EXECUTIVE HEALTH PLAN (EHP)

A business solution for health risks

Entreprise1

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Could your company[1] manage without you for the next six months?

Would your absence be detrimental to the business if you were unable to work for a long period of time due to a cancer, stroke or heart attack?

With today's medical advances, the odds of surviving a critical illness are better than ever.

As a pillar of the company:

- Who would be able to take your place?
- Who would be in a position to reassure your creditors, suppliers, clients?
- If you are not the only shareholder in your company, how would the others react? Would they want to buy you out?
- Would employee productivity and the company's profitability be affected?
- Would you be able to recover worry-free and resume your business life where you left off?

[1] In this report, the word company refers to a Canadian-controlled corporation.

A COMPLEMENT TO YOUR DISABILITY INCOME

Disability income insurance is adequate as basic personal protection. In the event of an illness, it helps you cover your day-to-day financial expenses while you are unable to work.

For example, if you were diagnosed with cancer, or had a heart attack, and became **totally disabled**, starting at the end of the month following the expiry date of the waiting period, you would receive a **monthly benefit** for as long as you are unable to work

Facts to consider if you're a business owner:

1. **Will your monthly benefit be enough to cover your personal obligations?**

   The monthly benefit is based on your insurable income. In the case of group insurance, the profits generated by your company are generally not taken into consideration in the calculation of your insurable income.

2. **What if you were able and wanted to continue to work?**

   You would have to be considered **totally disabled** in order to receive the total monthly benefit. In other words, you would have to be completely absent from your work. (Some contracts will pay a partial monthly benefit, but not all disability income insurance plans offer this type of benefit.)

Disability income insurance will cover a portion of your basic personal needs while the Executive Health Plan (EHP) helps protect the company from financial losses due to your absence.

This way, if you were diagnosed with a critical illness like cancer,

- Your company would receive a **tax-free lump sum amount** of up to

  125 000 $

  Even if you were able and wanted to continue to work before, during or after the treatment period.

- And if you remain healthy, you'll receive up to 100% of the premiums paid into the plan.

THE EXECUTIVE HEALTH PLAN (EHP)

Who is the EHP designed for?

The EHP is designed for a shareholder or key employee of a company looking for a strategy for:

- Risk management to enable the company to safeguard its financial plans against unexpected events.
- Long-term planning which includes tax benefits.

How does this strategy work?

You and your company jointly purchase Health Priorities – Business critical illness coverage.

- Your company pays the premiums for the critical illness and death benefits for coverage until you reach age 65. This period is the required coverage term for the company.

- You pay the premiums for:
  - The health benefit; and
  - The critical illness and death coverages beyond age 65.

- After age 65 a change of policyowner and beneficiaries may be requested without tax consequences, or payment of the health benefit may be claimed. The health benefit is an amount equal to all of the premiums paid by the company[2].

If you are diagnosed with a critical illness:

125 000 $

The company receives non-taxable Critical illness benefit.

If you die (for example in 15 years):

34 364 $

The company receives the non-taxable death benefit, which is the greater of 25% of the insured amount or 100% of the critical illness premiums.

If you remain in good health:

68 728 $

After age 65, a change of policyowner and beneficiaries may be requested or the health benefit may be claimed.

[2] Provided no critical illness benefit has been paid.

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Health Priorities – Business

Owner(s):	Entreprise1 Nouveau Client1
Insured:	Nouveau Client1

Term to 75

Coverage amount:	**125 000 $**
Total annual premiums:	**2 291 $**

Health benefit - 100% after 15 years
Death benefit

Nouveau Client1
Male, age 35
Preferred / Non-smoker
SHAREHOLDER

Executive Health Plan (EHP)

Entreprise1	**Nouveau Client1**
Premium: 1 111 $ (48 %) • Coverage period: until you reach age 65	**Premium:** 1 180 $ (52 %) • Scenario at age 65: Health benefit 68 728 $

To evaluate the rate of return of an alternative investment – Assumptions

- Nouveau Client1 pays the premium from personal funds.
- The disbursement that would have been required is invested annually.

Tax rates used in the rate of return calculations (Quebec)

Dividend tax rate: 47,14 %	Corporate tax rate: 50,17 %	Individual marginal tax rate: 53,31 %
RDTOH rate : 30,67 %	RDT rate : 38,33 %	

This concept presentation contains values extracted from the illustration that accompanies it and is incomplete without the attached illustration. In order to understand how some of the values indicated may fluctuate, it is necessary to read the attached illustration.

