

DISTRIBUTION GUIDE

CREDITOR INSURANCE

Contract 70011

GROUP LIFE AND DISABILITY INSURANCE

Name and address of Insurer:

Industrial Alliance Insurance and Financial Services Inc.
2200 McGill College Avenue, Montreal, QC H3A 3P8
Tel.: 514-499-3737 Toll free: 1-877-392-6487

Customer Service:

Louis Gilbert BBA
Group Insurance Advisor

Louis Gilbert Services Conseils Inc.
475 Blais Blvd East
Berthier-Sur-Mer, QC G0R 1E0
Tel: 418-472-0502
Email: sclgilbert@gmail.com

NAME AND ADDRESS OF DISTRIBUTOR:

RESPONSIBILITY OF THE AUTORITÉ DES MARCHÉS FINANCIERS

The Autorité des marchés financiers has not expressed an opinion on the quality of the product offered in this guide. The Insurer alone is responsible for any discrepancies between the wording of the guide and the policy.

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INTRODUCTION

The purpose of this guide is to describe the insurance product offered and to facilitate your comprehension. It aims to enable you to assess, on your own, whether the insurance product corresponds to your needs since you are not in the presence of an insurance representative.

This distribution guide is not an insurance contract and is not intended to modify the terms of a contract. The detailed insurance contract can be found in Insurance Policy 70011 of the Insurer, Industrial Alliance Insurance and Financial Services.

A summary of the main provisions of the insurance contract is included in the *Business Loan Insurance Certificate*, which you receive when you complete the *Business Loan Insurance Application/Certificate* form.

Words followed by a number are defined on pages 25 to 27 of this distribution guide.

PRODUCT DESCRIPTION

NATURE OF COVERAGE

► LIFE INSURANCE

For a **conventional loan**¹ or a **postponed loan**² the Insurer will pay the *creditor*³ at the time of your death:

- the **insured proportion** of the *loan balance*⁴ (as defined in the *Amount of insurance section* on page 5 of this distribution guide);
- the **insured proportion** of the single insurance premium if this amount was added to your loan.

For a **capital stock loan**⁵ the Insurer will pay the *creditor*³ at the time of your death:

- the **insured proportion** of the initial loan principal;
- the **insured proportion** of the single insurance premium if this amount was added to your loan.

In all cases, these amounts will be paid according to the limits stated in the *Amount of life insurance benefit* section on page 5 of this distribution guide.

► DISABILITY INSURANCE

For a **conventional loan**¹ or a **postponed loan**² the Insurer will pay the *creditor*³ while you are *totally disabled*:⁷

- the **insured proportion** of the *monthly payments*⁶ initially stipulated under the loan agreement while you are *totally disabled*.⁷ *Total disability*⁷ benefits are payable after the end of the *elimination period*⁸ upon presentation of proof of disability to the Insurer's satisfaction

Disability insurance is not available on a **capital stock loan**.⁵

SUMMARY OF SPECIFIC TERMS AND CONDITIONS

▶ TYPES OF ELIGIBLE LOANS

Insurable loans are **conventional loans**,¹ **postponed loans**² and **capital stock loans**⁵ or a combination thereof.

▶ ELIGIBILITY CONDITIONS

This insurance is available to:

- the *borrower*,⁹ the *co-borrower*¹⁰ or the *endorser*¹¹ of a loan granted by the *creditor*,³
- a *shareholder*¹² or an *executive*¹³ of the borrowing company.

To be eligible for this insurance, at the time you submit your application for insurance, you must

1) For **LIFE INSURANCE**:

- Be at least 18, but no older than 64 years of age (the insurance will terminate no later than the last day of the month in which you turn 70 years of *age*¹⁹).
- Enrol in the insurance coverage within 60 days following the date of *disbursement*¹⁴ or *renewal*¹⁵ of the loan.
- Complete the health declaration section of the application for insurance. In some cases, you also have to complete a detailed health questionnaire (see the *Declaration of insurability* section on page 4).
- Receive the loan amount within 6 months following the date the application for insurance is signed. After this time, new evidence of insurability is required.

2) For **DISABILITY INSURANCE**:

- Be at least 18, but no older than 59 years of age (the insurance will terminate no later than the last day of the month in which you turn 65 years of *age*¹⁹).
- Enrol in the insurance coverage within 60 days following the date of *disbursement*¹⁴ or *renewal*¹⁵ of the loan.
- Complete the health declaration section of the application for insurance. In some cases, you also have to complete a detailed health questionnaire (see the *Declaration of insurability* section on page 4).
- Receive the loan amount within 6 months following the date the application for insurance is signed. After this time, new evidence of insurability is required.
- At the time of enrolment, be carrying out, or be able to carry out, at least 20 hours of *gainful work*¹⁶ per week.

