Equimax® Participating Whole Life

Administration rules and guidelines

September 2020

equimax

Prepared by: Individual Life & Health Product Development & Marketing

Equitable Life of Canada®

About this guide:

Equimax is a participating permanent life insurance product that provides coverage for the lifetime of the insured. Premiums are guaranteed, and the policy has a guaranteed cash value as well as a guaranteed death benefit, provided all premiums are paid.

As a participating policy, Equimax is eligible to participate in the earnings of the participating account through dividend payments. Throughout this guide reference is made to dividends. Dividends are not guaranteed and are paid at the sole discretion of the Board of Directors. Dividends may be subject to taxation. Dividends will vary based on the actual investment returns in the Participating Account as well as mortality, expenses, lapse, claims experience, taxes and other experience of the participating block of policies.

This guide provides product information and outlines the administrative rules and guidelines that apply to Equimax Estate Builder® and Equimax Wealth Accumulator® products currently offered and is for information purposes only. All efforts have been made to ensure the accuracy of the information contained in this guide. The policy contract will govern in all cases.

WHO TO CONTACT

For information on any of Equitable Life's insurance products, please contact your Regional Sales Manager.

For additional information or clarification on anything contained in this guide or information regarding administration of Equimax products no longer being sold, please contact your Equitable Life Advisor Service Team.

- By Phone: 1.800.668.4095
- By email:
  - western-service@equitable.ca (BC, AB, SK, MB)
  - eastern-service@equitable.ca (ON, QC, NB, NS, PE, NF)

Table of Contents

equimax

equimax

The tax status of your client's Equimax policy

Defining the tax status

Canada Revenue Agency (CRA) last changed the tax rules that apply to life insurance policies in December 1982; new rules apply effective January 1, 2017.

Changes in life insurance tax exempt legislation are categorized by the industry into G1, G2 and G3. These categories are driven by the policy issue date.

- G1 applies to any policies issued prior to December 2, 1982
- G2 applies to any policies issued as of December 2, 1982 and prior to January 1, 2017
- G3 applies to any policies issued as of January 1, 2017

Equitable Life started selling Equimax participating whole life policies in 1985, so there are no Equimax policies in effect with a G1 tax status.

Determining the tax status of your client's policy

Equimax participating whole life insurance policies issued under the tax rules prior to January 1, 2017 will have a G2 tax status, Equimax participating whole life insurance policies issued under the new rules effective January 1, 2017 will have a G3 tax status.

A new Tax Indicator field has been added to the Coverage tab in EquiNet Policy Inquiry. This field will show the tax status that applies to your client's policy. You will need to know whether your client's Equimax policy is G2 or G3 as this will impact the changes they can make to their policy and may dictate which forms they need to use to apply for these changes.

How the tax status affects the changes your client can make to their policy

The new tax legislation has an impact on changes allowed to a policy with a G2 tax status.

Under the new legislation policy changes that require medical underwriting and increase the amount of insurance coverage will result in loss of grandfathering on policies with a G2 tax status. Equitable Life will not allow changes on a G2 policy that will cause the policy to lose its G2 tax status. These rules are different than the rules that apply to G3 policies. Please contact Advisor Services for any questions pertaining to your client's G2 policy. (See the "Who to Contact" section of this guide)

This guide outlines administrative rules and guidelines that apply to Equimax Estate Builder and Wealth Accumulator policies subject to the new tax legislation effective January 1, 2017 and have a G3 tax status.

Base plan summary

Plan types

Equimax has two plan types to choose from:

- Equimax Estate Builder® offers higher long-term values
- Equimax Wealth Accumulator® offers higher early cash values within the first 20 years
- Each plan type has its own set of rates and values, including guaranteed cash values and dividends

Premium payment options

A life pay and 20 pay premium option is offered on both Equimax Estate Builder and Equimax Wealth Accumulator.

- Life pay: provides guaranteed level premiums for the life of the policy (to age 100) of the insured (rated age = 100 for an adult policy with a multiple substandard rating, or joint age =100 for joint policies)
- 20 pay: provides guaranteed level premiums payable for 20 years.
    - Any premiums for additional riders and benefits that extend beyond 20 years will continue to be payable.

Issue ages

Single life

- 0-85 (life pay)
- 0-80 (20 pay)
- Adult policies start at age 18

Joint life

- Available on adult lives only
- 18 – 85 (life pay)
- 18 – 80 (20 pay)

- Policies cannot be issued for ages above these maximums.
- Back-dating to save age is permitted (maximum is 6 months).

Age nearest

- Equimax plans use an age nearest pricing approach.
- Age nearest refers to issue age of the life insured and is determined by the date of birth of the life insured and the issue date of the policy
    - If the issue date of the policy is closest to the life insured's last birthday, the age of the life insured will be recorded as the age at their last birthday
    - If the issue date of the policy is closest to the life insured's next birthday, the age of the life insured will be recorded as the age at their next birthday.

Joint Age

- Applies to joint first-to-die and joint last-to-die plans. The joint age is a blended age determined by taking the individual lives of the 2 insured persons and calculating one age used for premiums rates and policy values.
- The joint age must fall within the issue age limits for the plan. It is possible for the individual age to fall within the issue age limits, but that the calculated joint age does not.
- If a life insured receives a multiple substandard rating, this rating will be accounted for in calculation of the joint age.
- The illustration system will determine the joint age applicable to the lives insured. If the application is approved the policy would be issued based on this joint age.
    - The joint age will appear within the coverage summary of the illustration.
    - For all illustrations the ledger of values will show values to age 100 based on the joint age, not age 100 of the proposed individual life insured.

Substandard lives

- A rated age is used to apply a multiple substandard rating on an adult life. This calculation is handled in the illustration software.
- The rated age used for the illustration will appear in the summary screen and on the bottom right corner of the Coverage Summary page of the illustration report.
- All rates and values for the policy are based on the individual's rated age. This includes premium rates, dividends, costs for paid-up additional insurance, costs for one-year term insurance (applicable with the Enhanced Protection dividend option), Excelerator Deposit Option limits, guaranteed cash values and reduced paid-up values.
- The accidental death benefit rider is an embedded coverage on the base Equimax coverage, therefore premiums for this rider are based on the rated age.
- Premiums for any term riders are based on the age nearest, not the rated age, and an applicable multiple or flat extra rating will apply.
- Other riders and benefits that may apply to the policy are also issued based on age nearest, and do not use a rated age for ratings that may apply.
- Underwriting requirements are based on the actual attained age of the individual to be insured, not on the rated age.
- The illustration shows values to age 100 based on the rated age. This means that if your client has a substandard rating that results in issue of the policy using a rated age, the illustration will show values to Rated Age =100, not to the client's actual age 100. If your client is still alive at Rated Age = 100:
    - The policy remains in effect until a death claim is made
    - If the policy has a life pay Equimax coverage, this coverage will be paid-up at Rated Age = 100 and no further premiums would be due for the Equimax coverage.
    - The policy continues to be eligible to participate in the earnings of the participating account through dividend payments as long as it remains in effect.
- Children's policies that are rated with a multiple substandard rating are not issued with a rated age because it could cause them to be issued as adults. The multiple rating will be converted to a flat extra rating by Equitable Life and the policy will be issued as a child's policy.

- The rated age calculated for an adult is also used in calculation of the joint age if coverage will be joint first-to-die or joint last-to-die (see section above on Joint Age).

Flat extra ratings

- A flat extra is typically a temporary rating that can be applied for a number of reasons including such things as travel, lifestyle, or occupation.
- Permanent flat extra ratings may also apply.
- The flat extra rating will not affect the age of the insured, it is calculated as a dollar amount per thousand of coverage and is added to the required premium for the policy.

Coverage types

- Single life (children and adult)
- Joint first-to-die (adult only); maximum 2 lives
- Joint last-to-die, premiums payable to last death (adult only); maximum 2 lives

Minimum and maximum face amounts

- Basic Equimax: $10,000 - $20,000,000
- Equimax with Enhancement: $11,000 - $20,000,000
- Joint first-to-die: $25,000 - $20,000,000
- Joint last-to-die: $25,000 - $20,000,000

The maximum of $20,000,000 is a total maximum coverage amount and includes any term riders that are added to the policy.

Policy fees

- $50.00 annually or
- $4.50 monthly

Premium banding

- $10,000 - $99,999
- $100,000 - $249,999
- $250,000 - $499,999
- $500,000 - $999,999
- $1,000,000 and above

Minimum premiums

- $150.00 annually
- $15 pre-authorized deposit

If the total premium for the policy (including riders) is below the minimums stated above, the basic face amount will need to be increased for the policy in order to meet the minimum required.

Risk class

- Smoker
- Non-smoker
  - To be considered a non-smoker, the insured person must not have used any cigarettes, pipe or chewing tobacco, smoking cessation products, or tobacco substitutes within the prior 12 months. Up to one cigar/cigarillo is permitted per month, subject to a negative cotinine test level. Clients who use marijuana, whether inhaled or ingested, may qualify for non-smoker rates (Class 3).
- Children's policies are set up at issue with children's premium rates. A non-smoking declaration must be submitted by age 18 to continue with non-smoker rates. If the insured child does not qualify for non-smoker rates or the smoking declaration is not submitted the premium will increase at the anniversary following their 18th birthday and smoker rates will apply. The premium that would apply after age 18 can be illustrated by selecting smoker as the risk class.
- Refer to **smoking status changes** of the **plan changes** section for additional details.

Guaranteed cash values

- Guaranteed cash values begin to accumulate in the policy as per the table of guaranteed values in the policy contract.
- Guaranteed cash values can be used to support a cash policy loan and/or an automatic premium loan.
- The net cash value will be paid to the policy owner upon surrender of the policy.
- Guaranteed cash values vary by plan type, issue age, risk class, sex and premium payment period.
- Any changes to the issue age, risk class or sex will affect the guaranteed cash values and an amendment is sent to the policy owner with the new values.
- Guaranteed cash values are available on Equimax Wealth Accumulator at the end of the first policy year; and on Equimax Estate Builder typically at the end of the 6th policy year.

Dividends

- Equimax is a participating policy and is eligible to participate in the earnings of the participating account through dividend payments on the policy anniversary date. **Dividends are not guaranteed** and are paid at the sole discretion of the Board of Directors. Dividends will vary based on the actual investment returns in the participating account as well as mortality, expenses, lapse, claims experience, taxes and other experience of the participating block of policies. Dividends have the potential to increase the value of a policy (providing additional death benefit and cash value amounts) depending on the dividend option selected.
- Dividends may be subject to taxation, please refer to the Taxation section for additional information.

How dividends are calculated

- Your client pays premiums for their participating whole life policy. Those premiums 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 investments in the participating account are managed by the Equitable Asset Management Group to ensure there is enough money to meet the guarantees in the product and pay claims and expenses, today and in the future.
- Determining the dividends takes into consideration various components of the participating block of policies. Dividends will vary based on the actual investment returns in the participating account as well as mortality, expense, lapse, claims experience, taxes and other experience of the participating block of policies. The investment performance of the participating account is just one component of determining dividends.
- Equitable Life's Board of Directors determines the amount of the dividend payment to its participating policyholders based on the guidelines in Equitable Life's dividend policy.

Copies of the Equitable Life's Dividend Policy and the Participating Account Management Policy can be found on our website at:
http://www.equitable.ca/en/already-a-client/policyholder-disclosure-governance.aspx

For more information on dividends and the participating account please see
Understanding Participating Whole Life Insurance (Form 1038).

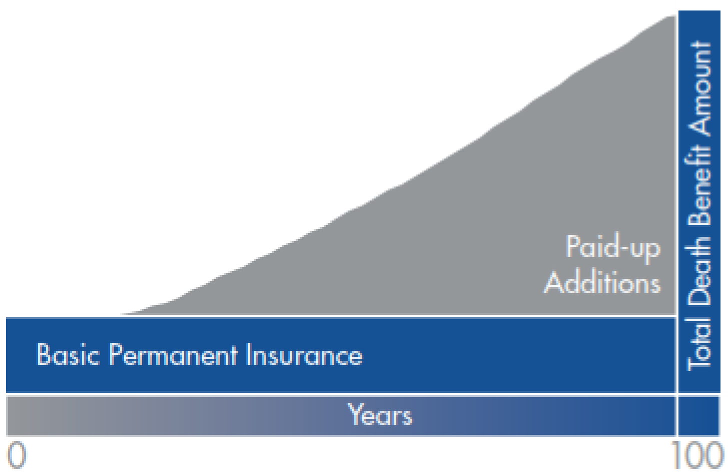
Dividend options:

- **Paid in cash:** allows the policy owner to receive dividends in cash on the policy anniversary. The income may be subject to taxation and a tax reporting slip may be issued.

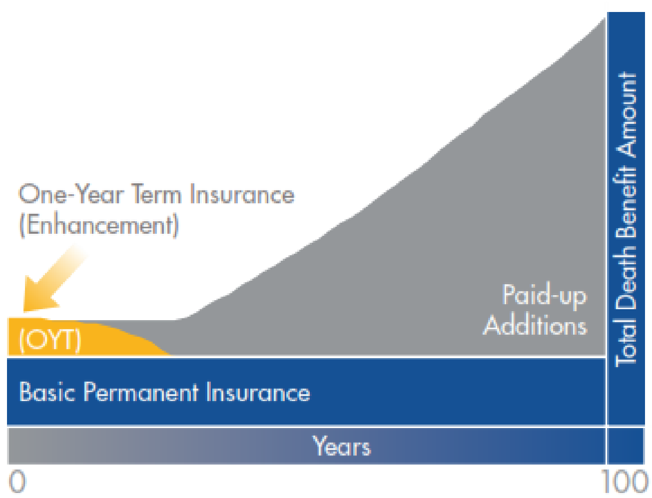
- **Premium reduction:** allows dividend payments to be used to reduce the annual policy premiums. Any excess over the amount of premium is paid in cash and may be subject to taxation and a tax reporting slip may be issued.

