



## ExpenseComp® Marketing Guide



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# Plan highlights

## TARGET MARKETS

- Fee-for-service professionals
- Small business owners whose services are essential to the continuation of the enterprise

## EXPENSECOMP AT A GLANCE\*

- Non-cancellable, guaranteed renewable to age 65
- Ongoing business expenses reimbursed during total disability
- 'Own occupation' definition of total disability for classes 4A and 3A – added protection for those whose current profession involves specialized sensory / manual tasks requiring years of training
- 'Regular occupation' definition of total disability for classes 2A and A – Disability means inability to perform substantial duties of regular occupation and not working elsewhere
- Residual disability option for 4A/3A
  - Reimburses eligible expenses in excess of 75% of gross income
  - Minimum 50% payout for first six months
  - Alternate definition available for four months based on loss of time or duties

- Assumed total disability – benefits begin immediately after a severe loss
- Recurrent disability – benefits resume immediately if disability recurs within six months
- Accumulation of days of disability (total/residual) in order to satisfy the Elimination Period
- Waiver of Premium
- Carry-over of excess expenses
- Extended benefit period
- Benefit continuation on death
- Disposal of business benefit
- Optional riders allow customization

\*For more information, please refer to Plan Details or the sample policy contract.



## Marketing overview

ExpenseComp can help provide the answer to the question, “How will my business stay open if I can’t work?”

ExpenseComp is available to self-employed people who are directly and personally involved in their business, and whose services are essential to the continuation of the enterprise. For instance, the viability of a dental practice depends almost entirely on the ability of the dentist to routinely treat his or her patients.

When disability strikes, these people remain liable for a variety of ongoing overhead expenses; rent, salaries and utilities to name a few. Yet at the same time, the gross income of the business will be dramatically curtailed because of their absence from work. This situation frequently leads to bankruptcy. As an alternative, ExpenseComp provides the funds to help sustain the business.

After becoming disabled, the self-employed person generally has two options: trying to keep the business going in hopes of returning to work, or selling it if a long-term disability seems likely. ExpenseComp can help the business in either situation while a decision is being made. A comprehensive range of policy features means that the benefits can be adjusted to the varying needs of individual businesses.

\*Please refer to the sample contract for more information.

## Plan design

ExpenseComp offers comprehensive office overhead coverage on a NON-CANCELLABLE, GUARANTEED RENEWABLE basis. ExpenseComp helps protect your self-employed professional and business owner clients around the clock against injury or sickness.\* Premiums are guaranteed level to age 65, with an option to renew coverage after age 65.

ExpenseComp total disability benefits depend on the ability of clients to perform the substantial duties of their regular occupation. For class 4A/3A, an ‘own occupation’ definition allows clients to work in a new occupation and still receive full benefits for a total disability.

Residual disability protection may also be applied for by clients in class 4A or 3A. This protects your clients’ business if they are only able to work in a reduced capacity.

ExpenseComp is a reimbursement contract: we reimburse actual business expenses as they are incurred up to the Monthly Benefit of the policy. Because expenses can fluctuate, the policy contains a carry-over provision for months when business expenses are higher than the policy amount, and an extended benefit provision when expenses are lower.

ExpenseComp has been designed with many “value-added” features already built-in to the basic contract, such as death benefits and waiver of premiums. Finally, an assortment of riders allows you to customize the coverage to meet your client’s needs.

# Plan details

## OCCUPATION CLASSES

- 4A, 3A, 2A, A
- Must be liable for at least 25% of expenses
- Clients must be directly and personally involved in their profession or business, and their services must be essential to the continuation of the business
- We do not allow ExpenseComp to those in retail sales, restaurant owners or farm owners
- ExpenseComp is generally not available to those that have the same business and residence address (professionals excluded)
- The business must be successful and have been established for a minimum of one year

## MAXIMUM ISSUE LIMITS

Covered overhead expenses (see below) subject to the following overall maximum limits:

Class	Age <sup>1</sup>	Amount (\$)
4A	18–60	30,000 <sup>2</sup>
3A	18–60	15,000
2A	18–60	7,000
A	18–60	5,000

<sup>1</sup>Age at last birthday.

<sup>2</sup>Individual consideration for up to \$40,000 by special quote. Amounts in excess of \$30,000 are only available with full medical and financial underwriting.

## MINIMUM POLICY SIZE

\$400 of Monthly Benefit or \$300 of Annual Premium.

