

Critical Illness Insurance Needs Analysis (post-establishment)



Contract underwritten by Desjardins Financial Security on

YYYY

MM

DD

This form is used to re-evaluate the needs of the policyowner and the insured covered by the Executive Health Savings Plan (EHSP), a jointly-owned (split dollar) contract, when the health benefit is claimed before the end of the originally established coverage period required for the corporation.

Name of policyowner 1: _____

Age of the insured when the contract was established: _____

Name of policyowner 2: _____

Years elapsed since the contract was established: _____

Name of insured: _____

The insured is a: Shareholder Key employee

Corporation's coverage initially provided up to age/for a duration of: _____ years

EHSP contract number: _____

Total premiums paid by the corporation since the contract was established: \$ _____

Current age of the insured: _____

The tax consequences set out in the following three situations are based on technical interpretations issued by the Canada Revenue Agency up until February 2011. They do not constitute a legal opinion or tax advice from Desjardins Financial Security. The information is provided to offer guidance to representatives when dealing with clients. Clients should consult their own legal and tax advisors.

The **insured** wants to take advantage of the health benefit before the end of the corporation's original coverage under the jointly-owned insurance contract. In such a case, one of the following three situations applies. Check the appropriate box.

He/she ceases to be involved with the corporation in any way:

- In this case, the need for insurance no longer applies. The corporation would not normally be impoverished, or see its assets depleted, to the benefit of the shareholder or the key employee in this situation. There are therefore no negative tax consequences.

(continued on back)



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He/she remains an active part of the corporation, but substantially decreases his/her activities and/or ceases to play a key role in the corporation's activities. His/her responsibilities are transferred to another person.

Specify: _____

- In this case, if there is no longer a need for the insurance, the corporation would not normally be impoverished to the benefit of the shareholder or the key employee. There are therefore no negative tax consequences.
- On the other hand, if the need for insurance remains, there is a strong likelihood that the corporation would become impoverished, resulting in tax consequences (see the evaluation formula below). Whether or not a need for insurance exists depends on the facts of the case.

He/she remains active in the corporation and continues to play the same role as before:

- In this case, the need for insurance remains. There is a strong likelihood that the corporation will become impoverished to the benefit of the shareholder or the key employee, and therefore there will be negative tax consequences. The corporation will have paid a higher portion of the premium than it normally would have had to assume (see the evaluation formula below).

EVALUATION FORMULA (IF APPLICABLE)

The following formula can be used to calculate the portion of the premium paid by the corporation to the shareholder's or key employee's benefit. The value of the benefit the shareholder or key employee receives here is a question of fact.

Total premiums actually paid by the corporation: \$ _____

Less total revised premiums¹ the corporation **should have paid**: - \$ _____

Assumed taxable benefit: = \$ _____

¹ The corporation's revised premium is the premium that would have been established when a term critical illness contract was established (T10, T20, T65 or T75) with a ROP-D, corresponding to the number of years that have elapsed since the contract was established.

SIGNATURES

The above information is true and complete, to the best of my knowledge.

In witness whereof, we have signed at _____ on _____

_____	X	_____
Name of policyowner 1 (please print)		Signature of policyowner 1
_____	X	_____
Name of policyowner 2 (please print)		Signature of policyowner 2
_____	X	_____
Name of insured (please print)		Signature of insured
_____	X	_____
Name of representative (please print)		Signature of representative



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