

# Life and Health Insurance Shopping Guide

Step-By-Step Approach to Buying Insurance

Section : **What you should know about Universal Life Insurance**

# Table of Contents

Introduction .....	3
Universal Life Insurance .....	4
How universal life is sold .....	4
Coverage .....	5
Investments .....	6
Loan and surrender provisions .....	7
Insurance costs and fees.....	7
When should you consider taking out universal life insurance? .....	8

## Introduction

Shopping for individual life and health insurance, but don't know where to start?

We've put together the main information you'll need to know and laid out the steps involved to help you with this important task.

**Step 1:** First, you have to **Analyze your Situation**

**Step 2:** You should learn more about the **different insurance companies, the services they offer and the products they distribute.**

To do this, refer to **I'm Shopping Around for Insurance** to see what to keep in mind when comparing products.

Desjardins Financial Security also invites you to take a look at **the main features** of the various types of insurance products available on the market. This will help you think of questions to ask insurance representatives and will guide you in the process ahead.

**Step 3:** You must **prepare for your Meeting With a Representative.**

So you've decided to meet with a representative and are wondering :

- What **questions should I ask myself before** the meeting?
- What should I do to **prepare myself** for the encounter?
- What **questions should I ask the representative?** What should I **expect?**

**To learn more, refer to the sections:**

- I Need to Analyze my Situation & I'm Shopping Around for Insurance

# Universal Life Insurance

Universal life insurance is an increasingly popular consumer product.

Compared to other products offered by the insurance industry, it generally provides greater flexibility and caters to wider range of needs.

Although the products offered vary from company to company, we have identified the main features and described them here to help you compare.

## What you should know about universal life insurance

- How universal life is sold
- Insurance coverage
- Investments
- Loan and surrender provisions
- Insurance costs and fees
- Payments
- When should you consider taking out universal life insurance?

## How universal life is sold

The main feature of a universal life insurance policy is its flexibility. What does this mean? A policy is flexible if, under the same contract, you can:

- Build your financial security step by step, based on your priorities, financial means, and family situation.
- Satisfy your various needs, thanks to your universal life insurance policy's two main components: insurance coverage and investment options that allow tax-sheltered savings.
- Make changes to your policy as your needs and situation change, at your convenience.

The flexibility of universal life insurance should offer you the choice of term life insurance coverage with different terms, permanent insurance coverage, health insurance coverage and mortgage insurance coverage. In short, acquiring universal life insurance is a lot like buying a house. You have to know your needs, plan according to your priorities, and set objectives based on your current and future financial means.

For example, a young single professional woman opts for term coverage to cover her debts and funeral expenses on her death. A few years later she is in a relationship and has a child and therefore adds insurance coverage to ensure the financial wellbeing of her child until he/she leaves home in the event of her death. Buying a home leads her to add mortgage insurance to her universal life insurance policy, etc.

Not all the universal life insurance policies on the market offer the possibility of adding coverage as your needs change. Find out what features they offer.

Take the time to get more information on the many advantages available to you under universal life insurance. Don't hesitate to contact **your financial security advisor or life insurance representative**. If you do not have one, call 1-866-838-7553.

## Coverage

Certain universal life insurance products offer a variety of **life and health insurance coverage options** you can choose from to best meet your needs.

### Choice of coverage

- **Life insurance** offering protection in the event of death. Life insurance products include temporary coverage offering terms of 1, 5, 10 or 20 years, for example; permanent coverage with or without a guaranteed cash surrender value; and mortgage insurance.

The benefits payable at death can also be highly flexible, and may be either fixed or variable, depending on whether or not indexing is available. The amount of the indexing, where applicable, may be either a set amount or a percentage.

To find out more about the main features of term life coverage refer to **What you should know about term life insurance**.

- **Critical Illness Insurance** to build up a reserve in the event of a serious illness. To find out more about the main features of critical illness insurance, refer to **What you should know about to critical illness insurance**.
- **Optional benefits:** companies may offer several optional benefits besides life and critical illness coverage. For more information on some of these benefits refer to **What you should know about optional benefits**.

**It is a good idea to ask the following questions regarding the coverage and find out about the different terms and conditions that apply:**

- Can you choose more than one of the coverage options available? For example, can you start with a 10-year term if your current budget is limited and upgrade your coverage as your financial situation improves?
- If your needs and available financial resources change, can you add or withdraw coverage at a later date?
- Is it possible to insure a number of people individually with similar or different coverage options under the same universal life insurance policy? Can insureds be added, removed or replaced during the term? What is the maximum number of persons that can be insured?

