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The Affluent New Canadian Market

Tips and Tricks to Make the Underwriting Process Easy

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Agenda



Medical Evidence



Identifying clients in this market



Financial Evidence



How much coverage is reasonable?



Foreign assets



Insurance on children



Thinking beyond the box

Medical Evidence

Considerations:

- Clients who have been in Canada for less than one year
 - Paramedical
 - Labs including hepatitis B&C
- Clients who do not have a Canadian doctor
 - Doctor's medicals
 - Records from China

Who are we talking about today?

-  Predominantly hail from China or Hong Kong
-  Have obtained Permanent Resident status in Canada
-  Demonstrate an intent to remain in Canada
-  Do not earn active income in Canada

Identifying clients in this market

Occupation indicated as “investor”

Still employed by a company located overseas

Owens a corporation located overseas

Retired, and was never employed in Canada

Only claims passive income to the CRA

- Investment income
- Capital gains income
- Interest income
- Rental income

Who doesn't fit into this market?

Has a Canadian employer and reports active income to the CRA

- Earned income
- Sometimes dividends

Own a Canadian operating company

Owens a numbered company that is involved in real estate development

Important!

It is very important that your underwriter is able to identify if your client qualifies for assessment using our Affluent New Canadian guidelines...

Always try to clarify:

- If the client is employed in Canada
- If the client earns active income in Canada
- If the bulk of the client's wealth is located in Canada or overseas

For clients who do earn active income...

We will financially underwrite based on:

Personal coverage:

- Income replacement
- Estate tax liability
- Creditor protection

Business coverage:

- Buy/sell
- Key person
- Business loan protection

Example #1

50 FNS 8MM PAR coverage

- Landed in Canada 2017
- Owns 1234567 BC Ltd, a holding company that owns a variety of rental properties
- Occupation listed as “retired” on the application

Would we underwrite this client using the Affluent New Canadian guidelines?

Example #2

50 FNS 8MM PAR coverage

- Landed in Canada 2017
- Owns 1234567 BC Ltd, a company that purchases land for the purpose of developing real estate
- Occupation listed as “real estate developer” on the application

Would we underwrite this client using the Affluent New Canadian guidelines?

When do I need to provide financial proof?

- Allow up to 5MM coverage without asking for financial proof
 - We will assess financially, based on information provided on the application, cover letter, internet search and from the advisor via email
- Allow up to 10MM coverage with a signed Canada Life financial supplement OR traditional proof of assets
- Cases for over 10MM require:
 - Canada Life financial supplement, completed and signed by the client's 3rd party accountant OR
 - Detailed letter on company letterhead, completed by the client's 3rd party accountant OR
 - Traditional proof of assets

Disclaimer

We might require proof of assets for smaller amounts of coverage,
in some situations – for example:



Client has significant
inforce coverage



The information
provided is unclear



Clients are applying for
a large amount on a
family

Unverified vs Verified Financial Evidence

Unverified

- Cover letters
- Information provided on the application
- Information provided by email
- Some information found on the internet

Verified

- Financial supplement**
- Proof of assets
- Letter from 3rd party accountant
- Some information found on the internet

Cover Letters – what do we need?

In this market, a well-written cover letter would include:

- Address and value of any properties owned in Canada
- Amount in Canadian savings and other liquid assets
- Amount of any Canadian mortgages
- Property and financial assets that are still held overseas
- Inforce/pending coverage on spouse and children
- If any income noted on the application is generated in Canada
- Any additional travel details that are not covered on the application or travel questionnaire



Cover Letters – what to leave out

There is no need to include:

- Cars
- Cash value of inforce insurance policies
- Fine Art
- And so on...

These are not assets that we would normally consider as part of our financial assessment

Example Cover Letter #1

Subject: App #12345678-9 Mr. Barney Rubble

I have known this client for over 10 years through common friends. Recently, he attended my seminar and we discussed his financial situation. He comes from Taiwan and has no life insurance in force.

This client has the following assets:

- Primary residence of \$800K (123 Main Street, Vancouver), fully paid up
- RRSP of \$1.2 million with BMO
- non-registered investments with BMO and TD over \$3.5 million
- savings with TD 750K

Mr. Rubble is still working, making about \$100K per year. This income is generated in Canada; he is employed at Flinstone Gravel Pit, in Vancouver BC. You can find this business online at www.flinstonegravel.com.

