***Instructions:***

1.Working in a group of maximum 5 people, analyze the case below and create a written insurance planand presentation.2.Your analysis of this case should be typewritten and professional in appearance. Your goal is to takethe client through the necessary steps in order to have them consider purchasing and implementing yourplan. Use the Needs Analysis format discussed in class and referenced in the text.3.Your report should be written to your prospective clients in a clear and concise manner. You must useappropriate terminology for your client. Make sure you address your analysis to the clients, NOT toyour professor. The clients should be able to understand what your exact recommendations are foramounts and types of insurance, and how their needs lead logically to this recommendation.4.Spelling, grammar and appearance are important. Up to 10% will be deducted for work that containserrors, or is not clear, logical, and easy to understand.5.Manage the length of your report and presentation so that a client will want to read and listenrespectively.a.Written report is max 10 pages text (plus 5 pages appendix)b.In-class presentation is max 10 minutes, followed by max 5 minutes Q&A

**INSURANCE CASE STUDY FALL 2019**

***The Case: Felix and Jenna Li***

***Personal Information*** Felix and Jenna are 36 years old and 34 years old respectively and reside in London, Ontario. They met at Fanshawe College in 2003 and married in 2008. They have been married for 11 years. Felix and Jenna have two children - a son named Mitch (age 6) and daughter, Sophia (age 2). ***Employment*** After attending Fanshawe College for Environmental Technology, Felix went on to Dalhousie University to obtain a degree in environmental engineering in 2006. After several years of experience with his former employer, Felix achieved his P.Eng certification from Professional Engineers Ontario. Since 2012, he has held increasingly senior positions with Hantec Inc. and is now currently employed as a Senior Engineer, earning $85,000 per year. As the business is stable, he expects his salary to keep pace with inflation at a minimum. Jenna graduated from Fanshawe College in 2005 with a Graduate Certificate in Advanced Law Enforcement and began working for Stratsim Security Ltd., a regional security services firm. After a few years working patrol at a major industrial site, Jenna moved into a consulting and business development role with the firm which allows her to work from home when necessary. Her current salary as Manager, Business Development is $60,000 but she expects it to increase significantly as the firm is growing rapidly. Jenna is currently entitled to annual bonuses of 10% but also expects this rate to increase in the future. Jenna returned to work last fall after taking one year off to care for Sophia. Felix and Jenna would like to retire when Felix turns 65, assuming they can afford to live a lifestyle similar to what they enjoy today. ***Children*** Mitch is performing well in school (Grade 1) and Sophia will be entering her first term at Montessori in spring 2020. Mitch has developed a keen interest in soccer. Felix and Jenna anticipate that Sophia will be show a passion for the sport too. In the future, Felix and Jenna would like to see their children attend university and are saving on a monthly basis to provide for such. They have started a family plan RESP and believe they are on track to fund 100% of their children’s education costs, assuming they each attend an Ontario university for a 4 year undergraduate degree program. The RESP is invested in the BMO Asset Allocation Fund.

**INSURANCE CASE STUDY FALL 2019**

3

***Health*** Felix and Jenna have enjoyed reasonably good health. However, three months ago, Felix had his annual physical and it was discovered that he has moderately high blood pressure and an inflamed prostate gland. His doctor prescribed medication for his prostate but was quite concerned about the high blood pressure, as Felix’s family has a history of heart disease. His doctor has suggested that medication is not required right now; instead he has advised Felix to begin an exercise program (60 minutes of cardio 4 times per week) and to pay close attention to his eating and sleeping habits to reduce stress from his life. He is currently 6 feet tall and weighs 230 pounds. At 5 ft., 9 inches and 155 lbs., Jenna is quite fit. She does not smoke but typically drinks a few glasses of red wine a couple of times a week. Her parents and grandparents lived long lives with no major illnesses other than dementia. However, her twin sister was recently diagnosed with melanoma. In her spare time, she enjoys skiing and swimming. Felix and Jenna consider themselves non-smokers as Jenna only occasionally smokes marijuana during a girls-weekend away in Florida once every few years. ***Wills*** Felix and Jenna discussed having mirror wills drawn up with a lawyer when they purchased their home in London 5 years ago. However, since then they were advised by their personal banker not to bother with the unnecessary expense since their bank accounts and investment accounts are joint, and they are listed as each other’s beneficiary on their RRSPs and TFSAs. Also, Felix’s sister Karen has verbally agreed to care for Mitch and Sophia if something should happen to them. ***Major Assets*** Felix and Jenna purchased their 4-bedroom, 2500sq ft. home jointly in 2014 for $505,000 and they believe it has appreciated in value substantially. They believe they could sell it for $650,000 today and have considered doing so in order to move to a larger house on the outskirts of the city. Their original mortgage of $320,000 (fixed 5 year term at 3.07%, 25 year amortization) is up for renewal in a few weeks. They obtained mortgage life insurance from their bank when they purchased the home. They did not take the mortgage critical insurance which was offered. Last year, they utilized a homeowner’s equity line of credit (HELOC) for Jenna’s new car purchase and have reduced the outstanding balance to $15,000. The current interest rate on their uninsured HELOC is prime + 1%. As listed below, Felix’s car is not that old and finds repairs to be infrequent. Felix and Jenna have some credit card debt that they have built up due to annual beach vacations to Bermuda. They both dream of owning a condo on the beach but realize this might not be realistic given the high cost of real estate there. Felix and Jenna have various investment accounts with their bank but have never had a financial plan.