This concept presentation was prepared for information purposes only and does not constitute a contract. Nor it is intended to provide you with legal or tax advice. Each individual circumstance may affect differently the outcome of the tax treatment presented.

EHP

48 %

$ 1 111

The company pays

COMPANY

Health Priorities – Business
Critical Illness insurance policy

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NON-TAXABLE BENEFIT

Upon the first of these events

52 %

$ 1 180

The shareholder pays

SHAREHOLDER

1

$ 125 000

In the event of a critical illness at age 65

2

$ 68 728

In the event of death at age 65

100% of the premiums
(minimum of 25% of the sum insured)

$ 68 728

If healthy* at age 65

*** Important**: The shareholder would receive the health benefit as of age 65 without tax consequences.

HEALTH BENEFIT COMPARISON

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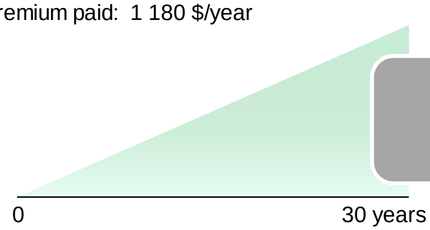
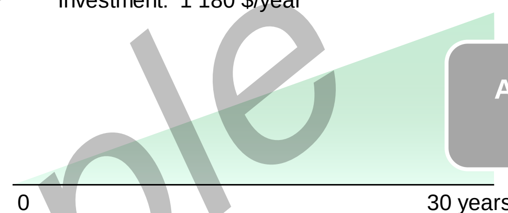
How does the performance of the health benefit compare to a traditional investment?

For many people, protecting hard-earned assets is a top priority.
The health benefit is an interesting opportunity but is it one that benefits you?

At age 65

HEALTH BENEFIT	VS	TRADITIONAL INVESTMENT
Premium paid: 1 180 $/year		Investment: 1 180 $/year
Benefit paid **68 728 $**		**Accumulated amount** **68 728 $**
		Gross return needed to accumulate an amount equivalent to the health benefit: **8,55 %**

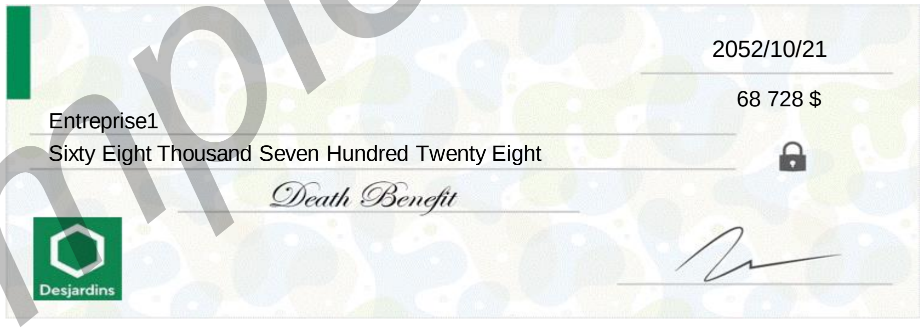




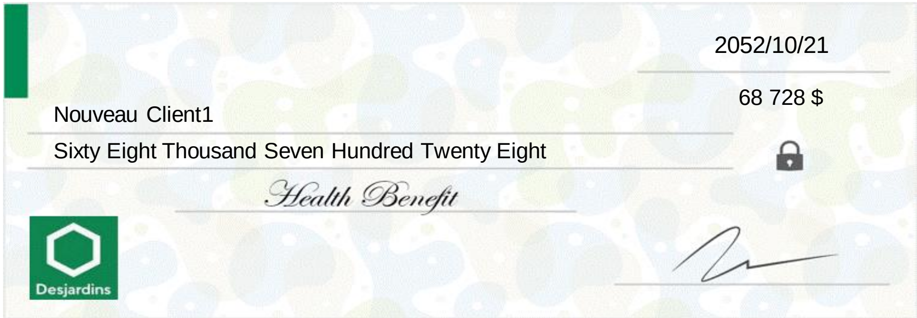
When the first of these three events occurs, here is what will be paid:

If you are diagnosed with a critical illness, at age 65:

If you die prematurely, at age 65:



If you remain in good health*, at age 65:



* If the health benefit has not been requested AT THE END OF THE COVERAGE PERIOD REQUIRED BY THE COMPANY, the owner and beneficiary can be changed so that you can be personally covered. You should consult with your legal and taxation advisors before the owner and beneficiary are changed.

A BUSINESS SOLUTION

A non-taxable lump sum payment when you need it most.