- **On deposit:**
  - Operates similar to a savings account.
  - Dividends payable are automatically deposited with Equitable Life in a deposit account held outside the policy and earn a competitive interest rate, which is set at least annually.
  - The policy owner can make withdrawals anytime.
  - Interest earned may be subject to taxation and a tax reporting slip may be issued.
  - On death, the accumulated dividends are paid, tax-free to the named beneficiary(ies), minus any unreported earnings between the policy owner's last tax filing and the date of death.

- **Paid-up additions (PUAs):**
  - Dividends payments are used to purchase paid-up additional (PUA) insurance, which is added to the basic policy to create another "layer" of permanent participating whole life insurance, which is also eligible to participate in the earnings of the participating account through dividend payments.
  - Dividends payments on PUAs combined with dividends earned on basic permanent coverage can result in substantial increases in both the death benefit and cash value over the life of the policy. Cash value of PUAs grows on a tax-advantaged basis



- **Enhanced protection:**
    - The enhanced protection dividend option is available at issue only. A change from another dividend option to enhanced protection cannot be made once the policy is in effect.
    - At the time of issue, the policy owner can select a base insurance amount, which will have a premium associated with it. They will also be able to select an additional enhanced amount of insurance that is less than the calculated maximum for the life insured. See the **maximum enhancement amount** section below for more details on the calculation.
    - The additional enhanced insurance is made up of one-year term (OYT) insurance and paid-up additional (PUA) insurance. At the time of issue, the full additional amount will be made up of OYT insurance. The OYT insurance cost is a yearly renewable term and is based on the issue age, gender, risk class, guarantee period selected and the amount of basic permanent insurance protection in the policy, and the duration of the base plan. OYT costs are adjusted annually as part of the dividend process.
    - At the anniversary a portion of any dividend payment pays for the OYT, and the remainder purchases PUA's. Over time the OYT will gradually be replaced by the accumulating PUA's. If the dividend payment is not sufficient to cover the cost of the OYT, existing paid-up additional insurance may have to be surrendered to pay for the outstanding costs. Alternatively, the policy owner may contribute extra premiums to pay for the OYT costs not covered by the dividends and keep the original insurance amount.
    - Once all the original OYT insurance has been replaced by PUAs, the dividend conversion point is reached. At this point, any future dividend payments are used solely to purchase PUAs, which increase the amount of the death benefit.



Conversion

- The OYT portion of the enhanced amount can be converted to any eligible permanent plan on an attained age basis, without evidence of insurability, up to and including age 71 of the insured (oldest life insured age 71 on joint plans; all insured lives must be living at the time of conversion).
- The amount of OYT available for conversion is limited to the amount in effect at the time conversion is requested.
- There is no impact to the conversion eligibility if the enhanced amount is guaranteed for life or for 10 years.
- The amount of the OYT will be reduced by the amount converted and this reduction will also be applied to the initial enhancement amount. Any enhancement guarantee will continue to apply to the reduced enhancement amount.
- If the full OYT portion of the enhanced protection is converted, the dividend option will be changed to paid-up additions on the original Equimax policy.
- If premiums for the Equimax policy are being waived under the disability waiver of premium provision and a request is received to convert the OYT premiums for the new coverage will NOT be waived and will become payable.
- If premiums for the Equimax policy are being waived under the disability waiver of premium provision at the final conversion date, the OYT is not available for conversion.
- The new permanent policy will be issued at attained age and current rates for a similar class of risk for the same coverage type and must meet the minimum and maximum age and premium limits required for the new coverage. The amount must meet the minimum required for the new coverage and cannot exceed the amount of OYT in effect at the time of the conversion.
- The election of a death benefit amount on the new policy must not increase the insurance coverage amount. If a request for a death benefit amount exceeds the original coverage, the request will be subject to the consent of Equitable Life and underwriting approval.
- The OYT insurance can be converted to a separate Equimax policy with no restrictions on the dividend option allowed, providing the benefit amount does not exceed the original death benefit amount.
- Note: For an Equimax policy with enhanced protection dividend option, the total of base coverage and the enhancement amount cannot exceed the original death benefit amount.

Enhancement guarantee periods

The enhancement guarantee period selected determines the minimum basic permanent insurance portion of the policy. Equitable Life will pay the original guaranteed amount on death, regardless of dividend experience, providing the policy is within the guaranteed period.

The enhancement guarantees remain in effect provided there are no withdrawals during the guarantee period and all required premiums are paid. Requests to put the policy on premium offset will also void the enhancement guarantee.

10-year enhancement guarantee

10-year guarantee: Guarantees the enhanced insurance coverage for 10 years, even if dividend payments on the policy are not enough to cover the cost of the OYT insurance. This option has a smaller basic permanent insurance requirement, resulting in a lower premium. After the first 10 years, if dividends are not sufficient to purchase the required amount of OYT insurance:

- Paid-up additional insurance will be surrendered to purchase additional OYT insurance,
- If that still isn't enough, the OYT insurance coverage will be reduced to an amount based on what the current dividend will purchase.

Clients may make additional premium payments to purchase the required amount of OYT insurance to maintain the initial level of enhancement protection.

Lifetime enhancement guarantee

Guarantees the enhanced insurance coverage for life even if dividend payments on the policy are not enough to cover the cost of the OYT insurance.

Maximum enhancement amount

The enhanced insurance amount can vary from a minimum of $1,000.00 to the maximum enhancement amount. The maximum enhancement amount will vary by:

- issue age
- risk class
- sex
- plan type
- premium type
- guarantee period
- amount of basic permanent insurance in the policy

There may be situations at smaller face amounts where the maximum amount of enhancement calculates to be less than $1,000. This is permitted and will be both the minimum and maximum enhancement amount for the policy.

Although selecting the maximum enhancement amount may be appealing, there are benefits to selecting a lower ratio of OYT insurance to basic permanent insurance, such as:

- building up PUA's more quickly, thereby accelerating the dividend conversion point
- increasing cash values within the policy
- accelerating the premium offset point (not guaranteed; the policy must qualify when offset is requested)

Excelerator Deposit Option (EDO)

- If the policy owner has elected paid-up additions or the enhanced protection dividend option, they have the option to make additional premium payments through the Excelerator Deposit Option (EDO).
- The EDO allows for additional premium payments, subject to specified limits, above the required guaranteed policy premium. These additional premium payments enhance policy values by purchasing paid-up additional (PUAs) insurance over and above the PUAs purchased by policy dividends.
- EDO premium payments are optional and are not required to keep the policy in effect.
- Like any other rider or benefit EDO must be requested on the application along with the planned EDO premium payment (it can be applied for at the same time as the policy or may be added later subject to underwriting approval and our administrative rules – see "Additions after issue" below). . If approved, the EDO payment amount can be part of the monthly pre-authorized debit draw for the policy or be included in the annual billing notice as a scheduled EDO payment. Single ad hoc payments are also an option.
- If the dividend option is paid-up additions, payments made through the EDO will purchase paid-up additional insurance and increase the death benefit and cash values of the policy.
- If the dividend option is enhanced protection, payments made through the EDO will purchase paid-up additional insurance and reduce the one-year term (OYT) portion of the enhancement amount more quickly. This can assist a policy in reaching the dividend conversion point earlier and potentially increase the death benefit and cash values.
- Under the provisions of the Income Tax Act (Canada) the Equimax policy must remain exempt from accrual taxation for the life of the policy. This means a maximum limit will apply on the amount of EDO payment the owner can make to the policy each year. The Income Tax Act is subject to change and any changes may affect the taxation of both new and existing insurance policies.
- Equitable Life will not allow scheduled or single EDO payments to exceed this maximum in any policy year and will not accept a payment that would cause the policy to lose its tax-exempt status.
- The ability to make an EDO payment is subject to administrative, tax-exempt status, and underwriting approval.

Availability

- EDO is available on both Equimax Estate Builder and Equimax Wealth Accumulator for all issue ages and premium types.

Minimums

<u>Scheduled:</u>

- $100 annual payment
- $10 monthly payment

<u>Single:</u>

- $100 per payment

Maximums

- There is a maximum EDO payment allowed each year. This limit is set to ensure the policy remains exempt from accrual taxation over its lifetime assuming the dividend scale in effect at that time remains unchanged for the life of the policy.
- The maximum is determined at issue and is based on the issue age, sex and risk class of the life insured, as well as the basic amount of coverage in effect, the plan type and the premium option chosen. The illustration system will calculate the maximum EDO payment amount based on the illustration assumptions.
- The maximum EDO payment may also be affected by dividend scale changes and changes to the income tax act exempt regulations.
- No exceptions will be made to allow EDO payments in excess of this maximum.
- Equitable Life will not accept an EDO payment that causes the policy to lose its tax-exempt status.
- Changes made to the policy after issue may result in changes to the maximum EDO payment amount allowed.

Effective date

- The effective date of the EDO payment will be the date that the payment is received. For a monthly deposit, this date will be the pre-authorized debit (PAD) draw date.

Premiums

- A premium load and monthly modal factor will apply, but no explicit tax load will apply. The premium deposit load that applies to the EDO payment amount is currently 8%. It covers things like commissions, premium tax and administration costs.
- Monthly PUA purchases using EDO payments will be determined using a 0.09 modal factor.
- If policy premiums are outstanding, any EDO payments received will first pay the policy premiums and any excess applied to the EDO payment.
- When an Equimax 20 pay plan becomes paid-up scheduled EDO payments would stop, as they are tied to premium billing. However, EDO payments can continue on an ad hoc basis at the discretion of the policy owner. Payments are subject to underwriting approval and our administrative rules and guidelines in effect at the time, as well as the tax-exempt status and tax legislation that applies.

PUA purchase

- PUA purchase rates for EDO will be the same as those used for buying PUAs with dividends.
- EDO payments made mid-year will use an interpolated PUA purchase rate.
- PUAs purchased with EDO will increase the PUA death benefit and cash value amounts. Monthly EDO payments will increase these values each month. Single ad hoc EDO payments will increase the values effective the payment date.

Death benefit payable with enhanced protection

- If the dividend option selected is enhanced protection, and EDO payments are processed on a monthly basis, the OYT portion of the enhancement amount will not be adjusted downward each month as PUAs are purchased. Therefore, the total death benefit amount will be higher until the dividend payment is made at the policy anniversary and the OYT portion is re-adjusted.

Conversion of the one-year term insurance (Enhancement) coverage

- If the EDO payments are being made on a monthly basis, and the conversion is requested other than at the policy anniversary, the OYT portion will not have been adjusted for the dividend payment as outlined above. The higher OYT portion will be available for conversion.

Scheduled payments

- Scheduled payments can be made on a monthly or annual basis based on the policy premium mode.
- Scheduled EDO deposits are included in the annual premium billing notice or as part of the monthly pre-authorized debit (PAD) and will have the same effective date as the Equimax policy.
- Equitable Life will process any scheduled annual payments on the policy anniversary and any scheduled monthly payment when they are received, subject to maintaining the tax-exempt status.

Single payments

- Single payments can be made at any time, subject to administrative, tax-exempt status, and underwriting approval and will purchase PUAs at the time the payments are received.
- If a single payment is received within the first month after the anniversary, it will be treated similar to an annual payment; otherwise, it will be processed as a monthly payment using an interpolated rate and a modal factor will apply.

Substandard ratings

- EDO is available on adult policies for a life insured that has a substandard multiple underwriting rating up to a maximum of 300%.
- EDO is also available on a joint last-to-die policy where a life has been declined provided the other life has a rating of 300% or less and the policy has been issued using the new Joint Age calculation process that went into effect September 12, 2020. This applies to both Estate Builder and Wealth Accumulator joint last-to-die policies.

- If the application for joint last-to-die Estate Builder and Wealth Accumulator is received on or after September 12, 2020 and Underwriting has declined a life insured, the joint last-to-die policy will be issued using the new Joint Age calculation and we will allow the owner to apply for EDO provided the other life has a rating of 300% or less.
  - Any previously issued joint last-to-die policies with a declined life rating will not be permitted to apply to add EDO.
  - The application for the joint last-to-die policy must be received on or after September 12, 2020 and the policy issued using the new Joint Age calculation to allow for addition of EDO.
- The maximum EDO amount permitted for the joint last-to-die policy with a declined life will be based on the lesser of the maximum that would apply based on the Joint Age and the maximum amount that would apply based on a single life policy issued to the healthy life.
- EDO is not available on children's policies if the life insured is rated.
- EDO is not available for those who have a flat extra rating applied, however if the flat extra rating is removed in the future, the insured can request at that time to add EDO, subject to our administrative rules in effect at that time and underwriting approval.