## MODEL FACTORS

- 0.509 semi-annual
- 0.086 monthly (automatic)
- 0.265 quarterly

## COVERED OVERHEAD EXPENSES\*

ExpenseComp reimburses the insured's share\*\* of covered overhead expenses including:

- Rent for commercial office space or monthly payments for space in a building owned by the insured and used solely in the operation of the business. This consists of property taxes and mortgage interest payments, plus the greater of scheduled depreciation for tax purposes or the scheduled principal payments of a mortgage
- Electricity, heat, water, laundry, telephone, janitorial services and postage
- Employee salaries and benefits (except as noted below)
- For furniture and equipment, leasing costs OR interest payments plus the greater of scheduled depreciation or principal payments
- Fees for accounting services
- Business car lease or depreciation, parking and insurance if an allowable Income Tax deduction
- Professional membership fees
- Insurance premiums for property and personal liability coverages
- Scheduled interest and principal for repayment of a business loan used to purchase ownership in the business or profession

\*Please refer to policy contract for more information. \*\*Share means those expenses allocated to the insured and includes cases where such expenses are shared with one or more persons. The share of expenses incurred will be reduced by the net revenues generated by any locum employed after the onset of disability. Net revenue means the gross revenue generated by the locum less the fees paid to the locum.

**Covered overhead expenses do not include:**

- Cost of goods, office supplies, additions to inventory, or any items which would customarily be billed to clients
- Expenses for which the insured was not liable prior to disability
- Salaries, fees, drawing account or other remuneration for the insured, members of the insured's profession or a related profession, any person sharing the insured's business expenses, or any person hired after the onset of a disability
- Expenses which are already insured by a similar policy
- Travel and entertainment costs

**TOTAL DISABILITY**

ExpenseComp provides total disability benefits if clients are unable, due to injury or sickness, to perform the substantial duties of the occupation in which they were engaged at the start of the disability. They must not be working at any occupation, and must also be under the regular care of a physician.

For classes 4A and 3A, the requirement that the insured not be working is waived: benefits are not affected by any earnings from a new occupation.

Total disability benefits equal the lesser of the actually incurred covered overhead expenses or the Monthly Benefit amount of the policy.

**RESIDUAL DISABILITY  
(option for 4A and 3A)**

Residual disability benefits will be paid when clients are not totally disabled, but, due to sickness or injury, have overhead expenses which exceed 75% of their gross income. The regular care of a physician is also required.

The Monthly Benefit for residual disability will equal the Residual Expenses (i.e. eligible expenses minus 75% of the gross income), but will not exceed the Monthly Benefit. However, the first six payments for residual disability will be at least 1/2 of the Monthly Benefit or 1/2 the covered overhead expenses if less.

For example, Dr. Smith has covered overhead expenses of \$10,000. He experiences a residual disability and his current gross income is only \$8,000. The residual benefit would be  $\$10,000 - [75\% \times \$8,000]$  or \$4,000. However, for the first six months of residual disability, the minimum benefit is 50% of \$10,000 or \$5,000.

When a claim is made, we also offer an alternate definition of residual disability for up to four months. This gives clients the choice of proving a loss of time or duties instead of having to submit proof of income. If they are unable to perform some important duties or can only work half the regular hours, 50% of the Monthly Benefit (or expenses if less) is payable. After four months, further benefits are based on the regular residual disability definition described above.

To illustrate this option, select plan type: total plus residual, in the illustration software.

## REGULAR CARE OF PHYSICIAN

To be considered disabled, your client must be receiving medical care that is appropriate in nature and frequency for the condition. We may require psychiatric consultations for claims that are related to a mental or nervous disorder or that are contributed to by alcohol or drug use.

## ELIMINATION PERIODS (EP)

- 30 or 90 days

The EP is the number of days of total or residual disability that must elapse before benefits are payable to your client. Your client can add together different periods of disability as long as they're due to the same or related causes. For 4A/3A, each period of disability cannot be separated by more than six months. For 2A/A, the days may be accumulated within a period of six months. For an Assumed Total Disability, we will waive the EP.

## BENEFIT PERIODS (BP)

- 12, 18 or 24-month

See also **Extended Monthly Benefit provision.**

## NON-CANCELLABLE, GUARANTEED RENEWABLE TO AGE 65

Once the policy is issued and while premiums are being paid on time, we cannot:

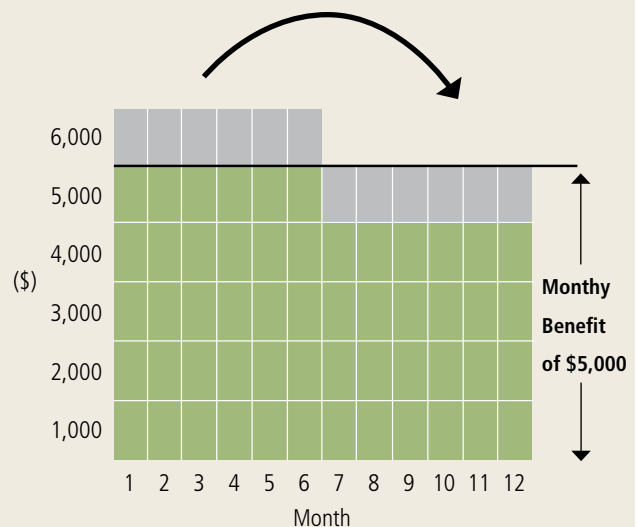
- Cancel the policy
- Increase the rates
- Make any changes to the terms of the contract
- Reduce benefits because of a change to a more hazardous occupation

