide

If you are uncertain who you should mail the completed workbook to, please contact your local field office at: 1-866-235-4332 to inquire. They will be able to direct you appropriately.

Your local sales office will mark your workbook test. All tests with a score of 75% or more will qualify for the appropriate Continuing Education credits.

These CE credits will automatically be applied to your account.

For any outstanding questions regarding your CE credits for this program, please contact your local sales office representative at the above number.

Thank you for choosing RBC Insurance. We look forward to your enrollment in Module 2: Introduction to Lifestyle Protection Products

Click the Exit button to quit or the Menu button to review
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- If the CBT is running as a standalone presentation on your PC, press the ESC key to exit the CBT.
- To cancel your Exit request and return to the CBT, click the Back button.