Disability claim in effect

- When a waiver of premium claim is in effect, scheduled EDO payments would stop. Scheduled payments are tied to premium billing and the premium billing status would be changed to "waived" if a disability claim were in effect.
- The policy owner may continue to make ad hoc EDO payments at their discretion. EDO payments are not covered by the waiver of premium benefit.
- Once the policy is no longer on waiver, scheduled payments could resume. These payments would not be subject to underwriting approval provided the amount has not increased and the policy owner has not stopped and restarted the EDO payments outside the permitted 60 months. The amount of the payment we will accept may be limited.
- If a request to stop EDO payments is received while the policy is on waiver, EDO payments cannot be restarted unless the policy is no longer on waiver and will be subject to our administrative rules in effect at that time and underwriting approval.

Premium offset

- If premium offset is selected by the policy owner, scheduled EDO payments will stop.
- If the owner wants to make a single EDO payment, they can submit the application to do so, however approval will be subject to administrative, tax-exempt status, and underwriting approval.

Suicide

- If the life insured dies by suicide, regardless of the mental state of the life insured, within 2 years after the latest EDO effective date, Equitable Life will be liable for the amount of the EDO payments received, less the cash value of any portion of the paid-up additional insurance that is surrendered during that two year period.

Termination

Under the circumstances listed below scheduled EDO payments will stop; however, the owner can apply to make a single ad hoc deposit, subject to administrative, tax-exempt status and underwriting approval.

- The date the policy owner requests to have scheduled payments cancelled
- 60 months after the date payments have been stopped
- If premium offset is selected
- If a 20 pay plan has become paid-up
- If a policy has a waiver of premium claim in effect and is placed on waiver status.

Under the circumstances listed below no EDO payments will be accepted.

- The policy owner requests a dividend option change to other than PUA or enhanced protection.
- The date the Equimax base policy premiums are paid by automatic premium loan (APL)
- The policy is changed to reduced paid-up insurance
- The date the death benefit becomes payable
- The date the Equimax policy otherwise terminates

EDO payments

Effective March 23, 2020

Changes were introduced to allow for more flexibility on EDO payments. This new EDO payment flexibility is offered only on policies that were issued March 23, 2020 or later.

- Owners will have up to 60 months from the date the application is signed to make the initial EDO payment.
- Owners will also have up to 60 months from the date of the last EDO payment to resume payments. No additional underwriting required.
- For approved EDO amounts exceeding $150,000 annually ($12,500 monthly), clients have up to 12 months from the date the EDO application was signed or the date of the last EDO payment to make an EDO payment before a contribution cap may apply.

If the G3 tax status Equimax policy was issued prior to March 23, 2020 the previous rules apply.

- Owners have 24 months from the date the application is signed to make the initial EDO payment. No additional underwriting required.
- Owners have up to 24 months from the date of the last EDO payment to resume payments. No additional underwriting required.
- No contribution cap applies.

For more information on the EDO payment rules that apply to G3 tax status policies issued prior to March 23, 2020 please refer to the online EDO Q&A on EquiNet.

- Application for EDO can be made at the same time as application for the policy or EDO can be applied for after issue of the policy (see the “Additions After Issue” of this guide).
- The planned EDO payment amount must be included on the signed illustration submitted with the application.
- The application for EDO is underwritten based on the amount of EDO included on the illustration.
- If the EDO payment is approved the owner must make the initial payment within 60 months from the date the application is signed, or additional evidence of insurability will be required.
- Depending on the amount of the EDO payment and when the initial payment is submitted it may be subject to a contribution cap.
- If the amount of EDO applied for and approved is more than $150,000 annual ($12,500 monthly) and:
    - If the initial EDO payment is made within 12 months of the date the application is signed, we will accept payment of the full amount underwritten and approved.
    - If the initial EDO payment is after 12 months (but within the required 60 months) from the date the application is signed, a contribution cap may apply.
    - NOTE: For more information on the contribution cap, see the “How the contribution cap works” section of this guide.

- Starting in the 6th policy year a maximum EDO payment check applies. This check looks at the EDO payments received in the previous 5 policy years compared to what was underwritten and approved.
- The maximum payment check that begins in the 6th policy year applies regardless of the amount of EDO underwritten and approved.
- Delaying the initial EDO payment, paying less than the EDO amount underwritten and approved, and taking an EDO payment break can affect the maximum we will accept for future EDO payments without additional evidence and underwriting approval.

It is important to note that the initial payment must be made within 60 months of the date that the application is signed; this means that the owner will not necessarily have to the end of the 5th policy year to make the initial payment. Similarly when the contribution cap applies, the EDO payment must be received within 12 months of the date the application is signed, depending on when the policy is issued the owner may be subject to the contribution cap even if the payment is made in the first policy year.

How the contribution cap works –annual EDO payments of more than $150,000

- If the approved annual EDO payment is more than $150,000, a contribution cap will apply if the initial payment is not made within 12 months of the date the application for EDO is signed.
- If the contribution cap applies, the maximum amount of EDO payment we will accept for the applicable policy in the first 60 months from the date the application was signed will be the lesser of:
  [the previous policy year's EDO payment plus $150,000] and
  [the amount of EDO underwritten and approved at the time of application].
- This contribution cap will also apply if annual EDO payments greater than $150,000 are stopped at any time and then restarted within the permitted 60 months.
- Starting in the 6th policy year the maximum payment check will start. The maximum EDO payment we will accept without additional evidence and underwriting approval will be the lesser of:
  [the previous policy year's EDO payment plus $150,000] and
  [the amount of EDO underwritten and approved at the time of application] and
  [the maximum payment received in the previous 5 years].

- It is important to understand that delaying an initial EDO payment could limit the maximum EDO payment that we will accept in the future without additional evidence and underwriting approval.

Example:

The following example demonstrates how the contribution cap works on the initial EDO payment and what can happen if the initial payment is delayed too long.

Scenario A - Assume application is made for an annual EDO payment of $400,000

- $400,000 is the amount underwritten and approved, the policy is put into effect, but the initial EDO payment is delayed until the beginning of year 4.
- Because the initial EDO payment is more than $150,000 and was received more than 12 months after the date the application was signed, it is subject to the contribution cap.
- The example below assumes that the EDO payment made by the owner is made at the beginning of the policy year.

Start of Policy Year	Maximum annual EDO payment	Maximum payment without additional evidence of insurability is calculated as the lesser of	Actual EDO payment made by Owner
1	$400,000*	See IMPORTANT NOTE below*	$0
2	$150,000	[previous policy year's EDO payment + $150,000] and [amount underwritten and approved]	$0
3	$150,000	[previous policy year's EDO payment + $150,000] and [amount underwritten and approved]	$0
4	$150,000	[previous policy year's EDO payment + $150,000] and [amount underwritten and approved]	$150,000
5	$300,000	[previous policy year's EDO payment + $150,000] and [amount underwritten and approved]	$300,000
6	$300,000	[previous policy year's EDO payment + $150,000] and [amount underwritten and approved] and [the maximum payment received in the previous 5 years]	?

- Starting in the 6th policy year, the maximum payment check starts. The maximum payment received in the previous 5 years was the $300,000 paid in the 5th policy year.
- In subsequent years, the maximum EDO payment the owner can make each year without additional evidence of insurability and underwriting approval is now capped at $300,000; not the $400,000 for which they were originally underwritten and approved. The client would be required to provide additional evidence of insurability if they wish to increase their maximum EDO payment to the original amount.

IMPORTANT NOTE:
*The maximum EDO payment allowed for year 1 applies only for the first 12 months from the date the application is signed, not from when the policy settles. Depending on when the policy settles, the payment may be subject to the contribution cap even if it is made within the first policy year.

equimax

How the contribution cap works – monthly EDO payments of more than $12,500

- If the approved monthly EDO payment is more than $12,500, a contribution cap will apply if the initial monthly payment is not made within 12 months of the date the application for EDO is signed.
- If the contribution cap applies, the maximum amount of the monthly EDO payment we will accept for the applicable policy year will be the lesser of:

  [(the previous policy year's EDO payment plus $150,000)/12] and
  [the monthly amount that was underwritten and approved at the time of application]

- This contribution cap will apply for the duration of the applicable policy year.
- If in any year the monthly EDO payment is less than the amount initially underwritten and approved, subsequent payments will also be subject to this contribution cap.
- Starting in the 6th policy year the maximum payment check will start. The maximum EDO payment we will accept without additional evidence and underwriting approval will be the lesser of:

  [(the previous policy year's EDO payment plus $150,000)/12] and
  [the monthly amount that was underwritten and approved at the time of application] and
  [the maximum payment received in the previous 5 years].

When the payment mode is monthly, the previous policy year's EDO payments will be calculated as the sum of the monthly EDO payments and the maximum payment received in a given policy year will be calculated as the sum of the monthly payments divided by 12.

- An example is provided below

Example:

The following example demonstrates how the contribution cap works on the initial EDO payment when the premium mode is monthly.

Sample monthly scenario – assume application is made for a monthly EDO payment of $30,000

- $30,000 is the monthly payment amount approved, but no EDO payment is made within 12 months of the date the application is signed.
- At the beginning of the 2nd policy year the owner wants to start the monthly EDO payment.
- Assume the monthly EDO paid by the Owner is as of the beginning of the year indicated.

Start of Policy Year	Maximum monthly EDO payment	Maximum payment without additional evidence of insurability is calculated as the lesser of	Actual monthly EDO payment made by the Owner
1	$30,000*	See IMPORTANT NOTE below*	$0
2	$12,500	[previous policy year's EDO payment + $150,000]/12 and [monthly amount underwritten and approved]	$12,500
3	$25,000	[previous policy year's EDO payment + $150,000]/12 and [monthly amount underwritten and approved]	$25,000
4	$30,000	[previous policy year's EDO payment + $150,000]/12 and [monthly amount underwritten and approved]	$?

- In this example, the owner made the initial $12,500 payment earlier than in the annual example above, and as a result was able to get back up to the $30,000 originally underwritten and approved for by the 4th policy year.
- At this point the monthly EDO payment is now limited to the amount that was initially underwritten and approved, and the owner can continue to make this payment provided this amount continues to be paid each month.
- If the owner had made the initial $12,500 payment in the 15th month, and made only 10 payments in the second policy year, then the cap would be calculated as previous policy year's payment of [((12,500 x 10) + $150,000)/12] and [$30,000]. In this case the maximum monthly payment for year 3 would be $22,016.67 instead of $25,000.
- Starting in the 6th policy year the maximum payment check will start
- If in any policy year a reduced amount of EDO is paid, then the contribution cap may apply to future payments as well as the maximum payment check.

IMPORTANT NOTE:

*The maximum EDO payment allowed for year 1 applies only for the first 12 months from the date the application is signed, not from when the policy settles. Depending on when the policy settles, the payment may be subject to the contribution cap even if it is made within the first policy year.

equimax

Starting and stopping scheduled EDO payments

- The policy owner may elect to stop scheduled EDO payments at any time and may resume payments, without providing additional evidence of insurability, providing payments are restarted within 60 months of the date the last payment was made.
- The contribution cap described above will also apply to restarting scheduled EDO payments within the 60-month window.
- If a request to restart payments is received after 60 months of the last payment, evidence of insurability that Equitable Life requires at the time must be provided.
- Missed payments do not carry forward.
- The G3 - Application for Change (Form 0374G3) is required to restart payments.

Why does a contribution cap apply?

- EDO payments purchase additional paid-up insurance, which provides additional death benefit above the amount of the initial basic coverage of the policy.
- By allowing a longer period of time between when the application is received and underwritten and when the owner can make the initial EDO payment without having to submit additional evidence of insurability, there is a risk of anti-selection.
- This same anti-selection risk applies when allowing the owner to stop EDO payments and then restart them within 60 months without having to submit additional evidence of insurability.
- The contribution cap allows Equitable Life to mitigate this risk for larger policies.
- Keep in mind the contribution cap applies if the owner doesn't make the initial EDO payment within 12 months of the date the application is signed, pays less than the amount they initially applied for or if they stop and then restart the EDO payments.
- If the owner does not want the EDO payment to be limited by the contribution cap, they simply need to make the initial deposit within 12 months of the date the application is signed, and then continue to make those payments each year or month.
- The amount of the EDO payment can be increased at any time, subject to the maximum permitted for the policy as determined as of the effective date of the policy, subject to our administrative guidelines, tax-exempt status and underwriting approval. See information below under Increases to the scheduled EDO payment amount.

Additions after issue

- If EDO was not applied for at the time of application of the original policy, the owner can apply at any time after issue of the policy to add the option to make EDO payments. Additional evidence of insurability and underwriting approval will be required.
- Approval is subject to Equitable Life's administrative and underwriting criteria and the applicable tax legislation in effect at the time the application to make the EDO payments is received.
- The owner can apply for any EDO amount subject to the minimum and maximums that apply to their policy. The maximum is based on the amount that would apply at the effective date of the policy as well as the tax-exempt status of the policy and the applicable tax legislation in effect at the time of addition.

- If an Equimax policy is being issued as a result of a term plan or term rider conversion, EDO can be added to the new permanent Equimax policy. Additional evidence of insurability will be required and it will be subject to underwriting approval, and to the administrative rules and guidelines and the tax-exempt legislation in effect at the time of the conversion.
- The effective date of the scheduled EDO payments will be the date the first EDO payment is received following approval of the application.
- The G3 - Application for Change (Form 0374G3) must be completed for all addition requests.