- **You cannot** enrol in this disability insurance if you are the *endorser*.¹¹
- **You cannot** enrol in this disability insurance for a **capital stock loan**.⁵
- For a **postponed loan**² with a *postponement period*¹⁷ shorter than the *total term of the loan*,²⁰ disability insurance may not be purchased if the ratio of the *postponement period*¹⁷ to the *total term of the loan*²⁰ is greater than or equal to 40%. For example, disability insurance is not available for a **postponed loan**² with a total term of 10 years if the *postponement period*¹⁷ is 4 years or more.

► DECLARATION OF INSURABILITY

In most cases, all that is required is to answer a basic question on insurability in the *Business Loan Insurance Application/Certificate* form.

However, you must provide a declaration of insurability by completing the *Detailed Health Questionnaire* if:

- your total insurable loans exceed \$250,000; **or**
- you answer “Yes” to the basic question on insurability in the *Business Loan Insurance Application/Certificate* form.

The Insurer may require medical tests or a medical examination at its own expense, and will notify you if further information is necessary.

▶ EFFECTIVE DATE OF INSURANCE

Your coverage under the insurance policy begins on the latest of the following dates:

- the date on which the application for insurance is signed; **or**
- the date your request for insurance is accepted by the Insurer; **or**
- the date on which the loan is *disbursed*¹⁴ in whole or in part; **or**
- the date on which the loan amount is received in whole or in part, provided that it is received within 6 months following the date the application for insurance is signed. After this time, a new application for insurance must be submitted to the Insurer.

If you do not meet the eligibility conditions, no insurance will be granted and any premium you paid will be refunded.

▶ CONFIRMATION OF INSURANCE

For all types of loans, your application for insurance is accepted at the time of signature of the *Business Loan Insurance Application/Certificate* form if you do not have to submit a declaration of insurability (see the *Declaration of Insurability* section on page 4 for more details). If you do not have to submit a declaration of insurability, the *Business Loan Insurance Application/Certificate* form and the insurance certificate constitute your confirmation of insurance.

For all types of loans, if you have to submit a declaration, the Insurer will send you a notice confirming if you are insured within **30 days** following the signature of the *Business Loan Insurance Application/Certificate* form.

▶ AMOUNT OF INSURANCE

AMOUNT OF LIFE INSURANCE BENEFIT

The amount paid at the time of your death depends on the **insurance proportion option** chosen at the time of signature of the insurance application and on the **type of loan**:

Three **insurance proportion options** are available:

- **Option 1:** you and all other *insureds*¹⁸ are covered for 100% of the *loan balance*⁴,
- **Option 2:** you and all other *insureds*¹⁸ are covered for a proportion of the *loan balance*⁴ equal to 100% divided by the number of *insureds*¹⁸;
- **Option 3:** you and all other *insureds*¹⁸ are covered for an agreed percentage of the *loan balance*⁴ between 25% and 100%.

For example, let's assume there are three *insureds*¹⁸ for a \$100,000 loan and the *loan balance*⁴ is \$60,000 at the time of death of the first *insured*.¹⁸ If that *insured*¹⁸ chose, at the time of signature of the insurance application:

- **Option 1:** the Insurer will pay the *creditor*³ for this *insured*¹⁸ a life insurance benefit equal to the *loan balance*⁴ at the time of death, which is \$60,000;
- **Option 2:** the Insurer will pay the *creditor*³ for this *insured*¹⁸ a life insurance benefit equal to 1/3 of the *loan balance*⁴ at the time of death, which is \$20,000;
- **Option 3: for a proportion of the *loan balance*⁴ equal to 75%,** the Insurer will pay the *creditor*³ for this *insured*¹⁸ a life insurance benefit equal to 75% of the *loan balance*⁴ at the time of death, which is \$45,000.

UPON YOUR DEATH, THE INSURER WILL PAY:

1) For a *conventional loan*¹ or a *postponed loan*:²

- i) The **insured proportion** of the *loan balance*⁴ immediately before your death; **and**
- ii) The **insured proportion** of the single insurance premium if this amount was added to the loan.

2) For a *capital stock loan*:⁵

- i) The **insured proportion** of the initial loan principal immediately before your death; **and**
- ii) The **insured proportion** of the single insurance premium if this amount was added to the loan.

