



# Sample Policy Contract

This sample policy contract is provided for your information only.  
It is not a valid contract or an offer of insurance.

## Disability insurance rider

The general provisions of the policy apply along with the following qualifications.

### Words and phrases used in this rider

**amount of insurance** means the amount of disability insurance as shown in the *Policy Summary*. The amount of insurance must be at least \$500 and must be a multiple of \$100.

At the effective date of your disability insurance, the amount of disability insurance must not exceed 65% of your earned monthly income, at that date, reduced by any other group or individual insurance in force or applied for (excluding Canada or Quebec Pension Plan benefits and Office Overhead Expense insurance); and by any other income that will be continued during your disability from your employer or a partnership rounded up to the next higher multiple of \$100 per month.

**COLA (Cost of Living Adjustment)** means a guaranteed post disability monthly income increase of 3% per annum compounded annually. This is an optional benefit available to occupation class 1 lives with a benefit period to age 65. Issue ages available are 18 to 50.

**disability** means total disability and partial disability unless the context indicates otherwise.

**earned income** for a month means the income you earned for the services that you performed in that month, whether in the form of salary, wages, bonus, commission fee or honorarium and whether paid:

- Directly to you; or
- To a firm in which you are a partner; or
- To a corporation effectively owned by you, or by you and your partner(s), or by you and any relative by blood or marriage.

The accrual method of accounting for revenue and expenses will be used for calculating earned income.

Evidence, satisfactory to us, will be required to determine earned income and may include, but not limited to, a true copy of one or more of the following:

- Income Tax Returns
- Notices of Assessment
- Employer statement of earnings
- Financial Statement

**injury** means accidental bodily injury which you sustain while insured for disability insurance under this policy.

**monthly income benefit** means the amount of your disability insurance adjusted in accordance with the co-ordination of benefits provision.

**maximum benefit period** means the longest period for which the monthly income benefit may be paid to you and is measured either in years or by reference to age. The maximum benefit period is shown on the *Policy Summary*.

**net earned income** for a month means your earned income during that month; less any expenses of the business that can be claimed as a deduction from such earned income for tax purposes. If you are a partner in a firm, the percentage of your gross billings which may be deducted as business expenses cannot exceed the percentage of the gross fees of the firm deducted as business expenses of the firm unless the firm's partnership agreement was existing at the commencement of your disability, and requires such deduction.

For the purposes of determining the amount of any partial disability benefit, the business expenses that may be deducted from your earnings will be limited to those items of expenditure which were deducted from your gross earnings to determine your pre-disability earned income and will exclude any new or additional expenses other than any that are directly attributable to your disability. A business expense may only be deducted to the extent that it is not otherwise indemnified by any business expense or office overhead expense insurance.

**other loss of time benefits** include any benefits payable to you on account of disability under:

1. the Canada Pension Plan or similar social security plan;
2. any legislated unemployment insurance plan (e.g., Workers' Compensation) or similar wage replacement plan;
3. any government motor vehicle automobile insurance plan or policy, unless prohibited by law;
4. any benefit plan provided by any association or union to which you belong;
5. any salary continuance, pension, group life insurance or other employee benefit plan sponsored by an employer by whom you are employed;
6. any income continued by your partnership as a result of a partnership agreement;

7. any other contract, including a life insurance contract providing disability benefits or a disability insurance contract.

**pre-disability earned income** means your net earned income over one of the following periods:

1. the 24 months immediately preceding the date your total disability commenced;
2. the best 12 consecutive months within the 24 months immediately preceding the date your disability commenced; or
3. the two taxation years immediately preceding the date your disability commenced,

whichever is greatest.

**regular occupation** means the work that you performed, for compensation, on a regular basis during the 180 days immediately preceding your total disability.

