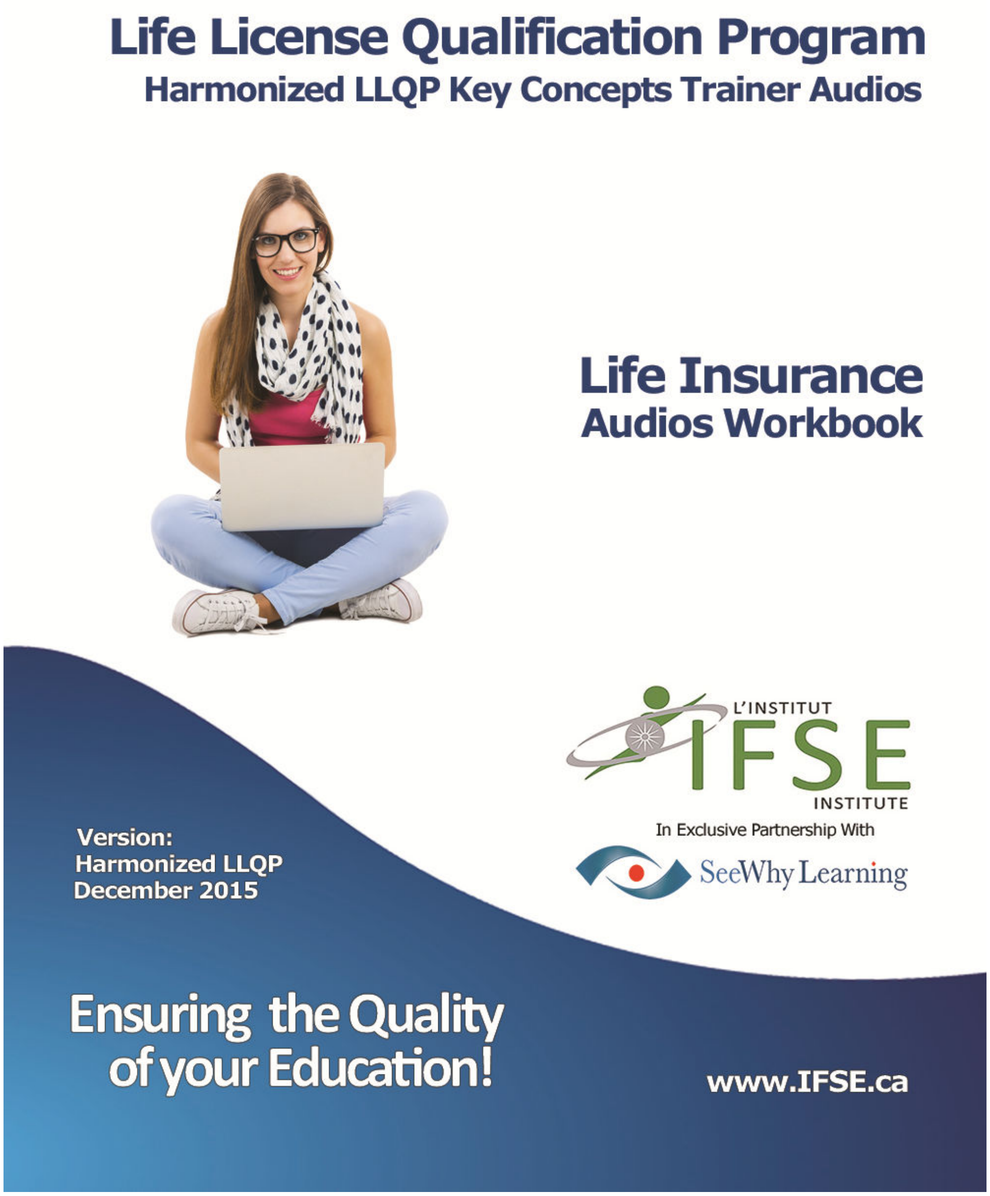
IMPORTANT NOTE

The workbook is designed to help you keep your own notes as you listen to the audio lessons.