The company may pay you a portion* of the critical illness benefit:	This benefit also protects the company's financial health:
• to help you get the best medical treatment, regardless of where it is offered • to offset the reduction in your income • to cover any special unexpected expenses you may incur (home care, home renovations, spousal income replacement, etc.) • to help you to pay off your debts * Portion paid is taxable.	• to pay off its debts • to offset the revenue reduction resulting from your absence due to illness or death • to pay the costs of finding and training your replacement

Are you healthy?
Then this is the best time to get covered!

Confirm your eligibility for critical illness insurance today.

IMPORTANT INFORMATION

This **Executive Health Plan (EHP)** presentation is only complete if it contains all the pages. It must be accompanied by the complete illustration of the appropriate critical illness insurance product prepared within 30 days of the date of this concept presentation as the illustration is an integral part of the document.

When applying this concept, a shared ownership agreement between the parties will specify the rights and obligations of the parties in regards to the critical illness insurance contract, once it has been issued and settled. It indicates, among other details as agreed upon by the parties, the premium portion assumed by the insured person and the portion of the premium assumed by the company. Each party should consult legal, tax and accounting experts regarding the preparation, revision and execution of any such agreement. Since Desjardins Insurance is not a party to any such shared ownership agreement and is not bound by such agreement, these comments cannot constitute a recommendation on its part with respect to the preparation, revision and execution of any such shared ownership agreement.

Desjardins Insurance's comments are based on legislation and administrative policies published by the tax authorities as of June 2021 but do not cover every possible situation. These comments also only pertain to the tax rules that apply to the EHP concept. Desjardins Insurance expressly reserves the right to amend its comments, without notice, with respect to the tax implications outlined in this concept presentation in the event of any such change in legislation and administrative policies. Since Desjardins Insurance cannot guarantee the tax implications of the EHP and cannot be held liable for any tax consequences that arise from the company paying the portion of premiums for critical illness and death coverages or from the payment of a benefit to the beneficiary, clients should consult their independent legal and taxation advisors before setting up an EHP.

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The use of this concept presentation does not guarantee acceptance of the coverage amount or amounts applied for. The proposed insured must satisfy medical and financial underwriting requirements and must qualify for the coverage once the application has been submitted.

APPENDIX A

Comparing the EHP to a traditional investment at a 2% return rate

Alternative investment at a 2% in the company

Equivalent of the EHP premium paid by the company	Dividend paid to the shareholder	Company Total Annual Investment	Duration	Traditional investment in the company, net of tax	Amount available to be paid as a dividend to the shareholder, including RDTOH	Net amount received by the shareholder
1 111 $	2 232 $	3 343 $	15 years	54 337 $	56 916 $	30 086 $

EHP - Coverage amount of 125 000 $

Critical illness and death benefits for the company

Health benefit for the shareholder

EHP premium paid by the company	Dividend paid to the shareholder	Company Total Annual Investment	Duration	Health benefit paid to the key shareholder	Tax rate	Net amount received by the shareholder
1 111 $	2 232 $	3 343 $	15 years	34 364 $	-	34 364 $

After 15 years, the shareholder will receive:

+ 4 278 $ net of tax

However, if the shareholder had a critical illness during this period, the company would have received the insurance amount of 125 000 $.

NOTE 1: This example is based on a situation where the company invests the equivalent amounts to the:

- premiums it would have paid for an EHP; and
- dividend it would have paid to the shareholder so that he could pay his portion of the premium.

These amounts would have constitute a fund in case of critical illness of the shareholder.

If he remains healthy for 15 years, the company will pay him a dividend equal to the amounts accumulated in the investment.

NOTE 2: The corporate tax rate applicable on investment income is 50,17%.

NOTE 3: The total investment income of Canadian-controlled private corporations creates federal refundable dividend tax on hand (RDTOH) equal to 30,67 % of this total investment income. This account is refundable to the company at the rate of 38,33 % of the taxable dividends paid. For the purposes of the calculation presented above, the company is considered to have an annual taxable income equal to or greater than the annual interest income.

The 2018 federal budget proposes that the refund of the RDTOH be available only when a CCPC pays non-eligible dividends. Eligible dividends received by a CCPC as well as dividend it received from a connected corporation will continue to generate Part IV tax that will be refundable when the CCPC pays eligible dividends. This proposal would be applicable for tax years beginning after 2018. Please consult your tax advisor for additional information regarding this proposal.

NOTE 4: The tax rate applicable on the non eligible dividend is 47,14 %.

APPENDIX B

What gross return would you need on an investment of an equal sum to your premium paid to receive the after-tax equivalent of the health benefit?