Increases to the scheduled EDO payment amount

- If the owner did not initially apply for the maximum EDO payment their policy supports, they may be able to increase their EDO payment up to the maximum permitted, provided the payment does not cause the policy to lose its tax-exempt status.
- Additional evidence of insurability and underwriting approval will be required.
- The increase will be subject to our administrative rules, underwriting criteria and the tax legislation in effect at that time.
- The payment, if approved, will be limited to the maximum permitted for the policy.
- The G3 - Application for Change (Form 0374G3) must be completed for all increase requests.

Decreases to the EDO payment amount

- A decrease in the EDO payment can be made at any time providing that the new decreased amount is still within plan minimums.
- If the policy owner elects to pay a decreased EDO amount, the maximum amount of future EDO payments may be affected by the contribution cap discussed above, as well as the maximum payment received in the previous 5 years.
- Paying an EDO amount that is less than what was initially underwritten and approved can affect future EDO payments.

  Example: At issue the EDO amount approved is $2,500 per year
  - An EDO payment of $2,500 is paid in Year 1:
  - In years 2, 3, 4, 5, and 6 the owner decreases the EDO payment to $1,000 in each year
  - The maximum EDO payment that can now be made in year 7 without additional evidence of insurability and underwriting approval is $1,000.

  $1,000 is the highest EDO payment received in the previous 5 years.

  To return to an EDO payment of $2,500 additional evidence of insurability and underwriting approval is required.

Maximum EDO payment amounts – additional examples

- The rules around the maximum EDO payment we will accept without additional evidence of insurability and underwriting approval can be split into two categories based on the EDO payment amount that is underwritten and approved at the time of application:
  1) Scheduled EDO payments equal to or less than $150,000 annually ($12,500 monthly) or
  2) Scheduled EDO payments that exceed $150,000 annually ($12,500 monthly).

Example – EDO payment is $150,000 ($12,500) or less:

- In this case the contribution cap will not apply.
- For the first 60 months following the date the application is signed we will accept the EDO payment amount that was underwritten and approved.
- Starting in the 6th policy year the maximum EDO payment amount we will accept will be the lesser of:

  [the amount of EDO underwritten and approved]
  and
  [the maximum EDO payment received in the previous 5 years].

If the EDO payment is monthly the maximum EDO payment received in any given policy year is calculated as the sum of the monthly payments divided by 12.

- Assume the approved annual EDO payment is $100,000
- The example below assumes that the EDO payment made by the owner is made at the beginning of the policy year.

Start of Policy Year	Maximum annual EDO payment	Maximum payment without additional evidence of insurability is calculated as the lesser of	Actual EDO payment made by Owner
1	$100,000*	[amount underwritten and approved]	$0
2	$100,000	[amount underwritten and approved]	$0
3	$100,000	[amount underwritten and approved]	$100,000
4	$100,000	[amount underwritten and approved]	$50,000
5	$100,000	[amount underwritten and approved]	$10,000
6	$100,000	[amount underwritten and approved] and [the maximum payment received in the previous 5 years]	$10,000
7	$100,000	[amount underwritten and approved] and [the maximum payment received in the previous 5 years]	$10,000
8	$100,000	[amount underwritten and approved] and [the maximum payment received in the previous 5 years]	$10,000
9	$50,000	[amount underwritten and approved] and [the maximum payment received in the previous 5 years]	$10,000
10	$10,000	[amount underwritten and approved] and [the maximum payment received in the previous 5 years]	?

equimax

- The example above also demonstrates how paying less than the approved amount can affect the future EDO payment that we will accept without additional evidence of insurability and underwriting approval.
- In year 10 if the owner wanted to return to paying the annual $100,000 EDO payment they had initially been approved for, the request to do so will be subject to additional evidence of insurability and underwriting approval.

Example – EDO payment is more than $150,000 ($12,500):

- If the initial payment is made within 12 months of the date the application is signed, we will accept the amount that was underwritten and approved.
- In this case the contribution cap will apply if the initial payment is not received within 12 months of the date the application is signed. However, provided the payment is received within 60 months of the date the application is signed, then the maximum EDO payment we will accept will be the lesser of:

  [the previous policy year's EDO payment plus $150,000]
  and
  [the amount of EDO underwritten and approved at the time of application]

- Starting in the 6th policy year the maximum EDO payment amount we will accept will be the lesser of:

  [the previous policy year's EDO payment plus $150,000]
  and
  [the amount of EDO underwritten and approved at the time of application]
  and
  [the maximum EDO payment received in the previous 5 years].

If the EDO payment is monthly, the previous policy year's EDO payments will be calculated as the sum of the monthly EDO payments and the maximum payment received in any given policy year is calculated as the sum of monthly payments divided by 12.

- An example is provided below; it demonstrates that provided the initial payment is not delayed too long, the owner can work back up to the EDO payment amount that was initially underwritten and approved.
- The example below also shows that if a payment break is taken, when payments are restarted can affect the maximum EDO payment we would accept in the future without additional evidence of insurability and underwriting approval.

- Assume the approved annual EDO payment is $400,000
- The owner delays the initial payment until the beginning of year 3
- The example below assumes that the EDO payment made by the owner is made at the beginning of the policy year.

Start of Policy Year	Maximum annual EDO payment	Maximum payment without additional evidence of insurability is calculated as the lesser of	Actual EDO payment made by Owner
1	$400,000*	See IMPORTANT NOTE below*	$0
2	$150,000	[previous policy year's EDO payment + $150,000] and [amount underwritten and approved]	$0
3	$150,000	[previous policy year's EDO payment + $150,000] and [amount underwritten and approved]	$150,000
4	$300,000	[previous policy year's EDO payment + $150,000] and [amount underwritten and approved]	$300,000
5	$400,000	[previous policy year's EDO payment + $150,000] and [amount underwritten and approved]	$400,000
6	$400,000	[previous policy year's EDO payment + $150,000] and [amount underwritten and approved] and [the maximum payment received in the previous 5 years]	$0
7	$150,000	[previous policy year's EDO payment + $150,000] and [amount underwritten and approved] and [the maximum payment received in the previous 5 years]	$0
8	$150,000	[previous policy year's EDO payment + $150,000] and [amount underwritten and approved] and [the maximum payment received in the previous 5 years]	$0
9	$150,000	[previous policy year's EDO payment + $150,000] and [amount underwritten and approved] and [the maximum payment received in the previous 5 years]	$150,000
10	$300,000	[previous policy year's EDO payment + $150,000] and [amount underwritten and approved] and [the maximum payment received in the previous 5 years]	$300,000
11	$300,000	[previous policy year's EDO payment + $150,000] and [amount underwritten and approved] and [the maximum payment received in the previous 5 years]	$300,000
12	$300,000	[previous policy year's EDO payment + $150,000] and [amount underwritten and approved] and [the maximum payment received in the previous 5 years]	?

IMPORTANT NOTE:
*The maximum EDO payment allowed for year 1 applies only for the first 12 months from the date the application is signed, not from when the policy settles. Depending on when the policy settles, the payment may be subject to the contribution cap even if it is made within the first policy year.

- In year 12 if the owner wanted to return to paying the annual $400,000 EDO payment they had initially been approved for, the request to do so will be subject to additional evidence of insurability and underwriting approval.

Taxation

- Equimax is a tax-exempt life insurance policy under the Income Tax Act (Canada). The cash value of the policy can grow on a tax-advantaged basis, within limits as prescribed under the Income Tax Act (Canada). The taxation of a life insurance policy's dividends depends, in part, on how the dividends are used.
- Dividend payments to the policy owner (or otherwise accumulated outside of the policy) may generate a gain, which is reported to the policy owner at the time the dividend is paid. A tax reporting slip will be issued.
- Dividend payments that are accumulated within the policy will not result in a gain until disposition of the policy occurs and may be paid out tax-free to the policy's beneficiary(ies) in the event of the death of the life insured. Payment of a death benefit does not constitute a disposition of an interest in a life insurance policy.
- The Income Tax Act (Canada) is subject to change and any changes may affect the taxation of both new and existing insurance policies.
- The table on the next page describes the taxation of the various dividend options.

Dividend Option	Taxation implications
Paid in cash	• Policy owner receives dividend payments in cash. • There is no tax reported until the dividend payment exceeds the adjusted cost basis (ACB) of the policy. • If the policy ACB is less than the dividend payment, the amount of the dividend that exceeds the ACB is reported as taxable income. A tax reporting slip will be issued.
Premium reduction	• Policy owner uses dividend payments to reduce and potentially pay all premiums payable. • The ACB is reduced by the amount of the dividend payment, but then is immediately increased by the same amount as it is deposited to the policy to pay premiums. Using dividends to pay premiums does not change the ACB of the policy until the dividend exceeds the premium. • Once the dividend payment exceeds the premium the amount not used to pay premium is paid to the policy owner in cash, and if the ACB is less than the dividend amount paid out as cash, the amount of the dividend that exceeds the ACB is reported as taxable income. A tax reporting slip will be issued.
On deposit	• Dividend payments are deposited with Equitable Life in a deposit account held outside the policy and earns a competitive interest rate. • Future dividends are taxed once the dividends exceed the ACB of the policy. Any interest earned on the accumulated dividend is reported to the policy owner annually. A tax reporting slip will be issued.
Paid-up additions	• Dividend payments are used to purchase paid-up additional insurance (PUAs). • The ACB of the policy is reduced by the amount of the dividend payment but is then immediately increased by the same amount as the dividend is re-deposited to the policy in the form of a ‘premium’ for the PUAs. • No gain is reported to the policy owner until a taxable disposition of the policy occurs.
Enhanced protection	• Dividend payments are used to purchase a combination of one-year term insurance (the enhancement) and PUAs. • As with PUAs, the dividends are subtracted from, and then added to, the ACB of the policy. • There is no tax reportable until a taxable disposition of the policy occurs.

Accessing policy values

- Cash value in the Equimax policy can be accessed by requesting a cash withdrawal, a policy loan, or a partial or full surrender of the policy. Each of these options is discussed below.
- The guaranteed cash value of the policy is available to support a policy loan or if the owner requests a full or partial surrender of the policy. It is not available to support a request for a cash withdrawal.
- Accessing the values in the policy may have tax consequences and a tax reporting slip may be issued.

Cash withdrawals

- Depending on the dividend option elected by your client, they may have the ability to access the non-guaranteed cash value generated by dividends to support a cash withdrawal.
- The minimum withdrawal amount is $500.
- Each dividend option is discussed below with regards to if and how a cash withdrawal can be supported.

Paid-up additions (PUAs)

- Cash withdrawals are made by surrendering PUAs for their cash value.
- The total cash value of the policy is reduced by the amount of the withdrawal.
- Upon the surrender of PUAs, the income reportable is based (pro rata) on the cash value of the PUAs surrendered in relation to the cash value of the policy as a whole (including PUAs).

  Example:
  - If the PUAs surrendered represent 10% of the value of the policy, 10% of the ACB of the policy will be allocated to the surrendered PUAs, with the excess of the proceeds over the prorated ACB reported as income to the policy owner.
  - The total death benefit is reduced by more than the amount withdrawn, because a multiplier effect in the PUAs translates one dollar of cash value into more than one dollar of death benefit.

  Please note that surrendering PUAs for their cash value may have tax consequences and may be subject to income tax and a tax reporting slip may be issued.

Enhanced protection

- Cash withdrawals are made by surrendering PUAs for their cash value.
- The total cash value of the policy is reduced by the amount of the withdrawal.
- Upon surrender of the PUAs, the income reportable is based (pro rata) on the cash value of the PUAs surrendered in relation to the cash value of the policy as a whole (including PUAs). See above for example.
- Surrendering PUAs during the enhancement guarantee period will void the guarantee.
- The enhanced amount will be reduced by the amount of the PUAs withdrawn.

- The OYT insurance portion of the enhanced protection will not change from the date of the withdrawal until the next anniversary. On the policy anniversary, and subsequent policy anniversary dates, the enhanced amount will be based on the lower enhanced amount.

  Example:
  - Original Equimax policy has a basic insurance amount of $50,000.
  - The enhanced protection amount equals $50,000
  - At the time of the surrender the enhanced amount is comprised of $19,875 PUAs and $30,125 OYT.
  - Policy owner receives the cash value of the PUAs surrendered
  - Enhanced protection amount is reduced to $30,125, and is comprised of all OYT insurance, until the next policy anniversary.
  - On the next policy anniversary, the declared dividends will purchase PUA insurance combined with OYT insurance to equal $30,125 (assuming there is sufficient dividends to do so and any guarantee has been cancelled)
  - The Death benefit will be reduced by more than the amount withdrawn, because a multiplier effect in the PUAs translates one dollar of cash value into more than one dollar of death benefit.

  Please note that surrendering PUAs for their cash value may have tax consequences and may be subject to income tax. A tax reporting slip may be issued.

Paid in cash

- No cash withdrawals are available as all dividends are paid as cash to the policy owner at the policy anniversary.

Premium reduction

- No cash withdrawals are available as dividends are used to pay for the policy premiums on the policy anniversary. If the dividend payment exceeds the policy premiums the excess is paid in cash to the policy owner.

On deposit

- The accumulated dividends in the deposit account are accessible to the policy owner as cash.
- Withdrawing cash value from the dividends left on deposit may have tax consequences and may be subject to income tax and a tax reporting slip may be issued.

Policy loans

Provided the Equimax Estate Builder or Wealth Accumulator policy is in effect and has available cash value the policy owner can request a policy loan. All loan requests are subject to our administrative rules and guidelines in effect at the time the loan is requested. The administrative rules and guidelines set by Equitable Life are reviewed from time to time and are subject to change.