If you don't have a printer, go to the previous page and click on the link to open the workbook in a new browser window.



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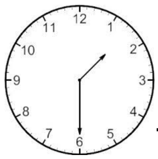
LIFE Lesson 1: Parties to an Insurance Contract



This audio lesson is 5 minutes and 3 seconds long.

What is Life Insurance?

Life insurance is a contract in which the insurer will pay a death benefit to the beneficiary if the life insured dies while the policy is still in force.

Consider the following example: Sarah is a single mom who has a 5-year-old daughter named Mandy. As a single mom, she worries about who would take care of Mandy in the event that Sarah were to die before Mandy reaches the age of 18. Sarah knows that Mandy's grandmother would care for Mandy, but her grandmother does not have the financial resources to do so effectively. What would be the solution?

<u>The solution</u>: life insurance.

Sarah bought a $500,000 life insurance policy from ABC Insurance Company on her own life. If Sarah dies while the policy is in force, then the death benefit would be payable to Mandy's grandmother, who would use the money to take care of Mandy.

Insured (Policy Holder): Sarah

Life Insured: Sarah

Beneficiary: Mandy's Grandmother

Let's try another example:

Steve bought a life insurance policy on his wife's life from XYZ Insurance Company. If his wife dies while the policy is still in force, $250,000 would be paid to his wife's favourite charity, the Heart and Stroke Foundation.

Notes

Who is the:

Insured: ______________________________________
Life Insured: ______________________________________
Beneficiary: ______________________________________

What is the difference between a "two-party contract" and a "third-party contract"?

____
____

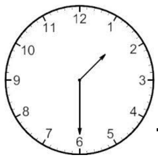
Is Sarah's policy a "two-party contract" or a "third-party contract" and why?

____
____

Is Steve's policy a "two-party contract" or a "third-party contract" and why?

____
____

LIFE Lesson 2: Temporary versus Permanent Insurance



This audio lesson is 4 minutes and 1 second long.

There are two basic categories of life insurance:

1. Temporary
2. Permanent

This is because a person's need to buy life insurance is either a temporary one (the need will go away by a certain date) or a permanent one (the person does not know when the need will go away).

What question should you ask yourself when trying to determine if it is a permanent insurance need?

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____

Example of a temporary insurance need:

____

____

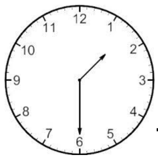
Example of a permanent need:

____

____

Notes

LIFE Lesson 3: How Does Term Insurance Work?



This audio lesson is 2 minutes and 47 seconds long.

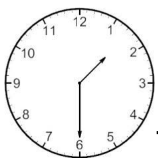
In what way is car insurance similar to term insurance?

What is term insurance and how does it work?

- Term insurance is a lot like car insurance in that it is “pure insurance”.
- With car insurance you will only receive a benefit from the policy (other than peace of mind) if you have an accident during the term.
- Similarly with term insurance, you will only receive a benefit from the policy if you die during the term of the policy.

Notes

LIFE Lesson 4: Advantages & Disadvantages of Term Insurance


This audio lesson is 4 minutes and 21 seconds long.

What are some advantages of term insurance?

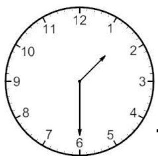
- ______________________________
- ______________________________
- ______________________________
- ______________________________

What are some disadvantages of term insurance?

