

INDEPENDENT LIVING

1. How it works

1.1 Premium payment / lapse

Q 1.1.1 Which solution DFS can offer to a client who wants to pay his policy with a unique premium?

R 1.1.1 DFS can administer a side account where the client can deposit a lump sum to pay his Independent living policy. Although as the insurance rates are not guaranteed, the client may have to deposit another amount to cover rates increase. Moreover, interest rate of this account is not guaranteed and won interests are taxable.

Q 1.1.2 If the client's financial situation changes or if a premium rate increase occurs, is it possible for the client to make any changes to the policy to decrease the premium?

R 1.1.2 Yes. The client has 3 options to decrease the premium:

- ✓ To raise the waiting period;
- ✓ To reduce the benefit duration;
- ✓ To reduce the monthly benefit amount.

Also, the client who must stop the payment of his premium due to his financial situation, would receive, in a case of loss of independence, the monthly annuity he deserves up to paid premium, as long as the policy has been in force for at least 10 years.

Q 1.1.3 Can a client who has stop paying his premium on his Independant living policy put back his policy inforce within the following two years, as in life insurance?

R 1.1.3 Yes, in that case, the client will pay the pending premium and will have to submit new insurability proof.

Q 1.1.4 If a client stop paying his premium, can he have a reduced paid-up coverage?

R 1.1.4 Yes, DFS offers a reduced paid-up coverage for a reduce benefit period if the policy has been in force at least 10 years. The amount of the benefit stays the same as the one subscribed, only the benefit period is reduced. The payment of benefit ceases when the total amount paid is equal to the total amount of premium paid by the client for this independent living policy.

Q 1.1.5 If a client with the independant living 20 policy goes on claim for a few years during the premium payment period, how does the waiver apply? For example, the client pays premiums for 5 years, then goes on benefit for exactly 2 years and then recovers. After coming off benefit, does he have to pay for a further 15 years (20 years total premium payment), or just 13 years (until 20 years after the effective date)?

R 1.1.5 After 20 years, no matter how many premiums were paid by the owner and how many were waived, the contract is paid-up. In the example, the client should pay for the 13 years (following the effective date of the contract).

1.2 Increasing of insurance amount

Q 1.2.1 With the option to increase the amount of long term care benefit, will the company increase the amount when the insured is in loss of independence?

R 1.2.1 As written in the contract, while a loss of independence period, the carrier increase the insurance amount and the benefit at each option period that occurs (each 3 years). The increase percentage is equal to the smallest between:

- ✓ Percentage of cost of living adjustment (COLA)
- ✓ 15%

The increase will be applied from the date the option has been taken until the insured's has 80 years old.

Q 1.2.2 In the section "Increase the amount of long term care benefit" of the contract, it is mentioned that this benefit will terminate when two consecutive option periods will not be used. What does that mean?

R 1.2.2 That means if the insured refuse to take the option twice in a row, then he will not be able to increase the amount further. In case of a loss of independence, the benefit payable will be the amount determined at the signature of the contract including the option he had already taken.

Q 1.2.3 What happen if a client takes the option to increase the insurance amount at some occasion and realize after a while that he does not have the money to pay the premium? Can he decide to come back and cancelled the increase option he has taken?

R 1.2.3 Yes, the client can cancelled all the increase he asked before, but he will lose his right to increase his insurance amount in the future.

1.3 Spousal reduction

Q 1.3.1 To take advantage of the spousal reduction, does both spouse have to submit their proposal at the same time?

R 1.3.1 Yes

Q 1.3.2 If both spouse subscribe Independant living at the same time and one is refused, is the other one can take advantage of the 10% rebate?

R 1.3.2 No, both spouse must subscribe the independent living insurance at the same time and must be accepted to take advantage of the 10% rebate.

We would give the spousal reduction on both spouses in the case that the decision from underwriting is deferred **for a maximum of one year** on one of two spouses **upon second policy** is issued and that retroactively to the date that first policy was issued. The second policy must be issued **within a year** to the date of issuing of the first policy. As we are going back retroactively to the date of issuing of the first policy, we will reimburse the gap between the premium paid and the reduced premium and we will recuperate 100% of commission and bonuses paid on surplus of first year premium due to the spousal reduction.

1.4 Assistance services

Q 1.4.1 Who provides the assistance services include in the Independent living protection?

