

[lautorite.qc.ca](http://lautorite.qc.ca)



# Choosing Life and Health Insurance



**AUTORITÉ  
DES MARCHÉS  
FINANCIERS**



## About the AMF

---

The *Autorité des marchés financiers* (AMF) is the regulatory and oversight body for Québec's financial industry. Its mission is to protect the public by applying the laws and regulations that govern insurance, securities (for example, stocks and bonds), deposit institutions (other than banks) and the distribution of financial products and services.

The AMF has published four brochures on insurance. This one will help you choose the right life and health insurance coverage. The other brochures are: *Choosing Home Insurance*, *Choosing Auto Insurance* and *Choosing Travel Insurance*.

### NOTICE

The AMF, its management and staff are not liable for the consequences of any errors in this brochure, which is provided for your information only. The AMF does not offer any advice on the purchase or use of specific financial products or services.

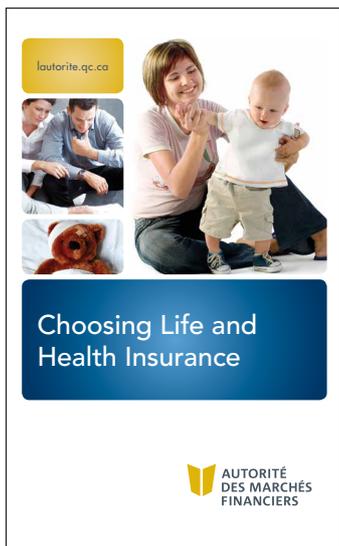
The information in this publication is current as at July 2012.

This brochure is available on the AMF's website.

Legal deposit – Bibliothèque et Archives nationales du Québec, 2012

Legal deposit – Library and Archives Canada, 2012

ISBN 978-2-550-64915-1 (Print version)



# Addendum

## November 2019

### Brochure content update.

Please take note of the following information:

Since June 13, 2019, you have been able to purchase insurance over the Internet without having to speak to a certified representative. This change is not reflected in this brochure. Under the new rules, when selling insurance over the Internet, a firm<sup>1</sup> offering you insurance must, **through or without the intermediary of a certified representative**, appropriately advise you and offer you a product that meets your needs. The site must therefore make it possible for you to be appropriately advised as if by a representative.

<sup>1</sup> Or an insurer acting as a firm.

See reverse



## **On page 6 of the brochure**

Anyone allowed to sell insurance without being registered with the *Autorité des marchés financiers* (AMF) must give you either a distribution guide or, under the new rules, a summary and a fact sheet. In either case, read the information provided.

The distributor (the merchant or lender the person is working for) must also disclose its compensation if it exceeds 30% of the cost of the insurance.

## **Page 29**

### **What to do in the event of a dispute?**

You can submit your case to the AMF. The AMF will review it and may offer you mediation or conciliation services if it deems it appropriate. As mediation and conciliation are voluntary dispute resolution processes, the AMF cannot require a party to participate in them.

# Table of contents

<b>Are you prepared for the unexpected?</b> .....	<b>4</b>
<b>Five steps to choosing the right insurance</b> .....	<b>6</b>
1. Make sure the person offering the insurance is an authorized representative	
2. Determine how much and what type of insurance you need	
3. Compare your current insurance with your needs	
4. Shop around for insurance that's right for you	
5. Buy insurance that meets your needs	
<b>Life insurance</b> .....	<b>12</b>
<b>Loan insurance (mortgage)</b> .....	<b>21</b>
<b>Disability insurance</b> .....	<b>22</b>
<b>Travel insurance</b> .....	<b>24</b>
<b>Critical illness insurance</b> .....	<b>25</b>
<b>Group insurance (other than group life insurance)</b> .....	<b>27</b>
<b>What if your insurer can't honour its commitments?</b> .....	<b>28</b>
<b>What to do in the event of a dispute</b> .....	<b>29</b>

# Are you prepared for the unexpected?

---

## Ask yourself the following questions:

- If you or a family member dies, will those left behind be in financial trouble?
- If you were in a serious accident that left you unable to work for a year, how would you pay your bills?
- If you were hospitalized while travelling outside the country, who would pay the medical bills?
- If you became seriously ill and there was an expensive experimental treatment available in another country, would you be able to afford it?