To apply for a policy loan please complete the Policy Loan Agreement Form (680) and submit to Equitable Life Head Office in Waterloo.

General functionality

- The maximum amount the policy owner can borrow of the available cash value is subject to our administrative rules and guidelines in effect at the time the loan is requested. Equitable Life sets the maximum and it is subject to change, however it will never be greater than 90% of the available cash value less any existing indebtedness.
- Typically, the loan is granted within 30 days of receipt and approval of the completed loan application form, however Equitable Life can defer the loan for up to six months.
- Policy loans (other than automatic premium loans) may be subject to taxation and a tax reporting slip may be issued.
- The effective date of the loan is the date the loan is processed, not the date the funds are available.
- Interest will accrue daily from the effective date of the loan. The interest rate is variable and set by Equitable Life; it is subject to change.
- At each policy anniversary unpaid interest due on the policy loan is added to the outstanding loan balance (capitalized) and interest is charged on the entire indebtedness under the policy.
- The owner can make loan repayments at any time while the policy is in effect. The owner can repay all or a part of the amounts owed on the policy subject to a minimum amount as determined by Equitable Life.
- All loan repayments that are received are applied against the principal amount.
- If at any time the total indebtedness under the policy, including the accrued interest, exceeds the available cash value the policy will lapse, and the insurance coverage will terminate.

Loan amounts, limits and fees

- Policy owners can borrow up to a maximum of 90% of the available cash value of their Equimax Estate Builder or Wealth Accumulator policy, less any outstanding loans. The available cash value includes both guaranteed cash values and the non-guaranteed cash value generated by dividends.
- The minimum loan amount the owner can apply for is $500; Equitable Life reserves the right to change this minimum.
- No processing fee applies; however Equitable Life reserves the right to charge a fee.
- There is no limit on the number of loans the owner can request in a given policy year, however, Equitable Life reserves the right to apply a limit.

Loan proceeds

- Typically, loan proceeds are paid within 30 days of receiving the completed loan agreement form.
- Proceeds are payable to the owner either by Electronic Funds Transfer (EFT), if they have provided their banking information, or by cheque sent through regular mail.

Loan interest

- Interest will accrue daily from the effective date of the loan.
  - The effective date of the loan is the date the loan is processed, not the date the funds are available in the owner's bank account. With EFT it can take up to 4 days for the funds to be available in the owner's bank account.
  - For loan proceeds paid by cheque, the effective date of the loan is the issue date of the cheque, not the date the cheque is cashed and/or processed by the owner's bank or financial institution.
- At each policy anniversary any interest due on the policy loan is added to the outstanding loan balance (capitalized) and interest is charged on the entire amount owing.
- The policy loan rate will decrease to 6.2% (from 6.7%) effective July 1, 2020. This applies to all new and existing policy loans, including automatic premium loans on Equimax policies that have a 9-digit policy number beginning with a "3" or an "8". The policy loan rates on some older blocks of policies may increase or decrease because they are tied to the prime interest rate. This rate is reviewed from time to time and is subject to change.

Loan repayments

- Policy loan repayments can be made anytime while the policy is in effect.
- All or part of the amounts owed can be repaid, subject to a minimum amount as determined by Equitable Life.
- The owner must specify if a payment is to repay a policy loan. If a payment is received without any instruction from the owner, it will first be applied to pay any unpaid premiums.
- When a loan repayment is received, it is applied entirely to the principal. If the loan is not fully repaid in any given year, accrued interest will capitalize at the policy anniversary and become part of the loan principal. The interest due the following year is based on this new principal amount.
- Loan repayments can be made by:
  - Pre-authorized debit (PAD) – if the owner is paying premiums by monthly PAD, monthly automatic loan repayments can be paid at the same time from the same account. This is only available for policies with premiums paid by monthly PAD.
  - On-line banking – for loan repayments made through on-line banking the owner must specifically state that the payment is to be applied against the policy loan. This one-time direction can be submitted by e-mail to the Customer Service General Mailbox at customer-service@equitable.ca or by written notification to Head Office. The policy number must be included in the direction and the notification will be retained for future reference and processing of on-line loan repayments. This option allows scheduled monthly repayments on a policy where premiums are paid annually.

  - Cheque – payments need to be accompanied by written instruction, including the policy number, to apply the payment against the policy loan. This option is available for any policy regardless of how premiums are being paid.

Outstanding loan balance

- The owner can find the amount of interest that has accrued during the policy year as well as the outstanding loan balance:
  - On the annual statement they receive
  - On-line through Client Access, provided the owner has signed up for Client Access
  - By contacting Customer Service
- An Advisor can find the amount of accrued interest and any outstanding loan balance for a client by using EquiNet Inquiry, provided they have a user id and password, or by contacting Advisor Services.
- If the policy is surrendered, the outstanding loan balance and any accrued interest will reduce the cash surrender value paid to the owner
- If the death benefit becomes payable, the outstanding loan balance and any accrued interest will reduce the amount of death benefit paid to the beneficiary or beneficiaries.
- If the owner elects the reduced paid-up (RPU) death benefit option, the outstanding loan balance and any accrued interest will reduce the amount of paid-up insurance.
- If the owner elects to reduce the coverage amount, the outstanding loan balance and any accrued interest will reduce the cash surrender value paid to the owner. In some cases, the entire surrender value may be required to pay the outstanding loan. Any amount not required to repay the loan is paid to the owner.
- A reduction in coverage may also require additional repayment by the owner to ensure the outstanding loan balance is supported by the accumulated values in the policy at the reduced coverage amount.
- If the owner wants to withdraw cash from the policy, the outstanding loan balance and any accrued interest will reduce the amount available to support a cash withdrawal.

Premium offset

- Policy loans are not available if the policy is on premium offset. To qualify for premium offset, future dividends and non-guaranteed cash value must be sufficient to pay all future premiums. Since these values are required to pay premiums, they are not available as collateral for a policy loan.
- The policy owner can request a change from premium offset status and resume paying out-of-pocket premiums in order to take a policy loan, however the policy is not eligible for premium offset status while there is an outstanding loan balance.
- Once the loan is repaid, the owner can request premium offset status for the policy, however, the policy must requalify at that time. Even if the loan is repaid, the policy may not requalify for premium offset.
- If a policy qualifies for premium offset, it is not guaranteed to remain on premium offset. Changes to the dividend scale may affect the ability of a policy to continue to qualify for premium offset.

Full or partial policy surrender

- If the owner requests full or partial surrender of the policy, then they will receive all or part of the guaranteed cash value associated with the policy that applies at that time.
- Guaranteed cash value available with your client's policy are outlined in the Table of Guaranteed Values of your client's policy contract.
- If the full policy is surrendered the guaranteed cash value available at that time will be paid to the owner along with any non-guaranteed cash value generated by dividends, if applicable. Whether there is non-guaranteed cash value will depend on the dividend option that your client has elected.
- If the owner requests a partial surrender of the policy, then a pro-rata amount of guaranteed cash value available at that time will be paid to the owner based on the amount of coverage that is surrendered.
- In the case of a partial surrender non-guaranteed cash value may also need to be paid to the owner in order to maintain the tax-exempt status of the policy.
- Both a full and partial surrender of the policy may have tax consequences and the payment may be subject to income tax and a tax reporting slip may be issued.

Non-forfeiture options

- The default non-forfeiture option is automatic premium loan (APL).
    - If a premium is due and is not paid, and the policy has accumulated cash value, the outstanding premium will be paid by a loan against the policy.
    - The amount advanced will become indebtedness under the policy and interest will be charged from the date the premium was due.
    - As of July 1, 2020 the APL interest rate is 6.20%. It is subject to change any time and will affect new and existing premium loans.
    - At each policy anniversary unpaid interest due on the premium loan is added to the loan principal (capitalized) and interest is charged on the entire loan principal under the policy.
    - Contractually Equitable Life can set up the APL (effective when the unpaid premium was due) following a 31-day grace period from when the unpaid premium payment was due; however, our current practice is to set up the APL 60 days (or two months) from when the unpaid premium payment was due.
    - This practice allows for notification to the owner that premiums have not been paid for the policy and provides the owner with the opportunity to make the needed premium payments before APL is set up and interest will also be charged and become payable.
    - If the life insured dies, any amounts owing, including any interest, will be deducted from the death benefit payment.
- The policy owner can also request to have the policy changed to reduced paid-up (RPU) insurance.
    - The request must be made in writing and the policy must have reduced paid-up values as set out in the table of guaranteed values in the policy contract.

- The insurance coverage will be for a reduced amount and will be at least equal to the reduced paid-up insurance amount as set out in the table of guaranteed values at the applicable anniversary date.
- If the policy has outstanding indebtedness, it will affect the amount of RPU coverage.
- Any riders or benefits will terminate with the change to RPU insurance.
- The policy will continue as paid-up life insurance with no further premiums required.
- The RPU policy is eligible to participate in the earnings of the participating account through dividend payments and the dividend option that applies to the RPU policy will be determined by us at the time the policy is changed to RPU.
- Electing the RPU option may have tax consequences and may result in the policy becoming non-exempt and the policy may be subject to income tax.

Built-in benefits

Disability benefit disbursement

- The disability benefit disbursement is a built-in benefit offered on single life, joint first-to-die and joint last-to-die G3 Equimax Estate Builder and Equimax Wealth Accumulator policies.
- The disability benefit disbursement allows the owner to apply for a payment from the cash value of the policy if a life insured by the policy becomes disabled from a severe mental or physical impairment as described below in the section on qualification for the disability benefit disbursement.
- Evidence in writing satisfactory to Equitable Life of the disability of the life insured must be provided at the owner's expense.
- If the life insured qualifies for a disability benefit disbursement as determined by Equitable Life, any payment will be subject to the conditions defined in the contract and our administrative rules and guidelines in effect at the time of the disbursement.
- Based on current tax legislation, payment of a disability benefit disbursement from the cash value of the policy is not considered a disposition of an interest in a life insurance policy and would not be subject to income tax. However, tax rules can change at any time and Equitable Life does not guarantee that a disbursement will not be subject to tax at the time it is made. It may not be in the best interest of the owner to take a disability benefit disbursement should the tax rules change in the future.
- The payment of the disability benefit disbursement may affect the adjusted cost basis (ACB) of the policy as it is considered payment of a capital benefit. Changes in ACB can affect the future taxation of the policy.

Administrative rules and guidelines

- If a life insured has a substandard rating of more than 300%, if a flat extra rating applies or if the policy is a joint last-to-die policy where one life has been deemed uninsurable and has been declined, the policy is not eligible for a disability benefit disbursement.
- One disability benefit disbursement per policy will be permitted in any policy year.
- Currently, there is no minimum disbursement requirement. Equitable Life reserves the right to implement a minimum disbursement requirement at any time.

- Currently, the maximum disbursement amount that can be taken is equal to 100% of the cash value of the policy. Equitable Life reserves the right to change the maximum payment limit at any time.
- If the owner requests to take 100% of the cash value for the disbursement this is a surrender of the policy. The policy will terminate, and no death benefit will be payable. If the owner wants to maintain the policy and keep it in effect, coverage can be reduced to the minimum face amount required at the time of the disbursement.
- Currently, there is no fee charged to process a disability benefit disbursement; however, Equitable Life reserves the right to charge a fee at any time.

Impact of the disbursement on the policy values

- The cash value of the policy will be reduced by the amount of the disability benefit disbursement.
- The death benefit will also be reduced.
- The impact of the disbursement on the policy values is similar to that of a cash withdrawal; the only difference is the tax treatment of the disbursement as described above.
- If the dividend option selected for the policy from issue is Cash or Cash to Reduce Premium, there is no accumulation of non-guaranteed cash value and only guaranteed cash value is available to support the disbursement. As a result, there will be a partial or full surrender of the policy for the disbursement of guaranteed cash value.
    - A partial surrender means the amount of basic coverage originally purchased is reduced.
    - Going forward all rates and values for the policy would be based on this reduced amount of basic coverage.
    - The remaining coverage amount in effect must continue to meet the minimum amount required for the policy.
    - If there is a full surrender of the policy the policy terminates, no further premiums would be required, and no death benefit will be paid.
- If the dividend option is On Deposit, Paid-up Additions, or Enhanced Protection, there is also non-guaranteed cash value available to support the disbursement.
    - Withdrawal of non-guaranteed cash value will also reduce the death benefit; however, it will not reduce the amount of basic coverage.
    - If guaranteed cash value is needed to support the requested disbursement a partial of full surrender of the policy is needed as described above.
- If the dividend option is Paid-up Additions or Enhanced Protection and paid-up additions are surrendered for their cash value to support the disbursement the cash value will be reduced by the amount of the disbursement, but the death benefit will be reduced by more than the amount of the disbursement. This is because $1 buys more than $1 of paid-up additional insurance coverage.

Other important information

- If the dividend option is Enhanced Protection and paid-up additions are surrendered for their cash value during the enhancement guarantee period the enhancement guarantee is voided. If the owner voids the enhancement guarantee only the basic amount of coverage purchased by the premium payments will be guaranteed going forward.