R 1.4.1 The assistance services are provided by Sigma Assistel, pioneer in Quebec in the assistance industry. Located in Montreal, Sigma serves more than 2.5 millions people in Canada.

Q 1.4.2 Does the insured's has to be in a loss of independent to have access to those services?

R 1.4.2 The following services are offered as soon as the policy is in force, even if the person is not in a loss of independence:

- ✓ **Health assistance:** Registered nurses answer to the clients questions regarding health (lifestyle, vaccination, exercise and dietetic) 24 hours a day, 7 days a week.
- ✓ **Legal assistance:** Accredited lawyers, who are members of the bar association, gives information on clients rights (consumption, family rights, **droits de propriété**)

- ✓ **Home assistance:** Highly trained assistance Coordinators refers clients to local suppliers to answer their needs on maintenance and reparation of the house.

But, the psychological and convalescence assistance are offered to the insured's and his family only in a case of loss of independence of the insured's:

- ✓ **Psychological assistance:** Mental health specialists offer a confidential psychological consultation service.
- ✓ **Convalescence assistance:**
 - Orientation; guide the client to the necessary resources when on convalescence (home nursing care, domestic help, convalescent homes)
 - Taking in charge: Clients needs analysis by experts and coordination of services.

1.5 Exclusions

Q 1.5.1 Exclusion number 6: The insured person's participation in any criminal act or related act. What happens if a person is accused, but is not guilty?

R 1.5.1 The exclusion does not apply if the person is not guilty.

Q 1.5.2 Exclusion number 7: mental or nervous disorder with no organic origin. Is a nervous depression will be refused?

R 1.5.2 A nervous depression will be refused as this condition is not considered having an organic origin.

Organic refers to the structural change of an organ or tissue. An organic cause can be measured and medically proven.

In the Independent Living policy contract, exclusion #7 states that no claim will be paid for mental or nervous disorders that are not of organic origin.

As an example, consider an individual, who has lost their spouse and due to bereavement or depression fails to continue to perform the activities of daily living (i.e. does not eat or drink and does not maintain continence etc.) In this case, the loss of independence was not organic in nature and therefore, no claim would be paid. .

Alternatively, if the loss of independence occurred due to a condition such as Alzheimer's, an illness with organic cause, the claim would be paid as per the policy contract definition. In essence, if a loss of independence cannot be proven with clinical data and standardized measurements, a claim will not be paid.

Q 1.5.3 What does the term "organic" mean?

R 1.5.3 Organic refers to the structural change of an organ or tissue. An organic cause can be measured and medically proven.

Q 1.5.4 As for the organic causes, what happens if the doctor prescribe drugs that can cause loss of independence to the insured? Will the insured's be covered?

R 1.5.4 In the case of drug that can cause loss of independence as side effects, the cases will be evaluated individually. Although, if it is not related to abusive use, the exclusion will not apply, so it could be considered as an organic cause.

1.6 Age of the insured

Q 1.6.1 What would happen if there was a mistake in the age of the insured?

R 1.6.1 As per the general terms and conditions of the contract:

6. AGE
 - a. The insurer determines the insured person's age on the effective date of coverage, subject to the provisions of the coverage.

b. If the date of birth provided by the insured person is incorrect and a lower premium has been paid, the insurer will, as the case may be, proportionately reduce:

- 1) the insurance amount;
- 2) any benefit paid.

Q 1.6.2 Is it possible to do an illustration by changing the in-force date of the contract to an earlier date so the age of the client at the nearest anniversary is younger?

R 1.6.2 Yes, it is possible to change the in force date, but you may not out pass 3 months before the reel in force date.

1.7 Policyholder

Q 1.7.1 Could the children age of 18 years old and more of an insured be policyholder and beneficiary on their parent's policy?

R 1.7.1 Yes, the children could be policyholder. As mention in the contract, the benefit is paid to the policyholder. If the policyholder wants to designate another beneficiary, the representative may indicate it in the section "Special instructions" of the master application.

2. Selection

2.1 Selection interview

Q 2.1.1 Who does LifePlans use to conduct telephone interviews throughout Canada?

R 2.1.1 LifePlans use Family Caring Network for the telephone interviews and face-to-face assessments. They contract individual nurses and agencies throughout Canada.

