Equation Generation® IV Universal Life

Advisor's Guide to Product Administration Rules and Guidelines

April 2020

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equation gen IV

Equitable Life of Canada®

Works for me.™

About this guide:

Equation Generation IV is a permanent life insurance product that provides coverage for the lifetime of the insured. It provides policy owners with flexibility to design a plan to meet their specific personal, family or business protection needs, and provides the opportunity to make changes to meet changing lifestyles.

The cost of insurance rates that apply to the life insured are guaranteed for the life of the policy. And the savings component provides the opportunity for investment interest to accumulate on a tax-advantaged basis up to maximums as set out in the Income Tax Act (Canada). Net premium payments are invested into investment interest accounts chosen by the policy owner. Interest earned is not guaranteed and can be positive or negative depending on the investment interest accounts chosen.

Policy changes are subject to the contract provisions and our administration rules and guidelines in effect at the time the change is requested for the applicable policy.

This guide is for information purposes only. It reflects information and outlines administrative rules and guidelines for the currently sold Equation Generation IV product, based on the tax legislation effective January 1, 2017. 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 currently available for sale please contact your Equitable Life Regional Sales Manager.

For additional information or clarification on anything contained in this guide and for information regarding administration of previous versions of universal life no longer available for sale please contact Advisor Services.

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THE TAX STATUS OF YOUR CLIENT'S EQUATION GENERATION IV 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 deemed issued prior to December 2, 1982
- G2 applies to any policies deemed issued as of December 2, 1982 and prior to January 1, 2017
- G3 applies to any policies deemed issued as of January 1, 2017

Equitable Life introduced universal life in 1989, so there are no universal life policies with a G1 tax status.

Determining the tax status of your client's policy

Equation Generation IV insurance policies deemed issued under the tax rules prior to January 1, 2017 will have a G2 tax status, Equation Generation IV insurance policies deemed 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 Equation Generation IV policy is G2 or G3 as this will impact the changes they can make to their policy and 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 Who to Contact - Page 2)

This guide outlines administrative rules and guidelines that apply to Equation Generation IV policies subject to the tax legislation effective January 1, 2017 and have a G3 tax status.

BASE PLAN SUMMARY

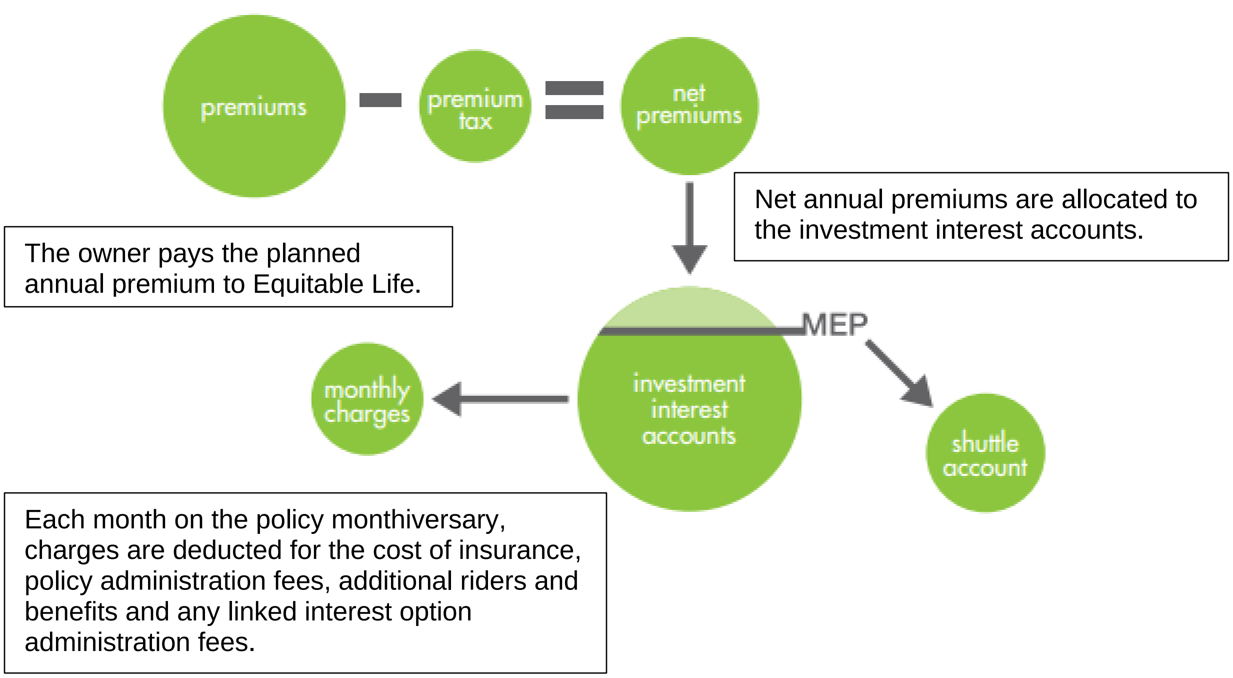
Some basics to understanding universal life

Universal life is slightly different from traditional life insurance plans in that the premium paid is not the cost of the plan. With a term or whole life plan, the premium is the cost and must be paid in order to keep the policy in effect.

Universal life has monthly charges that apply and are calculated separately from the premium paid. The base cost for universal life coverage is calculated using the applicable guaranteed cost of insurance (COI) rate multiplied by the net amount at risk. The net amount at risk is equal to the death benefit less the account value of the policy. This is how the base COI charge is calculated. There are also charges for premium tax and administration, and charges if there are additional riders and benefits added to the policy. Regardless of the premium mode that your client has selected (annual or monthly) the charges for the policy are monthly and apply for the specified duration for the policy even if your client chooses not to pay premiums every year.

The premium paid can match very closely to the charges. For example, the annual minimum premium for a level COI plan is typically what is required to cover all the monthly charges for the policy year. But the great thing about universal life is that the premium doesn't have to match the charges. If your client pays more into the policy than what is required to cover charges it can build the account value of the policy. The account value will depend directly on the investment interest account options chosen by your client and the interest returns they generate, which are not guaranteed and can be positive or negative.