If you can't answer all of these questions, or if you're not satisfied with your answers, this brochure can help you.

## Buying life insurance is an important decision

How long did it take you to buy your last car? Did you know that the decision to buy insurance is just as important? For example, if at **age 35** you buy life insurance that costs \$500 per year, you could spend **\$23,500** before the benefits are paid out. That's a lot of money. The following table will give you an idea of how much life insurance will cost you over the years. The amount will vary depending on the premium and your age at the time of purchase. These figures are based on periodic fixed payments made until age 82 (average age of death in Québec).



## How much will life insurance cost you?

ANNUAL COST	Age at Time of Purchase (death at age 82)				
	25	35	45	55	65
\$250	\$14,250	\$11,750	\$9,250	\$6,750	\$4,250
\$500	\$28,500	<b>\$23,500</b>	\$18,500	\$13,500	\$8,500
\$750	\$42,750	\$35,250	\$27,750	\$20,250	\$12,750
\$1,000	\$57,000	\$47,000	\$37,000	\$27,000	\$17,000

Over the years, new types of insurance have emerged because life insurance alone is sometimes not enough to cover the unexpected. We now have what is referred to as insurance of persons, which includes travel, disability and critical illness coverage in addition to life insurance. What type of insurance is right for you? The following five steps will help you make an informed decision. Once you have decided on the type of coverage, refer to the appropriate section for detailed information. For steps two to five, don't be afraid to ask an authorized insurance representative for help.

# Five steps to choosing the right insurance

1.

Make sure the person offering the insurance is an authorized representative

Buying insurance requires some thought. If necessary, ask a representative to help you, but be careful because not everyone is allowed to sell insurance. Insurance representatives usually have to take courses, pass exams and be authorized by the *Autorité des marchés financiers*. Since there are exceptions, call the AMF Information Centre to check whether the person offering you insurance is in good standing. Exceptions include travel insurance, group life, health and loss of employment insurance on your loan.

If not required to be registered with the AMF, the person offering you insurance must still:

- Hand you a distribution guide in which you will find information on the type, scope and exclusions of the coverage offered. Make sure to read this guide before buying insurance;
- Describe the coverage offered and exclusions. Make sure you understand the policy and that it meets your needs before you buy. If you're not sure, ask questions. This is your responsibility as a consumer. Don't sign anything under pressure and answer the insurance questionnaire honestly;
- Reveal his/her compensation if it is more than 30% of the cost of the insurance;
- Ask you if you're already covered by a similar policy, for example, through group insurance at work;
- Explain how and when to make claims;
- Tell you how long the insurer has to settle a claim and explain your recourse if the claim is refused.

The *Chambre de la sécurité financière (CSF)* oversees the conduct, professional development and ethics of its members, who work in the following sectors: insurance of persons, group insurance of persons, financial planning, group savings plan brokerage and scholarship plan brokerage. The AMF delegates certain responsibilities to self-regulatory organizations such as the CSF to help it ensure regulatory compliance.

## 2.

### Determine how much and what type of insurance you need

The amount and type of insurance you choose will depend on your needs and financial means. It's important to make sure you can afford the premium. There are many types of insurance on the market, for instance, term life, whole life, universal life and group life. There is bound to be one that meets your needs. See page 13 for a description of each type. Your insurance needs will change over time, so be sure to re-evaluate your coverage to make sure it's still right for you.

If a representative is offering insurance, remember that he/she must first analyze your needs by evaluating:

- The features of the insurance policy
- Your family obligations
- Your financial situation
- Your income



### 3.

## Compare your current insurance with your needs

Do you already have some form of coverage? If so, compare it with your needs to see what you're missing. To do so, consider the type of insurance. Some types cover permanent insurance needs by offering premiums that don't change as you age while others cover temporary insurance needs and therefore offer lower premiums that go up over time. Find out what the premiums will be before you buy life insurance, not only in the first few years but for the entire time you plan to keep the policy.