- ______________________________
- ______________________________
- ______________________________

Notes

LIFE Lesson 5: Increasing / Decreasing / and Level Term



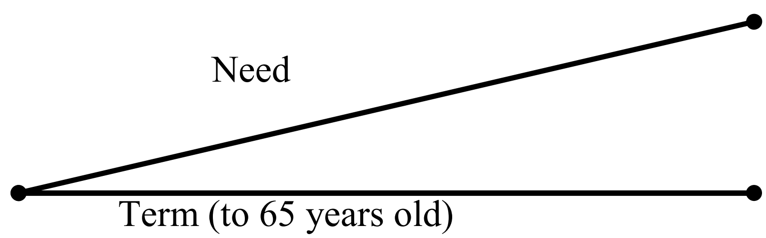
This audio lesson is 4 minutes and 47 seconds long.

Increasing Term Insurance

Fill in the blanks with “increases”, “decreases” or “remains level”:

With increasing term insurance, the coverage _______________ on each anniversary date, and the premium _______________.

Illustration:



Provide an example of an insurance need for which an increasing term would be appropriate:

____
____
____

Decreasing Term Insurance

Fill in the blanks with “increases”, “decreases” or “remains level”:

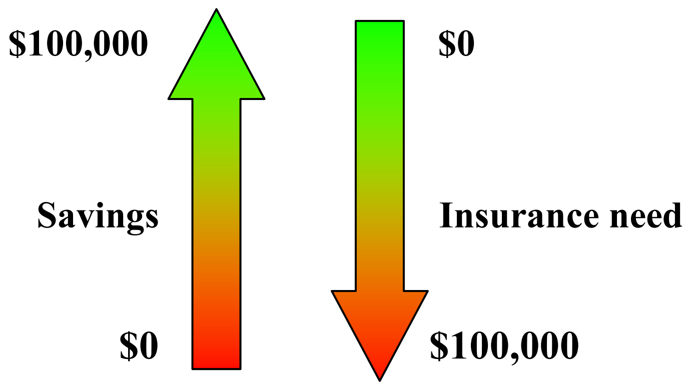
With decreasing term insurance, the coverage _______________ on each anniversary date, and the premium _______________.

Notes

Provide an example of an insurance need for which decreasing term would be appropriate:

Example of using insurance to address education fund for a newborn child:

If the parent dies in 18 years



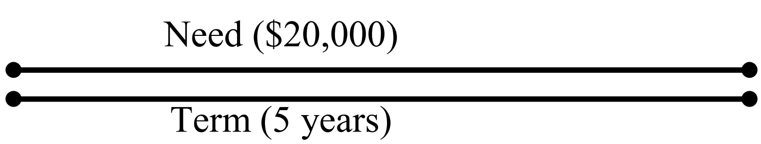
If the parent dies today

Level Term Insurance

Fill in the blanks with "increases", "decreases" or "remains level"…

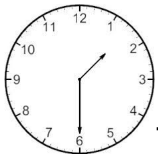
With level term the coverage, the coverage ________________ on each anniversary date, and the premium ________________.

Illustration:



Provide an example of an insurance need for which level term insurance would be appropriate:

LIFE Lesson 6: Level Premium Approach


This audio lesson is 3 minutes and 31 seconds long.

Consider two individuals who live very similar lifestyles, except that one is a 20-year-old male and the other is a 50-year-old male.

Which one of these two individuals would you bet is more likely to die this year and why?

Level Premium Approach for 5-Year Term Insurance

Before we discuss this approach, please take note of the following:

1. The numbers below are purely fictional and for informational purposes only.
2. This explanation is over-simplified; a basic understanding of this process is all that is required for exam purposes.

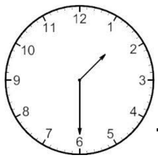
Cost of insurance in:

Year 1: $20.00 per month
Year 2: $21.00 per month
Year 3: $23.50 per month
Year 4: $23.75 per month
Year 5: $24.00 per month

Notes

- So how would the insurance company level out the premiums?
- By calculating the average of these numbers, which would be $22.45.
- But, that is not what the insurance company would charge you. Instead, the insurance company would give you a discounted rate because you are paying money early and the insurance company knows that it will be able to earn interest on that money. Perhaps the level premium over the 5 years would be $22.00 per month, for example.
- Make a note that *term insurance does not have a cash value*. Therefore, if the insured cancels the policy at any point, any excess money paid in the early years is not refunded.