Q 2.1.2 When the nurse calls a client for an interview or when she visits for a face-to-face interview, does she have a copy of the application with her?

R 2.1.2 No, the nurse only has some information regarding the client, as his name and the name of the financial advisor. She must ask a number of questions, and some might be already asked in the application.

Q 2.1.3 With Independent living, we want to target the Chinese market. Is it possible to have a Chinese speaking nurse for the telephone and face-to-face interview?

R 2.1.3 Actually we work with an interpreter.

Q 2.1.4 When LifePlans is scheduling a phone interview, how many times do they attempt to reach the client before cancelling the case? If a nurse leaves a voice mail message do they still attempt to reach the client afterwards and how much time do they wait for a response? Lastly, does LifePlans send a letter if no response is received?

R 2.1.4 LifePlans calls twice a day for 5 days, and leaves a maximum of 3 voicemail messages (if possible) over that period of time. Subsequently, a letter is generated and mailed to the client asking them to call LifePlans as soon as possible.

2.2 Questions in the application

Q 2.2.1 If the client did not answer all the medical questions of the application, who is going to complete that information? Is it the face-to-face Interviewer?

R 2.2.1 The application must be completed before DFS sends it to LifePlans. When the New Business department receives the application, they will ensure that all the information is completed before sending to LifePlans. Only complete and eligible applications are send to LifePlans. If an application is not fully completed, it will be resend to the representative to have it completed by the client.

2.3 Medical underwriting decision

Q 2.3.1 When a case is decline, is it possible to ask for a second evaluation?

R 2.3.1 Usually, a medical underwriting decision is not negotiable, except if a new element occurs in the file.

3. CLAIMS

3.1 File analysis

Q 3.1.1 Who does the "claim adjudication"?

R 3.1.1 Actually, LifePlans handles the claims. DFS is implicated in the process and revise the analysis on each file.

Q 3.1.2 What are all the steps the client has to go through when submitting a claim?

R 3.1.2 Following are the basics steps specific to the submission of a claim by a client:

- The client contacts DFS to initiate the claim.
- DFS forwards claims form to the client – certain sections on which must be completed by the insured and others by the physician.
- Claim forms are returned to DFS and are then forwarded to LifePlans as Desjardins currently outsources the claims adjudication process to that organization.
- LifePlans reviews and determines what information is required: benefit assessment, telephone or face-to-face interview, medical records.
 - Face-to-face interview: This evaluation is made in the home of the insured and takes approximately one hour. The Registered Nurse will collect information from the insured, family and caregivers regarding the amount and types of assistance being provided. The RN will also reviews the medical history leading-up to the claim. Additionally, the RN may collect medical information from the family physician.
- When all documentation is received and reviewed, LifePlans will determine if the insured is "claim eligible" and will notify DFS to pay the claim. A follow-up schedule will be recommended to ensure that the insured's medical status remains unchanged and/or if improved sufficiently to come off claim.
- DFS forwards monthly benefit payments to the insured.

Q 3.1.3 Is a face-to-face interview needed for all claims submitted?

R 3.1.3 No, let's say an insured has a stroke and his medical record shows that he is confined to bed, the claim's evaluation would not be necessary. Moreover, if the insured is in the hospital, DFS would use the hospital file.

Q 3.1.4 With respect to the waiting period, what is considered the first day of loss of independence?

R 3.1.4 This date is the first day on which the insured is deemed unable to perform 2 or more ADL's and/or is deemed to have a cognitive impairment that renders them a threat to personal safety unless they have continual supervision. A few examples might be:

a. Someone suffers a major stroke and becomes paralyzed on the right side of their body. They would most likely need assistance with transferring, toileting, feeding, bathing, etc. until either they regained the use of the limb and/or if they adapted to perform these tasks. He could also never recover and would therefore be a long term claim. In these cases, the date of loss of independence would be the date of the stroke.

b. Someone who undergoes hip replacement surgery and is incapacitated for only a short amount of time following surgery. Since he cannot place much weight on his new hip, he will need a walker and someone standing by for safety reasons when transferring or during periods of mobility, etc. In this case, the date of loss of independence would be the date of surgery.

c. If the loss of independence is caused by Parkinson's disease or any other degenerative illness, then it becomes more difficult to determine when the loss of independence started. It is more complicated because the loss of independence does not happen suddenly, it is a gradual process. The claim form needs to be filled out and we would also request the notes from the physician and any other sources of information that may be available. By following the notes in the medical records and having a benefit assessment done on the insured, we can usually determine an approximate date

of loss of independence that is agreeable to the insured, family and fair to the insurance company.