		Company			Shareholder			Current scenario At age 65 8,55 %
End of year	Age	Premiums	CI Benefit	Death Benefit	Alternative Investment[1]	Alternative Investment Capitalization GIC at 3,00 %[2]	Health Benefit	Equivalent Capitalization
1	36	1 111 $	125 000 $	31 250 $	1 180 $	1 197 $		1 227 $
2	37	1 111 $	125 000 $	31 250 $	1 180 $	2 410 $		2 503 $
3	38	1 111 $	125 000 $	31 250 $	1 180 $	3 640 $		3 830 $
4	39	1 111 $	125 000 $	31 250 $	1 180 $	4 888 $	916 $	5 210 $
5	40	1 111 $	125 000 $	31 250 $	1 180 $	6 153 $	2 291 $	6 645 $
6	41	1 111 $	125 000 $	31 250 $	1 180 $	7 435 $	4 124 $	8 138 $
7	42	1 111 $	125 000 $	31 250 $	1 180 $	8 736 $	5 613 $	9 690 $
8	43	1 111 $	125 000 $	31 250 $	1 180 $	10 055 $	7 331 $	11 304 $
9	44	1 111 $	125 000 $	31 250 $	1 180 $	11 392 $	9 278 $	12 982 $
10	45	1 111 $	125 000 $	31 250 $	1 180 $	12 748 $	11 455 $	14 728 $
11	46	1 111 $	125 000 $	31 250 $	1 180 $	14 123 $	15 120 $	16 543 $
12	47	1 111 $	125 000 $	31 250 $	1 180 $	15 518 $	19 244 $	18 431 $
13	48	1 111 $	125 000 $	31 250 $	1 180 $	16 932 $	23 826 $	20 393 $
14	49	1 111 $	125 000 $	32 073 $	1 180 $	18 365 $	28 866 $	22 435 $
15	50	1 111 $	125 000 $	34 364 $	1 180 $	19 819 $	34 364 $	24 558 $
16	51	1 111 $	125 000 $	36 655 $	1 180 $	21 293 $	36 655 $	26 765 $
17	52	1 111 $	125 000 $	38 946 $	1 180 $	22 788 $	38 946 $	29 061 $
18	53	1 111 $	125 000 $	41 237 $	1 180 $	24 304 $	41 237 $	31 448 $
19	54	1 111 $	125 000 $	43 527 $	1 180 $	25 841 $	43 527 $	33 931 $
20	55	1 111 $	125 000 $	45 818 $	1 180 $	27 399 $	45 818 $	36 513 $
21	56	1 111 $	125 000 $	48 109 $	1 180 $	28 980 $	48 109 $	39 198 $
22	57	1 111 $	125 000 $	50 400 $	1 180 $	30 582 $	50 400 $	41 990 $
23	58	1 111 $	125 000 $	52 691 $	1 180 $	32 207 $	52 691 $	44 894 $
24	59	1 111 $	125 000 $	54 982 $	1 180 $	33 855 $	54 982 $	47 913 $
25	60	1 111 $	125 000 $	57 273 $	1 180 $	35 525 $	57 273 $	51 053 $
26	61	1 111 $	125 000 $	59 564 $	1 180 $	37 219 $	59 564 $	54 319 $
27	62	1 111 $	125 000 $	61 855 $	1 180 $	38 937 $	61 855 $	57 714 $
28	63	1 111 $	125 000 $	64 146 $	1 180 $	40 679 $	64 146 $	61 246 $
29	64	1 111 $	125 000 $	66 437 $	1 180 $	42 445 $	66 437 $	64 918 $
30	65	1 111 $	125 000 $	68 728 $	1 180 $	44 237 $	68 728 $	68 737 $

[1] Amounts shown net of tax for each party

[2] The alternative investment amount is obtained by adding the compounded interest (net rate of 3,00 % X (1 - 53,31 %) = 1,40 %) to the annual investment of 1 180 $, representing the shareholder's premium.

APPENDIX C

Rate of return on an alternative investment

Scenario when an EHP is in place

Company's premium	1 111 $
Shareholder's premium	1 180 $

Alternative investment assumptions

- The company pays a dividend equal to its disbursement to the shareholder.
- The shareholder then invests this dividend amount net of tax in addition to the equivalent amount of the shareholder premium.

		Shareholder investments
Dividend	1 111 $	
Tax	524 $	
Amount net of taxes	587 $	587 $
Shareholder premium		1 180 $
	Total invested	**1 767 $**

Therefore, a gross rate of return required on an alternative investment that is equivalent to the health benefit:

At age 65

3,48 %

68 728 $