



**Business**

solutions that meet your objectives



**STANDARD LIFE**

[www.standardlife.ca](http://www.standardlife.ca)

## ***Protecta* Critical Illness Financial Underwriting For Business Markets**

### ***Protecta* Critical Illness: Financial Requirements**

Under \$1 million: application only

\$1 million and up: Inspection Report (will likely include financial information)

Additional documents may be required at Standard Life's discretion. Nature of requirements varies by amount and particulars of the case. Information not routinely required, but that may be requested includes:

- Financial statements for the current and previous two years. These need not be audited.
- Financial questionnaire completed by client with info from accountant
- A business plan should be submitted if requested financial statements are not available due to the length of time the business has been in operation.
- Copies of any bank loan agreements
- Copy of buy-sell agreement

### ***Protecta* Critical Illness: Underwriting Guidelines**

Maximum potential coverage available per insured is:

- Value of applicant's shares + conservative growth estimate, to maximum of \$2.5 million
- Maximum of \$2.5 million includes:
  - all *personal* and *business* CI coverage for the insured
  - all *inforce* and *applied for* with all companies

Other Guidelines:

- All significant shareholders (>10% of FMV) are applying for amounts proportionate to their ownership share
- Explanation of how the amount applied for was determined
- Value of company is sufficient to justify amount applied for
- Evidence of the current value of the company is provided
- Evidence required varies by amount

CI coverage is considered separately from life insurance or disability insurance coverage

- OK to have coverage for all three situations: Death, Critical Illness, Disability
- Presence of Life and/or DI buy-sell coverage *does not reduce* the amount of CI buy-sell coverage available
  - it's possible to have \$2.5 million of buy-sell coverage in all three lines if share value justifies it and otherwise qualified

## ***Cover Letter***

Cover Letters are required for all business cases. They should include:

- Value of the business and how was it derived
- Link between the value of the business and amount applied for
- Particular need covered
  - Buy/Sell – Share Redemption
  - Key Person
  - Collateral Insurance
- If this is a “concept” sale, specify the concept and how it was used to assist in making the sale.
- Pertinent information including explanation of anything out of the ordinary, for example unusual ownership or beneficiary designations.
- Information about any additional applications, for example, if also applying to competition, advise if only one will place, to ensure application will be underwritten for correct amount.

If Key Person

- Salary of key person
- Expertise s/he brings to position
- Length of time with the business

If Buy/Sell

- Who are the other shareholders?
- Are they all to be insured?
- Will insurance be proportionate to share holdings? If not, why not?

If Collateral Insurance

- Who are the lenders?
- Has the loan been collateralized?
  - What collateral has been provided?
- Has the client signed a personal guarantee?

Personal Insurance Information

- How much personal insurance is in force?
- Will any be replaced by this application?
  - If yes, fill out the proper form.
- If a sales concept has been used to determine the face amount, please provide details.

## ***Submitting Financials***

There are times when clients may not wish to divulge information relating to their own or their company's finances to a broker. In these cases the following solutions exist:

- The financials can be sent directly to the underwriter. The underwriter will take the relevant notes and return them to the client.

**Note: Always inform clients that their financial information may be shared with a reinsurer. It is also important to tell clients that at Standard Life, confidential information is shared only with the underwriter and the case manager.**

Additional requirements may be ordered at Standard Life's discretion. For Critical Illness Insurance, if a proposed insured has applied for other insurance in the last 12 months with Standard Life or with another insurance company, the total sum insured applied for during this period will be added together to determine the necessary underwriting requirements.