



JOHNSTONE'S JOURNAL is published monthly, and designed to provide topical information of interest not only to plan administrators, but to all employees who enjoy coverage under the benefit plan. Feel free to make copies, and use as a payroll stuffer.

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Contingent Beneficiaries

It's prudent to designate a contingent beneficiary

Choosing Beneficiaries

After careful thought, you have designated the beneficiary to your life insurance policy. Often this is your spouse. You sit back and say, "I hate thinking about this, but it's done and now I don't have to worry about it anymore." But you're not done unless you've considered the awful possibility that your chosen beneficiary predecease you, or, even worse, there is an accident that causes simultaneous deaths.

What happens to your life insurance proceeds in these situations? Two pieces of legislation hold the answers to figuring this out: the *Uniform Life Insurance Act*, which governs life insurance policies, and the *Survivorship Act* (sometimes called the *Succession Act*), which governs estates.

The Uniform Life Insurance Act

First, the *Uniform Life Insurance Act (the Act)* states that if a beneficiary predeceases the insured then the proceeds are payable to any other surviving beneficiary or surviving beneficiaries in equal shares.

The problem occurs when there are no other beneficiaries designated. When no subsequent beneficiaries are designated, all money is payable to the estate of the deceased person. Further, *the Act* states that in the event of simultaneous deaths, the beneficiary is deemed to have died first. Again, money is payable to the deceased's estate.

Succession Law

The second set of legislation that pertains to beneficiaries is the provincial succession law in your province of residence, which will help you determine how your estate will be processed. In most provinces, this law is called the *Survivorship Act*.

This act deems the younger person to have outlived the older in the case of a common disaster. In these provinces, then, the assets in the estate of the older person, including the cash received from the life insurance policy, will pass to the estate of the younger person. All proceeds, then, will be distributed according to the younger person's will.

In Ontario, however, the *Succession Law Reform Act*, governs this distribution in a slightly different way. In the event of simultaneous deaths, the property of each person is disposed of as if each had survived the other. Unlike the other provinces, the estate of the deceased will determine the distribution.

In both cases though, insurance monies could be payable to estates, and all creditors, taxes and fees owed by the estate would be taken from the insurance money before it is distributed.

Contingent Beneficiaries

To avoid reducing the life insurance payment to the chosen recipients, many people will designate one or more contingent beneficiaries. Any contingent beneficiary will receive the insurance money if the primary beneficiary is deceased at the time benefits become payable.

Both Johnstone's Benefits enrolment and change forms have provisions to designate a contingent beneficiary. Look for the wording: ". . . if living; otherwise I name as contingent beneficiaries: _____."

So, while it is an unpleasant thought, consider what would happen if your beneficiary predeceases you, or dies along with you. Make sure you designate at least one contingent beneficiary: don't rely on your Will.