### **Before replacing a policy ...**

In comparing your current coverage with your needs, you may discover that some of your policies are no longer right for you. If this is the case, **BEFORE** cancelling the policy:

- A representative who suggests that you change your policy must complete a form called Prior Notice of Policy Replacement. This form shows the features of your old and new policies as well as the pros and cons of replacement. The representative must explain the form and the consequences of the replacement. Read it over carefully and make sure this is what you need. If necessary, take a few days to think about it;
- Don't sign anything before reading and understanding the new policy;
- Understand the pros and cons of the new policy compared with the old one;
- Make sure your new policy is in effect before cancelling the old one;
- Find out whether replacing the policy has tax implications. For instance, this can happen if you've accumulated money in a universal life insurance policy;
- Find out the fees associated with the changes.

## 4.

## Shop around for insurance that's right for you

**The table below** shows a realistic example of premiums for a \$100,000 life insurance policy with premium increases each year. In this example, the policyholder takes out the insurance at age 54 and pays \$320 for the first year. By the time he is 75, this amount will be \$2,634. If he lives to 95, his annual premium will be up to \$19,062.

This example is based on a real-life case where the insurance was touted for its guaranteed premiums. Be careful because many insurance companies will tell you that their premiums are guaranteed. But sometimes this just means that the future premiums are fixed, so in the end, the only thing that's guaranteed is that they will go up. Read the policy carefully.

**\$100,000 LIFE INSURANCE POLICY PURCHASED AT AGE 54 (WITH FIXED FUTURE PREMIUMS)**

Age	Annual Insurance Cost						
54	\$320	66	\$1,006	78	\$3,628	90	\$12,030
55	\$327	67	\$1,118	79	\$4,036	91	\$13,219
56	\$359	68	\$1,243	80	\$4,486	92	\$14,511
57	\$396	69	\$1,384	81	\$4,965	93	\$15,911
58	\$437	70	\$1,541	82	\$5,491	94	\$17,427
59	\$481	71	\$1,715	83	\$6,071	95	\$19,062
60	\$535	72	\$1,909	84	\$6,709	96	\$20,822
61	\$594	73	\$2,126	85	\$7,410	97	\$22,717
62	\$659	74	\$2,367	86	\$8,177	98	\$24,748
63	\$733	75	\$2,634	87	\$9,016	99	\$26,918
64	\$813	76	\$2,932	88	\$9,935		
65	\$903	77	\$3,262	89	\$10,937		

Regardless of the type of insurance you're looking for, shop around. Prices can vary from one insurer to the other, as much for premiums as for contract features (fixed or increasing insurance cost, administration fees, and so on). You might also want to look into the cost of purchasing life insurance through your employer, if offered.

N.B. Don't just compare premiums; make sure the products are similar, for example:

1. Is the insured amount fixed and guaranteed?
2. What are the exclusions?
3. Are the premiums fixed or do they increase over time?

No single insurer offers the best premiums and benefits for all types of insurance and all people. So just because your neighbour has a certain policy doesn't mean you should go out and buy the same one.

5.

## Buy insurance that meets your needs

When you buy insurance, you have to complete forms, some of which may ask questions about your health. Answer honestly. You must declare ANY fact that could affect the insurer's calculation of your premium. If you don't, your insurer may refuse your claim when the time comes or reduce the insurance amount to which you thought you were entitled.

When paying your premiums, make the cheque out to the insurance company and not to the representative.

## INSURABILITY

Don't wait until you're sick to take out insurance because you may not be insurable then. The younger and healthier you are, the less it costs. But be careful. Some insurance policies cost less in the first few years but then increase over time, whereas others have premiums that never change. Also, some charge higher administration fees. Make sure the representative answers all your questions before buying.

### **Why some insurers ask a lot of questions about your health**

Insurance contracts usually contain a certain number of questions to determine your insurability. If you have had health problems in the past, you may have to answer more questions and perhaps even undergo a medical examination.

When an insurance contract contains few or no questions about your health, it may carry more exclusions.

In health or life insurance, the main exclusion is that you may not be able to make claims for pre-existing health conditions.



# Life insurance

---

Life insurance pays out a certain amount of money to one or more beneficiaries upon the death of the policyholder.