- If the dividend option is Paid-up Additions or Enhanced Protection and the owner elects to reduce the coverage to have the disbursement taken from the guaranteed cash values of the policy the remaining amount of non-guaranteed cash value could cause the policy to become non-exempt. In this situation, non-guaranteed cash value would be paid out to the owner in addition to the requested amount of guaranteed cash value in order to maintain the policy as tax-exempt.
- Qualifying to receive the disability benefit disbursement does not guarantee the policy will remain in effect. The disability benefit disbursement is not the same as the disability waiver of premium rider benefit, it is simply a cash payment from the cash value of the policy that under the current tax legislation would not be subject to income tax. If the policy does not have a disability waiver of premium rider benefit included on the disabled life insured, or if the rider has expired or been otherwise terminated, premiums will continue to be due for the policy and the owner will need to continue to make sufficient premium payments to keep the policy in effect.
- A disability benefit disbursement may not be available if:
  - the policy has been assigned; or
  - there is an irrevocable beneficiary designation.

  A disbursement may be available with written authorization, as determined by Equitable Life, from the assignee or the irrevocable beneficiary.
- Tax rules can change at any time, should a life insured become disabled at some point in the future and qualify for the disability benefit disbursement, payment may be subject to income tax.

Qualifying for the disability benefit disbursement

The life insured must be living at the time the owner applies for the disbursement. In order to receive the disability benefit disbursement, the owner must provide at their own expense evidence in writing satisfactory to Equitable Life from a medical practitioner, who is qualified and licensed in Canada, of the exhibited severe physical or mental impairment of the life insured. The impairment must have existed for a period of at least 90 days and:

(a) must markedly restrict the ability of the life insured to perform any one of the following basic activities of daily living:
  (i) perceiving, thinking and remembering;
  (ii) feeding and dressing himself or herself;
  (iii) speaking so as to be understood, in a quiet setting, by another person familiar with the life insured;
  (iv) hearing so as to understand, in a quiet setting, another person familiar with the life insured;
  (v) eliminating (bowel or bladder functions); or
  (vi) walking;

or

(b) (i) must prevent that life insured, if normally employed, from performing the essential duties of his or her occupation or employment; or

equimax

(ii) must prevent that life insured, if not normally employed, from performing the essential duties of any occupation or employment for which he or she is qualified or could reasonably become qualified by reason of education; training or experience; or

(iii) must prevent that life insured, if normally responsible for the maintenance of a home or care of immediate family members, from performing the essential duties of maintaining that home or caring for those individuals; and the impairment under sub-paragraph (a) or (b) above must arise from one or more of the following:

AIDS (Acquired Immune Deficiency Syndrome) or HTLV-III and/or HIV infection	Muscular Dystrophy
Alzheimer's Disease	Paralysis, paraplegia, or quadriplegia
Cancer or Tumour	Receipt of a major organ transplant
Coronary Artery Disease, Myocardial Infarction, or Congestive Heart Failure	Third degree burns over more than 50% of the body
Chronic Kidney Failure, or Chronic Liver Disease	Multiple Sclerosis
Loss of a Limb	Hepatitis
Neuromotor disease	Stroke, with or without paralysis
	Huntington's Chorea

or

(c) has resulted in the total and permanent loss of sight in both eyes, or the use of both hands, or the use of both feet, or the use of one hand and one foot;

or

(d) either the impairment or the illness or injury that caused the impairment is expected by the medical practitioner to result in the death of that life insured within 24 months of the date of diagnosis.

Pre-existing conditions:

- No disability benefit disbursement will be payable if we determine that the life insured, who would have otherwise qualified for the disability benefit disbursement, had that disability at the effective date or the last reinstatement date of the policy.
- That determination will be based on the conditions specifically identified in, or that can reasonably be inferred to have existed at that time from, the application, a related declaration of health, or other information required by Equitable Life.

Exclusions:

No disability benefit disbursement will be payable if a life insured's disability arises directly or indirectly from:

- suicide attempt or self-inflicted injury, regardless of the mental state of the life insured;
- committing or attempting to commit a criminal offence; or
- normal pregnancy or childbirth.

Bereavement counselling benefit

- Upon the death of a life insured covered under the Equimax policy, and payment of the death benefit, we will provide a bereavement counselling benefit of up to a total of $500 towards the cost of counselling expenses, shared among all beneficiaries.
- The benefit amount is a total of $500 regardless of the number of beneficiaries.
- The beneficiary(ies) must submit receipts within 12 months of the date of death of the life insured
- The counselor must have professional accreditation or certification as determined appropriate by us at the time of receipt.

Survivor benefit – Joint first-to-die policies

Joint first-to-die Equimax Estate Builder and Wealth Accumulator plans have a survivor benefit automatically included that offers options to the surviving life insured.

- The joint first-to-die Equimax plan will end at the first death of the lives insured, and within 60 days of the first death the surviving life insured will have the option to purchase a new single life permanent plan for an amount up to a maximum of the total insurance amount in effect at the date of the first death. Premiums for the new plan coverage are based on the attained age of the surviving insured at the rates in effect at that time for a similar class of risk. The new plan must meet the minimum and maximums required for the amount of coverage, premium and age for the product selected.
- If the surviving life insured has a disability waiver of premium rider under the joint first-to-die policy that is in effect at the time of the first death and the surviving life insured is not disabled, the disability waiver can be added to the new policy subject to availability and issue age limits.
- If the surviving life insured has a disability waiver of premium rider under the joint first-to-die plan, and premiums are being waived on the joint first-to-die plan as a result of continued disability of the surviving life insured at the time of the first death, a new permanent coverage can be issued as outlined above and the premiums under the new policy would continue to be waived as long as the disability of the surviving life insured continues.
- If premiums are being waived under the joint first-to-die policy at the time of the first death due to the disability of the deceased life, premiums for the new permanent coverage on the surviving life insured would not be waived and would become payable. In addition, any premiums for riders or benefits in effect on the surviving life insured would not continue to be waived and would become payable.

Additional death benefit payable – Joint first-to-die policies

- If, within 60 days of the first death of the lives insured, the surviving life insured dies, we will pay the beneficiary an additional death benefit amount equal to the insurance amount in effect at the date of the first death.

Option to elect individual policies – Joint first-to-die policies

- Joint first-to-die Equimax Estate Builder and Wealth Accumulator plans have an option to elect individual single life policies should there be a material change in the relationship of the lives insured, such as a divorce or a dissolution of a business partnership.
- The request to elect the individual policies must be submitted in writing and can be made at any time prior to the policy anniversary nearest age 75 of the oldest life insured under the joint policy, provided the policy is in good standing.
- The original joint first-to-die Equimax policy is surrendered. Any value, net of outstanding indebtedness, is paid to the policy owner and treated as a disposition of income.
- The new permanent single life policies are issued at attained age and current rates for a similar class of risk. No underwriting would be required.
- The total amount of coverage for each single life policy will be limited to the total amount of coverage in effect on the joint policy at the time the request to surrender it for individual single life policies is received. The new individual single life coverage must meet the plan minimums and maximums for the age, premium and coverage amounts required on the product selected.
- Any request to increase the amount of coverage will be subject to underwriting approval.
- If the joint first-to-die plan has scheduled EDO payments, and the new single life plans are Equimax, EDO, if available, can be set up on the new single life pans without underwriting, subject to the maximums applicable for the single life coverage and the approved amount of EDO on the joint first-to-die plan. The total amount of EDO for both single life Equimax policies cannot exceed the approved EDO payment amount on the joint policy at the time the request is received for individual policies.

> **Example:** If the joint first-to-die policy has a maximum approved EDO payment of $1,000 per year when the request to surrender it for individual single life policies is received, the sum of the combined EDO payments for the single life policies cannot exceed $1,000 per year. The EDO amount on the single life policy is further limited to the maximum EDO amount under that single life policy. If the maximum EDO amount under one single life policy is $600 per year, then that is the maximum EDO payment for that policy out of the available $1,000 of EDO payment amount. The remaining $400 of EDO payment could be made to the other single life policy, provided $400 was less than the maximum EDO amount permitted for that single life policy.

- Increased EDO deposits can be made up to the maximums available on the single life policies subject to administrative, tax-exempt status, and underwriting approval.
- If scheduled EDO deposits are being skipped on the joint first-to-die policy, but is still within the period permitted to skip deposits when the request for individual Equimax policies is received, then underwriting would not be required to add EDO, if available, to the new single life policies. EDO deposits must be restarted on the single life policies within the required time of the last payment made on the joint first-to-die policy, otherwise underwriting approval will be required to restart EDO payments on the single life policies. The amount of EDO payment under each single life policy is subject to the maximum applicable to the single life coverage and the approved amount of the EDO payment on the joint first-to-die plan at the time the request for individual policies is received.

- If the scheduled EDO payments under the joint first-to-die policy have been stopped for more than the permitted time prior to the request for individual Equimax policies, adding EDO to the single life policies would be subject to administrative, tax-exempt status and underwriting approval.
- If the joint first-to-die Equimax policy has a waiver of premium rider in effect on any of the lives insured at the time the policy is surrendered for individual policies, and premiums are not being waived, the life insured by the waiver can continue to have waiver on the new single life policy. Waiver of premium must be available on the new plan and the life insured must be within the issue age limits for the waiver of premium rider on the new plan. Otherwise, the waiver of premium rider will terminate with the request to surrender the joint first-to-die policy.
- If premiums for the joint first-to-die Equimax policy are being waived under the waiver of premium rider provision and a request is made to surrender the policy for single life policies, premiums would not be waived for the new single life policies and premiums would become payable.
- If a request is made to add a term rider to the new individual single life coverage it will be issued at attained age and current rates subject to administrative and underwriting approval.

Living Benefit (not contractual)

- Advances the lesser of $100,000 or 50% of the face amount of the policy if the insured is suffering from a disease or injury, which is expected to cause death within 24 months.
- Diagnosis must be supported by a report/documentation from a licensed physician.
- The policy must have been in effect for a period of at least 24 months.
- No reinstatement can have taken place in the previous 24 months.
- If a disability waiver of premium provision exists, the premiums for the policy will be waived.
- Whether we release the funds is not dependent on who will be using the funds.
- Based on current tax legislation the benefit is not taxable.
- If a preferred or irrevocable beneficiary or an assignee was indicated in the policy, it is necessary to have their authorization for the payout of the benefit.
- At time of death, the death benefit will be reduced by the amount advanced.

Optional riders and benefits

Term insurance rider (TIR)

- 10 and 20 Year Renewable and Convertible term insurance coverages are available as riders on the life insured under single life Equimax life pay and Equimax 20 pay plans.
    - Premiums are renewable at the end of each renewal period and are guaranteed at issue.
    - The term rider will automatically renew at each renewal period for the same renewal period. The only exception to this is the last renewal period, which may not be a full period because the rider expires at age 85.
- Term 30/65 term insurance is also available as a rider on the life insured under a single life Equimax life pay and Equimax 20 pay plans
    - Guaranteed level premiums are payable to the later of year 30 of the term rider coverage and age 65 of the life insured by the rider.
    - The rider is not renewable and expires at the end of the premium payment period.

Issue ages

- 10 YRCT: 18 – 75
- 20 YRCT: 18 – 65
- Term 30/65: 18-55

Availability

- Single Life basis only on the life insured under a single life policy (adults only)
- At issue or added to an existing plan after issue
- Preferred underwriting available (starting at face amounts of $1,000,001)

Benefit amounts

- $50,000 - $10,000,000. Minimum for a Preferred Risk Class is $1,000,001
- The sum of all term rider coverages that apply to the life insured by the policy cannot exceed $15,000,000.

Preferred risk classes

- Class 1: Preferred plus non-smoker:
  The life insured is a very healthy non-smoker (no smoking or cessation aids within the past 24 months) with an excellent family medical history
- Class 2: Preferred non-smoker:
  The life insured is in good health, a non-smoker (no smoking or cessation aids within the past 12 months) with a good family medical history.
- Class 3: Non-smoker:
  The life insured is a healthy non-smoker (no smoking or cessation aids within the past 12 months.) Up to one cigar/cigarillo per month is permitted, subject to a negative cotinine test. Clients who use marijuana, whether inhaled or ingested, may qualify for non-smoker rates.
- Class 4: Preferred smoker:
  The life insured is in good health and smokes cigarettes or uses nicotine-based products. Evaluated with similar health criteria as Class 2 Preferred non-smoker.
- Class 5: Smoker
  The life insured is healthy and smokes cigarettes or uses nicotine-based products.

Exchange option

- A 10 year term rider can be exchanged to a 20 year term rider after the first coverage anniversary and up to the earlier of the 5th policy anniversary and the insured's 65th birthday.
- If they qualified for preferred rates on the 10 year term, they will carry that preferred class over to the new 20 year term upon exchange provided it meets our administrative and underwriting rules in effect at that time.
- Exchange to a Term 30/65 rider is not offered.
- The G3 - Application for Change (Form 0374G3) is required to exercise the exchange option.

Conversion

- For 10 Year and 20 Year Term riders, at any time prior to the anniversary nearest the life insured's 71st birthday, and while the term insurance rider is still in effect, the rider may be converted without evidence of insurability, to any permanent life insurance product issued by us at that time.
- For Term 30/65 at any time prior to the anniversary nearest the life insured's 60th birthday, and while the term insurance rider is still in effect, the rider may be converted without evidence of insurability, to any permanent life insurance product issued by us at that time.
- If the class of risk of the life insured by the term rider is "preferred" and conversion occurs before the 10th coverage anniversary, then the class of risk under the new permanent policy will be to a similar class of risk, provided Equitable Life offers that class of risk at the time of conversion and it meets our administrative and underwriting rules in effect at that time.