Let's assume your client pays an annual premium for their universal life policy, here is how it would work:



Any money in the investment interest accounts not used to pay the monthly charges that apply to your client's policy will earn interest on a tax-advantaged basis up to the maximums as set out in the Income Tax Act (Canada). Interest earned is not guaranteed and can be positive or negative depending on the market performance of the investment interest accounts your client chooses.

To help your clients choose the mix of investment options suited to them you can take advantage of the Universal Life Investor Profile Questionnaire (form 1190). It will help to determine a suggested mix of investment interest accounts based on your client's time horizon, financial goals and tolerance to risk.

Plan types

Equation Generation IV is available in two versions:

- **Equation Generation IV with Bonus** – this version offers a guaranteed investment bonus that is credited monthly starting in the second policy year. It has higher linked interest option administration fees and lower minimum interest rate guarantees on guaranteed deposit accounts (GDAs) than the low fees version. And the non-guaranteed incentive bonus begins earlier.
- **Equation Generation IV Low Fees** – this version has lower linked interest option administration fees (some at 0%) and higher minimum interest rate guarantees on guaranteed deposit accounts (GDAs) than the bonus version. And the non-guaranteed incentive bonus begins later.
- There is no difference in the cost of insurance rates that apply under each version. And there are no differences in other product features available between each version.
- The version of the plan is selected at issue.

Coverage types

- Single life (children and adult)
- Joint first-to-die (adult only); maximum 2 lives – provides a death benefit that is payable on the first death of the lives insured by the policy
- Joint last-to-die (adult only); maximum 2 lives – provides a death benefit that is payable on the second death of the lives insured by the policy

Issue ages

Single life

- 0-15 (children's policies)
- 16-80 (adult policies)

Joint life

- Available on adult lives only
- 16 – 80 based on the equivalent single life age (ESA) as defined below

Policies cannot be issued for ages above these maximums.

Age nearest

- The age of the life insured at issue is based on an age nearest pricing approach.
- Age nearest 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.
- Back-dating to save age is permitted subject to approval by Equitable Life; payment of all applicable charges due to date would be required. Currently we may permit the policy to be back-dated up to 6 months to save age.

Equivalent single life age (ESA)

- Applies to joint first-to-die and joint last-to-die plans. The equivalent single age (ESA) is a blended age determined by taking the individual lives of the 2 insured persons and calculating a single age used for premiums, cost of insurance rates and policy values.
- If any of the lives insured by the joint plan have a multiple substandard rating (e.g. 150%) then this is also factored into the ESA calculation.
- The ESA 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 ESA does not.
- The illustration system will determine the ESA applicable to the lives insured. If the application is approved the policy would be issued based on this ESA.
    - The calculated ESA will appear within the coverage summary of the illustration along with the individual life information.
    - For all illustrations the ledger of values will show values to age 100 based on the ESA, not age 100 of the proposed insureds.

Smoking status (risk classes)

- Two classes are offered: smoker and 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 surrogates within the prior 12 months. Up to one cigar/cigarillo is permitted per month, subject to a negative cotinine test level. Marijuana, both inhaled and ingested, will be considered for standard non-smoker rates provided the life insured does not also use tobacco.
- Children's policies are set up at issue with children's rates and the life insured must submit a non-smoking declaration at age 16 to continue with non-smoker rates. If the insured child does not qualify for non-smoker rates or the smoking declaration is not submitted smoker rates will apply at the policy anniversary nearest their 16th birthday.
- The owner can apply for a change to non-smoker rates after age 16, however underwriting will be required.
- Please refer to the Policy Changes and General Administration section of this guide for current administration rules on changing the smoking status.

Substandard lives

- Subject to review and approval by Equitable Life, a policy can be issued if the life insured does not qualify as a standard risk (rating is higher than 100%).
- The illustration system will illustrate values for your client should they be assessed during the underwriting process as a substandard risk.
- In the situation of a joint life coverage where one or both of the lives is a substandard risk, a rated up equivalent single age (ESA) is calculated. This calculation is also handled in the illustration software.
- Premiums and costs for the policy will reflect the substandard risk of the life or lives insured.
- In the situation where a life has been deemed uninsurable, Joint last-to-die coverage may be available. The policy would be issued with an ESA based on the healthy life insured. This is subject to approval by Equitable Life.

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.
- The flat extra rating will not affect the age of the life insured; it is calculated as a dollar amount per thousand of coverage. It will affect the cost of the insurance.
- Charges for the policy will include any additional charges that result from the flat extra rating.

Death benefit options

Equation Generation IV is available with two death benefit options:

- Level Protector - Under this option the sum insured (the initial face amount purchased) will remain level for the duration of the policy unless the owner takes a cash withdrawal or requests a reduction or unless the sum insured is increased to assist in maintaining the tax exempt status of the policy. When the death benefit becomes payable it will be equal to the sum insured or the account value if the account value is greater than the sum insured. This death benefit option is available with either yearly renewable term or level cost of insurance charges.
- Account Value Protector - Under this option the sum insured (the initial face amount purchased) will remain level for the duration of the policy unless the owner requests a reduction or unless the sum insured is increased to assist in maintaining the tax exempt status of the policy. When the death benefit becomes payable it will be equal to the sum insured plus the account value of the policy. This death benefit option is available with either yearly renewable term or level cost of insurance charges.
- The owner may change the death benefit option after issue of the policy, please refer to the Policy Changes and General Administration section of this guide for current administration rules on changing the death benefit option.

Cost of Insurance (COI) Charges Types

Depending on the age of the life insured two cost of insurance types are offered with Equation Generation IV and are available with both the Level Protector and Account Value Protector death benefit options.

- Yearly Renewable Term (YRT) – the rate per thousand applied to the net amount at risk will increase yearly until the policy anniversary after the life insured's 100th birthday (equivalent single life age 100 on a joint plan) at which point they stop. YRT COI is available for ages 0 to 80 and is the only COI option available for children (ages 0 to 15).
- Level for Life – the rate per thousand applied to the net amount at risk will remain level until the policy anniversary after the life insured's 100th birthday (equivalent single life age 100 on a joint plan) at which point they stop. Level COI is available for issue ages 16 to 80.
- For joint last-to-die coverage charges will continue to apply for the policy after the first death.
- The owner may request to change the COI type after issue of the policy, please refer to the Policy Changes and General Administration section of this guide for current administration rules on changing the COI type.