The interest accrued between the date of death and the date on which the insurer pays the life insurance benefit will be added to the life insurance benefit, taking into account the limits set out in the Submitting a claim and supporting documents section on page 16 of this distribution guide. The rate used to calculate the accrued interest, where applicable, is the rate initially stipulated under the loan.

The **overall maximum life insurance benefit amount** payable is **\$500,000** for all loans granted by the *creditors*.³

JOINT COVERAGE – LIFE INSURANCE

1) For a **conventional loan**¹ or a **postponed loan**:²

Two to five people may be *insureds*¹⁸ under the same loan.

In this case, the sum of all life insurance benefits payable by the Insurer for a same loan may not exceed:

- the *loan balance*;⁴
- the maximum life insurance benefit amount stated above.

2) For a **capital stock loan**:⁵

Two to five people may be *insureds*¹⁸ under the same loan.

In this case, the sum of all life insurance benefits payable by the Insurer for a same loan may not exceed:

- the initial loan principal;
- the maximum life insurance benefit amount stated in the *Amount of Life Insurance Benefit* section on page 5.

AMOUNT OF DISABILITY INSURANCE BENEFIT

The amount paid at the time of your disability depends on the **insurance proportion option** chosen at the time of signature of the insurance application:

Two **insurance proportion options** are available:

- **Option 1:** you and all other *insureds*¹⁸ are covered for 100% of the *monthly payment*⁶;
- **Option 2:** you and all other *insureds*¹⁸ are covered for a proportion of the *monthly payment*⁶ equal to 100% divided by the number of *insureds*.¹⁸

For example, let's assume there are three *insureds*¹⁸ for a loan with a *monthly payment*⁶ of \$3,000. A first *insured*¹⁸ becomes disabled. If that *insured*¹⁸ chose, at the time of signature of the insurance application:

- **Option 1:** each month, the Insurer will pay the *creditor*³ for this *insured*¹⁸ a disability insurance benefit equal to the *monthly payment*⁶ during the disability period, which is \$3,000;
- **Option 2:** each month, the Insurer will pay the *creditor*³ for this *insured*¹⁸ a disability insurance benefit equal to 1/3 of the *monthly payment*⁶ during the disability period, which is \$1,000;

In the event of illness or accident:

- upon presentation of proof of disability to the Insurer's satisfaction (see the *Proof of Disability* section on page 10 of this distribution guide);
and
- after the end of the *elimination period*,⁸ the Insurer will pay a disability insurance benefit to your *creditor*.³

The amount of the disability insurance benefit is equal to:

- the insured proportion of the *monthly payments*⁶ initially stipulated under the loan agreement as indicated on the premium calculation sheet you receive with the *Business Loan Insurance Application/Certificate* form.

During any *postponement period*,¹⁷ the *monthly payments*⁶ include the payment of interest only.

The *monthly payments*⁶ do not, under any circumstances, include the principal and interest in arrears of past *monthly payments*⁶ that have not been made in full;
and

- the **insured proportion** of the part of the payment related to this premium, if the single insurance premium is added to the loan.

The disability insurance benefit amount for a fraction of a month is calculated on the basis of 1/30 for each day of disability and a complete month equates to 30/30.

The interest accrued between the due date of your *monthly payment*⁶ and the settlement date is added to your disability insurance benefit, subject to the limits set out in the *Submitting a claim and supporting documents* section on page 16 of this distribution guide. The rate used to calculate the accrued interest, where applicable, is the rate initially stipulated under the loan.

Any disability period that occurs after the end of a disability period and does not qualify as a recurring disability will be subject to an *elimination period*.⁸

The **maximum disability insurance amount** payable is **\$3,000** per month for all insured loans for the same *borrower*.⁹

The **maximum number of disability insurance benefit payments** is **60** *monthly payments*⁶ for the same loan.

JOINT COVERAGE – DISABILITY INSURANCE

Two to five people may be *insureds*¹⁸ under the same loan. In this case, the amount of the monthly benefit payable for the same loan may not, under any circumstances, exceed the full amount of the *monthly payment*⁶ initially stipulated under the loan or the maximum disability insurance amount stated above.

BENEFICIARY DESIGNATION

The benefits payable at the time of your death or in the event of disability are paid to the *creditors*.³

► PROOF OF DISABILITY

In the event of disability, the Insurer may require you at any time to:

- 1) provide satisfactory proof of continuing disability;
- 2) be examined by a physician or a specialist designated by the Insurer.

If you refuse to comply with either of these requirements, you shall not be considered as disabled by the Insurer.