Q 3.1.5 Could the date on MD report be considered as the first day of a loss of independence?

R 3.1.5 If the insured was impaired on the date of the assessment, we would likely use the date the claim form was filed out as the date of loss of independence.

Q 3.1.6 Could you give some examples of reassessment depending on specific loss of independence causes?

R 3.1.6 Reassessment is an important part of the process and the time frames will vary depending upon the reason for loss.

Someone who has had a major stroke, Alzheimer, Parkinson's disease, etc. may be evaluated by a telephone call at 90 days – if no additional recovery is noted, another telephone follow-up may follow at the 6 month mark. If there is no change in the status, one may do an in-person follow-up at the 12 month mark and then if there is no change do an annual telephone call to ensure that the condition is unchanged and that the insured has not regained independence.

The reassessment for someone who has suffered a hip fracture may be a telephone call at 60 days, and if not fully recovered by 90-120 days – an in – person assessment to ascertain why they are not recovering as expected.

Q 3.1.7 Will the process be the same in a case of Parkinson as in a case of Alzheimer?

R 3.1.7 The process stays the same, whatever the reason of the loss of independence.

3.2 Claim request

Q 3.2.1 Once the contract has been issued, can the insured files a claim even if he is out of Canada? Will the benefits be paid while outside of Canada?

R 3.2.1 Our policy contract, section 13 under "Exclusions" states that "No benefit will be paid for a State of Major Impairment while the insured person is outside Canada or United States".

The reason for this exclusion is that in certain countries, it may be difficult to obtain evidence that the insured is still in a state or major impairment. It may even be difficult to find out if the insured is still alive. In the US and Canada, we have access to the required information easily and within a reasonable period of time.

Q 3.2.2 We know that an insured outside Canada or US cannot be covered for Independent living. But, if an insured start his loss of independence outside Canada or US and comes back to Canada to file a claim, will he be covered?

R 3.2.2 The contract does say that no benefit will be paid while the insured is outside Canada or US.

The contract also says that:

Claims request must be submitted to the carrier within the 31 days following the date of loss of independence.

If an insured does not submit his claim within the delay, it does not mean that his claim will be refused. In this case, he will have to explain why he was not able to make his request on time. The required document must be sent to the insurer within the year that follows the date the loss of independence has started.

Also, if possible, the insured should come back to Canada or US within the 31 days following the event. If not, he will have to show his incapacity to come back on time.

In all cases, the maximum time to respect is a year.

A person who comes back on time will be eligible to the benefit.

3.3 Cognitive impairment

Q 3.3.1 For cognitive impairment, how do you measure cognitive function?

R 3.3.1 Valid standardized methods are used to detect cognitive impairment and determines moderate or severe dementia.

Cognitive impairment is more difficult to manage compare to a physical loss of independence as an insured can be diagnosed with such impairment but be able to live normally with drugs. This is why use of such tools is required.

3.4 Benefit payment

Q 3.4.1 When is the benefit paid to the insured with a loss of independence?

R 3.4.1 The benefit is always paid at the end of the month.

Q 3.4.2 It is indicated in the policy contract that the determination of cognitive impairment will be made on the basis of clinical data and valid standardized measures of such impairment. Is the treating physician involved in that evaluation process?

R 3.4.2 Usually, the treating physician is not implicated in the process, although he provides his report on the insured's health issues. There after, a nurse analysis the file by using the report from the treating physician to understand and determine the health statement.

Q 3.4.3 Is the waiting period cumulative? As an example, what happens to an insured's who has two consecutive loss of independence resulting from the same cause, but for short period so it does not satisfy the waiting period?

R 3.4.3 First of all, the contract mentions that two consecutive benefit periods are considered as one, if they are not separated from more than 180 days and the carrier thinks that they are from the same cause. In this situation, the waiting period is not applicable in the second loss of independence.

But, the waiting period is not cumulative. Multiple periods of a loss of independence may not be added together to satisfy the elimination period. Please note that no company, either in Canada or in US, adopts a cumulative awaiting period methodology.