Minimum face amounts

- Single life children's plans (ages 0 to 15): $25,000
- Single life adult: $50,000
- Joint first-to-die: $50,000
- Joint last-to-die: $50,000

- The maximum face amount that can be illustrated without a special quote is $10,000,000. Please speak to your Regional Sales Manager about obtaining special quotes for coverage amounts above $10,000,000.

Monthly administration fees

- $8 per month for a single life juvenile policy
- $10 per month for a single life or joint life adult policy

Premium banding

- $25,000-$49,999 (children's plans only)
- $50,000-$99,999
- $100,000-$249,999
- $250,000-$499,999
- $500,000+

Premiums

- Unlike traditional life policies there is no set minimum premium required to be paid each policy year.
- The Minimum Annual Premium shown on the Policy Specifications page of your clients Equation Generation IV contract is the Minimum Annual Premium applicable in the first policy year and includes any riders and additional benefits.
- If the premium mode is annual, an amount at least equal to the first year Minimum Annual Premium must be paid to settle the policy. For monthly premium mode, the premium required is 1/12 of the Minimum Annual Premium.
- Payment each year of the Minimum Annual Premium does not guarantee that the policy will remain in effect.

- Depending on the COI type, death benefit option, riders and the investment interest accounts your client has selected, the Minimum Annual Premium may not be sufficient to keep the policy in effect and additional premium payments may be required.
- After the first policy year a different amount can be paid, but if a premium less than the Minimum Annual Premium is paid the policy may fail the lapse test (please see the Policy Lapse section).
- The amount that your client chooses to pay is called the **planned premium**. This amount can be either an annual payment or a monthly payment into the policy. Regardless of the premium payment mode that your client chooses, charges for the policy are deducted monthly.
- The premium your client pays should take into consideration the type of investment interest accounts they choose. If your client is paying only the minimum premium they may want to avoid choosing linked interest options where returns are more volatile and can be both positive and negative.
- The Minimum Annual Premium on a policy with YRT COI is not the minimum premium required to keep the policy in effect. Although initially the Minimum Annual Premium for the YRT policy will be higher than the YRT charges, eventually the YRT charges will become larger than the Minimum Annual Premium. If the account value is not sufficient to cover the charges that exceed your client's planned premium they will need to make additional premium payments to keep the policy in effect.
- When your client makes a premium payment to their Equation Generation IV policy the applicable government premium tax is deducted, based on their province of residence. The remaining premium amount, called the net premium, is then allocated to the investment interest options chosen by the owner. Premium tax varies by province as outlined below:

Province	Premium Tax (as of January 1, 2017)
Newfoundland and Labrador	5.00%
Prince Edward Island	3.75%
Alberta; Northwest Territories; Nunavut; Nova Scotia; Saskatchewan	3.00%
Quebec	3.48%
British Columbia; Manitoba; New Brunswick; Ontario; Yukon	2.00%

- Your client can also pay a premium amount that is higher than the amount required to issue the policy.
- If premiums each year are higher than the Minimum Annual Premium it is possible that in future years premium payments can be stopped in a given policy year as the account value may be sufficient to cover the monthly charges that continue to be due for the policy.
- There are maximum limits legislated under the Income Tax Act (Canada) with respect to the premium amount that can be deposited into an Equation Generation IV policy in any given policy year. This maximum limit is called the maximum exempt premium (MEP) and is the maximum amount that can be paid in a given policy year and maintain the policy as tax exempt.

- At time of issue of the policy the MEP is calculated based on assumptions set by Equitable Life and calculated in the illustration software. It is shown as the First Year Maximum Variable premium in the Planned Premium Summary on the illustration report.
  - These assumptions are based on conservative estimates to help ensure the policy will pass the exempt test at the first policy anniversary.
  - Depending on the growth of the account value or other activities over the policy year that affect the policy, the policy may fail the exempt test at the end of the policy year even if your client did not pay an amount above the MEP at the time the policy was issued.
  - Please refer to the Taxation section of this guide for more information on exempt testing.
- At the first and subsequent policy anniversaries the MEP is calculated for each upcoming policy year as part of the exempt test process. This is the estimated maximum amount that can be deposited to the policy during the upcoming policy year while maintaining the exempt status of the policy. The exempt test will be run at the end of the policy year to determine if the policy passes or fails based on the actual deposits and growth in the policy over the policy year.
- If your client pays a premium that is above the MEP in any given policy year the excess amount will be deposited into the shuttle account and is not considered a premium payment into the policy.
- The shuttle account is a separate premium on deposit account that is set up at time of issue of the Equation Generation IV policy. It is used to maintain the tax-exempt status of the policy. The earnings of the money in the shuttle account are subject to annual taxation. If exempt room becomes available in the policy at a future policy anniversary, Equitable Life will automatically transfer money from the shuttle account to the policy. These transfers are considered a premium payment and premium tax will apply at that time as outlined above. For more information on the shuttle account please see the Shuttle Account section of this guide.

SAVINGS AND INVESTMENT OPPORTUNITIES

A key part of your client's Equation Generation IV policy is the savings and investment opportunities it offers your clients.

- Your clients can choose from a range of investment interest accounts to help meet their savings goals.
- Any money in the investment interest accounts not used to pay the monthly charges that apply to your client's policy will earn interest on a tax-advantaged basis up to the maximums as set out in the Income Tax Act (Canada). Interest earned is not guaranteed and can be positive or negative depending on the market performance of the investment interest accounts your client chooses.
- To help your clients choose the mix of investment options suited to them you can take advantage of the Universal Life Investor Profile Questionnaire (form 1190). It will help to determine a suggested mix of investment interest accounts based on your client's time horizon, financial goals and tolerance to risk.
- You should also consider the funding level your client is comfortable with. Clients interested in paying only the minimum premium needed to keep their policy in effect should avoid investing in the more volatile linked interest options where returns can be both positive and negative, and instead choose from the options that do not have a risk for negative returns.
- Your client can choose from a daily interest account, guaranteed deposit accounts and linked interest options. Each of these types of investments is discussed below.
- You can find information on the interest rates currently being credited to the daily and guaranteed investment interest accounts and the past performance of the linked interest option investment interest accounts for your clients Equation Generation IV policy on EquiNet. Under Individual Insurance click on the Rates and Performance link.