## Scenario

Have you ever purchased life insurance?

**IF SO**, remember when you last did so and then answer the following questions.

**IF NOT**, before buying insurance, you should be able to answer the following questions. This brochure will help you.

- Is the person offering you insurance a representative authorized by the *Autorité des marchés financiers*? How is he/she paid: commission, salary or other way?
- Is the insured amount guaranteed? Could it decrease over time? Is it enough?
- What are the premiums? Can you afford them? Will they increase over time? If so, how long will you be able to afford them? Do you have to pay premiums every year for your insurance to remain in effect or will there come a time when your insurance pays for itself?
- Does your insurance have an investment component? If so, what can you invest in? What fees are associated with the investment? What is the expected return? What are the risks?
- Are there other types of insurance more suited to your needs?

Many people buy life insurance without being able to answer these questions. Yet life insurance is an important purchase with long-term consequences that can be far-reaching.

# How much money will your loved ones need when you die?

You might want enough life insurance to cover:

- Funeral expenses;
- Notary and liquidator expenses;
- Taxes: On death, most of the deceased's assets are deemed to be sold, and taxes may be due. However, the amount of life insurance paid out by the insurer is always tax free;
- Your debts, for example, credit cards, mortgage and personal loans;
- Your family's future needs;
- Expenses resulting from your death. For instance, if you or your spouse took care of your children while the other one worked, childcare would have to be arranged.

## Types of life insurance

There are several types of life insurance: term life, whole life and universal life. Here is how they work:

### **Term life insurance**

This type of insurance offers coverage over a fixed period, for example, 5, 10 or 20 years, hence the name T5, T10 or T20 policy ("T" meaning "term"). Term life insurance is usually renewable at prices that increase over time.

For instance, the annual cost of a \$100,000 T10 policy could be \$126 until age 30, \$163 from age 31 to 40, \$268 from age 41 to 50, \$626 from age 51 to 60, and so on.

For young people, term life insurance in the first years of the contract costs far less than whole life insurance. However, if the policyholder lives a long life, the cost rises considerably. With term life insurance, you pay to be insured: nothing more. There are no savings with this type of coverage.

Therefore, if you take out insurance for 15 years and decide not to renew the contract, you might feel as though you've thrown your money away since you won't receive any payout from the insurer. Term life insurance is intended to cover temporary insurance needs so that, for example, in the event of death, the insurance proceeds can be used to:

- Pay back the balance of a loan.
- Financially help dependent children. There are also term insurance products on the market that offer coverage for 100 years (T100). This is often considered to cover insurance needs for an entire life since the contract extends to age 100.

### **Whole life insurance**

This insurance covers the policyholder until death and is mainly intended for individuals who wish to leave an inheritance. With this type of coverage, you are guaranteed that the insurer will eventually pay out the amount stipulated in the policy. The premiums are generally fixed. Under some insurance contracts, you only pay premiums for a certain amount of time, for example, 10 or 15 years. In such a case, ask whether this is guaranteed. If you keep this insurance until you die, the amount paid by the insurer will be tax free. Therefore, paying insurance premiums for this type of product is the same as making an investment in that you know the amount that will be paid out when you die. The unknown factors are the number of years you will be paying the premium and when the policy amount will be paid to the beneficiary.

#### **CASH SURRENDER VALUES**

Insurance contracts that cover permanent needs generally include a cash surrender value. This value is the money you are entitled to receive from the insurer if you cancel the contract. But be careful! Before cancelling a policy in order to collect the cash surrender value, ask your representative about the financial and tax implications. You might be able to borrow against the cash surrender value without cancelling the coverage. However, this will involve a loan that you will have to pay back with interest, failing which the policy will eventually expire.

### **Universal life insurance**

Despite its name, universal life insurance is not suitable for everyone. This type of coverage combines an insurance portion with an investment portion. The premiums may therefore be higher than the cost of the insurance.

For example, let's say the insurance costs \$400 a year but the insurer allows you to pay up to \$1,200. The additional amount you pay accumulates in a capitalization fund tax free, provided you do not make any withdrawals. You can invest in one of several products, for example, segregated funds. The amount accumulated in the fund can be used to pay the cost of the insurance or can be withdrawn. Moreover, you don't have to pay the premium every year although you must ensure that there is enough money in the fund to pay for it.