**partial disability** or **partially disabled** means that:

1. injury or sickness prevents you from performing more than 50% of the normal duties of your regular occupation; and
2. the partial disability is immediately preceded by a period of total disability for which you received a monthly income benefit; and
3. you are engaged in another occupation or in a rehabilitative occupation approved by us and by your physician,

and as a result of either 1), 2) or 3) your monthly pre-disability earned income is reduced.

**sickness** means illness or disease which:

1. was fully and completely disclosed in your application(s) for insurance; or
2. first manifests itself while your disability insurance is in force.

**total disability** or **totally disabled** means:

1. during the waiting period plus the next 24 months, that due to injury or sickness, you are unable to work at your regular occupation and are not engaged in any gainful occupation; and
2. after the waiting period plus the next 24 months, that due to injury or sickness, you are unable to work at any gainful occupation for which you are fitted based on education, training or experience and are not engaged in any other gainful

occupation; and as a result you suffer a loss of net earned income.

**waiting period** means the number of consecutive days from the date each period of total disability begins before you can claim benefits. During the waiting period no benefits accrue. Your waiting period is shown in the *Policy Summary*. We will waive the waiting period for recurrent disability.

### **When disability insurance is in force When your coverage begins**

Your disability insurance begins on the date we receive the application for insurance, provided that:

1. you satisfy our underwriting rules and issue requirements;
2. you are resident in Canada;
3. you are insured for at least \$50,000 of term life insurance under this policy; and
4. the cheque or credit card charge for the first premium is honoured when first presented for payment to the financial institution.

### **When your disability insurance ends**

Your disability insurance ceases on the earliest of the following dates:

1. the date you no longer have at least \$50,000 of term life insurance under this policy unless your premiums are waived under this rider;
2. the first premium due date on which we have your written request to cancel your disability insurance;
3. the date on which the amount of disability insurance does not meet our minimum requirements for this policy. Refer to the definition of amount of insurance in this rider;
4. on any premium due date, if the premium due on that date is not paid in full by the end of the grace period unless your disability insurance premiums are being waived under this policy; or
5. the date you retire.

### **When we pay benefits**

We will pay benefits after we receive at our office proof, satisfactory to us, of all of the following, within the time limits set out in this rider:

1. that you are totally disabled or partially disabled as defined; and
2. that your total disability began while your disability insurance was in force and continued throughout the applicable waiting period; and

3. you are receiving, from a physician, regular, ongoing care and treatment appropriate for the disabling condition as determined by us.

In addition, your disability must not be excluded under the Subsection *Exclusions and Limitations for disability insurance* in this rider.

### **How long monthly income benefits are paid**

Provided that all of the above conditions have been met, we will pay the monthly income benefit while you are totally or partially disabled, until the earliest of the following dates:

1. the date you are no longer totally or partially disabled;
2. the date the maximum benefit period ends;
3. at attained age 65 unless you are eligible for or receiving monthly income benefits for a period of disability in respect of which benefits are payable to age 67;
4. the date you are no longer receiving, from a physician, regular, ongoing care and treatment appropriate for the disabling condition as determined by us;
5. the date we ask for proof that you are still totally or partially disabled if such proof is not given within 31 days;
6. the date we ask you to be examined by a physician or other practitioner named by us if you do not submit to such examination within 31 days; or
7. the date you die.

### **Periods for which you are not entitled to monthly income benefits**

Monthly income benefits will not be paid for any period during which:

1. you are receiving Employment Insurance maternity or parental benefits;
2. you are on lay-off or leave of absence; or
3. you are incarcerated in prison or correctional facility or mental institution by order or authority of the criminal court.

### **The amount of the monthly income benefit**

Subject to the exclusions and limitations, the monthly income benefit payable is as follows:

1. for total disability - the amount of disability insurance in the *Policy Summary*;

2. for partial disability - 50% of the monthly income benefit paid to you for the last month of your total disability that immediately precedes your partial disability.