Clients may renew the policy after age 65 as long as they are still working on a full-time basis and responsible for overhead expenses. They may renew for life (4A/3A) or to age 72 (2A/A). After age 65, the contract only covers total disability and the extended benefit provision does not apply. Premiums after age 65 may change on any policy anniversary. For disability after age 75, the benefit period will be 1/2 the regular BP.

## CARRY-OVER PROVISION

Excess expenses result when the covered expenses for a month of total disability or the residual expenses for a month of residual disability exceed the Monthly Benefit. This provision allows your client, while totally or residually disabled, to carry-over excess expenses to months when the monthly expenses are lower than the Monthly Benefit. Carried-over expenses can only be used during the same period of disability.

For example, Dr. Tremblay has an ExpenseComp policy for \$5,000 a month. During the first 6 months of disability, her covered expenses are \$6,000 and then drop to \$4,000 for the next 6 months. Using the carry-over provision, we would pay her \$5,000 per month for 12 months.

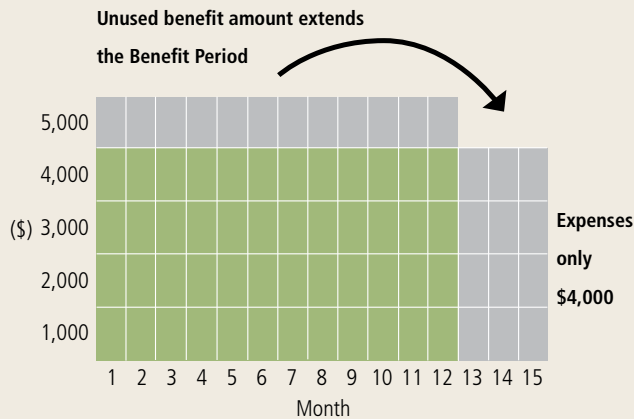


For illustration purposes only.

## EXTENDED MONTHLY BENEFIT PROVISION

This provision comes into play when your client's covered expenses are less than the Monthly Benefit of the policy. If your client remains totally and/or residually disabled throughout the Benefit Period, we will continue to pay benefits while disability lasts until the total amount reimbursed equals the Monthly Benefit times the number of months in the Benefit Period.

For example, Mr. Jones has an ExpenseComp policy with a Monthly Benefit of \$5,000 and a Benefit Period of 12 months. This means we will keep reimbursing expenses until we've paid a total of  $\$5,000 \times 12 = \$60,000$ . If his monthly expenses during disability are only \$4,000, this means we'll pay for 15 months.



For illustration purposes only.

## ASSUMED TOTAL DISABILITY

We consider clients totally disabled, regardless of ability to work or the medical care required, if they suffer the total and permanent loss of any of the following:

- Sight of both eyes
- Hearing of both ears
- Speech, or
- the use of both hands, or both feet, or a hand and a foot

For an assumed total disability, benefits will be payable immediately from the date of loss and will continue for the full Benefit Period.

## BENEFIT CONTINUATION ON DEATH

If your client dies while eligible for monthly disability payments, we will continue to reimburse the estate for business expenses for the three months following death or until the business interest is disposed of if earlier.



## **DISPOSAL OF INTEREST IN BUSINESS**

This benefit becomes available after disability benefits have been paid for at least three consecutive months. If clients then sell their complete business interest, we will reimburse any related expenses up to the lesser of \$20,000 or two times the Monthly Benefit. The sale must occur within six months of the end of the Benefit Period to be covered by this benefit. Disability benefits for covered expenses related to the operation of the business will cease on the date of disposal.

## **RECURRENT DISABILITY**

A recurrent disability is one that occurs within six months of an earlier disability claim and results from the same or related causes. In such cases, we consider the second disability to be a continuation of the first. Benefits will be payable from the date of the recurrence for up to the balance of the Benefit Period.

If your client is off claim for at least six months, any subsequent disability is considered a new disability. A new Benefit Period will begin and the Elimination Period will apply again.

## **WAIVER OF PREMIUM WHILE DISABLED**

We will waive premiums from the date disability benefits become payable. We will also refund the required premium payments made during this period. Waiver will continue while disability lasts.