► RECURRING DISABILITY

Any disability that:

- occurs within **31 days** following the end of a covered disability period; **and**
- has the same cause; **and**
- continues during a period of at least **7 consecutive days**;

is considered to be recurring, and therefore as a continuation of the initial disability.

Any other disability that does not meet these conditions is not deemed to be a recurring disability, and the *elimination period*⁸ will therefore apply.

Termination of disability insurance benefit payments

Disability benefit payments will end **on the earliest of the following events:**

- a) the date on which **60** disability insurance benefit payments have been made by the Insurer to the same *insured*¹⁸ in respect of the same loan;
- b) the date of death of one of the *insureds*,¹⁸ if a life insurance benefit to repay the loan in full is payable;
- c) the date on which the loan is repaid in full, regardless of the reason;
- d) the maturity date of the loan;
- e) the date on which you return to full-time gainful work or, if you were working part time, the date of your return to a job with an equivalent number of hours per week as your previous job;
- f) the date of your death;
- g) the last day of the month in which you turn 65 years of *age*;¹⁹
- h) you fail to submit the supporting documents required by the Insurer;
- i) you fail to undergo a medical examination required by the Insurer;
- j) you fail to undergo a functional capacities evaluation required by the Insurer;
- k) you are no longer totally *disabled*;⁷
- l) **180** months following the effective date of this insurance.

▶ LIFE INSURANCE AND DISABILITY INSURANCE PREMIUM

The single insurance premium that you must pay to the Insurer is calculated on the insurance premium calculation sheet that you must sign along with *Business Loan Insurance Application/Certificate* form.

The premium is based on:

- the proportion of insurance selected; **and**
- the *loan term*;²⁰ **and**
- the *age*¹⁹ of the *insured*¹⁸ on the enrolment date; **and**
- the *loan amortization period*;²¹ **and**
- the length of the *postponement period*¹⁷ and post-postponement period remaining on the loan for **postponed loans**;² **and**
- the amount of the loan on the enrolment date for **life insurance**; **and**
- the *monthly payment*⁶ of the loan on the enrolment date for **disability insurance**.

If the insurance covers more than one person under the same loan, the single premium is calculated according to the attained *age*¹⁹ of the oldest *insured*.¹⁸

The premium is then increased by 50% for each additional *insured*¹⁸ for each coverage option purchased.

If the single premium is not added to the loan, a discount of 3% is granted on the total single premium.

Provincial sales tax and any other applicable tax must be added to the premium.

The premium is paid to the Insurer in one instalment by the *creditor*³ on the effective date of your insurance.

You can choose to pay this premium to the *creditor*³ either as you repay the debt, i.e., with the *monthly payments*⁶ you make, or in one instalment at the time of enrolment.

EXCLUSIONS, RESTRICTIONS OR REDUCTION IN COVERAGE

WARNING

No benefit is payable for death or disability resulting from any of the following causes:

- war or any act of war, piracy or terrorism, declared or undeclared, regardless of whether or not you are a participant;
- any active participation in a public commotion, riot or insurrection;
- injuries sustained while you are committing, attempting to commit, or preparing to commit a criminal offence;
- an act of suicide, attempted suicide or voluntary self-inflicted injuries, whether you are sane or insane. In the case of suicide, this exclusion applies only if death occurs within a period of 2 consecutive years following the effective date of insurance.

Moreover, no benefit is payable if the disability results from any of the following causes:

- cosmetic treatment or surgery;
- a normal pregnancy;
- alcoholism or drug addiction, if these ailments are not treated by an inpatient program;
- the effects of an illness or accident when a disability occurs within 12 months following the effective date of insurance, if you:
- consulted or received treatments from a physician or another professional belonging to a professional health care association; or
- underwent testing; or
- used medication; or
- were hospitalized

with respect to the causes of that disability within 6 months prior to the effective date of your insurance.

You must declare all relevant facts to the Insurer concerning this insurance. This includes the information provided:

- in the *Business Loan Insurance Application/Certificate* form;
- in the *Detailed Health Questionnaire*, where applicable; and
- in all documents provided as evidence of insurability.

In the event of a false declaration or omission regarding a significant fact, the Insurer may cancel or reduce this insurance coverage simply by giving notice. However, once the insurance has been in force for 2 uninterrupted years, the Insurer cannot cancel or reduce the coverage, except in the case of fraud. Notwithstanding the foregoing, the Insurer may cancel or reduce disability insurance simply by giving notice if disability occurs within the first 2 years of insurance.

If your *age*¹⁹ was misstated, the benefit payable shall be increased or decreased, as the case may be, by the amount of the difference between the premiums paid and the premiums that should have been paid. If your *age*¹⁹ is higher than the *age*¹⁹ on which the insurance terminates, no benefit is payable.