### **When a reduced benefit or no benefit is payable**

In some circumstances, a reduced benefit or no benefit is payable. These are described in the following Sections and Subsections:

1. *When this policy is in force*;
2. *Grace period*;
3. *When premiums must be paid*;
4. *Contesting this policy (contestability)*;
5. *Periods for which you are not entitled to monthly income benefits*;
6. *Exclusions - Risks not covered*;
7. *Rehabilitation program*;
8. *Co-ordination of benefits*;
9. *Foreign travel or residence*;
10. *When a third party causes the injury or sickness*;
11. *Effect of a change in occupation*;
12. *If your age, sex, residence or occupation has been stated incorrectly*;
13. *Time limits for notice and proof of claim*; and
14. *Continuing proof of claim*.

### **Timing of monthly income benefit payments**

Monthly income benefits are paid at the end of each month for which they are due. Any monthly income benefit payable for a period of less than one month is paid at a daily rate of one-thirtieth of the monthly rate.

### **Who receives the monthly income benefit payments**

Any monthly income benefits payable will be paid to you.

### **Recurrent disability**

If, after termination of any period of disability on account of which you became entitled to monthly income benefits under this policy, you again become disabled due to the same or related cause, such later period of disability shall be treated as a continuation of the previous period of disability, unless you had continuously actively worked full-time for a period of at least six consecutive months after termination of the previous disability.

## **Rehabilitation program**

If while you are receiving a monthly income benefit you enter into a rehabilitation program supervised by your physician and approved by us, your total disability shall be deemed to continue during the period of rehabilitation but not in any event for a period of more than 24 months following the commencement of such program. If you are receiving remuneration under the rehabilitation program the amount of monthly income benefit we pay to you will be reduced by 50% of the amount of that remuneration.

## **Exclusions and limitations for disability insurance**

### **Exclusions - Risks not covered**

We will not pay benefits for any total or partial disability that is directly or indirectly related to any of the following:

1. intentionally self-inflicted injury, while sane or insane;
2. war, whether declared or not;
3. participation in a riot or civil commotion;
4. committing or attempting to commit a criminal offence;
5. uncomplicated pregnancy and childbirth;
6. injuries that have no visible wound or contusion except for injuries revealed by an x-ray or other diagnostic test.

### **Limitations**

#### **Co-ordination of benefits**

If the amount of disability insurance plus any earned income and other loss of time benefits to which you are entitled during your total disability are equal to or less than your pre-disability earned income; then we will pay, during the benefit period, a monthly income benefit equal to the amount of disability insurance in force.

If the amount of disability insurance you have in force plus any earned income and other loss of time benefits to which you are entitled during your disability exceeds your pre-disability earned income, we will pay, during continuation of your total disability, a monthly income benefit equal to:

1. your pre-disability earned income; multiplied by
2. your amount of disability insurance; divided by

3. your net monthly income benefit while disabled plus other loss of time benefits.

to a maximum of the amount of disability insurance in force.

## **Foreign travel or residence**

### **i. Prior to disability**

Your coverage under this policy shall not be in effect if your total or partial disability results from injuries sustained or sickness contracted at any time after you have been outside the limits of Canada or the United States of America for six consecutive months, unless we have given written approval for continuation of coverage for more than six months during such period of travel or residence.

### **ii. After disability**

We will not pay monthly income benefits for more than six months while you are outside the limits of Canada or the United States of America unless we agreed in writing to continue benefit payments for more than six months during such period of travel or residence.

## **When a third party causes the injury or sickness**

When we have paid monthly income benefits to you due to an injury or sickness which was caused by someone else and for which you may have a right to sue a third party for compensation, then

1. If you have not sued the third party,
  - a. We have the right to seek compensation directly from the third party to recover the amounts that we have paid in benefits for losses caused by the third party; and
  - b. We may require the insured person to sign a subrogation reimbursement agreement, and may suspend the payment of benefits until such an agreement is reached.
2. If you negotiate a settlement with or sue the third party for compensation,
  - a. you must represent us in any lawsuit against or negotiations with the third party and include a claim for all benefits that we have paid or may be liable to pay; and
  - b. you will reimburse us the amount of benefits paid or payable if you win the lawsuit or negotiate a settlement.



