

FOR ADVISOR USE ONLY

## 2019/2020 DIVIDEND SCALE ANNOUNCEMENT

### New Dividend Scale effective July 1, 2019

Equitable Life's Board of Directors has approved a change to the dividend scale effective July 1, 2019 to June 30, 2020.

- The dividend scale interest rate\* will change to 6.2% (from 6.35%) as the sustained low interest rate environment has continued to put downward pressure on the experience in the participating account.
- The expense factors have been improved due to reduced operating costs.
- The mortality component will remain unchanged.
- The interest rate for dividends left on deposit will remain unchanged at 2.75% for all participating whole life policies.
- The policy loan rate will decrease to 6.70% (from 6.85%) effective June 28, 2019. This applies to all new and existing policy loans, including automatic premium loans on Equimax policies that have a policy number beginning with 300 followed by six digits. The policy loan rates on some older blocks of policies may increase because they are tied to the prime interest rate, which can also increase.

\*The dividend scale interest rate is not the same as the participating account rate of return in any given calendar year. The dividend scale interest rate smooths out the ups and downs experienced by the participating account.

Total dividend payments to policyholders from July 1, 2019 to June 30, 2020 are expected to increase to approximately \$38.4 million compared to \$29.8 million for the same period in 2018/2019.

### How are dividends calculated?

Premiums paid for participating whole life policies cover benefits and expenses, as well as a contribution to the company's surplus. The remainder flows into the participating account and is invested. The participating account is mainly impacted by returns earned on investments and by death benefits, but also other factors such as policy loans, terminated policies, taxes and expenses. Dividend calculations consider the difference between the assumed and actual experience of the participating account. That difference can have a positive or negative impact on the dividend paid.

It's important to keep in mind that dividends and their future performance are not guaranteed.

The illustration your client received when they purchased their participating whole life policy was based on the dividend scale in effect at that time. It was neither a projection nor a prediction of future performance. The purpose of that illustration was to highlight that performance is based on both guaranteed and non-guaranteed values. It shows how the policy would perform if the dividend scale illustrated remained unchanged for the life of the policy. The illustration also includes sample alternate dividend scale scenarios to help highlight the potential impact a dividend scale interest rate change has on the non-guaranteed

values in the policy. It was not a prediction of the largest dividend scale change that could occur over the life of their policy.

For more information about Equitable Life's dividend policy, visit [www.equitable.ca/go/dividend\\_policy](http://www.equitable.ca/go/dividend_policy)

## **Will there be an update to the Equitable Sales Illustrations® system?**

The Equitable Sales Illustrations system will be updated to reflect the new dividend scale. Updated illustration software will be available for download after 9 a.m. ET on June 24, 2019.

## **What does this change mean to your participating whole life clients?**

Previously credited dividends are fully vested and are not affected by this change. Guaranteed cash values and guaranteed death benefit are not affected by this change. These guaranteed values within their policy will continue to grow as detailed in the 'Table of Guaranteed Values' pages in their policy contract.

### **Policy values**

Future policy values on a current illustration will generally be lower than those shown in the illustration you provided to your client when they purchased their policy due to the impact of the dividend scale change on the non-guaranteed cash values.

## **How will this change be communicated to policyholders?**

Your participating whole life clients will receive a [notice of the dividend scale change](#) with their annual policy statement. You can find a copy of the policyholder dividend notice on the Equimax® participating whole life page on EquiNet®.

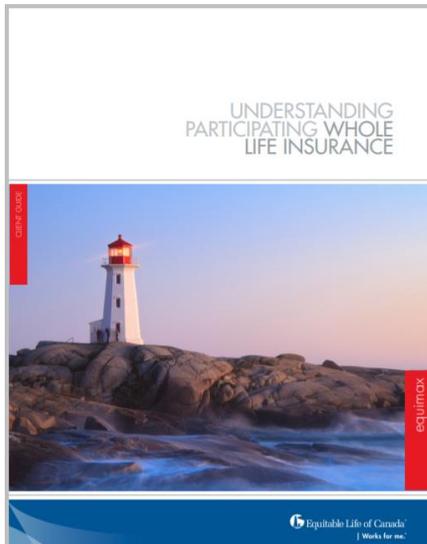
For clients who have registered for Equitable Client Access®, their annual statement, the dividend scale notice and inforce illustration (if applicable) will be posted to their secure inbox. The same information will be posted to your secure [EquiNet](#) inbox.

Participating whole life policyholders may contact their advisor or Individual Customer Service for:

- Questions about the 2019/2020 dividend scale.
- An illustration showing updated cash values and death benefits based on the 2019/2020 dividend scale remaining unchanged for the life of the policy.
- An updated illustration showing a new premium offset point based on the 2019/2020 dividend scale remaining unchanged for the life of the policy.
- Clarification about whether their policy is impacted.

## How can you help clients understand the impact of dividends?

[EquiNet](#) has material to help your clients understand the impact of a dividend scale change on their participating policies. You can find it by clicking the Participating Whole Life tab on the Insurance – Marketing Materials page on EquiNet®. Marketing materials will be updated to reflect the new dividend scale and posted to EquiNet by July 1, 2019.



[Understanding Participating Whole Life Insurance \(1038\)](#)

This client guide includes key financial facts about the management, performance and strength of Equitable Life’s participating account, how dividends are calculated and how they impact the policy.



[Your Guide to Equimax \(1129\)](#)

This client guide provides an overview of Equimax, its options and features, how participating policies work, and the benefits of participating whole life insurance.

## Questions? Who can you contact?

Western	Eastern
1.800.668.4095*	1.800.668.4095*
<a href="mailto:western-service@equitable.ca">western-service@equitable.ca</a>	<a href="mailto:eastern-service@equitable.ca">eastern-service@equitable.ca</a>
<ul style="list-style-type: none"> <li>• British Columbia</li> <li>• Alberta</li> <li>• Manitoba &amp; Northwestern Ontario</li> <li>• Saskatchewan</li> </ul>	<ul style="list-style-type: none"> <li>• Ontario</li> <li>• Quebec</li> <li>• Atlantic Canada</li> </ul>

\*Monday to Friday, 8:30 a.m. – 7:30 p.m. ET

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