## **COSMETIC OR DONOR TRANSPLANT SURGERY**

After the policy has been in force for six months, we consider any disability due to cosmetic or donor transplant surgery to have been caused by sickness, and will pay appropriate monthly disability benefits.

## **EXCLUSIONS**

The policy does not pay benefits for conditions due to acts of war (declared or undeclared), normal pregnancy, during incarceration, or if we excluded the condition from the policy during underwriting.

## **TAX-DEDUCTIBLE PREMIUMS**

Premiums payable for this coverage (except for any portion attributable to the repayment of principal) are tax deductible. Disability benefits received are considered taxable income, but are offset by the overhead expenses incurred, resulting effectively in tax-free benefits.

## **CONVERSION PRIVILEGE**

Prior to their 60th birthday, clients can convert their ExpenseComp policy to an income replacement product. To qualify, they must be employed on a full-time basis and cannot be disabled. They must provide financial evidence to justify the amount requested. The maximum Monthly Benefit amount, subject to our published underwriting limits, will be the lesser of the Monthly Benefit of the ExpenseComp policy, or \$2,500 (4A/3A) or \$1,500 (2A/A). The maximum Benefit Period available on the new policy will be two years.



# Riders

## ADDITIONAL INSURANCE RIDER (AIR)

- Issue Ages: 18–50
- Only available for policies issued on a standard premium basis
- Minimum Total Option Amount: \$1,000
- Maximum Total Option Amount is based on the Monthly Benefit as follows:

Class	Total AIR Available (\$)
4A: lesser of:	a) 2 X Monthly Benefit; and b) 30,000 – Monthly Benefit
3A: lesser of:	a) 2 X Monthly Benefit; and b) 15,000 – Monthly Benefit
2A: lesser of:	a) 2 X Monthly Benefit; and b) 7,000 – Monthly Benefit
A: lesser of:	a) 2 X Monthly Benefit; and b) 5,000 – Monthly Benefit

This rider allows clients to purchase additional disability insurance without evidence of good health, as long as they are not disabled. Option dates occur each year up to age 55.

One option can also be purchased on the first policy anniversary that occurs during disability. However, the additional amount is only payable for a new disability. Premiums for the increase in coverage will be waived while the original disability lasts.

Until age 45 or for five years if longer, the Annual Option Amount (the amount available on each option date) is 20% of the Total Option Amount selected at issue. Thereafter, the Annual Option Amount is 10% of the Total. For the first purchase only, clients may be eligible for twice the Annual Option Amount, provided they are not disabled.

We require proof that the additional coverage is justified by current expenses. Increases in coverage are subject to our published limits and financial underwriting guidelines.

We will add any AIR purchases to the existing policy with rates based on the attained age and the then current rate scale. If the basic policy contains a Patient Protection Rider, the additional insurance will automatically include this rider.

## PATIENT PROTECTION RIDER (PPR)

We offer the Patient Protection Rider to health care workers whose work substantially involves invasive procedures and contact with bodily fluids (eg. surgery). PPR protects your clients' income during the asymptomatic phase of Human Immunodeficiency Virus (HIV). With HIV, there may be a long symptom-free period during which clients are ABLE to work. However, their income may be at risk because they may be prevented from performing their occupation for legal, ethical or moral reasons.

With PRR, your clients would be considered unable to do a particular duty if because of their HIV status:

- They are legally prohibited from doing so, or
- They have received a written recommendation from an appropriate governing body to stop performing the duty, or
- There is a reasonable expectation that continuing to perform the duty would prove a health risk (whether real or perceived) to their patients. This means that clients need not be subject to any kind of official sanction or restriction. They can choose to stop or limit their practice if patients might reasonably perceive a risk of becoming infected. They need not reveal their status to colleagues, patients or their community.

If clients are disabled as a result of their HIV status, we will waive the Elimination Period. Payments will continue as long as clients meet the expanded definition of disability, up to the Benefit Period of the policy. The regular care of a physician is not required.

We guarantee the initial premium for five years. After this period, the premium may change on any policy anniversary.

### **PREMIUM REFUND RIDER (PRR)**

- Issue Ages: 18–55

PRR provides premium refunds every eight years if your client makes few or no claims. To qualify for a refund, total claims must be less than 20% of total premiums paid during the eight year period. Any claims (including waived premiums) will be subtracted from the Maximum Refund Amount. Partial refunds are also available at age 65 or death.

The PRR premium and Maximum Refund Amount do not increase during a refund period (as AIR options are exercised for example). However, your client can elect to increase the amount of subsequent refunds after a refund is received.

There is one version of PRR:

<b>Option</b>	<b>Premium (%)</b>	<b>Maximum Refund Amount</b>
4 back	+ 35	4 X Total Annual Premium





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