INVESTMENT INTEREST ACCOUNTS

- On the application for insurance your client chooses which investment interest accounts they want, as well as the percentage of net premium payment that they want to allocate to their selected investment interest accounts.
- The allocation of net premium is limited to whole percentages and must total 100%; the allocation can be any combination of the daily interest account, guaranteed deposit accounts of 1, 5 and 10 years, and linked interest options.
- There is currently no minimum percentage requirement for the premium allocation to each investment interest account; however, Equitable Life reserves the right to set a minimum requirement at any time.
- Minimum fund requirements do apply to guaranteed deposit accounts and to the linked interest options; please see more detailed information on each type of investment interest account below.
- There is currently no limit on the number of investment interest accounts your clients can choose, however, Equitable Life reserves the right to set a limit at any time.
- To help your clients choose the right mix of investment interest accounts you can take advantage of the Universal Life Investor Profile Questionnaire (form 1190) to help determine a suggested asset mix based on your client's time horizon, financial goals and risk tolerance.
- You can find this questionnaire as well as a guide called Universal Life Savings & Investment Options (form 1193), which provides details on the linked interest options available, on EquiNet under Insurance – Marketing Materials – Universal Life
- Net premiums are invested within five business days of receipt of the premiums at our Head Office in Waterloo, Ontario, or on the date of transfer from the shuttle account.
- When preparing an illustration for your client, the assumed interest rate used for illustration of values should be appropriate for your clients chosen investment interest accounts. Please refer to the Rates and Performance page on EquiNet (discussed above) for information on interest rates currently being credited to the daily and guaranteed investment interest accounts and the past performance of the linked interest option investment interest accounts available with Equation Generation IV. Please note that the illustrated rate for any linked interest options should be net of the linked interest option administration fees that apply.
- Your client can make changes to the allocation of the net premium after the policy is issued, subject to the administrative rules and guidelines in effect at that time (see Policy Changes and General Administration section). Requests for changes must be submitted in writing. The first change in any given policy year is free of charge; however additional changes in the same policy year may be subject to a $25 fee.
- Your client can also transfer a portion of the account value from one investment interest account to another available under their policy. Requests must be submitted in writing. Equitable Life reserves the right to limit the number of requested transfers in any policy year. Minimum fund balance requirements must be met.
- Each type of investment interest account available with Equation Generation IV is discussed in more detail below.

Daily Interest Account (DIA)

- The DIA has a fluctuating interest rate, which changes to reflect current money market trends. The interest rate credited in this account is similar to daily interest savings accounts offered through other financial institutions.
- The interest rate credited on net premiums allocated to this account is determined by Equitable Life, but is guaranteed not to be less than 90% of the yield on 91-Day Government of Canada Treasury Bills less 2% to a minimum credited interest rate of 0%. Interest credited will never be negative.
- Current rates being credited to the DIA on Equation Generation IV can be found on EquiNet through the Rates and Performance link under Insurance.
- Because there is no risk for negative interest to be credited, this account may be a good choice if your clients are minimum funding their policy.
- The effective annual interest rate is compounded daily and credited to this account at least once per month.
- The account value of the DIA at any time is equal to the following:
    a) Net premiums and net transfers credited to the DIA, plus
    b) Interest and any investment bonus and incentive bonus credited to the DIA; less
    c) Amounts withdrawn or transferred out of the DIA; less
    d) Any administration fees or charges deemed to have come from the DIA.

Guaranteed Deposit Accounts (GDAs)

- GDAs are term deposits.
- Currently your clients can choose from terms of 1, 5 or 10 years. The GDA terms offered are chosen by Equitable Life and we can change or discontinue these at any time.
- The minimum amount that can be allocated to a GDA of any term at any time is $500. If your client choses a GDA and the net premium amount is less than the minimum requirement of $500, the funds will be held in the DIA until sufficient funds have accumulated and can be invested in the GDA term selected by your client.
- If your client has chosen more than one GDA term as an option, the minimum of $500 must be met for each GDA term.
- Each allocation to a GDA is considered separate with its own interest rate and investment term.
- The interest rate for each new GDA is as of the date of investment and is set by Equitable Life. You can find the current GDA interest rates being credited on the different GDA terms offered with your clients Equation Generation IV policy on EquiNet through the Rates and Performance link under Insurance.
- Interest on amounts held in a GDA is compounded annually and credited at the end of the term.
- The minimum interest rate guarantee on the GDA terms offered varies based on whether your client has chosen the bonus or low fees version of Equation Generation IV. Please see the table below.

	Equation Generation IV with Bonus	Equation Generation IV Low Fees
1 Year	The interest rate is guaranteed not to be less than 90% of the yield on Government of Canada bonds with the same term and maturity date less 2%. Interest credited will never be negative.	The interest rate is guaranteed not to be less than 90% of the yield on Government of Canada bonds with the same term and maturity date less 1.5%. Interest credited will never be negative.
5 Year	The interest rate is guaranteed not to be less than the greater of 0.5%; and 90% of the yield on Government of Canada bonds with the same term and maturity date less 2%	The interest rate is guaranteed not to be less than the greater of 1%; and 90% of the yield on Government of Canada bonds with the same term and maturity date less 1.5%
10 Year	The interest rate is guaranteed not to be less than the greater of 1.5%; and 90% of the yield on Government of Canada bonds with the same term and maturity date less 2%	The interest rate is guaranteed not to be less than the greater of 2%; and 90% of the yield on Government of Canada bonds with the same term and maturity date less 1.5%

- Because there is no risk for negative interest to be credited, GDAs may be a good choice if your clients are minimum funding their policy.
- In the event a regularly published Government of Canada Bond of the same term as the GDA is not available, another bond with the closest published term will be substituted.
- With regards to the guarantees on the interest rates for the GDAs, Equitable Life can use a measurement other than the yield on a Government of Canada Bond should they become unavailable or unsuitable as determined by us.
- The effective date of each GDA will be the same day of the month as the effective date of your client's policy that is coincident with or immediately follows the date of investment. For example, if your client's policy has an effective date of January 18, 2017 and an additional net premium deposit of $1,000 were made on March 12, 2017; the effective date of the GDA will be March 18, 2017.
- The interest calculation starts from the date of investment. However, the term period for your client's GDA is measured from the effective date of each GDA.
- At the end of the term of each GDA the account value of that GDA is automatically reinvested as another GDA with the same term as the original GDA unless your client informs us otherwise, in writing.
- An automatic investment option is available that your clients can elect on the application for insurance. If elected, this option allows for funds accumulated in the DIA to be transferred to a GDA of a pre-selected term once the sufficient funds have accumulated in the DIA.
- The account value of the GDAs at any time is equal to the following:
    a) Net premium and net transfers credited to the GDAs; plus
    b) Interest and any investment bonus and incentive bonus credited to the GDAs; less
    c) Amounts withdrawn or transferred out of the GDAs including any market value adjustments that apply to these withdrawals or transfers; less
    d) Any administration fees or charges deemed to have come from the GDAs.