Q 3.4.4 How DFS would manage if a insured would die while receiving his first benefit of long term care?

R 3.4.4 By checking on the death date, it would be possible to establish if the insured can receive his first benefit or not, depending if he died before the end of the waiting period or after.

Q 3.4.5 How does the benefit period apply when a loss of independence is recurrent, is it restored after each loss of independence? For example, a client purchases a 2 year benefit period and receives a benefit for 6 months because of a hip surgery. The next time he wants to claim for the same cause or another cause, is he limited to claim for only 18 months?

R 3.4.5 The benefit period is not restored after each loss of dependence. A client who buys a 2 year benefit period will be limited to 2 years of benefit. Once he has claimed for 2 years of benefit for different reasons, there will not be any benefit period left.

3.5 Declines

Q 3.5.1 If a case is declined, can we appeal?

R 3.5.1 This decision should not be negotiated, except if a new element appears on the case.

3.6 LifePlans

Q 3.6.1 LifePlans handle the claims adjudication, but is DFS will handle the claim someday?

R 3.6.1 Yes. As this product is new in the Canadian market, DFS thinks that LifePlans is more qualified to evaluate the claims. But, as soon as DFS will have enough experience with this product, we will handle the claims adjudication.

4. Marketing

4.1 Sales tools

Q 4.1.1 Will Chinese marketing material be available?

R 4.1.1 We understand that the Chinese community, including financial advisors, is interesting in marketing LTD insurance and therefore, we have developed some marketing pieces in Cantonese. This material is available via "Sales Material and Tools" in the section "Find out More on This Product" located at the right of this page.

4.2 Competitors

Q 4.2.1 What are the strengths of Independent living against our competitors products?

R 4.2.1 Here are some of the strengths of Independent living against our competitors products (SunLife, La capitale, ManuLife and RBC)

- Spousal reduction of 10%
- Offers a complete assistance services:
 - When the contact is in force:
 - Health assistance
 - Legal assistance
 - Home assistance
 - When a loss of independance occurs:
 - Psychological assistance
 - Convalescence assistance
 - Product from competitors only offers a service to establish convalescence services.
- More advantageous paid-up insurance option:
 - DFS offers a paid-up insurance for a reduce benefit period if the policy is in force for 10 years or more. The benefit amount stays the same as the

one subscribed, only the benefit period is reduced. It terminated once the total amount paid reaches the total premium collected for the long term care benefit.

- After a period of 8 years, SunLife offers an extension of paid-up insurance. If the client stops paying his premium, SunLife prolong the protection for a certain time. The prolongation is determined with the number of year the policy is inforce when the insured stop paying his premium. If the insured has a loss of independence during this prolongation, he will receive his benefit, if not, the benefit will stop after that period.
 - Examples:
 - After 8 years = 2 years of benefit
 - After 10 years = 4 years of benefit
 - After 15 years = 11 years of benefit
 - After 19 years = 17 years of benefit
- RBC offers reduce paid benefit for the facility care only, the Home care option terminates at the end of premium payment.
 - With no elimination period
 - Example: 33% of the daily indemnity after 10 years (age 46 to 80 years old)
 - With 90 days elimination period
 - Example: 0% of the daily indemnity after 10 years and 50% after 15 years (age 46 to 80 years old)

At DFS, when the contract is inforce since at least 10 years, the insured is covered for lifetime and the benefit period will be reduced in accordance with the premium paid.

- Option of return of premium upon death is more advantageous with Independent living:
 - DFS will reimburse 100% of the paid premium reduced by the paid benefit.
 - SunLife only reimburse a percentage of premium in accordance of the number of year the policy has been in force and deduct the benefit already paid.

- After 1 year = 5%
 - After 5 years = 25%
 - After 10 years = 50%
 - After 15 years = 75%
 - After 20 years = 100%
- La Capitale reimburse the premium only if the contract has been in force more than 5 years and no benefit has been paid.
 - Manulife reimburse the less of the following:
 - Eligible premium plus contract fees times a % of reimbursement (ex. 50% at 10th anniversary) minus benefit paid
 - The balance benefit
 - RBC reimburse the premium if the contract has been in force more than 5 years and if no benefit in facility care has been paid (only premium in GRPD and facility care and policy fee are reimbursed).