There are two types of universal life insurance, one with premiums that increase with age and another with fixed premiums.

Universal life insurance is often sold using tables showing how much you would accumulate based on different premium scenarios and returns. However, the returns are not guaranteed. Ask for tables with realistic figures. You might even ask to see tables with unfavourable scenarios, such as a market downturn.

One of the advantages of universal life insurance is that your money can grow tax free. Ask yourself whether you are able to contribute enough to benefit from this advantage.

Would it be better to buy another type of insurance and contribute more to an RRSP or a tax-free savings account (TFSA)? To answer these questions, don't be afraid to ask a representative for help.

\*Capitalization fund: amount accumulated in a universal life insurance policy.



## DOUBLING UP ON INSURANCE

If you like, you can insure your life with more than one insurer. In such a case, your beneficiaries will receive more than one payout when you die.

## EXAMPLE OF UNIVERSAL LIFE INSURANCE

Anne takes out a \$200,000 universal life insurance policy, at a cost of \$700 a year. Her insurer says that she can pay a maximum of \$1,500 per year. She decides to pay \$1,300 a year. The difference between the \$1,300 and the \$700 premium will accumulate in her account. Here are the details:

### Start of first year

Amount paid by Anne:	\$1,300
Insurance cost, including expenses:	<u>- \$700</u>
Amount accumulated in capitalization fund:	\$600

Anne decides to invest \$600 in a segregated fund offered by her insurer and anticipates that her investment will generate a return of 4% per year (6% less 2% in management fees).

### Start of second year:

Value of account at end of first year:	\$600
Return credited to account (4% X \$600):	\$24
Amount paid by Anne:	\$1,300
Insurance cost, including expenses:	<u>- \$700</u>
Amount accumulated in capitalization fund:	\$1,224

### Start of 25<sup>th</sup> year:

Amount accumulated in capitalization fund: \$24,988

Because she has \$24,988 accumulated in her capitalization fund, Anne no longer needs to pay premiums. Also, she could make withdrawals from the fund for her personal needs.

HOWEVER, in this case, tax may be payable on the funds withdrawn.  
Speak to your representative if necessary.

## Group life insurance

This type of insurance is usually offered by an employer or a union. The coverage is generally temporary and normally ends when you retire or leave your job. However, it can often be converted into individual term or permanent insurance. The premiums will depend on your age at that time.

The amount of coverage selected usually has to be a multiple of your annual salary (referred to as a “salary increment”)\* and the premium is typically calculated per \$1,000 of coverage. The first salary increment is sometimes mandatory and its cost is based on the group, without taking your age into account. The cost of additional increments varies according to age and whether you are a smoker or non-smoker.

\* Group life insurance is sometimes sold in \$1,000 increments.

**Example**

Peter works for ABC Company. He is 33 years old and earns \$50,000 a year. He can buy group life insurance for \$0.103 per pay for each \$1,000 of coverage. This will be the rate for his first insurance increment of \$50,000 after which it will cost him \$0.02 per pay for each \$1,000 increment of additional life insurance.

To figure out how much \$100,000 of coverage will cost him, Peter must do the following calculation:

**For the first \$50,000 of life insurance:**

50 increments of \$1,000 at \$0.103 per increment x 26 pays per year = \$133.90 per year.

**For the second \$50,000 of life insurance:**

50 increments of \$1,000 at \$0.02 per increment x 26 pays per year = \$26 per year.

It will therefore cost Peter \$159.90 per year for \$100,000 of group insurance coverage.

Before buying, Peter could look to see whether there is less expensive individual insurance with similar features. In group insurance, the premiums are mainly based on age and the group’s claims history.

In Peter’s case, the first increment is costing him five times more than the additional increments because he is young and the average age of his group is higher. It might be worth his while to buy many increments of \$50,000.