You cannot transfer or assign your insurance as security.

CANCELLATION AND TERMINATION OF INSURANCE

► CANCELLATION OF INSURANCE

You can cancel this insurance **at any time**. To cancel the insurance, you must send notice of cancellation to the Insurer in writing by registered mail. You have 6 months following the end of the coverage to ask for a reimbursement. You will find the Insurer's customer service contact information on the cover page of this document.

In the event that you cancel your insurance before the maturity of your loan, you will receive a premium refund calculated using a mathematical formula (Rule 78) that takes into account the initial period of insurance coverage and the remaining period of coverage on the date the insurance is cancelled

Rule 78:
$$\frac{A \times (A + 1) \times C}{B \times (B + 1)}$$

A = the remaining term of your loan at the time of cancellation expressed in months

B = the initial term of your loan expressed in months

C = the amount of the single premium paid

For example, the following table shows the premium reimbursement percentage (%) that applies to a loan with an initial term of 48 months:

Remaining term (months)	42	36	30	24	18	12	6
Premium reimbursement %	77	57	40	26	14	7	2

No premium refund will be made for an amount lower than \$5. Minimum administration fees of \$25 apply.

You may cancel your insurance **free of charge** within **20 days** following receipt of your insurance certificate. Any premium collected, less any benefits paid, if applicable, will then be reimbursed.

By law, you have a 10-day free look period following the signature of the insurance application.

To cancel your insurance, you must send the Insurer a request in writing together with your insurance certificate. To do so, you may use the *Notice of cancellation of an insurance contract* provided on page 20 of this distribution guide.

► TERMINATION OF INSURANCE COVERAGE

The insurance shall terminate **on the earliest of the following dates:**

- a) the date on which the loan is repaid in full, regardless of the reason;
- b) the maturity date of the loan;
- c) the date on which the loan is *refinanced*²² or increased;
- d) 180 months** following the effective date of this insurance;
- e) for **life insurance**, the last day of the month in which you turn 70 years of *age*;¹⁹
- f) for **disability insurance**, the last day of the month in which you turn 65 years of *age*;¹⁹
- g) the date on which you cancel your insurance if the Insurer is notified in writing before that date, otherwise on the date the Insurer receives such written notice;
- h) the date on which you no longer meet the eligibility conditions stated on page 3 of this distribution guide;
- i) the date on which the loan is assumed by another creditor, or on which the loan (or a portion of the loan) is assumed by another *borrower*⁹ not insured under this loan;
- j) the death of one of the *insureds*,¹⁸ if an insurance benefit to repay the loan in full is payable on his or her life;
- k) the expiry date of the 60-day grace period for remitting premiums.

► OTHER INFORMATION

NOTICE REGARDING THE OPENING OF A PERSONAL INFORMATION FILE

In order to ensure the confidential nature of your personal information, the Insurer will open a Business Loan Insurance file, in which information concerning your application for insurance, as well as information concerning any insurance claims, will be kept.

Only employees or authorized agents responsible for underwriting, administration, investigations and claims will have access to the file.

The file will be kept in the Insurer's offices. You will be entitled to see the personal information contained in your file. There may be certain medical information that can only be obtained from your physician.

You may have any inaccurate information corrected by sending a request in writing to:

Industrial Alliance Insurance and Financial Services Inc.

Information Access Officer
1080 Grande Allée West
P.O. Box 1907, Station Terminus
Quebec City, QC G1K 7M3

SUBMITTING A CLAIM

a) Submitting a claim and supporting documents

A notice of claim must be submitted in writing to the *creditor*³ no later than **one year** after the date of death or disability. If you submit a claim to the *creditor*³ more than 6 months following the date of death or disability, no accrued interest shall be paid for the period starting on the due date of your *loan balance*⁴ payment or your monthly payment⁶ and ending on the date the insurer pays out your life or disability insurance benefit.

The *creditor*³ must forward your written notice of claim directly to the Insurer upon receipt. The *creditor*³ is required to provide written notice of claim to the Insurer's office within 30 days after becoming aware of the death or disability of the *insured*.¹⁸ The requisite supporting documents must be submitted to the Insurer's office within 90 days following that date, at the claimant's expense.

The Insurer will accept a claim submitted after the prescribed deadline if it can be proven that the claim was submitted as soon as it was reasonably possible to do so. In this case, the Insurer will consider only the last year prior to the date of receipt of the claim for the purpose of benefit payments.

b) Insurer's response

Benefits are payable only once all supporting documents required by the Insurer have been submitted to and deemed satisfactory by the Insurer.