- Can you combine individual coverage and joint first-to-die or last-to-die coverage under the same contract?
- In the case of first-to-die coverage, will you be able, in the event of death, to take out new coverage under the same universal life policy without having to provide evidence of insurability?
- Does the permanent life insurance coverage you are considering include a guaranteed cash surrender value?

## Investments

In addition to life and critical illness coverage, various investment accounts are also available that allow you to **save and accumulate interest tax-free**.

### Minimum and maximum investment

Investment accounts often require minimum deposits, which vary depending on the type of investment selected. Maximum amounts are usually determined based on the limits set under the Income Tax Act so that the universal life policy can keep its tax-exempt status.

**If you decide to save via a universal life insurance policy, it's a good idea to check the following information and the terms and conditions that apply:**

- Is the savings component required? In the event of death, are your savings payable to your beneficiaries in addition to the insurance amount?
- What kind of investment accounts are available: variable-term, guaranteed investments with simple or compound interest, index-linked investments, etc.?
- Is there a guaranteed minimum interest rate?
- Can you diversify your savings portfolio through different investment accounts and transfer funds from one account to another at any time?
- Can you start or stop saving whenever you wish or change the amount of your contributions?
- Can you use these savings to pay for your insurance coverage?
- In the case of last-to-die coverage, can the accumulated savings be paid out in the event of the first death?
- Is it possible to register these savings as an RRSP? Although it is quite rare, some companies offer this option.
- Are you entitled to annual investment bonuses that increase your tax-free savings? You should not only check the percentage bonus offered, but also the factors that trigger a bonus.
- In the event of illness or disability, can you access your savings in the form of tax-free disability benefits?

## Loan and surrender provisions

At some point in your life, you may run into situations where you need extra resources or cash flow. Find out what the various insurers have to offer and which conditions apply.

### Surrendering savings

If you decide to withdraw your savings, when and at what frequency can the surrender be made? Can savings be withdrawn in part? What is the minimum and maximum amount you can withdraw?

Is there a surrender fee other than the market value adjustment? If so, over what period does it apply?

### Borrowing against or surrendering the guaranteed cash value

If you purchase permanent life insurance that offers guaranteed surrender values, can these values be used to pay for your universal life insurance? If so, what is the interest rate that will apply to the loan? If you wish to obtain the surrender value, will the surrender lead to the cancellation of one or more of your insurance coverage options or change the insurance amount?

## Insurance costs and fees

**Insurance costs and fees may be levelled or variable, guaranteed or subject to change, and may apply indefinitely or only for a given period.** Check which options are available to you.

### Insurance costs

Insurance costs vary depending on the type of life and critical illness coverage you choose, the number of insureds, whether it is payable on a first-to-die or last-to-die basis, the sex of the insured, their state of health, whether or not they are a smoker, and other factors.

- Preferred rate: Some companies may also offer discounts on premiums because of the insured's good physical condition and overall health. If you think you're in good health, take the time to get more information. Don't forget to find out what criteria are used to get preferred rates, as they vary from company to company.

### Fees

- Administrative fees may include policy fees. Can these fees be paid in a lump sum? Generally, universal life insurance also includes management fees for the various investment accounts. Is there a guaranteed maximum for these fees?

- Surrender fees: these fees often apply on the partial or total surrender of the savings or if a coverage is removed. If this is the case, they may be charged for a certain period. In the event of the surrender of savings, keep in mind that most institutions take into account the market value of the surrendered investments to determine the refund amount.

### How to compare payments

The amount you spend on universal life insurance will vary depending on the features listed above, including the life and critical illness coverage you choose, the savings you invest, the number of years over which you make payments, and the return on your investments.

This makes it difficult to compare costs from one company to another. However, you should still make a point of asking about the minimum payment required to take out universal life insurance.

### I deserve the very best!

**If you decide to take out universal life insurance**, make a point of dealing with a **specialist at 1-866-838-7553**. Given the wide range of options available, it's worth seeking professional advice on how to best customize universal life insurance for your specific needs.

### When should you consider taking out universal life insurance?

Universal life insurance not only includes the traditional insurance coverage offered under all life insurance plans, but also tax-advantaged investment possibilities.

Before taking out universal life insurance:

- you must have a need for life insurance coverage
- be debt-free, and
- have no more RRSP contribution room.

Generally, universal life insurance is intended for people who:

- want to establish a savings portfolio that accumulates tax-free, or
- want to increase their wealth for their estate
- are looking for flexibility and want to establish their financial security gradually based on their life events, priorities and financial means.

## Also in your Insurance Shopping Guide

- What you should know about term life insurance
- What you should know about critical illness insurance
- What you should know about optional benefits
- Meeting with a representative