- If the term rider is converted to a plan that offers only a standard class of risk, or if the term rider coverage is converted after the 10th coverage anniversary, the risk classification of the new permanent policy will be a "standard" class of risk.
- The class of risk that applies will be determined by Equitable Life at the time of conversion.
- The new permanent coverage will be issued at attained age and the rates in effect at that time of conversion.
- All coverages must meet the minimum and maximum face amount, age and premium requirements, according to our administrative rules and practices at that time.
- Partial conversions are permitted, however, if the amount converted or the amount remaining is less than the amount required to continue to qualify for a preferred risk class, the risk class will be adjusted.
- Any requests to increase the amount of coverage at the time of conversion will be subject to underwriting and submission of satisfactory evidence of insurability.
- If premiums are being waived for the term rider and conversion is requested, premiums will become payable for the new policy.
- To request conversion of a Term Rider use Form 1616 – Application for Term Conversion.

For additional details regarding term insurance riders, please see the 'Preferred Term Insurance Riders – Admin Rules and Guidelines Document'.

Disability waiver of premium (DWP)

- Premiums due are waived if the life insured by the disability waiver of premium rider becomes disabled by sickness or accident for an extended period. On a joint policy if only one life has a disability waiver of premium rider, premiums for the policy would be waived only upon disability of that life. If the other life insured under the joint policy did not have a disability waiver of premium rider and became disabled, premiums would not be waived and would continue to be payable.
- EDO deposits are not covered by the waiver of premium rider benefit. Please see additional information under Excelerator Deposit Option above.

Coverage

- Available on single life, joint first-to-die and joint last-to-die coverage
- The rider can be added to a life insured under the base Equimax policy and/or to the payor/applicant of the policy. One policy can have a waiver on both a life insured and the payor/applicant.
- Waiver benefits can be added after issue for ages 18 – 55; subject to underwriting approval and our administrative rules in effect at that time.

Issue Ages

- 18 – 55 of the life to be insured by the waiver of premium rider

Waiting period

- Insured must be disabled for a minimum of 6 months prior to a claim for disability being approved.

Duration

- If a claim for disability is approved, we will pay the policy premiums for as long as the disability lasts.
- If the life insured is not disabled, the benefit will terminate at the anniversary nearest their 60^{th} birthday.

Premiums

- The rate used to calculate the premium is level and guaranteed at issue. The disability waiver of premium is based on the amount of premium to be waived and will increase and decrease as rider coverages are added or expire.
- Premium payments are retroactive to the first day of disability, up to one year before the life insured notifies us of the disability.

On children's policies

- If the Equimax policy issued was to a child (ages 0-17), at the policy anniversary nearest age 21 of the insured child, the policy owner will have the option to add disability waiver of premium to the insured child, subject to written submission of a response to a simple disability question. Full underwriting would not be required.
- A notice will be sent to the policy owner prior to the policy anniversary nearest age 21 of the insured child regarding the option to add the disability waiver of premium to the insured child. Note: The notice will not be sent if there is a rating on the policy. The option to add the disability waiver of premium rider without full underwriting will expire at the policy anniversary nearest age 21 of the insured child.
- Disability waiver of premium can still be added to the insured child after the option has expired at age 21, however full underwriting would be required.
- If the child's policy does not have an applicant's death and disability waiver of premium (described below), disability waiver of premium can be added to the policy once the insured child is 18, at the written request of the policy owner, however addition of the rider at that time will be subject to full underwriting.
- The premium for the disability waiver of premium would be based on attained age of the insured child and the rates in effect at that time.
- Functionality for the disability waiver of premium is the same as that described above for adult policies.

Applicant's death and disability waiver of premium (ADDWP)

- Premiums payable are waived if the applicant insured by the rider becomes disabled by sickness or accident for an extended period or dies before the earlier of the child's attained age 21 and the applicant's age 60.
- EDO payments are not covered by the applicant's death and disability waiver of premium. Please see additional information under the Excelerator Deposit Option above.

Coverage

- Available on single life children's policy
- Can be added after issue for applicant's issue ages 18 – 55.

Waiting period

- Insured must be disabled for a minimum of 6 months prior to a claim for disability being approved.

Issue Ages

- 18 – 55 of the applicant to be insured by the rider

Duration

- If a claim for disability is made prior to the earlier of age 60 of the applicant insured by the rider and age 21 of the child insured under the Equimax policy and approved, we will waive the policy premiums due under the policy until age 21 of the child insured by the Equimax policy or until the applicant insured by the rider is no longer disabled, whichever occurs first.
- If the applicant dies prior to the insured child attaining age 21 and the applicant's age 60, we will pay the premiums until the insured child attains age 21.
- At the insured child's age 21, applicant's death and disability waiver of premium will terminate and a disability waiver of premium offer will be sent to the policy owner, which will allow the policy owner to add the disability waiver of premium rider to the life insured under the Equimax policy. This rider can be added without full underwriting; the life insured must answer a disability question and return the form to Equitable Life head office to put the disability waiver of premium rider into effect. The rates applicable to the rider will be based on the attained age of the life insured and the rates in effect at that time. Functionality of this rider is as described above under disability waiver of premium.

Premiums

- Premiums for the benefit are based on a guaranteed level rate.
- Premium payments are retroactive to the first day of disability, up to one year before the life insured notifies us of the disability.

Additional accidental death benefit (AADB)

- In the event of death by accident where the death occurs within 90 days of the injury, this benefit can provide for the payment of an additional death benefit up to the original amount of insurance, subject to a maximum of $500,000; depending on the coverage amount elected at issue. The minimum amount available is $1,000.
- Available for issue ages 18 – 60; expires at age 65
- Not available on joint plans.
- Not available on 20 pay plans.

Flexible guaranteed insurability option (FGIO)

- Available on children's policies (issue ages 0-17), guaranteeing the right to purchase, without evidence of insurability, additional insurance at specified dates in the future.

Availability

- Not available on rated plans.
- Up to 5 options can be added.

Premiums

- Each option is treated separately and has its own premium charge.
- The premium charge terminates at the time the option is exercised.

Option dates

- The first option date, also called the special option, must be at age 21; if the option is not taken at age 21, the option will be extended one year and expire on the policy anniversary nearest age 22 of the insured child. Premiums for this option would continue to expiry at age 22.
- The remaining option dates can be taken at any time between ages 25 and 45 inclusive. The dates are set at issue and cannot be changed at a later date.
- There must be a minimum of 2 years between the option dates selected.

Issue ages

- 0 – 17

Minimums and maximums

- Minimum: each individual option has a minimum of $25,000
- Maximum: each individual option has a maximum of $250,000, however the total of all FGIO options under one individual life cannot exceed $500,000.

Functionality with disability waiver of premium

- When the disability waiver of premium offer is made at age 21, the policy owner can also add disability waiver of premium to the new policy obtained under the FGIO option at age 21 in the same manner as described above under the **Disability waiver of premium** section, without full underwriting. However, this option will expire at the policy anniversary nearest age 21 of the insured child, therefore, if the special option at age

21 is extended to the next policy anniversary, the option to add disability waiver of premium to the new policy obtained under the FGIO option at age 21 is not available.
- If disability waiver of premium is added to the Equimax policy at age 21 and is in effect when any FGIO options are exercised, disability waiver of premium can be added to the new policies obtained under the FGIO option without underwriting.
- If the Equimax policy does not have a disability waiver of premium in effect when any FGIO options are exercised, disability waiver of premium can be added to the new policies obtained under the FGIO options subject to full underwriting.
- If premiums for the base Equimax policy are being waived either under the applicant's death and disability waiver of premium or under the disability waiver of premium on the insured child when an FGIO option becomes due, the new coverage can be taken, however the premiums on the new coverage would not be waived and would become payable. Disability waiver of premium may be available to be added to the new coverage subject to full underwriting.

Children's protection rider (CPR)

- Provides term insurance coverage for all children of the life insured by the Equimax policy under one rider.
- Children born or legally adopted by the life insured after the policy is issued are automatically included after 15 days or upon the date of adoption, whichever is later, provided the child is legally adopted before their 18th birthday. However, any child under the age of 15 days at the time of death of the life insured or born or adopted following the death of the life insured are not covered by the rider.
- Children will have the option to purchase their own policies between ages 21 and 25 for up to 5 times the original face amount of the CPR rider, without evidence of insurability. The option to purchase their own policy expires on the anniversary nearest the child's 25th birthday.
- If the life insured by the Equimax plan dies before 20 annual premium payments have been paid, the rider will become paid-up and remain in effect on the insured children until expiry at the anniversary nearest the child's 25th birthday.
- Requests to terminate the children's protection rider must be submitted in writing.

Issue Ages

- Parents: 18 – 55
- Children: 15 days – 18 years

Minimums and Maximums

- Minimum: $10,000
- Maximum: $30,000

Premiums

- Premiums are payable for 20 years.

EquiLiving critical illness insurance rider

- Provides the person insured under the rider (or a beneficiary named under the rider) with a lump sum benefit in the event that the person insured is diagnosed with one of the 25 covered critical conditions (and / or 5 additional childhood conditions available on children's policies), as defined under the rider contract and survives the survival period applicable to the particular condition.

Availability

- EquiLiving critical illness insurance riders are available at or after issue on the life insured on a single life plan and on qualified lives insured under the base policy on joint plans.
- Available on Estate Builder and Wealth Accumulator plans with both life pay and 20 pay
- Only one critical illness rider is available per life

Plan Types / Issue Ages

- 10 year renewable to age 75: adults (age 18 – 65); children (30 days to 17 years)
- Level to age 75: adults (age 18 – 64); children (30 days to 17 years)
- Level to age 100: adults (age 18 – 65); children (30 days to 17 years)

Minimums and Maximums

- Minimum benefit amount: $25,000
- Maximum benefit amount: $2,000,000 ($250,000 for children's policies)

Survival period

- This is the number of days the insured must survive starting on the date of diagnosis of, or surgery for, a critical condition before a benefit payout will be made
- Generally, 30 days unless otherwise specified in the rider contract
- The person must be alive at the end of the survival period and must not have experienced irreversible cessation of all brain functions during the survival period
- No premium is required during the survival period

Early detection benefit

- This automatically included feature provides a lump sum benefit if the insured is diagnosed with and survives the 30 day survival period applicable to one of four non-life threatening conditions.
- The early detection benefit will be the lesser of 15% of the then current EquiLiving benefit amount and $50,000.
- This benefit can be paid twice while the rider is in effect, but only once for any one of the early detection benefit covered conditions.
- Payment of the early detection benefit will not cause the rider to terminate, reduce the EquiLiving benefit, or the rider premiums.
- Unlike the survival period applicable to the covered critical conditions, during the early detection benefit survival period, premiums are still payable.

Change privilege

- 10 year renewable to age 75 riders can be changed to either a level to age 75 or level to age 100 rider covering the same conditions as covered by the original rider, provided these riders are still available
- May be elected at any policy anniversary up to and including the anniversary nearest the insured's attained age 60. No evidence of insurability is required as long as there is no increase in the benefit amount.
- Clients must make a written request at least 30 days prior to their 60th birthday
- Premiums will be based on the then current rates for the level premium rider selected at the client's attained age at the date of the change for the same class of risk and smoking status.

Extension of expiry

- For clients with either a 10 year renewable to age 75 or level to age 75 EquiLiving critical illness insurance rider, the rider expires on the policy anniversary nearest their attained age 75.
- However, if that rider expires while the person insured is satisfying an applicable survival period for a covered condition, the extension of expiry applies, and the EquiLiving rider will remain in effect until the earlier of the date of the person insured's death, or the date the person insured's EquiLiving benefit or early detection benefit becomes payable. The extension of expiry provides coverage only for the particular covered critical condition or early detection benefit covered condition that initiated the extension of expiry.

Automatic policy exchange

- If the joint first-to-die Equimax policy to which an EquiLiving critical illness insurance rider is attached terminates due to payment of the death benefit, and the surviving life insured has an EquiLiving critical illness insurance rider in effect, we will automatically exchange the EquiLiving critical illness insurance rider for a separate EquiLiving policy.
- The premiums for the separate EquiLiving critical illness insurance policy will be the same as for the rider, with the addition of a policy fee. The separate EquiLiving policy will have the same benefits and will be at the same class of risk and smoking status as the rider, without the requirement of Evidence of Insurability.
- Upon the automatic policy exchange of an EquiLiving critical illness insurance rider, any additional riders will not be included.

Paid-up Equimax policies

- If the base Equimax coverage becomes paid up, for example, 20 years of premiums have been paid on a 20 pay policy, the CI rider coverage will remain premium paying and the CI rider premiums would continue under the Equimax policy; however, no policy fee is payable.

For full details and information regarding the CI rider, and the list of covered conditions, please see the Equimax Participating Whole Life Advisor Guide (#1128).

Plan changes

- Most change requests require the use of Form 374 – Application for Change. There are now two versions of this form, one is to apply for changes to G2 – Application for Change (Form 0374G2) policies and one is to apply for changes to G3 - Application for Change (Form 0374G3) policies.
- You will need to check the Tax Indicator field on the Coverage tab in EquiNet Inquiry for your client's policy to determine if the policy has a G2 or a G3 tax status.
- There are restrictions on changes that can be made to G2 policies. Please contact Advisor Services for any questions pertaining to your client's G2 policy. (Who to Contact - Page 2)
- All changes discussed below pertain to changes permitted on Equimax policies with a G3 tax status.