### **Effect of a change in occupation**

If after your disability insurance is in force, you engage, for compensation, in an occupation that we classify as more hazardous than that stated in this policy, our liability under this policy is limited to the amount that the premium paid would have purchased for the more hazardous occupation according to the limits, classification of risks and premium rates in use by us under this plan at the time you engaged in the more hazardous occupation.

If you change your occupation from that stated in this policy to an occupation classified by the us as less hazardous and we are so advised in writing, we shall reduce your premium rate for disability insurance to the lower rate of premium applicable to the limits, classification of risks, and premium rates we use for this plan at the date we receive notification of the change in occupation, and shall refund to you the amount by which the unearned premium for disability income exceeds the premium at the lower rate for the unexpired term.

### **If your age, sex, residence or occupation has been stated incorrectly**

If your age, sex, residence or occupation has been stated incorrectly, we will adjust any benefit(s) payable using the correct age, sex or occupation.

However, if we would not have issued the coverage because the correct age, residence or occupation does not meet our eligibility rules, we can declare the coverage invalid.

### **Your responsibilities while disabled**

While disabled, you must make reasonable efforts to:

1. recover from your disability, including participation in any reasonable treatment or rehabilitation program;
2. return to your regular occupation during the first 24 months that benefits are payable;
3. obtain training in order to qualify for another occupation if it becomes apparent that you will not be able to return to your regular occupation within the first 24 months that benefits are payable;
4. try to obtain work in another occupation after the first 24 months that benefits are payable; and
5. obtain benefits that may be available from other sources.

If you fail to make reasonable efforts as outlined above we will not pay monthly income benefits.

### **How to claim monthly income benefits**

You can contact us at the telephone number or e-mail address on page 2. We will advise you what documents we require to determine the benefit payable and to ensure that any payment is made to the appropriate person.

### **Time limits for notice and proof of claim**

We must receive, at our office, written notice and written proof of claim within the time limits set out below.

Written notice within 30 days, and written proof of claim within 90 days, after:

1. the date of the injury that caused the disability; or
2. the date of the commencement of the disability, if the disability resulted from sickness.

You or someone acting on your behalf must provide us with such proof as is reasonably possible in the circumstances of the occurrence of the accident or the commencement of the sickness, and the loss occasioned thereby, your right to receive payment, and your age.

If it is not reasonably possible to provide us with this proof within the 90-day period, this will not invalidate your claim, as long as you provide us with proof of claim as soon as is reasonably possible. In any event we will not pay benefits for any event that occurs more than one year before the date we receive proof of claim.

### **Continuing proof of claim**

At any time while you are claiming or receiving monthly income benefits, we have the right to require you to submit to us a medical, psychiatric, psychological, functional, educational and/or vocational examination or evaluation by an examiner selected by us. We will use the results of any such examination to determine whether or not benefits are payable.

If you fail to undergo such an examination or evaluation, within the time limit, without reasonable cause, we will not pay monthly income benefits.

### **Premiums for disability insurance**

#### **The amount of the premiums**

At any given date premiums for your disability insurance under this policy are based on:

1. the amount of disability insurance in force;

2. your occupational classification;
3. the waiting period and maximum benefit period for which you were approved;
4. your age on the first day of that calendar year;
5. the payment frequency you chose; and
6. your gender.

**When we waive disability insurance premiums**

We will waive any premiums due and payable for disability insurance during any period for which monthly income benefits are payable to you.

**Exclusions and limitations for waiver of premium benefit**

**Exclusions - Risks not covered**

We will not waive your disability insurance premiums if your total disability is due to:

1. self-inflicted injury while sane or insane; or
2. war, whether declared or not, any act of war, or insurrection.

**Limitations on new applications**

While you are eligible for or receiving total disability benefits you cannot apply for increased or new coverage.

SAMPLE