Insurer's response time:

The insurer will notify you of the acceptance or refusal of your claim within **30 business days** following a life insurance claim, or within **60 business days** following a disability insurance claim.

If your claim is accepted, the Insurer will send you a confirmation of the payment made to the *creditor*.³

If your claim is rejected, the Insurer will notify you of the reasons for refusal.

c) Appealing the Insurer's decision and recourse

You have **one year** to appeal the Insurer's decision following the refusal of your claim. To contest the Insurer's decision, you must send a letter to the Insurer explaining the reason for your appeal.

To find out more about your rights, you may contact the Autorité des marchés financiers at the telephone number provided in the *REFERRAL TO THE AUTORITÉ DES MARCHÉS FINANCIERS* section on page 18. You may also consult a legal advisor of your choice.

A maximum time frame of 3 years is provided by law in which to contest the Insurer's decision.

SIMILAR PRODUCTS

There are other insurance products on the market that may offer similar coverage to the insurance described in this distribution guide.

CUSTOMER SERVICE

For any information about this distribution guide or the insurance product, please contact Customer Service at the following address:

Louis Gilbert BBA

Group Insurance Advisor

Louis Gilbert Services Conseils inc.

475 Blais Blvd East

Berthier-Sur-Mer, QC G0R 1E0

Tel.: 418-472-0502

Email: sclgilbert@gmail.com

REFERRAL TO THE AUTORITÉ DES MARCHÉS FINANCIERS

For any additional information about the obligations of the Insurer and the distributor to you, you may contact the Autorité des marchés financiers at the following address:

Autorité des marchés financiers

Place de la Cité, Tour Cominar

2640 Laurier Boulevard, Suite 400

Quebec City, Quebec G1V 5C1

Information Centre for Consumers

Toll free: 1-877-525-0337

Quebec City: 418-525-0337

Montreal: 514-395-0337

Fax: 418-525-9512

Website: www.lautorite.qc.ca

DOCUMENTS TO BE RECEIVED OR COMPLETED

The following documents are those you completed or have on hand:

- the *Business Loan Insurance Application/Certificate* form
- the *Detailed Health Questionnaire*, where applicable;
- the insurance premium calculation sheet;
- the insurance certificate; **and**
- Schedule 1: *Notice of cancellation of an insurance contract*
The requisite sections of the law are printed on the back.

SCHEDULE 1: NOTICE OF CANCELLATION OF AN INSURANCE CONTRACT

NOTICE GIVEN BY A DISTRIBUTOR

Section 440 of the *Act respecting the distribution of financial products and services* (chapter D-9.2)

THE ACT RESPECTING THE DISTRIBUTION OF FINANCIAL PRODUCTS AND SERVICES GIVES YOU IMPORTANT RIGHTS.

By law, you are entitled to cancel an insurance contract signed at the same time as another contract, **without penalty, within 10 days of signing it. However, the Insurer will allow you to cancel this contract without penalty within 20 days of signing it.** To do so, you must send notice to the Insurer by registered mail within this time frame. You may use the template provided below if you wish.

Despite the cancellation of the insurance contract, the first contract entered into remains in force. You should be aware that you may lose advantageous conditions that were granted to you through this insurance; please see your contract or ask your distributor for more information.

After expiry of the 20-day period, you may cancel this insurance at any time, but penalties may apply.

For further information, you may contact the Autorité des marchés financiers at: 418-525-0337 or 1-877-525-0337.

NOTICE OF CANCELLATION OF INSURANCE CONTRACT

To: Industrial Alliance Insurance and Financial Services Inc.
2200 McGill College Avenue, Montreal, QC H3A 3P8

Date: _____
(date of sending of notice)

Pursuant to Section 441 of the *Act respecting the distribution of financial products and services*, I hereby rescind insurance contract no.:

(contract number)

Entered into on: _____
(date of signature of contract)

In: _____
(place of signature of contract)

(name of client)

(signature of client)

The distributor must first complete this section.
This document must be sent by registered mail.

The following sections of the Act must be reproduced on the back of this notice:
Sections 439, 440, 441, 442 and 443

439. A distributor may not subordinate the making of a contract to the making of an insurance contract with the insurer specified by the distributor. The distributor may not exercise undue pressure on the client or use fraudulent tactics to induce the client to purchase a financial product or service.

440. A distributor that, at the time a contract is made, causes the client to make an insurance contract must give the client a notice, drafted in the manner prescribed by regulation of the Authority, stating that the client may rescind the insurance contract within 10 days of signing it.

