Your Company Name
Collateral Insurance

"Reduce the Net Cost of your Company's Collateral Insurance!"

To most business owners the only insurance ever considered for Collateral purposes has been Term. This is not necessary when one examines how the formula works.

Many people are unaware that:

* As long as the situation meets the criteria outlined by the Income Tax Act to qualify as a tax deduction, any policy type can be used, even those with cash values.

In order to obtain the tax deduction, the situation must meet certain requirements:

- The policy must be assigned to the lender;
- The lender must be an institution (called a "restricted" financial institution) whose principal business is the lending of money or the purchasing of debt obligations;
- Generally speaking the interest payable in respect of the debt would be tax deductible in computing income for the year;
- The assignment must be required by the lender;
- The borrower must be the policyholder; therefore, the corporation should be the policyholder to obtain maximum benefits;
- The deduction is limited by the amount owing from time to time during the year. Therefore both the size of the estate value of the policy and the size of the loan must be considered in the calculation of the deduction;

A life insurance policy that qualifies under section 148 of the Income Tax Act, is an excellent planning tool that can be used to create a growing tax advantaged account. This account is totally accessible and under your control while you are alive, (subject to the collateral assignment to the lender) and is paid out to cover the amount of the loan at death. Any remaining balance not required to pay off the loan obligation, will be payable to your beneficiary. This means you not only achieve a tax deduction for the cost of the insurance coverage, but, as long as the policy remains exempt, you avoid paying income taxes on the growth in the account as well!

Where a life insurance policy is required as security against a loan by a lender, a degree of income tax deductibility may be claimed by the borrower in respect of the annual cost of acquiring that coverage providing the conditions are met.

Provided the requirements are met, the deductible amount is calculated each year as the lesser of:

a) the "Net Cost of Pure Insurance" (NCPI) and

b) the premium payable under the policy

NCPI is calculated using Revenue Canada approved mortality tables that are multiplied by the "net amount at risk" (Estate Value - Fund Value) at the end of each year.

The "Annual Deposit" column refers to the annual payments made by the policyholder into the Fund. The "Annual Mortality Charges & Expenses Deducted From Fund" is the projected actual insurance cost. The "After Tax Cost of Policy Deposits" is a notional accounting figure arrived at by reducing the policy deposits by the anticipated value of the tax relief.

This illustration shows how the tax deductibility of the pure insurance portion of the deposit results in a lower net cost of the life insurance policy.

This is an illustration only and NOT a Contract. Rates of return and values contained within are projections only and are not guarantees or forecasts of future performance. It must be read in conjunction with a policy illustration from the Life Company.

CONCEPT ASSUMPTIONS

Insureds

Insured:	Business Owner, Male Age 40 Non-Smoker

Prepared By:

Name:	Agent / Broker

Product

Name:	Universal Life
Policy Type:	Single Life
Face Amount:	$200,000
Payment Method:	Planned Deposits (20 Years)
Projected Annual Growth Rate:	6.000%