LIFE Lesson 7: Renewable Term Insurance



This audio lesson is 3 minutes and 10 seconds long.

Two features that can be added to a term insurance policy in exchange for a slightly higher premium are the renewable and convertible options. Let’s first discuss the renewable feature.

Renewable Term Insurance

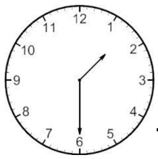
What is renewable term insurance?

Some renewable term policies have a re-entry term. Describe a re-entry term:

What happens if, upon renewal, the life insured is no longer in good health and would otherwise be considered uninsurable?

Notes

LIFE Lesson 8: Convertible Term Insurance



This audio lesson is 3 minutes and 50 seconds long.

What is a convertible rider?

The convertible option does not lock in the “rate”; it locks in the “insurability” of the life insured. What does this mean?

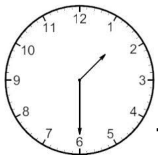
Convertible Rider in Action

Consider the following example: Graeme needs $1,000,000 in permanent insurance based on a complete needs analysis performed by his insurance agent. After pricing out the various permanent insurance policies available, Graeme realized that he could not afford even the cheapest permanent policy.

What should Graeme's agent recommend?

Notes

LIFE Lesson 9: Joint Life Insurance Policies



This audio lesson is 2 minutes and 31 seconds long.

Consider the following example: Al and Peggy just got married. They purchased a $500,000 home and financed much of it using a mortgage loan. In the event that either of them was to die, they would like the mortgage to be paid in full.

What type of insurance policy would you recommend?

____
____

When is a joint-policy appropriate?

____
____
____

When would you recommend a "joint-first to die policy" versus a "joint-last to die policy"?

____
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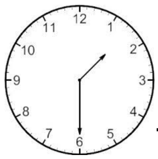
Notes

LIFE Lesson 10: Summary of Term Insurance



This audio lesson is 4 minutes and 45 seconds long.

Before moving on to permanent insurance, let's review and practice identifying if an insurance need is a permanent or a temporary one.

Below each of the following scenarios, indicate whether you think the scenario is describing a temporary or a permanent insurance need.

Scenario #1: Fred wants to ensure that his loved ones will have enough money to cover the costs of his funeral when he dies.

Scenario #2: Lisa owns a cottage that she wants to leave to her children when she dies. The cottage currently has a mortgage registered against it and Lisa would not want her children to have to deal with mortgage payments.

Scenario #3: Julie owns a cottage that she bought for $100,000 and is now worth over $1,000,000. The cottage is not her principal residence, and therefore, it will be subject to capital gains tax when she sells it or if she were to die. She wants to leave the cottage to her children when she dies, but she does not want to burden them (or her estate) with a large tax bill.

Notes

Scenario #4: Gertrude is saving for her grandson's education. She worries about what would happen if she died before her grandson graduated high school because she would not have had enough time to save the required amount for his education.

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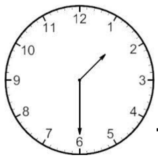
LIFE Lesson 11: Permanent Insurance Introduction


This audio lesson is 3 minutes and 15 seconds long.

What is permanent insurance?

As long as you continue to pay the premium, you will always have coverage. At age 100, the premium typically stops, but your coverage continues.

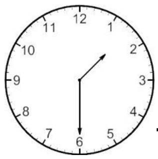
What are some permanent insurance needs?

What are three main types of permanent life insurance policies? (Put them in order of least expensive to most expensive.)

1. ____________________
2. ____________________
3. ____________________

Notes

LIFE Lesson 12: T-100



This audio lesson is 3 minutes and 48 seconds long.

What is Term to 100? (For the purposes of the exam, you need to know 5 bullet points.)