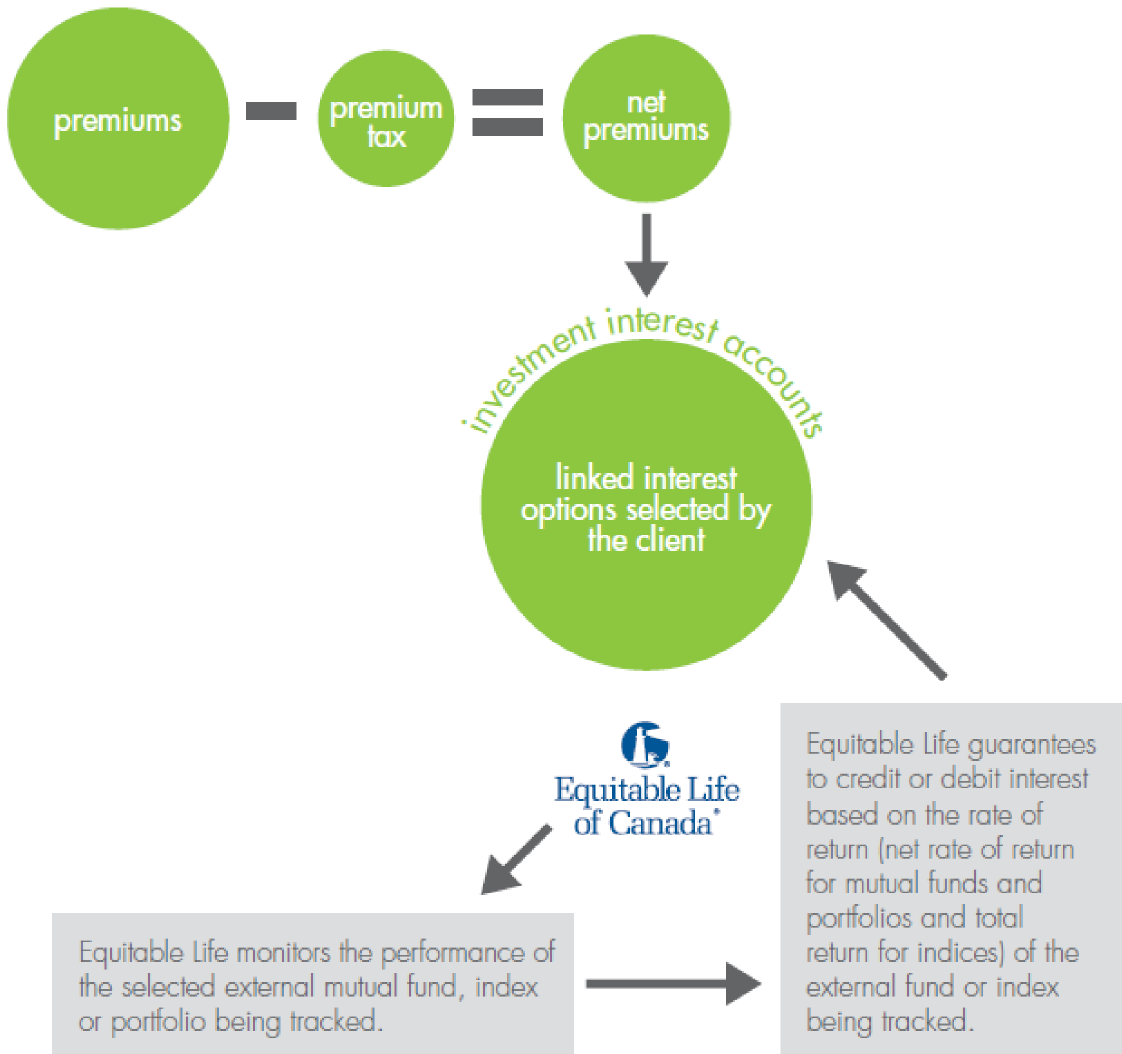
- The maturity value of a GDA is the net amount originally invested plus the interest compounded annually at the guaranteed rate for the term selected. The new maturity value will be calculated after amounts withdrawn, transferred out, deducted for monthly charges and any market value adjustments.
- The market value adjustment of a GDA is the discounted value of the maturity value with the interest rate used for discounting being 1% plus the higher of:
  a) The actual interest rate for each applicable GDA; or
  b) The then current interest rate based on the original term and band (this is determined by Equitable Life) of the GDA being valued.
- Partial withdrawals or transfers to another investment interest account will have a pro-rata market value adjustment.
- A market value adjustment does not apply to money transferred from the GDAs to pay monthly charges.

Linked Interest Options (LIOs)

- The LIOs offered with Equation Generation IV give your clients the opportunity for tax-advantaged earnings with performance that reflects domestic or global equity and bond markets.
- There are three types of LIOs available
    - Index Interest Options - give your clients the opportunity to receive interest based on the movement of the index being tracked by the index interest option selected.
    - Performance Fund Interest Options - give your clients the opportunity to receive interest based on the performance of the mutual fund being tracked by the performance fund interest option selected.
    - Portfolio Interest Options - give your clients the opportunity to receive interest based on the performance of a series of mutual funds which are contained in the portfolio being tracked by the portfolio interest option selected.
- You can find details on the LIOs available with Equation Generation IV in the Universal Life Savings & Investment Options booklet (form 1193) on EquiNet under Insurance – Marketing Materials – Universal Life. This guide will give you information on the underlying investments in the index, mutual fund or portfolio being tracked, as well as the investment objective, past performance summary, investment segmentation and a risk assessment.
- It is important to note that your clients are NOT investing in the index, mutual fund or portfolio being tracked; they are placing money on deposit with Equitable Life.
- Performance is not guaranteed and you clients are credited positive or negative interest depending on the performance of the index, mutual fund or portfolio being tracked.
- Linked interest option administration fees also apply and are deducted from the account value.
- The LIO administration fees differ based on whether your client has the bonus or low fees version of Equation Generation IV. Please refer to the Monthly Charges section of this guide for information on the current LIO administration fees that apply.
- When preparing an illustration for your client, the assumed interest rate used for illustration of the values should be appropriate for the LIOs chosen by your client and should be net of any LIO administration fees.