441. A client may rescind an insurance contract made at the same time as another contract, within 10 days of signing it, by sending notice by registered or certified mail. Where such an insurance contract is rescinded, the first contract retains all its effects.

442. No contract may contain provisions allowing its amendment in the event of rescission or cancellation by the client of an insurance contract made at the same time. However, a contract may provide that the rescission or cancellation of the insurance contract will entail, for the remainder of the term, the loss of the favourable conditions extended because more than one contract was made at the same time.

443. A distributor that offers financing for the purchase of goods or services and that requires the debtor to subscribe for insurance to guarantee the reimbursement of the loan must give the debtor a notice, drawn up in the manner prescribed by regulation of the Authority, stating that the debtor may subscribe for insurance with the insurer and representative of the debtor's choice provided that the insurance is considered satisfactory by the creditor, who may not refuse it without reasonable grounds. The distributor may not subordinate the making of the contract of credit to the making of an insurance contract with the insurer specified by the distributor.

No contract of credit may stipulate that it is made subject to the condition that the insurance contract subscribed with such an insurer remain in force until the expiry of the term, or subject to the condition that the expiry of such an insurance contract will entail forfeiture of term or the reduction of the debtor's rights.

The rights of the debtor under the contract of credit shall not be forfeited when the debtor rescinds, cancels or withdraws from the insurance contract, provided that the debtor has subscribed for insurance with another insurer that is considered satisfactory by the creditor, who may not refuse it without reasonable grounds.

SCHEDULE 2: NOTICE OF FREE CHOICE OF INSURER OR REPRESENTATIVE

Section 443 of the *Act respecting the distribution of financial products and services* (chapter D-9.2)

THE ACT RESPECTING THE DISTRIBUTION OF FINANCIAL PRODUCTS AND SERVICES GIVES YOU IMPORTANT RIGHTS.

You are required to purchase insurance coverage to secure the repayment of a loan.

However, you are free to purchase this insurance from the insurer or representative of your choice. **You can thus obtain the required insurance in 3 different ways:**

1. By purchasing the insurance offered to you

If you choose this option, you benefit from the application of Section 19 of the Act which allows you to rescind an insurance contract that you signed at the time of signing another contract, without penalty, within 10 days of its signature. However, you must then purchase another equivalent insurance to the satisfaction of the creditor who may not refuse without reasonable cause.

2. By purchasing other insurance that is equivalent to the insurance required, to the satisfaction of the creditor who may not refuse without reasonable cause.

3. By demonstrating that you already have insurance that is equivalent to the insurance required, to the satisfaction of the creditor who may not refuse without reasonable cause.

You may change insurer or representative at any time, provided that you maintain during the term of the loan agreement an insurance equivalent to the insurance required to the satisfaction of the creditor who may not refuse without reasonable cause. You cannot be required to choose or keep an insurance contract with a particular insurer, nor can you be refused credit or have your loan called in for this reason.

To rescind your insurance, you may use the section entitled *Notice of rescission of an insurance contract*. For further information, you may contact the Autorité des marchés financiers at: 418-525-0337 or 1-877-525-0337.

DESCRIPTION OF THE REQUIRED COVERAGE

(section completed by the distributor)

To secure the repayment of your loan, we have required that you purchase:

Insurance of persons of the following type: _____
(life, disability, other)

In an amount of: \$ _____
(coverage)

SCHEDULE 3: DEFINITIONS

¹ *Conventional loan*: Any loan with a balance that decreases periodically due to the repayment of principal and interest over a period of up to 15 years. With this type of loan, the *loan amortization period*,²¹ that is, the term used to calculate the *monthly payments*,⁶ may be greater than or equal to the *total term of the loan*.²⁰ If the *loan amortization period*²¹ is longer than the *loan term*,²⁰ a *residual balance*²³ is created and must normally be repaid on the maturity date of the loan.

² *Postponed loan*: Any loan that includes a *postponement period*¹⁷ for repayment of the principal. During the *postponement period*,¹⁷ only the interest is repaid by the *borrower*⁹ and the *loan balance*⁴ is equal to the initial principal amount throughout this period. At the end of the *postponement period*,¹⁷ the balance decreases periodically due to the repayment of principal and interest. The *monthly payments*⁶ are then determined based on the remaining term of the loan.

For postponed loans with a *postponement period*¹⁷ equal to the *total term of the loan*,²⁰ the initial principal must be repaid in full at the end of the *postponement period*.¹⁷ The **total term of the loan**²⁰ (including the *postponement period*¹⁷) must not exceed 15 years.