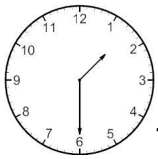
1. ______________________________
2. ______________________________
3. ______________________________
4. ______________________________
5. ______________________________

What happens if the life insured lives to be age 100?

____
____
____
____
____
____

Notes

LIFE Lesson 13: Traditional Whole Life Insurance


This audio lesson is 6 minutes and 18 seconds long.

Consider the following example: Adam was 40 years old when he bought a $100,000 whole life policy. His monthly premium is $185 per month.

What 3 things would the insurer have had estimated when setting the premium?

1. ______________________________
2. ______________________________
3. ______________________________

What things does the insurer guarantee when issuing a whole life policy?

1. ______________________________
2. ______________________________
3. ______________________________

What happens to the cash value by age 100?

____

____

When the life insured dies, does the insurance company pay out the "face value" or the "face value plus cash value"?

____

____

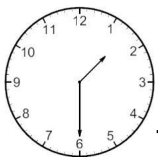
A variation of traditional whole life insurance is "adjustable whole life" insurance. How is this policy different from a traditional whole life policy?

____

____

Notes

LIFE Lesson 14: Non-Forfeiture Options on a Whole Life Policy



This audio lesson is 4 minutes and 9 seconds long.

Continued from the example in the previous audio…
It is a number of years later and Adam's **$100,000 whole life policy** has a cash value of $10,000. His **$185** monthly premium is payable until Adam dies or until he reaches age 100.

Describe the non-forfeiture options available to Adam using our **Memory Aid**: C.A.R.E.

C: ________________

____

____

____

A: ________________

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____

____

R: ________________

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____

____

E: ________________

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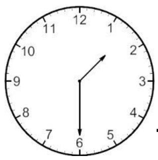
Notes

LIFE Lesson 15: Participating Insurance



This audio lesson is 4 minutes and 15 seconds long.

Before discussing participating insurance, let's revisit how the premium is set on a whole life policy.

Recall our example: Adam was 40 years old when he bought a $100,000 whole life policy. His monthly premium is $185 and is payable until he (the life insured) dies, reaches age 100, or until the policy is cancelled. The premium is guaranteed to never increase!

What 3 things would the insurer have had estimated when setting the premium?

1. ____
2. ____
3. ____

What is a "surplus"?

What happens if there is a surplus in a **Participating Insurance** policy?

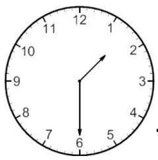
Notes

What happens if there is a surplus in a **Non-Participating Insurance** policy?

What can be done with the dividends?

Can the dividend option be changed after a policy has already been issued?

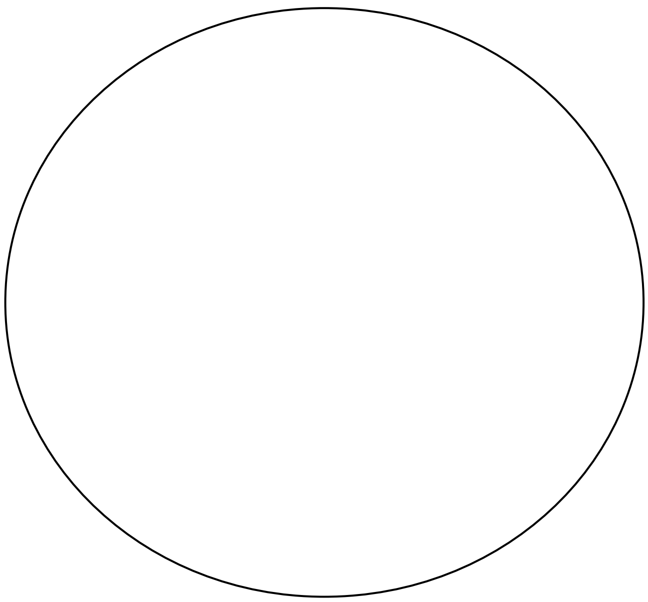
LIFE Lesson 16: Paid-Up Additions Dividend Option



This audio lesson is 3 minutes and 40 seconds long.

