

Insurance Explained – Life insurance video

Transcript

Video opens on an animated introduction with the following supers:

Manulife presents Insurance Explained

SUPER: Today's topic: Life Insurance

Talent starts speaking on camera.

Let's talk life insurance.

Not the most exciting topic out there, but understanding what it is, how it works and most importantly, having it, can make a big difference for your family and loved ones.

So, I'll try to make this as interesting as possible.

No pressure, no pressure.

(Cut to a frame where the super "What is life insurance?" appears).

Life insurance is a type of insurance that can help your loved ones deal with the financial impact of the unexpected. It can provide your family huge financial relief with a lump-sum of money – called a "death benefit" to help them deal with the financial impact of your loss.

(Super "Death benefit" appears on screen beside the talent).

Let's face it. Death really doesn't make for an uplifting conversation - and it can be somewhat uncomfortable to talk about it – but if you have anyone relying on you for financial support like a spouse or kids, having life insurance is one of the best things you can do to make sure they're cared for if you were to pass away unexpectedly.

Oh, and the lump-sum of money is NOT taxable. So, if you get coverage for one million dollars, your loved ones will get one million dollars.

And it can be used for different purposes:

(Cut to a frame where illustration of a flower bouquet, a mortgage application, a grocery bag and a Muskoka chair appear. A light shines on each of them).

To pay for funeral expenses

To pay off your debts (like a mortgage, credit cards or lines of credit)

To replace your income, so your family can pay day-to-day living expenses (such as food and car payments for example)

And to provide for the future of your dependents (for your children's education for example or your spouse's retirement).

(Cut to a frame where the super "How does life insurance work?" appears).

When you get life insurance, you purchase what's called a life insurance policy.

(Super "Life insurance policy" appears on screen beside the talent).

The policy is the agreement – or contract with the insurance provider.

And having this policy makes you a policy owner. Once you've purchased a policy, you'll pay a premium which can be paid monthly or annually depending on what works with your budget.

When you get the policy, you'll need to choose the people who would be receiving the tax-free lump-sum of money – they are called the beneficiaries.

(Super “Beneficiaries” appears on screen beside the talent).

And these beneficiaries can be one-person, multiple people, charities or even animals!

And by the way, life insurance isn't a one-size-fits-all deal—there's unique benefits and features for all the different types of life insurance out there.

And the one right for YOU depends on what stage of life you're at, the level of coverage you need and how much you're able to put toward your premiums.

(Illustrations of a house with a cheque and a pacifier appear on a pedestal followed by an illustration of a shield and piggy bank).

And while you want to make sure that you're not under-insured, you also don't want to be over-insured.

Because who wants to be worth more dead than alive?!

Okay, besides Mummies and Frankenstein.

And speaking of being over-insured, it's important – when you're considering life insurance - to check any existing coverage you may already have, like through your employee group benefits for example.

Your employer may provide you with life insurance already, but it's important to note that coverage is usually once or twice your yearly salary and may not be enough to cover your protection needs. It's also tied to your employment so if you change your career, you may lose it.

(Cut to a frame where the super “Which life insurance?” appears).

Now that we talked about the basics of life insurance, let's chat about the different life insurance options out there.

In Canada, there are 2 main life insurance options – Term Life or Permanent life insurance:

(Super “Term life insurance” appears on screen beside the talent).

Term life —as its name says – is life insurance that covers you for a specific period of time.

(Illustration of an hourglass appears on screen).

This means you get coverage only for a pre-determined number of years – Usually 10, 20 or 30 years:

For example, if you get a Term 10 life insurance, the insurance company will pay your beneficiaries if something happens to you within the 10 years of your coverage.

(Illustration of a credit card, a house and a graduation cap appear on screen beside the talent).

It's a great option if you need insurance coverage for a set period of time to cover temporary financial needs such as repaying debt, mortgage protection or university tuition for your children.

But what happens when your coverage gets close to the end of the term?