Moreover, for a postponed loan with a *postponement period*¹⁷ that is shorter than the *total term of the loan*,²⁰ the ratio of the length of the *postponement period*¹⁷ to the *total term of the loan*²⁰ must be less than 40%.

³ *Creditor*: Refers to the entity or organization in the province of Quebec whose mission is to support the development of businesses and entrepreneurs and promote entrepreneurship, and to which insurance policy 70011 is issued.

⁴ *Loan balance*: The unpaid principal balance of the loan granted by the *creditor*.³ The balance is calculated on the basis that all payments owing up to the date on which the loan balance is assessed have been made.

⁵ *Capital stock loan*: Any loan that does not include any *monthly payment*⁶ since the principal and interest will be repaid on the loan maturity date. The *loan term*²⁰ must not exceed 15 years.

⁶ *Monthly payment*: The amount paid each month to repay the principal and/or interest of the insured loan. The monthly payments shall not, under any circumstances, include any principal and interest in arrears on a given due date or on the date on which the *creditor*³ requires repayment of an insured loan.

⁷ *Total disability or totally disabled*: A state of incapacity that prevents the *insured*¹⁸ from performing any and all of the usual duties of his or her occupation. If the state of incapacity continues for more than 24 months, the state of incapacity must prevent the *insured*¹⁸ from performing any gainful work for which he or she is reasonably qualified by education, training or experience.

For any *insured*¹⁸ who is unemployed at the onset of disability, the state of incapacity must prevent him or her from performing all normal activities of a reasonable person of the same *age*.¹⁹

The disability must be certified by a physician, result from an illness or accident and require continuous medical care.

⁸ *Elimination period*: A continuous period of 30 days of *total disability*⁷ during which no benefit is payable.

⁹ *Borrower*: The natural person to whom the *creditor*³ has granted a loan and who is the first signatory on the loan agreement.

¹⁰ *Co-borrower*: The natural person(s) who take(s) out a loan jointly with the *borrower*.⁹ There may not be more than 4 *co-borrowers*.¹⁰

¹¹ *Endorser*: The natural person who undertakes to repay the total balance of the loan if the *borrower*⁹ or *co-borrower*¹⁰ defaults on the repayment.

¹² *Shareholder*: Any natural person who owns at least 10% of the issued shares of any class whatsoever of the borrowing company's capital stock.

¹³ *Executive*: Any natural person who holds one of the following positions (or any position equivalent to one of the following positions) within the borrowing company: president, executive vice-president, vice-president and general manager, vice-president, assistant vice-president or director.

¹⁴ *Disbursement*: The act by which the *creditor*³ pays you the funds that constitute your loan.

¹⁵ *Renewal*: Refers to a situation whereby the covered loan undergoes a change with respect to the *loan term*²⁰ or interest rate. An increase in the *loan balance*⁴ or a change in the *loan amortization period*²¹ does not constitute a renewal.

¹⁶ *Gainful work*: Any gainful work from which the salary is deemed employment income for tax purposes.

¹⁷ *Postponement period*: A period during which only the interest on the loan is repaid by the *borrower*.⁹ The *loan balance*⁴ is then equal to the initial amount of the loan throughout the postponement period.

¹⁸ *Insured*: An individual eligible for insurance who has completed the *Business Loan Insurance Application/Certificate* form and received an insurance certificate.

¹⁹ *Age*: The number of complete years calculated on the last birthday of the proposed *insured*.¹⁸

²⁰ *Loan term/total term of the loan*: The period during which the loan interest rate is guaranteed by the *creditor*.³

²¹ *Loan amortization period*: The period initially stipulated for repaying the principal and interest of the loan. The amortization period is normally equal to the *loan term*.²⁰ However, with some *conventional loans*,¹ the amortization period may be greater than the *loan term*,²⁰ which means that the loan will not be repaid in full on the loan maturity date (end of the *loan term*²⁰) and a *residual balance*²³ will be created.

For loans where the maturity is equal to the length of the term, the end of the loan amortization period corresponds to the end of the term.

For loans with one or more term *renewals*,¹⁵ the end of the loan amortization period corresponds to the end of the last term initially stipulated.

²² *Refinancing*: Any change made to the loan that increases the *loan balance*⁴ or modifies the *loan amortization period*.²¹

²³ *Residual balance*: The remaining *loan balance*⁴ that you have to pay on the maturity date of the loan given that your *monthly payments*,⁶ calculated with respect to the *loan amortization period*²¹ were paid throughout the entire *loan term*.²⁰ A residual balance is created when the *loan amortization period*²¹ is longer than the *loan term*.²⁰

