

GUIDELINES FOR STRUCTURING AN AGREEMENT FOR CRITICAL ILLNESS INSURANCE SHARED OWNERSHIP ARRANGEMENT

This guideline is provided by SUN LIFE ASSURANCE COMPANY OF CANADA for use with a SUN CRITICAL ILLNESS INSURANCE. This draft contemplates only one scenario. It is generic in nature and should be amended to reflect the negotiations of the particular parties to the agreement.

This draft outline is provided for discussion and illustrative purposes only and for the assistance of legal counsel in preparing the actual legal documentation for this arrangement. It is not a complete agreement.

Those who are considering an arrangement that would involve this outline of an Agreement should consult their own tax and legal advisers with respect to their particular circumstances.

THIS AGREEMENT made the _____
Day Month Year

B E T W E E N: (*Define parties*)

YourBusiness.ca, (description of the corporation and the signing officer)

Critical Illness Insurance Benefit Owner

Maury Blaas, (description of the individual)

Insured and Return of Premium Benefit Owner

WHEREAS

- A.** The “Critical Illness Insurance Benefit Owner” and the “Return of Premium Benefit Owner” are sharing interests as co-owners in a Sun Critical Illness Insurance on the life of the “Return of Premium Benefit Owner” issued by Sun Life Assurance Company of Canada (the “Insurer”) and bearing Policy No 00000 (hereafter” the Policy”);
- B. Goals and Objectives:**
- C.** The parties above mentioned are desirous of entering into an agreement among themselves with respect to their rights and obligations in respect of “the Policy”;
- D.** The parties acknowledge that nothing in this Agreement shall be considered to add to or to vary the terms, conditions or any provisions of “the Policy”.

NOW THEREFORE THIS AGREEMENT WITNESSETH THAT:

ARTICLE 1— INTERPRETATION

1.1 Sample Defined Terms

For the purpose of this Agreement, the following terms shall have the respective meanings set out below: *(blanks are at the discretion of the legal counsel)*

“Critical Illness Insurance Benefit” means the face amount coverage subscribed under the Critical Illness Insurance Policy No 00000 described above and any modification to this amount under “the Policy”;

“Lapse of the Critical Illness Insurance Benefit” means the cancellation of the policy due to the default of payment of the “Critical Illness Insurance Benefit” premium that will cancel all the benefits attached, including the “Return of Premium Benefit” option;

“Lapse of the Return of Premium Benefit” means the cancellation of the return of premium option due to the default of payment of the premium of the “Return of Premium Benefit”;

“Premium” means a payment made into the Sun Critical Illness Insurance Policy including both the “Critical Illness Insurance Benefit” and the “Return of Premium Benefit”;

“Premium of the Critical Illness Insurance Benefit” means the premium applicable to the face amount “Critical Illness Insurance Benefit”;

“Premium of the Return of Premium Benefit” means the premium applicable to the selected “Return of Premium Benefit” option(s);

“Policy” means the critical illness insurance Policy No 00000 described in the preamble to this Agreement;

“Return of Premium Benefit” means:

- the “Return of Premium on Death (ROPOD)”
- the “Return of Premium on Expiry (ROPE)”
- the “Return of Premium on Cancellation (ROPC)”

as defined in the Policy No 00000 described above and in accordance with the “in force” policy selected option(s);

1.2 Currency

1.3 Sections and Headings

1.4 Number, Gender and Persons

ARTICLE 2 – CO-OWNERS’ INTEREST IN THE POLICY

2.1 Interest of the Parties

The “Critical Illness Benefit Owner’s” interest in the Policy is limited to

- the Policy Face Amount under the Critical Illness Insurance Benefit;
- the Return of Premium on Death;

The “Return of premium Benefit Owner’s” interest in the Policy is limited to the:

- Return of premium on Death
- Return of premium on Expiry
- Return of premium on Cancellation

in accordance with the option(s) selected in the Policy No 00000

2.2 Rights

Subject to any limitation provided in this Agreement, each party has the right of exclusive use and enjoyment with respect to its own interest in the Policy.