Summary of Peter’s Group Insurance		
1 <sup>st</sup> increment of \$50,000	\$0.103 x 50 increments of \$1,000 x 26 pays	\$133.90
2 <sup>nd</sup> increment of \$50,000	\$0.02 x 50 increments of \$1,000 x 26 pays	\$26
<b>Annual cost for coverage of \$100,000</b>		<b>\$159.90</b>

## Summary of different types of insurance

Types of Life Insurance		
Features	Term	Term 100
Policy term	Varies with the policy. Generally renewable without proof of insurability. Some policies are convertible.*	Up to 100 years or for life, depending on the policy.
Premiums	Guaranteed for the term of the policy. Increase on renewals based on the policyholder's age.	Fixed or increase periodically, depending on the policy.
Insurance amount	Non-taxable and guaranteed by the policy.	Non-taxable and guaranteed by the policy.
Cash surrender value	None.	Usually none.
Who is this insurance for?	People with temporary insurance needs, for example, who have outstanding loans or dependent children.	People with permanent insurance needs, for example, to cover the cost of funerals, to pay taxes due upon death or to leave an inheritance. Since the policy usually has no cash surrender value, it is aimed at those who want to maintain their coverage.
Main advantage	Costs much less than permanent insurance in the first few years.	Costs less than permanent insurance.
Main disadvantage	Premiums become so high over the years that it becomes difficult to maintain coverage.	Offers no cash surrender value.

\* Convertible: Policy can be converted from a 10-year term insurance to permanent insurance, for example. At this point, the premium will increase based on the policyholder's age.

Whole life	Group	Universal life
For life.	Until retirement or end of employment. However, it can often be converted into individual life insurance.	For life.
Determined in the contract; often fixed, but sometimes increase over time.	May be reviewed at each renewal. May also increase with age.	Determined in the contract; often fixed, but sometimes increase over time.
Non-taxable and guaranteed by the contract.	Non-taxable and often guaranteed by the contract. However, the insurance amount may decrease at a certain age, for example 65.	Non-taxable and guaranteed by the contract. The amount in the capitalization fund is often paid in addition to the insured amount.
Usually guaranteed in the contract.	None.	There may or may not be a cash surrender value. The capitalization fund belongs to you.
For people with permanent insurance needs, for example, to cover the cost of funerals, pay taxes due upon death or leave an inheritance.	Primarily for those with temporary insurance needs, for example, people with outstanding loans or dependent children.	For people who have maximized their RRSP or TFSA or who want to make tax-free investments. Depending on the premium option selected, the insurance will cover temporary or permanent needs.
Typically offers fixed premiums that become attractive over time (inexpensive for the age reached)	Well priced.	Accumulation of tax-free funds. Depending on the coverage selected, may provide insurance for life.
Very expensive in the early years, so it is difficult to use this type of insurance to cover all needs.	In case of loss of employment or retirement, the insurance coverage ends. It may, however, be converted, but based on the person's age at that time.	Fairly high fees/expenses.

N.B. The table provides an overview of the different types of policies. There are exceptions. Read the policy to find out the features.

## Do you already have life insurance?

Do you already have life insurance? If so, check the type of insurance you have. Some insurance covers permanent insurance needs by charging premiums that do not go up with age.

Are you covered by group insurance at work? Often, the premiums for these plans increase over time and give you the option (for example, at retirement) to convert the policy into one with fixed premiums. However, you will have to pay the premiums based on your age at that time. You may also be eligible for certain public plans:

- If you are a worker and contributed enough to the Québec Pension Plan, your estate may receive a taxable amount of \$2,500 when you die ([www.rrq.gouv.qc.ca](http://www.rrq.gouv.qc.ca)).
- If you die in a car accident, your estate may receive compensation from the *Société d'assurance automobile du Québec* ([www.saaq.gouv.qc.ca](http://www.saaq.gouv.qc.ca)).
- If you die in a work-related accident, your estate may receive compensation from the *Commission de la santé et de la sécurité du travail* ([www.csst.gouv.qc.ca](http://www.csst.gouv.qc.ca)).

However, the protection in these cases may not be enough to cover your life insurance needs.