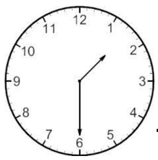
Paid-Up Additions Dividend Option - "Parent Policy"

Notes



- Take notes based upon the audio LIFE Lesson on this dividend option.

Lesson 17: Introduction to Universal Life Insurance

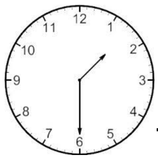


This audio LIFE Lesson is 1 minute and 45 seconds long.

After listening to the audio lesson for this section, write down your goals and expectations for this section of the course below…

Notes

LIFE Lesson 18: Why Universal Life Insurance was Created



This audio lesson is 4 minutes and 30 seconds long.

Before discussing universal life (UL) insurance, it is important to do a quick review of whole life insurance so that we can understand why UL insurance was created in the first place.

Quick Review of Whole Life

Recall our example: Adam was 40 years old when he bought a $100,000 whole life policy. His monthly premium is $185 and is payable until he (the life insured) dies, reaches age 100, or until the policy is cancelled. The premium is guaranteed to never increase!

What 3 things would the insurer have had estimated when setting the premium?

1. ______________________________
2. ______________________________
3. ______________________________

Now, think back to the interest rate environment in the 1980s. At that time, how do you think prospective insurance clients may have viewed universal life insurance?

____
____
____
____
____
____
____
____

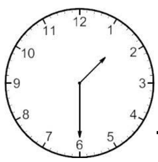
Notes

However, there was a down side to this approach…

If you were to sum up universal life insurance in one sentence, what would it be?

- - - Notes - - -

LIFE Lesson 19: Universal Life Insurance is an "Unbundled" Policy



This audio lesson is 4 minutes and 58 seconds long.

Universal Life Insurance is an "unbundled" insurance product.

What does this mean?

When setting up a universal life insurance policy, everything is "unbundled" and the client gets to make certain choices.

What are those 4 choices?

1.

2.

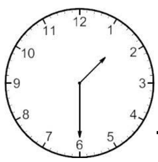
3.

4.

Notes

- - - Notes - - -

LIFE Lesson 20: UL Mortality Costing - Term-to-100 (LCOI) vs. Yearly Renewable Term



This audio lesson is 6 minutes and 10 seconds long.

Mortality charge is based upon the Net Amount At Risk (NAAR) to the insurer.

In order to understand NAAR, let's look at some examples.

Practice on the Net Amount At Risk (NAAR):

Scenario #1: Sarah bought a universal life insurance policy with a face value of $100,000. The policy will pay out the face value amount upon death. What would the net amount at risk be to the insurer if the cash value were currently $20,000?