ARTICLE 3 — RIGHTS OF THE CO-OWNERS

While this Agreement is in effect:

3.1 Rights of the “Critical Illness Insurance Benefit” Owner.

(a) the “Critical Illness Insurance Benefit Owner” is entitled to receive the benefit under the “Critical Illness Insurance Benefit” or to designate a “Payee” (Beneficiary);

(b) the “Critical Illness Insurance Benefit” under “the Policy” shall be the sum of _____ dollars (\$ _____); (*Optional*)

3.2 Rights of the “Return of Premium Benefit Owner”.

The “Return of Premium Benefit Owner” is entitled to to receive the benefit or to designate a “Payee” (beneficiary) under the:

- Return of premium on Death
- Return of premium on Expiry
- Return of premium on Cancellation

Note: the “Return of Premium on Death” option shall be maintained with the “Critical Illness Insurance Benefit Owner” when indicated accordingly in the instruction directed to the Insurer.

ARTICLE 4 — PREMIUM PAYMENT

Note: The “Insurer” may claim the Policy Premium from either party. However, the parties should decide among themselves who shall pay for the “Critical Illness Insurance Benefit” and the “Return of Premium Benefit”.

4.1 “Critical Illness Insurance Benefit Owner”

The “Critical Illness Insurance Benefit Owner” is responsible to pay the portion of the premium applicable to the “Critical Illness Insurance Benefit”;

4.2 “Return of Premium Benefit Owner”

The “Return of Premium Benefit Owner” is responsible to pay the portion of the premium applicable to the “Return of premium” option(s) selected in “the Policy” No 00000;

If the Parties decide that the “Critical Illness Insurance Benefit Owner” is responsible to make the premium remittance for both parties, the “Return of Premium Owner” shall reimburse his portion of the premium within 30 days of the receipt of proof that the premium is paid and the policy is maintained in force.

If the Parties decide that the “Return of Premium Benefit Owner” is responsible to make the premium remittance for both parties, the “Critical Illness Insurance Benefit Owner” shall reimburse his portion of the premium within 30 days of receiving proof that the premium is paid and the policy is maintained in force.

Note: The default by one of the parties to pay for his portion of the benefit owned under” the Policy” can lead to adverse tax consequences. The CRA may assess a benefit to a shareholder or to an employee depending on the circumstances.

4.3 Timing of Payment

The premium shall be paid in a timely way in accordance with the payment schedule provided by the “Insurer”;

4.4 Default of payment

If the “Critical Illness Insurance Benefit Owner” is in default of any payment required to maintain “the Policy” in force within the specified time allowed in the policy, the “Return of Premium Benefit Owner” is entitled to make the payment to maintain or to reinstate “the Policy” within the conditions and time allowed in “the Policy”. The “Return of Premium Benefit Owner” is entitled to enforce the reimbursement of the premium paid in such circumstances.

If the “Return of Premium Benefit Owner” is in default of any payment required to maintain the “Return of Premium Benefit” in force within the specified time allowed in “the Policy”, the “Critical Illness Insurance Benefit Owner” is entitled to make the payment to maintain or to reinstate the Policy within the conditions and time allowed in “the Policy”. The “Critical Illness Insurance Benefit Owner” is entitled to enforce the reimbursement of the premium paid in such circumstances.

4.5 Notice of cancellation

The “Critical Illness Insurance Benefit Owner” shall give written notice to the “Return of Premium Benefit Owner” with his intention to cancel or lapse the policy within a reasonable time but not less than 15 days with regards to “the Policy” conditions to allow the “Return of Premium Benefit Owner” to maintain “the Policy” in force or to reinstate “the Policy”, whichever applies;

The “Return of Premium Benefit Owner” shall give written notice to the “Critical Illness Insurance Benefit Owner” with his intention to cancel or lapse the “Return of Premium Benefit” within a reasonable time but not less than 15 days with regards to “the Policy” conditions

to allow the “Critical Illness Benefit Owner” to maintain “the Policy” in force or to reinstate the “Return of Premium Benefit”, whichever applies;

4.6 Policy charges

Note: The Insurer may claim “the Policy” charges including premium and taxes from either party. However, the parties should decide among themselves who shall pay for the Policy charges such as administration fees and taxes, if any.