How Linked Interest Options (LIOs) Work

- Net premiums allocated to the LIOs are investments in an interest bearing account on deposit with Equitable Life.
- Your clients are not investing or buying units in the mutual fund, index or portfolio being tracked by the LIO; they are placing money on deposit with the general funds of Equitable Life.
- The interest credited or debited to your clients account is based on the performance of the mutual fund, index or portfolio the LIO is tracking.



- The variable nature of the market-based investments being tracked means the value of a LIO will fluctuate and can be positive or negative in any given period depending on market conditions.
- The performance experienced by each policy owner will depend on the amounts and timing of the premiums relative to the mutual fund, portfolio or index being tracked.

- Below are some examples of how interest can be debited or credited to the LIOs your client has selected.

Examples

Index Interest Options – If your client has a value of $2,000 in one of the Index Interest Options and the index this option is tracking increases from 300.0 to 309.0 (a 3% increase) the value of your client's account will increase by the credited 3% interest to $2,060. On the other hand, if the index decreases from 300.0 to 288.0 (a 4% decrease), the value of your client's account will receive a debit of a negative interest rate of 4% to $1,920. Since Index Interest Options track Total Return Indices, the interest credited (or debited) to your client's account is based not only on the movement of the selected index, but any dividend returns as well!

Performance Fund Interest Options – If your client has a value of $2,000 in one of the Performance Fund Interest Options and the mutual fund it is tracking has a 2% net rate of return, the value of your client's account will increase by the credited 2% interest to $2,040. Correspondingly, if the mutual fund has a net rate of return of -3% (a 3% decrease), the value of that Performance Fund Interest Option account will receive a debit of a negative interest rate of 3.0% to $1,940. With the Performance Fund Interest Options, the interest rate your client receives is based on the net rate of return of the fund and assumes dividends are being reinvested.

Portfolio Interest Options – If your client has a value of $2,000 in one of the Portfolio Interest Options and the portfolio of mutual funds being tracked has a 2.5% net rate of return, the value of your client's account will increase by the credited 2.5% interest to $2,050. Conversely, if the portfolio of mutual funds has a net rate of return of -4.5% (a 4.5% decrease) the value of that Portfolio Interest Option account will receive a debit of a negative interest rate of 4.5% to $1,910. With the Portfolio Interest Options your client receives interest based on the net rate of return of the portfolio of mutual funds the Portfolio Interest Option is mirroring and assumes that dividends are reinvested!

- While LIOs may provide the potential for greater rates of return over the long term, there is inherent risk in selecting them as investment options.
- Unlike investing in the DIA or in the GDAs where there is no risk for negative interest, it is possible to receive negative interest, which means a decrease in the account value.
- It is important to consider the risk for negative interest along with each client's tolerance to risk and their planned funding level when advising them on the selection of the investment interest accounts for their Equation Generation IV policy.
- At any time the account value of a LIO is equal to the following:
    a) Net premium and net transfers credited to the that LIO; plus
    b) interest and any investment bonus and incentive bonus credited to that LIO; less
    c) interest debited to that LIO; less
    d) amounts withdrawn or transferred out of that LIO; less
    e) any administration fees or charges deemed to have come from these accounts.
- The minimum account value of any of the LIOs is $150. If the value falls below this minimum Equitable Life has the right to transfer the remaining account value to the DIA.

Index Interest Options

- These LIOs track well known market indices.
- Interest credited is guaranteed to be not less than 100% of the comparative increase or decrease of the total return index being tracked.
- Interest can be positive or negative depending on the movement of the applicable index.

- A negative return will result in a debit to the account value of the applicable LIO and a positive return will result in a credit to the account value of the applicable LIO.
- Currently interest is calculated on a daily basis (business day); however Equitable Life reserves the right to change the frequency and timing of the measurement at our discretion.
- The applicable index being tracked for each index interest option is selected by Equitable Life and may change at any time.
- We reserve the right to discontinue the use of any index interest option at our discretion and transfer the account value to a similar index interest option as determined by us, or if one is not available, to the DIA.
- Current index interest options available with Equation Generation IV:

Index Interest Option	Index being tracked
Canadian Equity	S&P/TSX 60
American Equity	S&P 500
U.S. Technologies	Nasdaq 100
European	DJ Euro STOXX 50
U.S. Blue Chip	Dow Jones Industrial Average

Performance Fund Interest Options

- These LIOs earn interest based on the net return (net of management fees and expenses charged by the mutual fund) of the mutual funds being tracked, assuming the reinvestment of dividends.
- The rate of return the interest is based on can be positive or negative depending on the performance of the applicable mutual fund being tracked.
- A negative return will result in a debit to the account value of the applicable LIO and a positive return will result in a credit to the account value of the applicable LIO.
- Currently interest is calculated on a daily basis (business day); however Equitable Life reserves the right to change the frequency and timing of the measurement at our discretion.
- The applicable mutual fund being tracked for each performance fund interest option is selected by Equitable Life and may change at any time.
- We reserve the right to discontinue the use of any performance fund interest option at our discretion and transfer the account value to a similar performance fund interest option as determined by us, or if one is not available, to the DIA.
- Current performance fund interest options available with Equation Generation IV:

Performance Fund Interest Option	Mutual fund being tracked
Canadian	Equitable Life Active Balanced Fund
Canadian Bond	Sun Life MFS Canadian Bond Fund
Canadian Value Stock	Mackenzie Cundill Canadian Security Fund
Large Cap Canadian Equity	Mackenzie Ivy Canadian Fund
Global Fixed Income	Mackenzie Global Tactical Bond Fund
Global Balanced	Templeton Global Balanced Fund
Global	Templeton Growth Fund, Ltd.