Net Amount At Risk (NAAR) = Death Benefit – Cash Value

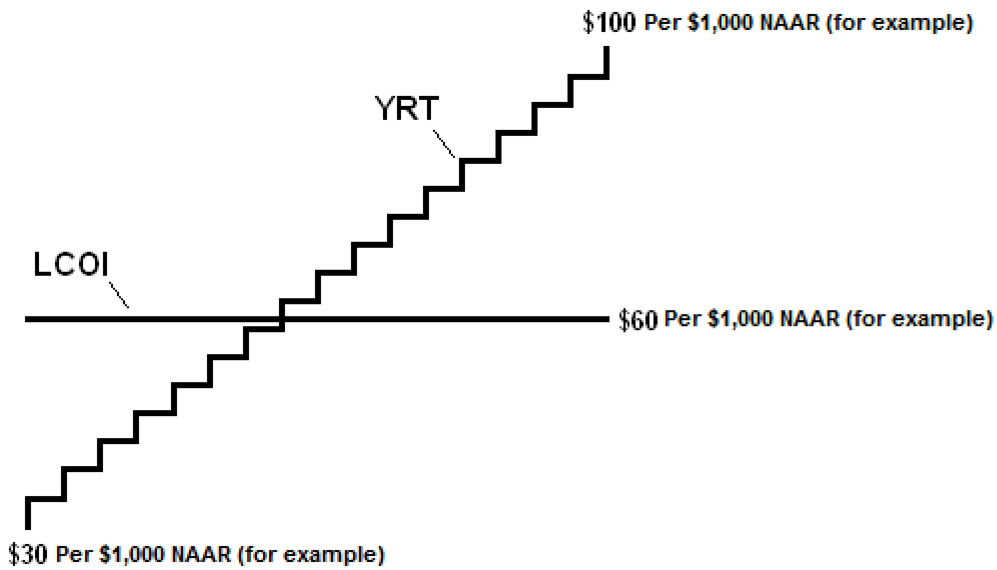
____
____
____

Scenario #2: James bought a universal life insurance policy with a face value of $100,000. The policy will pay out the face value plus cash value at death. What would the net amount at risk be to the insurer if the cash value is currently $20,000?

Net Amount At Risk (NAAR) = Death Benefit – Cash Value

____
____
____

Notes


$100 Per $1,000 NAAR (for example)
YRT
LCOI
$60 Per $1,000 NAAR (for example)
$30 Per $1,000 NAAR (for example)

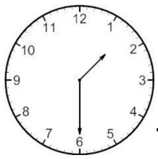
1. ______________________________

2. ______________________________

3. ______________________________

4. ______________________________

LIFE Lesson 21: Exempt vs. Non-Exempt Policies



This audio lesson is 6 minutes and 55 seconds long.

Is the death benefit on a life insurance policy subject to tax?

Are the investment earnings within a life insurance policy subject to tax or are they tax sheltered?

While the actual test is quite complex, how did the trainer define the "test" in layman's terms?

What is an "Exempt Policy"?

What is a "Non-Exempt Policy"?

Notes

Is the death benefit on a non-exempt policy subject to tax?

Terminology that you should be familiar with:

"20 pay life"

"Endowment"

"Fully funded UL policy"

"Minimum funded UL policy"

LIFE Lesson 22: Types of Clients that UL Insurance May Be Appropriate For

This audio lesson is 4 minutes and 09 seconds long.

On the exam, UL insurance may be a good answer if:

1. ______________________________

2. ______________________________

3. ______________________________

4. ______________________________

5. ______________________________

On the exam, UL insurance would *not* be a good answer if:

____

____

____

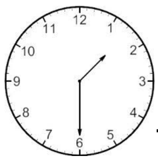
____

____

____

Notes

LIFE Lesson 23: Business Applications – Key Person Insurance



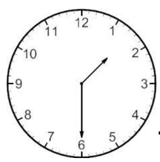
This audio lesson is 2 minutes and 15 seconds long.

What is key person insurance?

Would key person insurance be appropriate for a small or a large company?

Notes

LIFE Lesson 24: Business Applications – Buy/Sell Agreements


This audio lesson is 5 minutes and 34 seconds long.

Consider the following example: Alex and Richard are joint owners of an incorporated business. Each of them owns 50% of the voting shares. The business operates in a specialized field and as such, it relies on the expertise of both Alex and Richard. Alex and Richard are both married, and in the event of either of their deaths, they would like to leave their shares (or the value of their shares) to their surviving spouses.

What would you recommend?

Is a buy/sell agreement insurance?

What three things should a well-drawn up buy/sell agreement include?

1.

2.

3.

Notes

Who draws up the buy/sell agreement?

Who values the business?

SeeWhy Financial Learning Inc.
Milton and Cambridge, Ontario, Canada

Telephone Toll-Free
1-888-9-SEEWHY
1-888-973-3949

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