

*Quadrant Estate and Insurance Services (“QEIS”) is an independent insurance brokerage firm working with Quadrant Private Wealth to provide innovative insurance solutions to clients. With decades of combined experience, our insurance specialists are here to offer a complete portfolio of life and health insurance solutions to cover short-term needs and sophisticated corporate tax and involved estate planning.*

The COVID-19 Pandemic has affected every industry, closing most service businesses and rapidly changing consumer behavior and the demand for products. So, what about the life insurance industry? At a time when people are thinking about their health and their financial situation more than usual, concerned family members may be asking, “Can I buy life or health insurance while COVID-19 is going on? Is it possible to review my insurance while in the middle of a pandemic, and add to it if I should?”

The answer is **yes**. The following information will be of interest to any clients considering an insurance review:

- All Canadian life insurance carriers are open for business. They are all accepting new applications for life, disability, critical illness and long-term care insurance.
- All companies are using electronic applications and signatures so that clients can apply for insurance from the comfort of their own homes without meeting face to face with advisors.
- All companies have added exclusions to their application process to say ‘*in the event you contract COVID-19 and die from it within 30 days of accepting this policy, you will only receive a refund of premiums paid*’. A future outbreak of COVID-19 would be recognized as a covered condition with your policy.
- Many insurers have raised their limits for approving policies without any medical underwriting tests and/or giving blood and urine samples. For the first time, applicants under age 50 can apply for up to \$2 million of life insurance with no medical testing. For those under age 60, the non-medical limit is now \$1 million. Higher non-medical limits are available for older ages as well.
- Paramedical companies temporarily halted underwriting testing services to protect their nurses. As a result, companies are waiving some standard tests for healthy individuals.
- One insurer, known for Guaranteed Issue Life Insurance, has just launched the first Guaranteed Issue Critical Illness Insurance paying up to **\$100,000** if policyholders suffer from a life-threatening **cancer** or **heart disease**.

## How are life insurance companies assisting their policy holders during the COVID-19 pandemic?

All companies have announced that those suffering financial loss due to COVID-19 restrictions should contact their insurance broker or the insurance company directly through their customer support line. Most companies are offering to extend the lapse period for failing to pay a premium up to three months to help struggling families. Group Insurers have lowered dental and health insurance premiums, and most companies are deferring annual group plan renewals until after the COVID crisis has subsided.

## Are Canadian insurance companies in financial trouble?

**No.** The life insurance industry is one of the most closely regulated industries in Canada. Their investments are strictly regulated by the Office of the Superintendent of Financial Institutions (OSFI) for solvency and financial soundness. Our insurance companies, like all of our banks, are among the strongest financial institutions in the world and are managed to weather this storm.

## What about the cash value and returns in my Whole Life and Universal Life Policies?

Account values in **Universal Life** policies are based on the investment mix selected by the client and their advisor. Those in equity and bond investments will see volatility in line with the capital markets. Many policies that have been in force for over 10 years offer attractive minimum or floor interest rates for GIC investments within the policy, which can often be higher than market interest rates otherwise available. In most cases, returns earned within the policy will be tax sheltered. In many instances, policies can receive large additional deposits and take advantage of both the tax-shelter and the floor interest rates on GIC investments.

Holders of **Whole Life** policies cannot select how the cash value of their policy is invested. Rather, the cash value is invested in a participating account which is managed and invested by the insurance company. The ultimate investment is typically a conservative globally balanced portfolio comprised of a diversified range of fixed income, equity and real estate components. In order to reduce the impact of short term volatility the insurance company spreads the gains and losses on the portfolio over time, a process called smoothing. This results in a more stable return on cash values (essentially the long term average) which results in more stable annual policy dividends to each policy. Dividend rates are typically set for an entire year.

Insurance companies pay annual dividends to **Whole Life Policies** based upon three trends/factors: mortality expense, operational expense, and rate of return in their participating (whole life) investment pool. In setting mortality charges and annual dividend rates, insurance companies use conservative assumptions based upon long term experience. If the performance of the participating account is negative over the short term, this may result in a reduction in the level of dividends paid on cash values. That said, cash values of whole life policies will not go down in value. Dividends on whole life policies have remained stable and relatively level for the past few years. Large reductions in dividend rates are not expected as:

- The deaths from COVID-19, though tragic, are not expected to significantly increase mortality rates relative to the whole population.
- Insurance companies have had to adapt investment of whole life investment pools within a declining interest rate environment for 40 years

Quadrant Estate and Insurance Services remains open for business and available to assist you with your insurance needs. Contact your Private Wealth Manager or our QEIS specialists, Tannis Leach or Doug Markewich, to discuss your insurance review or consolidation.

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