# Loan insurance (mortgage)

---

This type of insurance repays your loan if you die. It can also make your mortgage payments if you become disabled. However, this protection is often limited to a specific period of time, for example, 24 months. Before buying this type of insurance, find out whether you already have enough coverage. For instance, perhaps you have group insurance that provides sufficient coverage in the event of a disability. Maybe you also have life insurance that will repay your debts in case of death. Check the conditions to qualify for this protection.

Depending on the insurer, the premium can be:

- A fixed amount. You pay a premium that does not change even if the loan amount decreases; or
- A percentage of the loan balance. The rate is then added to the interest you pay on the loan.

Compare prices. Many people automatically buy insurance from the institution where they took out the loan, but that may or may not be the best option. Shop around.





## Disability insurance

---

Disability insurance pays benefits to replace income lost due to illness or injury.

It is typically offered through group insurance, meaning you don't always have a choice of coverage or insurer. However, disability insurance can also be bought on an individual basis, for instance, by self-employed workers. In such a case, you get to choose.

### Scenario

Do you have disability insurance?

**IF SO**, can you answer the following questions?

**IF NOT**, make sure you can answer these questions before buying this type of insurance.

- To receive benefits, do you have to be unable to perform your usual work or must you be unable to work at all?
- In case of disability, what is the waiting period before benefits begin?
- In case of disability, how long are you entitled to benefits?
- If, after a disability, you return to work on a part-time basis only, will you be compensated for the lost income?
- Can the insurer change the premium?
- Can the insurer refuse to renew the policy?
- Can the insurer end the policy without your consent?

You should be able to answer all these questions **BEFORE** buying disability insurance.

## Conditions for being considered disabled

The conditions vary from one insurer to the other so be sure to read your insurance contract. In fact, an insurer can offer several types of disability insurance with different criteria to determine your eligibility for benefits. Under some policies, you are considered disabled if you can't work at your usual job while others require you to be unable to work at all. The difference is important. Suppose a forestry worker hurts his leg and can no longer walk in the forest. He could be considered disabled because he can no longer do his usual job. However, he can still do a desk job, for example. Some policies stipulate that you must be unable to hold your usual job for a certain amount of time in order to collect benefits, after which you must be unable to do any kind of work at all for the benefits to continue. Disability insurance is frequently sold as part of group insurance at work, but can also be offered when you borrow to buy a car or a home in order to cover the loan.



# Travel insurance

Travel insurance protects you against unexpected events such as injury, accidental death, baggage theft and situations that require you to cancel or interrupt your trip. Depending on the policy, it can also protect the policyholder's spouse and dependent children. Read the policy.

## Available coverage

Travel insurance offers various types of protection. Before buying, think about what kind of coverage you need. For more information, see our brochure called *Choosing Travel Insurance*, available at [www.lautorite.qc.ca](http://www.lautorite.qc.ca).

## Scenario

During a trip to Florida, you suddenly experience severe abdominal pain. You go to the emergency room and are hospitalized for three days. The following table shows the medical cost, the portion reimbursed by the Régie de l'assurance maladie du Québec (RAMQ) and how much you would be out of pocket if you had no travel insurance:

	Healthcare Services Received	Amount Reimbursed by RAMQ	How Much You Would Have to Pay
Hospital stay (3 days)	\$25,000	\$300	\$24,700
Medical services	\$1,000	\$435	\$565
Total	\$26,000	\$735	\$25,265

A whopping \$26,000 for three days in a hospital. Imagine if you had stayed two weeks! Travel insurance could spare you a lot of hardship.

Source: Régie de l'assurance maladie du Québec, 2012.

# Critical illness insurance

---

With critical illness insurance, you get the entire insured amount if you are diagnosed with an illness covered by the policy. This is not life insurance: It does not pay out benefits when you die but in your lifetime when you are diagnosed with a condition covered under the contract. Many policies require you to survive for at least 30 days from the time of diagnosis to collect the benefits. You can use the money as you see fit, for example, to seek treatment abroad, pay for home care or retire sooner.



## Points to consider before purchasing this type of insurance:

- Premium options
- Premium reimbursement option
- Definition of qualifying and non-qualifying risks

### **Premium options**

Some contracts require you to pay premiums throughout the term of the contract, while others require you to pay premiums for a limited period of time, for example, over 15 years or until age 65.