Well, when your policy expires, your coverage stops and everything you paid into it is gone forever.

With that said, you do have a couple of options if you'd like to keep some protection:

You can

A)

Renew it for another term. So, if you purchased a 10-year term policy, it will automatically renew for another 10 years. But, your premium will increase as it's calculated based on your age at the time of renewal (and you're now 10 years older than when you first purchased your policy) so it'll cost more.

Or B)

Depending on the terms of your term insurance policy, you may be able to convert it into a permanent policy before it expires...

...Which is a great segway because the second type of life insurance is you guessed it, permanent life insurance!

(Super "Permanent life insurance" appears on screen beside the talent).

So permanent life insurance is the one you maintain for the rest of your life. Hence the permanent part.

Meaning it never expires.

And it ends at the time of death of the insured when it provides a lump-sum of money to the beneficiaries.

The other key difference is that some permanent life policies can accrue cash value.

(Super "Cash value" appears on screen beside the talent).

Well, what's cash value you may ask?

For permanent life insurance policies only, the Canada Revenue Agency allows you to put and hold some cash in the policy.

(Cut to a frame where we see a stack of dollar that is growing. A dollar bill goes into a shield, another bill goes into an insurance policy, another one goes into an ATM, one last bill goes into a bank).

That cash can grow tax-free and you can use that money for different purposes:

it can be added to and grow your coverage, you can pay your premium with it, you can withdraw it, or use it as collateral to get a loan.

Basically, cash value allows permanent life policies to build equity which can be used in different ways providing a lot of flexibility.

Think about it like this.

Term life insurance is like "renting".

With term life insurance, you're covered for a specific period of time, but when your coverage expires, there's no value to it.

Permanent life insurance on the other hand is more like "owning", since it allows you to build equity if you want to.

(Cut to a frame where the super "How life insurance works?" appears).

Alright, now that we've talked about the types of life insurance, let's quickly go through the application process and how it all works.

To start, it usually depends on the age of the applicant and the amount of coverage they purchase.

The process may involve some medical questions and what's called "Underwriting" which is when the insurance company assesses the risk to determine your premium through a series of questions about your health, medical history and lifestyle.

(Super "Underwriting" appears on screen beside the talent).

It's pretty much how the insurance company determines if you're at risk of dying sooner, the same or later than the average for people your age. And then it uses that information to determine how much your insurance premium will be.

(Cut to a frame where the super “The takeaway” appears).

So yeah, while life insurance isn't the most exciting topic in the world, it can make such a big difference in your family's life.

And remember, just because you already have some kind of life insurance coverage, it doesn't mean that you don't have to think about insurance anymore.

Although, it would be nice.

But that's not how it works.

Your life changes over the years, which means your insurance or protection needs to change as well.

So, it's important that at every life milestone, you review your current coverage to make sure it matches your life and protection goals.

Quick example. Let's say you got life insurance when you and your spouse purchased your home and got enough coverage to cover your mortgage.

But now, you're about to be a proud parent.

(Illustration of a pacifier appears on screen).

What does that mean for you and your family?!

Now that your family is growing, your current coverage may not leave enough to them if something happened to you.

Your current coverage may be able to cover the mortgage but it may not be enough to pay for the new needs of your family like higher living expenses and the future education of your children.

That's why it's important to keep your life insurance up-to-date with your life.

But before I let you go do something more exciting, remember that there's no better time to look into life insurance than now.

As much as your “present” self may not feel like it, “future” you will be thankful.

Pssst, hey, present self! Thank you!

You got it, future me!

And hey, if you suddenly find yourself oddly passionate for life insurance, check out our videos on term and permanent insurance. Some pretty good content in there if I do say so myself.

(Cut to end frame with Manulife logo and legal disclaimer).

The information in this video is not to be relied upon as financial or investment advice for specific situations. Individual circumstances may vary. You may wish to contact one of Manulife's licensed insurance advisors or your licensed insurance agent if you need advice about your insurance needs.

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