ARTICLE 5 — PAYEES or BENEFICIARIES

5.1 Payee (Beneficiary) Designation for the “Critical Illness Insurance Benefit Owner”

The “Critical Illness Insurance Benefit Owner” shall designate the “Payee” (beneficiary) of the critical illness insurance benefit under the conditions provided by “the Policy”;

5.2 Payee (Beneficiary) Designation for the “Return of Premium Benefit Owner”

The “Return of Premium Benefit Owner” shall designate the payee (beneficiary) of the “Return of Premium Benefit” according to the provisions in “the Policy”.

ARTICLE 6 — DURATION AND RENEWAL OF THE AGREEMENT

Note: Residents of Quebec – the parties of a co-ownership agreement should determine a term during which partition would not be permitted. This term should not exceed thirty years (Ref: Article 1013 Q.C.C)

ARTICLE 7 — POLICY TRANSACTIONS

7.1 Absolute Assignment (change of ownership) (optional)

Before a Party sells that Party’s interest to a third party having a proper interest in the health of the insured, the transferring Party shall provide to the other Party a pre-emptive right to acquire the transferring Party’s interest by providing to the other Party the terms and conditions of the transfer (the “Offer”) and the other Party shall have a 30-day option to purchase the transferring Party’s interest on the same terms and conditions contained in the Offer.

Note: The transfer of an interest in a critical illness insurance policy to a third-party could trigger adverse tax consequences. It is highly recommended to obtain an opinion from a tax expert for a thorough examination of all the consequences.

7.2 Other Rights, Options and Privileges

The “Critical Illness Benefit Owner” and the “Return of Premium Benefit Owner” shall be entitled to exercise jointly all other rights, options and privileges given to the policyholder under “the Policy” or under applicable law that are not specifically dealt with in this Agreement unless one Party has given to the other Party a power of attorney authorizing the exercise of such rights by the other Party.

ARTICLE 8 — TERMINATION

8.1 Circumstances of Termination

This Agreement shall terminate upon the occurrence of any one of the following events:

- (a) the written agreement of the Parties ;
- (b) the bankruptcy, insolvency or winding-up of the “Critical Illness Insurance Benefit Owner” or of the “Return of Premium Benefit Owner”;
- (c) the termination of employment unless, notwithstanding the occurrence of this event, the parties agree in writing to keep this Agreement in force;
- (d) the termination of “the Policy”;
- (e) the cancellation of “the Policy”.

8.2 Upon termination of this Agreement, the “Return of Premium Benefit Owner” may purchase the interest of the “Critical Illness Insurance Benefit Owner” in “the Policy” subject that:

- (a) within thirty (30) days following the day on which this Agreement terminates, the “Return of Premium Benefit Owner” shall pay to the “Critical Illness Insurance Benefit Owner” that portion of the amounts paid by the “Critical Illness Insurance Benefit Owner” representing the value of “the Policy”, if it is the “Return of Premium Benefit Owner’s” desire to retain the Policy;

If the “Return of Premium Benefit Owner” does not exercise this option, it is agreed that:

- (b) the “Return of Premium Benefit Owner” will assign to the “Critical Illness Benefit Owner” the “Return of Premium Benefit” for the value to be determined between the Parties, if it is the “Critical Illness Insurance Benefit Owner’s” desire to retain the Policy;

Note: The transfer to a third party of a “Critical Illness Insurance Policy” or of a “Return of Premium Benefit” option could trigger adverse tax consequences. It is highly recommended to obtain an opinion from a tax expert for a thorough examination of all the consequences.

ARTICLE 9 — DEFAULT

ARTICLE 10— GENERAL PROVISIONS

10.1 Notice

Notice and correspondence shall be addressed to the parties to this Agreement as following:

“Critical Illness Insurance Benefit Owner”

Name

Address

“Return of premium Benefit Owner”

Name

Address

The Parties formally undertake to notify each other for any changes in the above mentioned information as soon as possible but in any case no later than within five (5) days following the changes;

10.2 Applicable Law

The Law applicable to the present Agreement is the Law of the Province of

10.3 Resolution of Conflict (mediation, arbitration and litigation)

10.4 Severability

10.5 Successors and Assigns

10.6 Language of the “Agreement”.

IN WITNESS WHEREOF