Portfolio Interest Options

- These LIOs earn interest based on the net return (net of management fees) of the portfolio being tracked, assuming the reinvestment of dividends.
- The rate of return the interest is based on can be positive or negative depending on the performance of the applicable portfolio being tracked. A portfolio option is also known as a fund of funds because it is made up of several individual mutual funds to achieve the investment objective of the portfolio.
- A negative return will result in a debit to the account value of the applicable LIO and a positive return will result in a credit to the account value of the applicable LIO.
- Currently interest is calculated on a daily basis (business day); however Equitable Life reserves the right to change the frequency and timing of the measurement at our discretion.
- The applicable portfolio being tracked for each portfolio interest option is selected by Equitable Life and may change at any time.
- We reserve the right to discontinue the use of any portfolio interest option at our discretion and transfer the account value to a similar portfolio interest option as determined by us, or if one is not available, to the DIA.
- Current portfolio interest options available with Equation Generation IV:

Portfolio Interest Option	Portfolio being tracked
Diversified Income	Franklin Quotential Diversified Income Portfolio
Balanced Income	Franklin Quotential Balanced Income Portfolio
Balanced Growth	Franklin Quotential Balanced Growth Portfolio
Growth	Franklin Quotential Growth Portfolio
Diversified Equity	Franklin Quotential Diversified Equity Portfolio

* The portfolio advisor may, in its sole discretion, modify the optimal asset mix, change the percentage of holdings of any fund, remove any fund or add other funds managed by the Manager or by third parties. Equitable Life will credit or debit interest based on 100% of the net rate of return of the applicable Portfolio regardless of any changes made.

Linked Interest Options are NOT Mutual Funds or Indexes; your clients are not acquiring units in a mutual or investment fund or other security. Your clients are placing funds on deposit, earning interest, with the general funds of Equitable Life. Performance is not guaranteed. Your clients may be credited positive or negative interest depending on the performance of the mutual fund or index being tracked. The mutual fund or index being tracked may change at any time. Linked Interest Option Administration Fees will apply.

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POLICY VALUES

Investment Bonus

- A guaranteed investment bonus applies to the Equation Generation IV with Bonus plan type.
- An annual bonus rate of 0.75% starts in the second policy year (month 13).
- The bonus is equal to 1/12th of the annual bonus percent and is applied to the policy account value on the applicable monthly anniversary.
- This bonus is guaranteed and credited regardless of the account value of the policy.
- The investment bonus does not apply to funds held in the shuttle account.
- The investment bonus does not apply to the Equation Generation IV Low Fees plan type.

Incentive Bonus

- Both Equation Generation IV with Bonus and Equation Generation IV Low Fees are eligible for a non-guaranteed incentive bonus.
- Crediting of this bonus is subject to funding requirements.
- Once the policy becomes eligible to receive the bonus, to qualify to receive the bonus the total account value at each applicable policy anniversary must not be less than two times the accumulated total of the Minimum Annual Premiums since the effective date of the policy.
- The policy must qualify at each policy anniversary to receive the bonus. It is possible that once the policy is eligible to receive the bonus that it could qualify in one year, but not in another based on the relationship of the total account value to the accumulated total of the Minimum Annual Premiums.
- The incentive bonus varies depending on whether your client has the with bonus or low fees version of Equation Generation IV.

Policy Year	Equation Gen IV with Bonus Annual Bonus Rate	Equation Gen IV Low Fees Annual Bonus Rate
1-4	0.00%	0.00%
5-14	0.25%	0.00%
15+	0.50%	0.50%

- If the policy qualifies at the applicable policy year the bonus is calculated based on the total account value and credited at the applicable policy anniversary.
- The incentive bonus does not apply to any funds held in the shuttle account.

Account Value

- The account value of the Equation Generation IV policy at any time is equal to the sum of:
  a) The account value of the daily interest account (DIA)
  b) The account value of the guaranteed deposit accounts (GDAs)
  c) The account value of the linked interest options (LIOs)
- Please refer to each type of investment interest account option discussed above for details on how the account value is determined for each type of investment interest account

Cash Surrender Value

- The cash surrender value of the Equation Generation IV policy at any time is equal to the sum of:
  (a) The account value of the daily interest account (DIA)
  (b) The market value adjustment of the guaranteed deposit accounts (GDAs)
  (c) The account value of the linked interest options (LIOs)
  Reduced by the total surrender charges and any indebtedness to the policy
- Please see the Cash Accessibility section of this guide for information on surrender charges.

Policy Surrender Value

- The policy surrender value of the Equation Generation IV policy at any time will be equal to the cash surrender value (described above) plus the shuttle account value.

Non-Guaranteed Values

- The interest rate for the linked interest options is not guaranteed and could be positive or negative depending on the performance of the applicable linked interest options.
- A negative rate of return will result in a debit to the account value (a negative interest rate).
- A positive rate of return will result in a credit to the account value (a positive interest rate).
- It is possible that if your clients have stopped paying premiums and were relying on the account value of the policy to pay future monthly charges, that they will have to resume premium payments to keep the policy in effect.

MONTHLY CHARGES

- Regardless of whether your clients are paying their premium annual or monthly, charges for the Equation Generation policy are withdrawn from the account value of the policy monthly.
- On each monthly anniversary, charges will be withdrawn from the investment interest account(s) chosen by your client.
- The monthly charge for the Equation Generation IV policy is equal to the sum of the following:
  a) the total administration charges applicable to the policy;
  b) the total of all cost of insurance charges applicable to the policy;
  c) the total monthly charge(s) for any optional additional benefits and riders applicable to the policy;
  d) the linked interest option administration fees.
- These different charges and fees are discussed separately below.
- The monthly charges are withdrawn from the accounts based on the method your clients elected on the application.
- Your clients can designate a percentage of the total monthly charges to be deducted from specific accounts they have chosen for their premium allocation, or have the charges deducted pro-rata from all accounts they have chosen for their premium allocation.
- If your clients do not designate accounts for deduction of monthly charges then the charges will be deducted using the default method of pro-rata from all the accounts your client has chosen for the premium allocation.