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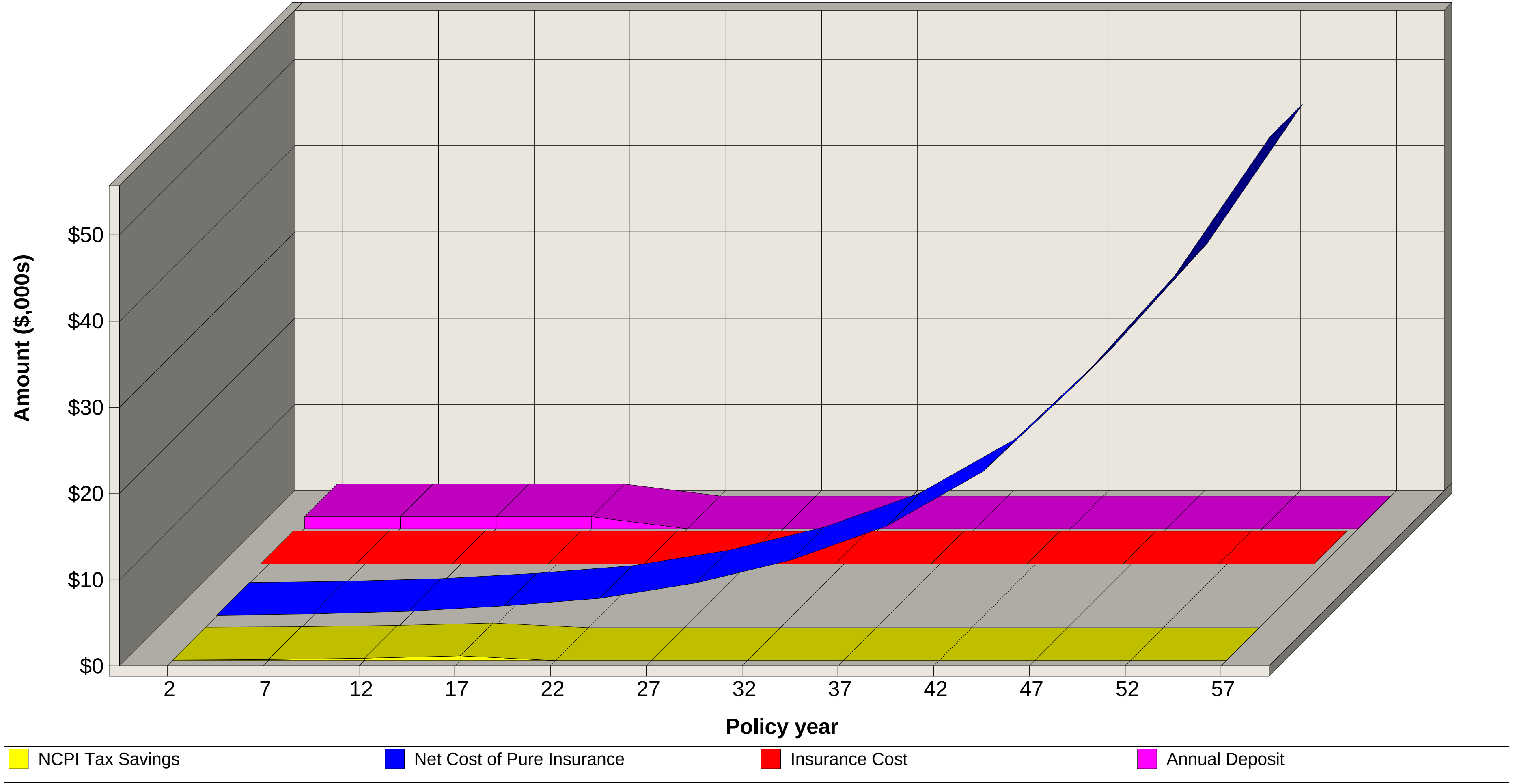
Pol Yr	Age	Annual Deposit	Annual Mortality Charges & Expenses	Net Cost Of Pure Insurance	After Tax Cost of Policy Deposits	Percent Cost Savings	Estate Benefit
1	41	1,414	1,039	136	1,353	4.33%	200,425
2	42	1,414	1,039	158	1,343	5.03%	200,875
3	43	1,414	1,039	184	1,331	5.86%	201,352
4	44	1,414	1,039	212	1,319	6.75%	201,858
5	45	1,414	1,039	244	1,304	7.77%	202,394
6	46	1,414	1,039	282	1,287	8.97%	202,963
7	47	1,414	1,039	326	1,267	10.37%	203,565
8	48	1,414	1,039	380	1,243	12.09%	204,204
9	49	1,414	1,039	434	1,219	13.81%	204,881
10	50	1,414	1,039	490	1,194	15.59%	205,599
11	51	1,414	1,039	548	1,167	17.44%	206,359
12	52	1,414	1,039	616	1,137	19.60%	207,165
13	53	1,414	1,039	702	1,098	22.34%	208,020
14	54	1,414	1,039	806	1,051	25.65%	208,926
15	55	1,414	1,039	924	998	29.41%	209,886
16	56	1,414	1,039	1,104	917	35.13%	210,904
17	57	1,414	1,039	1,238	857	39.40%	211,983
18	58	1,414	1,039	1,380	793	43.92%	213,127
19	59	1,414	1,039	1,530	778	45.00%	214,339
20	60	1,414	1,039	1,698	778	45.00%	215,625
25	65		1,006	3,116			215,056
30	70		1,006	5,316			214,294
35	75		1,006	8,874			213,275
60	100		1,006	76,888			200,005

Your Company Name

Proposal For: Business Owner   Prepared By: Agent / Broker

Collateral Insurance



Male 40 NS. PRODUCT: Universal Life. FACE AMOUNT: $200,000. TAX RATE: 45.00%
NOTE: F.V. shown as portion of D.B. Must accompany a policy illustration. E.&O.E.