This application will cover his last expenses, capital gains tax and will diversify his assets to enjoy tax efficiency, lower market risk and wealth transfer.

Please note that the client's spouse is applying for coverage under application 23456789-0. All of the assets above are jointly owned by the client and his spouse.

I have enclosed a completed foreign travel questionnaire. As you will review, the client only had one short term trip to Taiwan, and he generally travels there once every two years to visit his elderly parents.

Please feel free to contact me if you need further information.]

Example Cover Letter #2

RE: Application 12345678-9, Mr. Fred Flinstone

For the above application, I would like to provide background information for your reference.

Mr. Flinstone came to my financial planning seminar recently and we discussed his insurance and retirement plan.

Financial information:

Mr. Flinstone came to Canada as a landed immigrant in 2007 from China. His assets are as follows:

- 1) Primary residence at 123 Main Street, Vancouver – value 2MM with 1MM mortgage
- 2) Rental property at 123 Smith Street, Burnaby – value 750K with 250K mortgage
- 3) Financial Assets - savings CAD 1MM at BMO
- 4) Property and financial assets in China CAD 10MM.

Over the years he has purchased some life insurance:

- 1) In 2008 – 200K joint last to die with his spouse at Sun Life (issued standard)
- 2) In 2010 – 1MM at Canada Life (issued standard)

This client would like to diversify his assets to more conservative plans and he wants to pass his assets' tax efficiently to his children.

Purposes of this plan are asset allocation, retirement planning and estate planning.

Personal Information:

He is married with a 25 year old son and a 20 year old daughter.

Please note that the client spends 3 months per year in China visiting his elderly parents. He will be in Canada enough to maintain his permanent resident status.

In addition, Mr. Flinstone's wife will not be applying for coverage as she is uninsurable.

I believe he would be an excellent client for London Life. Please contact me if you need further information.

Do you recognize this form?

- The *new* Canada Life financial supplement was rolled out in 2019
- Can be used as financial verification for cases up to and including 10MM risk, signed by the client rather than a third party
- Form 17-8951 on Advisor Site/RepNet
- Important Notes:
 - If the client owns multiple homes, always ensure to attach extra pages, as we require the address, value, mortgage and name on title for each one
 - Source of premiums needs to be completed
 - Always complete the full supplement – do not skip pages



1 Proposed life insured information

1.1 Application number	Source of premiums	
1.2 Name of proposed life insured		
First name	Middle name	Last name

2 Personal financial information

List all amounts in Canadian dollars.

2.1 Income

Earned income from employment

This year \$	Last year \$	Two years ago \$
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Other income

This year \$	Last year \$	Two years ago \$
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Indicate types and sources of other income

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2.2 Canadian real estate assets

Name on title (first, middle, last)		Type of real estate: <input type="checkbox"/> Rental <input type="checkbox"/> Residence <input type="checkbox"/> Other:	
Address of real estate (street number and name)		City	
Province	Postal code	Fair market value \$	Outstanding mortgage \$

Name on title (first, middle, last)		Type of real estate: <input type="checkbox"/> Rental <input type="checkbox"/> Residence <input type="checkbox"/> Other:	
Address of real estate (street number and name)		City	
Province	Postal code	Fair market value \$	Outstanding mortgage \$

Traditional Proof of Assets/Liabilities

You will often
be asked to
provide:

- Property value assessments/appraisals
- Canadian bank statements
- Canadian investment statements
- Canadian mortgage statements

A word about tax returns...

Q: Why do you think tax returns are not helpful to underwrite financially in this market?

A: In this market, the clients are not reporting Canadian active income to the CRA – so we are not considering for income replacement.



How much coverage is reasonable?

For clients up to age 65, we will generally allow up to 10MM coverage based on:

- 2x Canadian net worth **PLUS**
- 1x Canadian mortgage

Additional considerations:

- Individual consideration for amounts greater than 10MM total line
- Very important to remember – we cannot consider the full value of joint assets on each spouse

Example #1- single client

40 FNS applying for 5MM PAR

Canadian assets:

Provided in cover letter

- Home 3MM
 - Mortgage 1MM
 - Net value 2MM
- Condo 1MM
 - Mortgage 500K
 - Net value 500K
- 500K in savings

Canadian Net Worth = 3MM

Mortgages = 1.5MM

Calculation:

$(2 \times 3\text{MM net worth}) + (1.5\text{MM mortgages}) = 7.5\text{MM}$

Given the above, we would be able to financially justify the 5MM coverage as applied

Example #2 – Married clients

40 MNS / 38 FNS applying for 3MM PAR on each life

Joint Canadian Assets:

Provided in cover letter

- Home 3MM
 - Mortgage 1MM
 - Net value 2MM
- Condo 1MM
 - Mortgage 500K
 - Net value 500K
- 500K in savings

Canadian Net Worth = 3MM

Mortgages = 1.5MM

Calculation:

(2x 3MM net worth) + (1.5MM mortgages) = 7.5MM

- Each spouse can have 50% of the available amount
- 3.75MM per insured

Given the above, we would be able to financially justify the 3MM coverage on each client, as applied

The Foreign Asset Program

We can consider a percentage of a client's overseas assets, provided the following criteria are met:

- Must be a resident of Canada for tax purposes
- Must be a permanent resident
- Must own property in Canada
- Must be personal insurance – an overseas business cannot be the owner/beneficiary of the policy
- Juveniles are excluded
- Premiums must be paid from a Canadian bank account
- Foreign financial assets must be held with a recognized bank or investment firm

The Foreign Asset Program

If these criteria are met, we can consider foreign assets as follows:

- 50% of verified foreign assets
 - All cases sizes
- 25% of unverified foreign assets
 - Only available on cases up to 5MM coverage

How do we calculate the allowable amount?

2x Canadian net worth **PLUS**

1x Canadian mortgage **PLUS**

50% verified / 25% unverified foreign assets

Example – foreign assets

40 FNS applying for 8MM PAR

No inforce coverage

Financial supplement indicates the following assets:

- 1.2MM home
- 1MM investment property
- 500K mortgage
- Net value 500K
- 500K savings
- Overseas assets 10MM
- 8.5MM properties + 1.5MM investments

Canadian net worth = 1.7MM

Mortgage = 500K

Foreign net worth = 10MM

Calculation:

$$(2x 1.7MM \text{ net worth}) + (500K \text{ mortgage}) + (50\% x 10MM) \\ = 8.9MM$$

Given the above, we would be able to financially justify the 8MM coverage, as applied

Insurance on Juveniles

We recognize that clients value the growth and sustainability of our participating products for their children

Considerations when underwriting:

- Family Canadian net worth
- Amount of coverage on each parent
- Amount of coverage on any siblings
- Total line on the family as a whole

How much coverage is reasonable?

Amounts up to 1.5MM,
total line:

- At least one parent needs to have, at minimum, the same coverage inforce
- The parent's premium must be substantially more than the child's premium
- All siblings are equally insured

Individual consideration
for amounts greater than
1.5MM, total line

In general, we would
want to see the following
to consider for larger
amounts of coverage:

- Family Canadian net worth must be 2-3x the total line on the child
- Both parents should have 2x as much coverage as the child
- All siblings are equally insured
- The total line on the family must be reasonable, in relation to their Canadian net worth

Example – Juvenile Insurance

2 year old male, 3MM coverage

No inforce coverage

Information provided in the cover letter:

- Both parents have 6MM PAR coverage inforce
- Family Canadian net worth is 20MM
- Child has one sibling, previously insured for 3MM coverage

Assessment:

- Both parents have inforce that is 2x the child's coverage
- Sibling is equally insured
- Premiums on parents will significantly greater than the premium on the child
- Family net worth is 7x the child's coverage
- Total coverage on family is 18MM, which is reasonable in relation to their Canadian net worth

We would be able to financially justify the coverage amount, as applied.

Having an “outside the box” mindset



Our underwriters are always looking for creative ways to assess cases in this market, both medically and financially

We will work with you to come up with solutions to potential problems

Our Financial Underwriting Accounting Team is also available to assist on more complicated cases

Insurance Taxation / Financial Underwriting Support



Team Members

Ladelle Baar

Oliver Feng

Annette Logan



Accounting, Finance, and Tax Professionals offering

Financial Underwriting

Mandarin Offering

Contact Mailboxes

Product & Tax
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Final Thoughts

Due to the high revenue potential for all of us, we are anxious to accept as much as possible, but we must also underwrite with due diligence

We are committed to partnering with you to ensure a smooth and fair underwriting process

Please reach out to your underwriter when you need their support – we are here to help!

Questions?



Questions?