

DISABILITY INSURANCE FOR BUSINESS OWNERS AND THE SELF-EMPLOYED



Independence, freedom and being your own boss are the main reasons why people become business owners or self-employed.

- There are over 630,000 businesses in Canada with 1 to 4 employees.¹
- Self-employed workers account for 15% of total employment in Canada with a total of 2.8 million.²

¹ Based on data from ISED, Innovation, Science and Economic Development Canada, 2018.

² Statistics Canada, 2020.

Business owners and self-employed workers have a special status in that they are responsible for their own livelihood and the survival of their business. What if an accident or illness prevents them from working?

Needs to be met as a business owner

- **Personal income replacement insurance** ➔ To replace the business owner's loss of income in the event of disability
- **Business overhead expense insurance** ➔ To cover the expenses of the business, to avoid bankruptcy, until the business reaches its cruising sales again
- **Individual personal loan insurance** ➔ To cover the business owner's personal loans
- **Corporate loan insurance** ➔ To cover the company's loans

iA Financial Group offers a complete range of insurance products, including business owner and self-employed income replacement, business overhead expenses and creditor insurance.

Income replacement

This insurance allows the business owner or self-employed worker to maintain their personal lifestyle in the event of disability.

Available products	Income replacement coverage	Age at issue	Maximum monthly benefit	Benefit period	Waiting period
Superior Program (underwritten)	<ul style="list-style-type: none"> — Disability in case of accident or illness — Disability in case of accident only 	Age 18 to 59	<ul style="list-style-type: none"> — 4A: up to \$10,000 — 3A: up to \$8,000 — 2A, 1A, B and C: up to \$6,000 — Minimum \$500, in \$100 increments 	2 years 5 years Up to age 65	14/14+, 30/30+, 60/60+, 90/90+, 119/119+ days (+ = from the 1st medical consultation in the case of an accident)
Acci-Jet Program (simplified issue)	<ul style="list-style-type: none"> — Disability in case of accident or soft tissue injury — Disability in case of illness (optional) 	Age 18 to 69	<ul style="list-style-type: none"> — \$500 to \$6,000 for all occupation classes 	2 years 5 years Up to age 70	0, 30, 119 days

The eligible monthly disability benefit is calculated on the basis of annual income:

- **for a self-employed worker:** the annual income as shown on one of the following lines of the T1 General: 135, 137, 139, 141 or 143
- **for a business owner:** the annual income as indicated on line 101 of the T1 General and on line 9369 of the T2125 (Statement of Business or Professional Activities).

If this information is not available, we offer an alternative method that takes the maximum of one of the following two ways to calculate income:

- 1 **Net income** = Net business revenue + salary of the insured
- 2 **Gross income** = [Gross business revenue - cost of products - employee salaries] * 50%



Annual income to be considered = the higher of 1) and 2).

The method for calculating gross income cannot be guaranteed, however, the method for calculating net income can be. If the policyholder wishes the benefit to be paid to the company, they must designate a beneficiary in the insurance application. Otherwise, the benefit will be paid to the insured.

- Net business revenue is the revenue generated by the company after business expenses and before various taxes and mandatory government contributions for a full fiscal year.
- Employee salaries include employee benefits.
- Cost of products, also called cost of contracts or cost of goods sold, refers to all disbursements incurred for the performance of work or professional services, including inventories, subcontracting and lease and maintenance of equipment or rolling stock as well as any expenses or disbursements incurred on behalf of clients.

Business overhead expense insurance

This insurance allows the business to avoid bankruptcy and to remain in operation during the period of disability of the owner, shareholder or self-employed worker. It covers the salaries of other employees and various fixed operating costs.

Available products	Business overhead expense coverage	Age at issue	Maximum monthly benefit	Benefit period	Waiting period
Superior Program (underwritten)	<ul style="list-style-type: none"> — Disability in case of accident or illness — Disability in case of accident only 	Age 18 to 59	<ul style="list-style-type: none"> — \$500 to \$6,000 per \$100 increments — For all occupation classes 	24 months	30/30+ days (+ = from the 1st medical consultation in the case of an accident)
Acci-Jet Program (simplified issue)	<ul style="list-style-type: none"> — Disability in case of accident or soft tissue injury — Disability in case of illness (optional) 	Age 18 to 69			30 days

Notes: Any successive period of total disability separated by less than 6 months for occupation classes 2A, 1A, B, and C, and by less than 12 months for occupation classes 4A and 3A, due to the same causes as the preceding period of total disability, is considered a single total disability. Overhead expense insurance does not apply to any disability period during which the primary insured or his/her associates no longer incur overhead expenses due to the sale, closure, winding-up, bankruptcy or assignment of the business.