Changes in plan type

- Requests to change from one plan type to the other are treated as a policy replacement; the original policy must be surrendered and a new policy applied for. The new policy will be issued at attained age and current rates, subject to administrative and underwriting rules in place at that time.
- Requests to change from older versions of Equimax to the currently sold Equimax Estate Builder or Equimax Wealth Accumulator are also treated as a policy replacement and will require that the original policy be surrendered and a new policy applied for. The new policy will be issued at attained age and current rates, subject to administrative and underwriting rules in place at that time.

Changes in premium option

- Requests to change from one premium type to another are treated as a policy replacement; the original policy must be surrendered and a new policy applied for. The new policy will be issued at attained age and current rates, subject to administrative and underwriting rules in place at that time.

Increases

- If a policy owner submits a request to increase the insurance coverage on an Equimax policy, the acceptance of the request will be subject to full underwriting and the administration rules in effect at that time.
- The G3 - Application for Change (Form 0374G3) and a signed illustration are required for all requests to increase the coverage.
- If the request is received within 6 months of the original policy issue date the policy will be reissued for the full amount using the original issue date and payment of the difference in premium from the original issue date to the effective date of the increase is required.
- If the request is received after the first 6 months from the original policy issue date a new policy will be issued at attained age and current rates for the amount of new coverage requested.

Decreases

- To decrease the coverage amount, The G3 - Application for Change (Form 0374G3) is required. The new requested coverage amount must remain within plan minimums.

- Decreases in the amount of coverage will affect the maximum limit that applies for Excelerator Deposit Option and policy loan repayments may be required if there is an outstanding loan balance
- A decrease in coverage may also result in payment of guaranteed cash value and/or non-guaranteed cash value to the owner, and there may be tax consequences and a tax reporting slip may be issued.

Additions

The following optional riders/benefits can be added after issue subject to our current administration rules and guidelines in effect at the time:

- Term insurance riders – can be added on the base life insured on a single life plan with a G3 tax status – The G3 - Application for Change (Form 0374G3) is required.
- Critical illness insurance riders – can be added on the base life insured on a single life plan with a G3 tax status – The G3 - Application for Change (Form 0374G3) is required.
- Disability waiver of premium – The G3 - Application for Change (Form 0374G3) is required.
- Children's protection rider – can be added to single life and joint first-to-die plans with a G3 tax status – The G3 - Application for Change (Form 0374G3) is required.

Smoker status changes

- Changes to a non-smoker classification are permitted on all policies issued with a smoker classification and are subject to our administrative and underwriting rules in place at that time.

Adult

- If a life insured was originally determined to be a smoker, they can request, by submitting the appropriate evidence, to have the status changed to non-smoker.
- The life insured must not have used any cigarettes, pipe or chewing tobacco, smoking cessation products, or tobacco substitutes within the prior 12 months. Up to one cigar/cigarillo is permitted per month, subject to a negative cotinine level. Clients who use marijuana, whether inhaled or ingested, may qualify for non-smoker rates (Class 3).
- To request the change, The G3 - Application for Change (Form 0374G3) is required.
- The rate used to determine the premium, would be based on the rate applicable to the original issue age.
- The premium would decrease effective the date of the change. Subsequent rates and values will be based on non-smoker rates.

Children's policies

- Children's policies are issued with a child's premium rate. The owner of a children's policy will receive a non-smoker declaration at the policy anniversary following age 16, age 17 and age 18 of the insured child. If the declaration is returned qualifying the insured child as a non-smoker the policy will continue with the child's premium rate received at issue and subsequent rates and values will be based on non-smoker rates.
- If the declaration is not returned within 60 days of the policy anniversary following the 18th birthday of the insured child, the premium will increase at the next policy

anniversary and subsequent rates and values will be based on smoker rates. Requests to change the risk class after the 60 days have passed are permitted but will be treated as a standard request to change the risk class and will be subject to administrative and underwriting rules in place at that time.

Removal of a substandard rating

- If an Equimax policy has a substandard rating added at issue on the life insured, and the policy owner then requests later to have the rating removed, the request will be evaluated by underwriting. The G3 - Application for Change (Form 0374G3) is required.
- If underwriting approves to have the rating removed, the rated age of the insured will change, and if the policy is a joint life plan, the joint age will change.
- If the dividend option is enhanced protection, the available amount of enhancement may increase.

Reinstatement

Within 2 years of lapsing

- If a policy owner requests to have the Equimax policy reinstated within 2 years of the lapse date, they must submit evidence as required by us, and payment of all outstanding premiums from the date of lapse.
- The effective date of the reinstatement will be the date the policy lapsed.

After 2 years of lapsing

- If a policy owner requests to have the Equimax policy reinstated after 2 years of the lapse date, a new separate Equimax policy will be issued.
- The request will be subject to administrative and underwriting rules in place at that time.
- The effective date of the reinstatement will be the date that these requirements are met.

Termination

- A policy owner may request to have the Equimax policy cancelled at any time by providing written notice to us.
- Once we receive the written notice, the premiums for the Equimax policy will no longer be charged and the death benefit and all other benefits associated with the plan will end.
- If premiums have been paid for the policy, and the policy is cancelled before the next premium due date, there may be premium associated with the policy that has not yet been earned by Equitable Life (unearned premiums). We will refund any unearned premium amount to the policy owner, net of the administration fee that applies at the time of termination. The unearned premium is the amount of the premium paid by the policy owner pro-rated for the time remaining from the effective date of the termination and the next premium payment due date. The current administration fee that applies to unearned premium is 10%.
- The effective date of the termination will be the date we process the request and cancel the policy.

Dividend Option Changes

- A request for a change in the dividend option will require Form 558 – Request for Withdrawal of Dividends, Change in Option, or Premium Offset
- If the request is to change to the paid-up additions dividend option, then The G3 - Application for Change (Form 0374G3) is also required.
- A change of dividend option will be allowed to any dividend option offered at that time, except for enhanced protection, and subject to the rules and guidelines in effect at the time the request is received.
- Currently, the owner can request to change their existing Equimax Estate Builder or Equimax Wealth Accumulator dividend option to any of the other dividend options offered with Equimax Estate Builder and Equimax Wealth Accumulator except for enhanced protection. Changing to the enhanced protection dividend option is not permitted.
- If enhanced protection was selected as the dividend option at the time the policy was issued, the owner can request a change to any of the other options available.
- Changing a dividend option from enhanced protection or PUA's to any other dividend option may affect the ability to remain on premium offset if elected by the policy owner.
- Changing the dividend option may have tax consequences to the policy owner. Please see the **Taxation** section of this guide for more information.

Premium offset

- If your client has selected dividends on deposit, paid-up additions or enhanced protection as the dividend option for their policy there may come a point over the life of the policy where future dividends and the non-guaranteed cash value of the policy are sufficient to pay all required future premiums. This is called the Premium Offset Point.
- Premium offset is not guaranteed since it is dependent on dividends which are not guaranteed.
- A policy does not automatically qualify for premium offset. The owner must make a request in writing to Equitable Life. The policy must meet the qualifications at the time of the request.
- Once a policy qualifies for premium offset, it is not guaranteed to continue to qualify. Dividend scale changes can affect whether a policy continues to qualify for premium offset.
- All policies on premium offset are tested following a dividend scale change to determine if they continue to qualify for premium offset. The owner is notified in the event the policy does not, or will not, continue to qualify for premium offset status and they will need to resume premium payments.
- Putting a policy with enhanced protection on premium offset during the enhancement guarantee period will void the guarantee.

Availability

- A policy owner may elect to place an Equimax policy on premium offset, subject to the following conditions:
    - The dividend option is either PUA, enhanced protection or dividends on deposit; and
    - The policy has reached the premium offset point; and

    - There is no outstanding policy loan on the policy on the date the policy is approved for premium offset.
- The **premium offset point (cross-over point on illustration)** for an Equimax policy is reached when the current and future policy values (excluding any guaranteed cash values) are adequate to pay all subsequent annual policy premiums while maintaining any enhanced protection coverage on the policy. Future policy values are calculated assuming continuation of the current dividend scale.
- Dividend rates are not guaranteed and therefore,
    - the date on which the policy will reach the premium offset point is not guaranteed and may not occur when originally illustrated, and
    - reaching the premium offset point does not guarantee that a policy can remain on premium offset for its lifetime. Decreases in the dividend scale may mean that a policy that has qualified for premium offset will not be able to continue on premium offset and the owner may need to resume premium payments at some point in the future. Equitable Life will notify policy owners if this situation occurs and inform them when they will need to resume premium payments.

Requesting premium offset

- The policy owner may request that an Equimax policy be placed on premium offset at any policy anniversary on or after the date the policy reaches its premium offset point.
- In order to place a policy on premium offset, the following must be received at Equitable Life's head office no later than 30 days before the policy anniversary on which premium offset is to begin:
    - the Request for Premium Offset form #558
    - an in-force illustration showing that the policy has reached its premium offset point, and
    - a payment sufficient to:
        - pay off any outstanding policy loan, and/or
        - change the premium frequency of the policy to annual if the premium frequency of the policy is non-annual.
- Premium offset will take effect on the policy anniversary that coincides with or immediately follows the date the premium offset request is approved.

How premium offset operates

- On each policy anniversary that an Equimax policy is on premium offset, a premium offset sufficiency test will be performed to ensure that there is adequate policy value to pay the annual policy premiums due on that anniversary.
- A policy will pass the premium offset sufficiency test if the sum of the PUA and EDO cash values is greater than or equal to:
    - the annual premiums due on that policy anniversary, plus
    - the sum of the OYT costs in effect on the policy calculated using an OYT amount equal to the enhanced protection amount.
- If the test is passed, the annual premiums will be paid using policy values. See the *Paying the Annual Premiums when on Premium Offset* section for further details.
- If the test is failed, the policy will no longer qualify for premium offset and the policy owner will be required to pay the annual premiums. This will be communicated to the policy owner

on a revised policy statement. The statement is manually produced after the policy anniversary when the sufficiency test is done and included on a report and reviewed by a designated person in the Policy Administration department.

- As the modal premiums will not have been paid on its due date, the policy will enter the grace period.

Premium offset policy - illustrations

- Despite passing the sufficiency test, in force policy illustrations will be automatically generated for all policies on premium offset at the end of each month following anniversary processing to determine if the policy values will allow the policy to remain on premium offset for the life of the policy while keeping enhanced coverage intact.
- If an in force illustration determines that a policy will no longer be able to remain on offset for the life of the policy given the current dividend scale:
  - A notice will be sent to the policy owner with their in-force policy illustration making them aware of this and outlining their options.
  - A copy of the notice will be sent to the advisor as well.

Paying the annual premiums when on premium offset

- The modal premiums will be paid by using the following policy values, in the order specified below:
  - unapplied premiums; then
  - the cash value of Paid-up Additions (PUA).
- In order to release the necessary cash value from PUA coverage, the amount of insurance will be decreased by the amount required to generate the needed cash value.
- If the dividend option for an insurance coverage is enhanced protection, the following will apply:
  - The PUA cash value available to pay the modal premiums will be reduced by the amount required to purchase any additional one-year term (OYT) insurance needed to support the enhanced protection.
  - The split between the enhanced protection components (OYT and PUA) will be re-calculated.
  - Using the cash value from PUAs to pay a modal premiums will result in the cancellation of any enhanced protection guarantee in effect for its associated insurance coverage.

Resuming out-of-pocket premiums

- The policy owner may request that an Equimax policy be removed from premium offset status at any time. Normal premiums will resume on the next policy anniversary.
- If the policy owner wishes to go back onto premium offset at a later date, the normal rules for requesting premium offset will apply.

Resuming EDO Premiums

- EDO premiums may resume when normal premiums resume, subject to administrative, tax-exempt status, and underwriting approval.

Premium Offset and other policy features

Excelerator Deposit Option (EDO)

- Scheduled EDO premiums may not be made while the policy is on premium offset, however, ad hoc payments can be made subject to administrative, tax-exempt status, and underwriting approval.

Policy Loans

- Policy loans will not be allowed if the policy is on premium offset.
- The policy owner can request the policy be taken off of premium offset status to take a policy loan, however the policy is not eligible for premium offset while there is an outstanding loan balance.
- Even if the loan is repaid, the policy may not requalify for premium offset.

Disability waiver of premium

- If a policy is on premium offset on the date we approve a disability waiver of premium claim under a disability waiver of premium rider, we will take the policy off premium offset before putting the policy on waiver.
- Any unused premiums as of the effective date of the start of disability will be refunded.
- If the policy comes off of disability waiver (i.e.) The insured person is no longer sick and has returned to work), the Policy Administration department would require the person to reapply for premium offset again.

Cash withdrawals

- Cash withdrawals are allowed. However, the policy owner should be advised upon request for the cash withdrawal that the policy is taken off premium offset status in order to process the withdrawal. The reduced policy values may cause the policy to fail the premium offset sufficiency test and in this case, the policy could not be immediately returned to premium offset status. There is a disclaimer on the dividend withdrawal form #558.

Addition of riders

- The addition of riders to the policy would require the policy to be taken off of premium offset status. After the addition of the rider the policy will need to requalify in order to be returned to premium offset status.
- If after the addition of the rider the policy values were deemed to be not able to sustain the policy on premium offset for life, the policy would not immediately return to premium offset and premiums would become payable.

Commissions while the policy is on premium offset

- Commissions are not payable when premiums are paid by premium offset.

equimax