5. Managing of the confidential information and complaint

Q 5.1.1 How can we be sure that the role of the US-based LIFEPLANS, is limited to information gathering?

R 5.1.1 The role of LifePlans is to assess the risk and determine if the client is insurable and under what conditions. When you authorized Desjardins Financial Security to collect and communicate personal information, it is exclusively for the purpose of determining the insurability, managing the file or processing a claim.

Q 5.1.2 What guarantee do we have that the information (medical records, etc) gathered by LIFEPLANS will be kept confidential -- i.e., not released to US, Canadian or other government agencies or any entities other than DesJardins?

R 5.1.2 Although various legislative measures addressing the protection of personal information have been adopted over the past few years, it has not fundamentally changed the manner in which Desjardins Financial Security serves its customer as it has always been a reality we have respected. Since 1948, Desjardins Financial Security has instituted significant and effective measures to protect the confidential nature of the personal information of our customers. In order to offer quality financial security services to individuals and groups, we must have access to personal information of our customers. This may be medical, financial and/or family in nature. Desjardins Financial Security Life Assurance Company has always managed this data with the utmost of care and discretion.

You will find enclosed a copy of the document detailing our Management and Protection of Personal Information policy:

Desjardins Financial Security is very cautious when selecting providers of goods and services. Those who have access to personal information, like LifePlans, are required to sign a confidentiality agreement. In our contractual agreement with LifePlans, clauses exist that are designed to protect Personal Information.

Q 5.1.3 Who does the information they gather belong to legally?

R 5.1.3 Upon signing the authorization contained in the application form, the information collected on a Policy Owner and/or Proposed Insured by Desjardins Financial Security belongs exclusively to Desjardins Financial Security. As stated previously, the authorization is given for the sole purpose of determining insurability, managing the file and processing a claim. All the personal information that Desjardins Financial Security has in its possession is kept in a file that you can always access. You simply need to send a written request to the Privacy Officer at our Head Office.

Q 5.1.4 Is there an appeal procedure for decisions made by DesJardins on acceptance of policies or on claims made?

R 5.1.4. As forward-thinking responsible firms, Desjardins Financial Security and its subsidiaries want to provide each and every client with the utmost in customer service. If a client is dissatisfied with any of our products or services, we want the client to inform us of that fact. Our website has been designed to provide a step by step approach to guide unsatisfied clients and it can be found at <http://www.dsf-dfs.com/en-CA/NtrCmpgn/Instsfctn/>

In the process, a client may file a formal complaint with Desjardins Financial Security's Dispute Resolution Officer whose role is to assess the merits of the company's decisions and practices when customers feel they have not received the service to which they are entitled.

If clients are not satisfied with the way their complaints are handled, there are further options available such as the Ombudsman of the Desjardins Group which is the largest Canadian Cooperative Financial Group.

6. General information

Q 6.1.1 DFS researched the claims experience of France, USA, and to a lesser extent the CND marketplace in setting our premiums. What are the main factors learned from this research? What claims experience did we assume in setting our premium?

R 6.1.1 The information used for Independent Living came from Munich Re. First of all, Munich Re researched topics concerning the population experience (LTC experience and medical experience). With this information, they made some assumptions about incidence rate and rate of termination. Finally, we compared our data with the experience of the USA to arrive at a product and rate offering. We never used the experience of France because their LTC products are very different than ours.

Q 6.1.2 Are the premiums guaranteed?

R 6.1.2 Premiums are initially guaranteed for 5 years. Afterwards, premium can be adjusted upwards or downwards on an annual basis.

Q 6.1.3 What would initiate an increase?

R 6.1.3 Rates could be modifying in regards of the claims evolution. If the claims results are worst than we have been estimated, the rates could increase. Although, rates cannot be modify for one insured only, but in regards of the class of risk the insured is in:

- Product, chosen options, amount and duration of insurance
- Age and sex

Q 6.1.4 Where is located LifePlans and how long has it been in business?

R 6.1.4 LifePlans has been providing expertise to the LTC marketplace since 1986, expanding into Canada in 1998. They currently work with over 85 insurers providing expertise in underwriting and claims management. They provide services to 9 of the top

10 insurers in the US and all but one LTC insurer in Canada. LifePlans has completed almost 2 million assessments to date.

If you want more information about this company, you can visit their website www.lifeplaninc.com