
BECAUSE
LIFE
HAPPENS

YOU CAN'T PREDICT THE FUTURE BUT YOU CAN PROTECT IT

John and Christa, both 34 years old and parents of five-year-old Jack, live a life typical of many middle-income Canadian families. They earn an adequate income and have a mortgage and other debts, including a line of credit. They meet their debt obligations, manage to contribute to their RRSPs and take a nice summer and winter vacation each year. But recently they had what they can only describe to their advisor, Amanda, as "a huge wake-up call."

A few months ago their best friend, Ian, was seriously injured in a car accident. He can't work right now and faces months of physiotherapy. Ian's wife's paycheque and benefits from Ian's long term disability employee benefit plan is the only regular income coming in. They've had to dip into their retirement savings to help make ends meet. Thank goodness they have family and friends to help around the house, help with Ian's appointments and with their two young children.

SHOULD JOHN AND CHRISTA BE WORRIED?

"Amanda, John and I wanted to meet with you to talk about our insurance coverage," says Christa. "To be honest, given that both of us have benefits through work, we've always assumed that if something happened to John or me, or both of us, the mortgage and other bills would be covered – that is until we saw what happened to our friends. To know that it wouldn't take much to put us in the same financial position is a big worry and it's causing a lot of sleepless nights."

"You and John are right to be concerned," says Amanda. "Let's face it, life happens and every day we face risks that could forever change our lives. Yet, while we can't predict the future, we can plan for it."

Amanda continues, "I've taken a look at your file and there's a solution I think could work well to give you that extra layer of protection you need. It's combination insurance and it includes a separate disability insurance policy, a critical illness insurance policy and a life insurance policy bundled into one plan. The advantages of bundling these policies are that there's one application to fill out, one simple underwriting process, one amount to pay and one plan to manage. Best of all, it can be a more affordable alternative to owning three, stand-alone products – an important consideration for your budget."

THE RISK IS REAL[1]

Before age 65, here's the likelihood of a 34-year-old male who is a non-smoker:

- Becoming critically ill: **28.2 per cent**
- Becoming disabled: **36.4 per cent**
- Dying prematurely: **7.6 per cent**
- Becoming critically ill, disabled or dying prematurely: **61.4 per cent**

A UNIQUE INSURANCE SOLUTION

Amanda shows John and Christa the unique combination insurance design:

DISABILITY INSURANCE

- Protection to age 65[2] if you can't work in your regular occupation because of illness or injury
- Waiting period of 90 days (or 180 days if your income is less than $15,000)
- Payments waived if you are on claim for a disability

CRITICAL ILLNESS INSURANCE

Critical illness insurance to age 65[2] for 22 covered conditions, plus:

- An early intervention benefit for the early stages of some cancers and for coronary angioplasty
- No waiting period for most covered conditions means fast access to the benefit so recovery can begin as soon as possible
- Access to an online integrated health information and resource centre and a world-class medical second-opinion service

LIFE INSURANCE BENEFIT

- Term life insurance to age 65[2]

OPTIONAL COVERAGE

- Term insurance rider for additional life insurance protection
- Term life and critical illness insurance protection riders for children up to age 25