Eligibility of overhead expenses

Overhead expenses obviously vary from business to business, but here are the broad outlines.

ELIGIBLE

Rent
Water and electricity
Heating and other public utilities
Telephone (service, internet, equipment rental and related taxes)
Laundry and other fixed office maintenance fees
Accounting services
Employee salaries (up to 3 employees)
Business taxes and property taxes
Postage
Interest on mortgage or business loan
Licence
Membership fees for a professional association
Insurance on company property and liability insurance
Leased equipment (computer, photocopier, etc.)
Other regular, fixed costs necessary for the operation of the business
Vehicle rental or interest on purchase of a vehicle + depreciation (if essential for performance of duties)
Cost of auto insurance and vehicle registration

NOT ELIGIBLE

Salary or fees of the primary insured or his/her replacement
Cost of goods pertaining to the profession
Stationery, articles, books, materials or supplies pertaining to the profession
Appraisals
Publicity, advertising and expense accounts
Long distance telephone calls
Bad debts
Courtroom and bailiff expenses
Professional training
Courier services
Use of vehicle to get to work
Parking, gas and travel expenses
Vehicle maintenance costs
Bank charges and overdraft interest
Non-fixed maintenance and repair costs
Cost of apparatus and instructions required for the profession

Note: for a business with more than 3 employees, no deduction of salaries is eligible.

Creditor insurance

To maximize your clients' disability coverage, suggest that they add Universal Loan Insurance to their income replacement and/or business overhead expense insurance. This will allow them to cover their monthly personal and/or business loan payments up to \$5,000 per month, which is a non-integrated benefit.

Product available	Personal and commercial loan protection	Age at issue	Maximum monthly benefit	Benefit period	Waiting period
Universal Loan Insurance (underwritten)	Disability due to accident and illness	Age 18 to 59	\$300 to \$5,000 per \$50 increments	2 years 5 years Up to age 65	30/30+, 60/60+. 90 to 90+ days (+ = from the 1st medical consultation in the case of an accident)

CASE STUDY

Mia, registered massage therapist

Age 26, self-employed,
non-smoker, occupation class 2A.

Works 3 days/week in a clinic
and 2 days/week at home.



Cost of products

Linen costs	\$1,200
Laundry costs	\$11,950
Essential oils	\$8,000
Uniforms	\$495
Massage tools	\$1,200
Professional and general liability, property insurance ¹	\$2,150
Accounting services ³	\$1,500
Rental at home (20% of mortgage x 12 months)	\$4,560
Commercial rental ³	\$14,400
Masks, hand sanitizer and cleaning products	\$1,425
Massage rollers and other therapeutic items for sale	\$1,250
Cell phone and Internet ³	\$1,140
Electricity and municipal taxes (home) (20% of \$4,640) ³	\$920
Advertising	\$2,500
Total cost of products	\$52,690

¹ Eligible overhead expenses (\$20,110 in total)

Gross income

Gross business revenue	\$196,373
(-) Cost of products	\$52,690
(-) Salaries and social contributions	\$0
Total	\$143,683
50% of total	\$71,842

Net income

Net business revenue	\$15,000
(+) Mia's salary	\$67,000
Total	\$82,000

Commercial line of credit

Amount	\$20,000
Monthly payments	\$500

Mortgage (residence)

Purchase price	\$400,000
Monthly payments	\$1,900
(20% of space allowed for business)	

Car loan

Purchase price	\$31,000
Monthly payments	\$350

Maximized coverage in case of disability

Mia's net income > gross income, so annual income = \$82,000. Maximum admissible benefit = \$4,500. Annual eligible overhead expenses = \$20,110 or \$1,600/month.

Product	Detail	Benefits	Waiting period	Benefit period	Insured amount	Monthly premium ¹
Superior Program	Income replacement	Non-integrated ²	30 days	To age 65	\$1,200	\$118.82
		Integrated ⁵	90 days	To age 65	\$3,300	
	Overhead expenses		30 days	2 years	\$1,600	\$32.90
Universal Loan Insurance	Commercial needs	Line of credit	30 days	2 years	\$500	\$7.65
	Personal needs	Mortgage loan ⁵	90 days	To age 65	\$1,900	\$41.23
		Car loan ³	30 days	5 years	\$350	\$9.00
TOTAL					\$8,850	\$209.60

¹ Includes savings on policy fees

² Regular occupation 65 years, premiums up to age 65

³ Regular occupation 5 years, premiums 5 years

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