### **Premium reimbursement option**

This option is not automatically included in contracts. Before buying insurance, find out whether you have the following protection:

- **Reimbursement in the event of survival past the contract maturity date**

If you never make a claim, many insurance companies will reimburse the premiums when the contract matures. For instance, some contracts have a 10-year maturity date. After this period, you can get back all the premiums paid if you have not made any claims. The premiums are refunded without interest, as it is this interest that allows the insurer to offer you such coverage in the first place.



- **Reimbursement in the event of death during the contract term**

This option allows your heirs to get back the premiums if you die during the term of the contract. Remember that in the event of death, critical illness insurance, unlike life insurance, does not pay out the insured amount. Say for example you purchase critical life insurance for \$100,000. A year later, you die following an accident. Your critical life insurance will not pay out the amount insured since you were not diagnosed with a critical illness. However, the insurer will fully reimburse the premiums paid.

### **Definition of qualifying and non-qualifying risks**

Read the conditions carefully because the illnesses covered vary from one insurer to another.

## Reminder

Critical illness insurance is not life insurance; there is no payout when you die. This type of insurance pays out a lump sum if you become sick with a life-altering illness and survive the waiting period, usually 30 days.

## Group insurance (other than group life insurance)

---

Set up by an employer, union or other group, group insurance covers many people under one contract. It is often offered in the workplace and can be tailored to the organization's needs, providing life, drug, accident, health and disability insurance. The premium will depend more on the group's claims history than on your personal claims. In group insurance, the contracts are periodically renewed and the premiums are generally reviewed annually.





### **In case of loss of employment or retirement**

You can usually, without proof of insurability, obtain individual life insurance instead of group insurance. This is referred to as a *conversion privilege*.

## What if your insurer can't honour its commitments?

---

Founded in 1990, Assuris is a not-for-profit organization that protects Canadian policyholders in the event their life insurance company fails. It is financed by the life insurance industry. All life insurance companies authorized to sell insurance in Canada are required to become members of Assuris. There is no cost to policyholders for Assuris' protection.

Some limits and exclusions may apply. For more information on Assuris and the protection offered, visit [www.assuris.ca](http://www.assuris.ca).



## What to do in the event of a dispute?

---

File a written complaint with the complaints officer of the firm with which you did business. You can use the complaint form available on the AMF's website. The AMF Information Centre can help you with the process, if necessary.

The firm must provide you with a response in writing. The AMF makes sure that firms have a complaint examination policy in place and handle complaints fairly. This policy requires them to send a final decision to the complainant along with an explanation.

If you are still not satisfied, ask that your file be transferred to the AMF. Use the *Transfer of a File Form* available on our website or contact our Information Centre. The firm is obligated to transfer your file when you make such a request.

After examining your file, the AMF will determine whether it is appropriate to offer its mediation services, as not all complaints are well founded. Offered free of charge to consumers, mediation seeks to amicably resolve your complaint. However, both parties must agree to participate.

It sometimes happens that a compromise cannot be reached. The AMF cannot force a firm or a consumer to accept a settlement. Turning to the AMF does not deprive you of your other legal recourses. Consult a lawyer, if necessary.



By following the five steps in this brochure, you should be able to choose, with an authorized representative, life and health insurance that meets your needs. Read our other brochures to learn more about how to choose auto, home and travel insurance.





AUTORITÉ  
DES MARCHÉS  
FINANCIERS

To contact  
*the Autorité des marchés financiers*

QUÉBEC CITY

Place de la Cité, tour Cominar  
2640, boulevard Laurier, bureau 400  
Québec (Québec) G1V 5C1

MONTRÉAL

800, square Victoria, 22<sup>e</sup> étage  
C.P. 246, tour de la Bourse  
Montréal (Québec) H4Z 1G3

INFORMATION CENTRE

Québec City: 418-525-0337  
Montréal: 514-395-0337  
Toll-free number: 1-877-525-0337



You can also visit the  
AMF website at  
[lautorite.qc.ca](http://lautorite.qc.ca)



Youth site:  
[tesaffaires.com](http://tesaffaires.com)