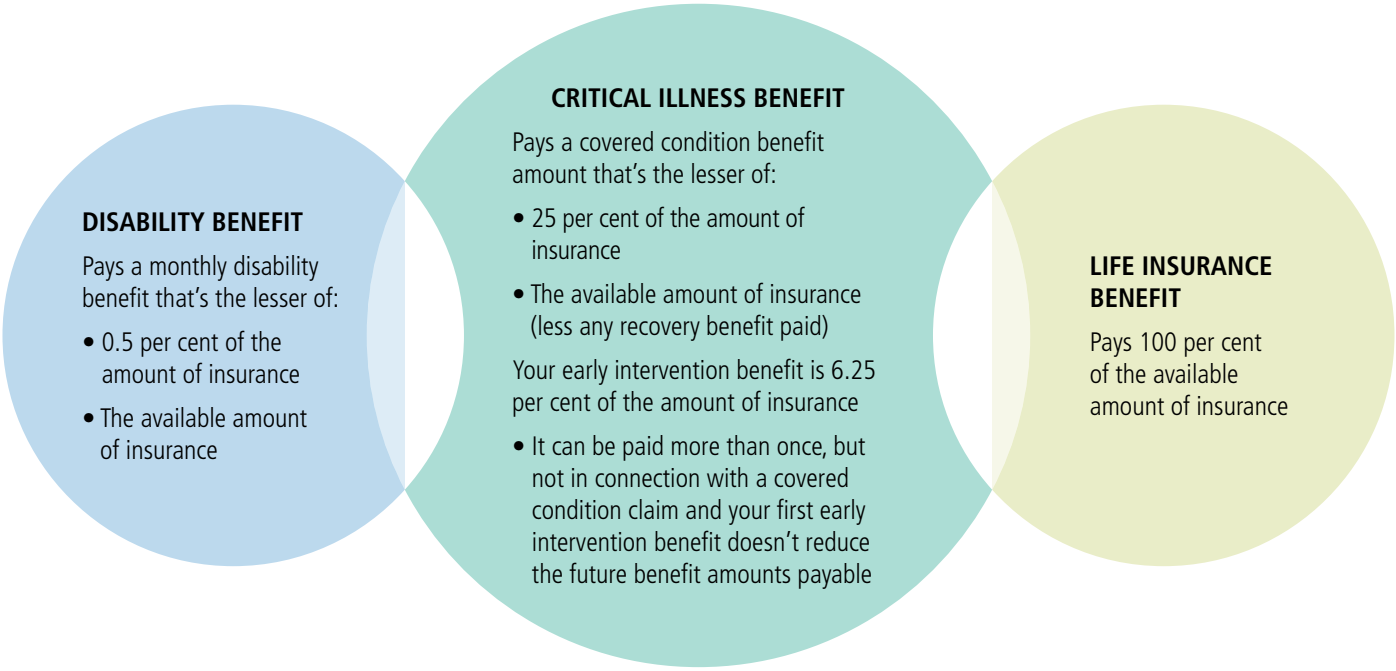
PAYMENT OPTIONS

- Level cost to age 65
- 10-year renewable cost to age 65

INNOVATIVE POOL OF MONEY CONCEPT

"At the core of the combination insurance design is an innovative pool of money concept," says Amanda. "This approach provides different benefits compared to owning three stand-alone products, but that's exactly the point. By using the pool of money concept, combination insurance can provide protection at an affordable price. Here's how it works:"

1. You can buy a minimum of $100,000 and up to a maximum of $500,000 of insurance.
2. The amount of insurance you buy creates a pool of money called your available amount of insurance.
3. Whenever a benefit is paid, your available amount of insurance is reduced by that amount.
4. You can access your available amount of insurance in three ways:



"Let me show you a simple example to help illustrate how the pool of money concept works," says Amanda.

Ryan, 32, has bought his first home and decides to buy $250,000 of combination insurance. Here's what Ryan's plan looks like prior to any claims:

Available amount of insurance: $250,000

Available monthly disability benefit $250,000 x 0.5% = **$1,250**
Available covered condition benefit $250,000 x 25% = **$62,500**
Available life insurance benefit $250,000 x 100% = **$250,000**

Nine years later Ryan is injured, can't work and claims a monthly benefit on his combination insurance disability policy. The costs for his plan are waived while he's on claim.

Over the course of his time off work, Ryan receives $15,000 in disability benefits. Here's what his available benefits look like after his claim:

Available amount of insurance: $235,000

Available monthly disability benefit $250,000 x 0.5% = **$1,250**
Available covered condition benefit $250,000 x 25% = **$62,500**
Available life insurance benefit $235,000 x 100% = **$235,000**

A FORWARD-THINKING PLAN

John and Christa like what Amanda has shown them, but John has a concern.

"I think combination insurance is definitely worth considering," he says, "but I'm worried about the coverage ending when I'm 65."

Amanda explains, "Combination insurance is designed primarily to protect families during their working years. What's great about this plan is that if you don't receive a critical illness covered condition benefit, you have the option to purchase a permanent insurance policy with any remaining available amount of insurance – without medical underwriting!"[3] She adds, "And if you purchase the term insurance rider, that coverage is fully convertible to permanent insurance up to age 65. It truly is a forward-thinking solution."

Following another meeting with Amanda, John and Christa each decide to purchase a $200,000 combination insurance plan. They're sleeping better these days, knowing they have additional financial protection to help cushion the blow should life happen. •

[1] Information is for illustrative purposes only and is intended to show the relative risks of different life events. The percentages are based on a mixture of incidence rates from studies of both the insured and general population, which do not necessarily represent the same critical illness covered conditions or definitions of disability and critical illness conditions as contained in the combination insurance disability policy and the critical illness policy and are not necessarily representative for any given insured person. Factors that may contribute to an individual's risk of critical illness, disability or death include family history, lifestyle and environment.

Data sources:

- Mortality probability based on the Canadian Institute of Actuaries' CIA9704 gender and smoker distinct mortality tables.
- Disability probability based on the 1985 Commissioner's Individual Disability Table A gender distinct incidence tables for Occupation class 2A, 90 day waiting period.
- Critical illness probability based on combined incidence rates for Cancer ("New cases for ICD-03 primary sites of cancer: 2002-2007") and the Heart and Stroke Foundation of Canada ("The Growing Burden of Heart Disease and Stroke in Canada, 2003").

The probability of dying, becoming critically ill or disabled before age 65 was determined by projecting claims experience to age 65 using these incidence rates and determining the probability of at least one event occurring. The probability of at least one event occurring is less than the sum of the probabilities for all three events, as individuals may incur multiple events.

[2] Your combination insurance solution offers protection until your available amount of insurance is zero, or to age 65, whichever is first.

[3] Available provided you have not received a critical illness covered condition benefit and is limited to the remaining amount of insurance. Also subject to minimum issue limits for the product you choose.

Solut!ons

Joe Silva & Kelly Fagundes
Manulife Securities
203 - 365 Evans Ave | Toronto ON M8Z 1K2
T 416-259-8222 235 F 416 259 8222 TF 1 877 676 6686

E joe.silva@manulifesecurities.ca
kelly.fagundes@manulifesecurities.ca

TO OBTAIN A COPY OF *SOLUT!ONS* MAGAZINE, OR FOR MORE INFORMATION, CONTACT YOUR ADVISOR.

TMK1223E 12/11

Manulife Investments

strong reliable trustworthy forward-thinking

For your future™