**INSURANCE CASE STUDY FALL 2019**

4

***Life and Health Insurance***

In 2000, Felix purchased a 20-pay whole life participating life insurance policy from London Life Insurance Company when his best friend was working as an agent there. He pays an annual premium of $500 per year for $20,000 worth of insurance. On his last annual policy statement he noticed that paid up additions from past dividends have increased the total death benefit to $50,000 and that the cash value of the policy is $10,500. Felix has listed his mother as the primary beneficiary on the policy and Jenna as his contingent beneficiary because he feels Jenna would be too distraught to deal with the insurance company in the event of his death.

Felix is a member of Hantec’s Group Benefits Plan through which he has family coverage. Through the plan, Jenna, the children (until age 21 or age 25 if full-time students), and him are entitled to group benefits from Sun Life Assurance Company of Canada which includes extended health care and dental care. The premiums for extended health care and dental care are paid for by Hantec. The plan also covers Felix for short-term disability (100% of salary) and long-term disability (60% of salary after 3 months) but Felix pays the premium ($106.15 per month) for the long-term any occupation disability coverage. Felix has $25,000 of life insurance coverage on his life (premium paid by employer) and opted out of any supplementary coverage on himself, Jenna or the children.

Jenna’s employer offers a basic group benefits plan through Great-West Life and provides basic life insurance coverage of 1 x her salary (premium paid by employer). She does not own any individual policies.

***Pension Plan***

Felix is a member of his employer’s mandatory defined benefit pension plan. He contributes 12% of his pay. The plan is based on the average of the last 5 years of employment and will pay Felix a 1.5% credit for each year of service. The pension is indexed to the CPI. The pension plan provides survivor benefits to Jenna in the event of Felix’s death. Jenna will be entitled to a spousal pension worth 60% of Felix’s pension at the time of his death.

Jenna does not have a pension plan at work but she makes a contribution to her own RRSP each year when they have some accumulated savings.

***Financial Security Objectives***

With the birth of Sophia, Felix and Jenna have started to worry more about how death, disability or a critical illness would affect their family. If something were to happen to one or both of them, they want to ensure that the family can continue to live a similar lifestyle so that their kids can get off to a good start in life. They consider themselves to be medium risk investors with their personal investments.

**INSURANCE CASE STUDY FALL 2019**

5

***Estimated Monthly Expenditures***

|  |  |
| --- | --- |
| *(Note: this does not include payroll deductions, HELOC payments or RRSP savings. You should make and state assumptions where appropriate.)* Babysitting | 100 |
| Children's Activities | 120 |
| Children's Clothes/Shoes | 100 |
| Children's Toys / Books / Crafts | |
| Clothes / Jewelry / Make-up | 100 |
| Daycare / Montessori / School Fees | 1000 |
| Education savings ($100 per child) | 300 |
| Entertainment/Liquor | 160 |
| Fast Food / Restaurants | 200 |
| Gas - (natural gas) | 125 |
| Gifts / Charity | 80 |
| Groceries & Pharmacy & School Snacks | 1160 |
| Gym Memberships | 200 |
| Haircuts/Salon/Spa | 100 |
| Insurance - home | 85 |
| Home Improvement / Maintenance | 180 |
| Hydro & Water | 150 |
| Life insurance - Felix | 42 |
| Phone/Internet/TV/Netflix | 220 |
| Mortgage | 1580 |
| Property taxes | 420 |
| Insurance - auto | 210 |
| Auto Repairs / Maintenance | 50 |
| Auto gas | 400 |
| Water Heater | 30 |
| Total Expenses | 7189 |