- If your clients designated specific accounts for deductions of monthly charges and there are insufficient funds to cover the cost of the charges, the charges will be deducted pro-rata from the remaining accounts your client selected for deduction of charges.
- Your clients can change the method or accounts used for deduction of monthly charges by providing written notice (see the Policy Changes and General Administration section of this guide). Minimum account balances must be met and fees may apply.
- Any accounts your client chooses for deduction of monthly charges must also be selected for premium allocation.
- Market value adjustments do not apply to funds withdrawn from GDAs to pay monthly charges.
- If the monthly charges listed in a), b) and c) have not previously stopped, they will stop on the policy anniversary nearest the insured's age 100 (on Joint plan this is at equivalent single life age 100).
- Equitable Life reserves the right to deduct from the investment interest accounts an amount equal to any taxes or assessments applicable to the policy, including those that are currently in place or may be imposed in the future.

Administration Charges

- A monthly administration charge applies to all Equation Generation IV policies. This charge is guaranteed.
    - Single life adult policies: $10 per month
    - Joint policies: $10 per month
    - Children's policies (issue ages 0-15): $8 per month

Cost of Insurance (COI) Charges

- The COI charge for the Equation Generation IV insurance coverage is determined at the beginning of each policy month and is equal to the current amount at risk multiplied by the COI rate applicable for the life insured for the amount of coverage in effect.
- The COI rates used to calculate the charges are fully guaranteed for the life of the policy if the sum insured remains in the same rate band. These rates are shown in the Table of Charges section of your clients Equation Generation IV contract.
- It is important to understand that the COI charges will change with any changes to the net amount at risk. It is the COI rates used to calculate the COI charges that are guaranteed for the life of the contract.
- The amount at risk for the Equation Generation IV insurance coverage is the current death benefit (for the exempt policy) less the current account value attributable to the insurance coverage. Depending on the death benefit option chosen the net amount at risk may be level or changing over the life of the policy as the account value grows or if increases are needed to the sum insured to help maintain the tax exempt status of the policy. On the illustration values for the Total Benefit on Death column may include value in the shuttle account as well as any death benefit amounts associated with term riders. Term rider death benefit amounts and the shuttle account value are not included in the death benefit for calculation of the net amount at risk for the Equation Generation IV insurance coverage.

- If your client has elected the Account Value Protector death benefit option, where the death benefit is equal to the sum insured plus the account value of the policy, then the net amount at risk remains level for the life of the policy and will equal the amount of initial coverage (sum insured) purchased unless your client requests a reduction or unless the sum insured was automatically increased to help maintain the tax exempt status of the policy.
- If your client has elected the Level Protector death benefit option, where the death benefit typically remains level at the sum insured initially purchased (unless there was a reduction due to a cash withdrawal or a reduction in coverage requested, or unless the sum insured was automatically increased to help maintain the tax exempt status of the policy), as the account value grows the net amount at risk will decrease. It is possible with the Level Protector death benefit option that the net amount at risk can go to zero. At this point the death benefit and the account value of the policy are equal and the COI charge for the Equation Generation IV coverage would be zero. However, other monthly charges discussed in the Monthly Charges section may continue to apply.
- Depending on the age of your client at time of issue there are two cost of insurance types offered and are available with both the Level Protector and Account Value Protector death benefit options.
  - Yearly Renewable Term (YRT) – the rate per thousand applied to the net amount at risk will increase yearly until the policy anniversary nearest the life insured's 100th birthday (equivalent single life age 100 on a joint plan) at which point they stop. YRT COI is available for ages 0 to 80 and is the only COI option available for children (ages 0 to 15)
  - Level for Life – the rate per thousand applied to the net amount at risk will remain level until the policy anniversary nearest the life insured's 100th birthday (equivalent single life age 100 on a joint plan) at which point they stop. Level COI is available for issue ages 16 to 80.
- It is possible, even if your client has a Level COI rate, that the cost of insurance charge could be different from month to month if the net amount at risk is changing. This could happen if your client has selected the Level Protector death benefit option with level COI.
- For joint last-to-die coverage charges will continue to apply for the policy after the first death.
- The owner may request to change the COI type after issue of the policy, please refer to the Policy Changes and General Administration section of this guide for current administration rules on changing the COI type.

Additional Riders and Benefits

- At the beginning of each policy month charges are also deducted for any additional riders and benefits your client has added to their Equation Generation IV policy.
- The monthly charges are shown on the Coverage Specifications page and/or in the Table of Charges of your clients Equation Generation IV policy contract.
- Charges for additional riders and benefits will apply until expiry of the rider or benefit, or until your client requests to cancel the coverage provided by the rider or benefit, or if the Equation Generation IV policy terminates for any reason.
- For additional information on riders and benefits offered with Equation Generation IV please refer to the Riders and Benefits section of this guide.

Linked Interest Option (LIO) Administration Fees

- If any of the LIO options are elected for premium allocation, then LIO administration fees will apply to funds invested in these accounts.
- LIO administration fees apply only to money allocated to the index interest Options, the performance fund interest options or the portfolio interest options.
- Different LIO administration fees apply depending on whether your client has the bonus or low fees version of Equation Generation IV.
- The current and maximum LIO administration fees that apply per policy year are shown in the following table.

Current and maximum linked interest option administration fees

	With Bonus	Low Fees
Index Interest Options		
Canadian Equity	3.00%	1.75%
American Equity	3.00%	1.75%
U.S. Technologies	3.20%	1.95%
European	3.20%	1.95%
U.S. Blue Chip	3.00%	1.75%
Performance Fund Interest Options		
Canadian	1.75%	0.75%
Canadian Bond	1.75%	0.75%
Canadian Value Stock	1.75%	0.00%
Large Cap Canadian Equity	1.75%	0.00%
Global Fixed Income	1.75%	0.00%
Global Balanced	1.75%	0.00%
Global	1.75%	0.00%
Portfolio Interest Options		
Diversified Income	2.20%	0.45%
Balanced Income	2.20%	0.45%
Balanced Growth	2.20%	0.45%
Growth	2.20%	0.45%
Diversified Equity	2.20%	0.45%

- The LIO administration fees are not guaranteed. They can change at any time. However, they are guaranteed never to exceed the amounts shown in the above table (which are both the current and maximum rates that apply per policy year).
- Unlike the other monthly charges that stop at the policy anniversary nearest the life insured's age 100 (or ESA 100 on joint plans) the LIO administration fees apply as long as there are funds invested in one or more of the LIO accounts.

CASH ACCESSIBILITY

- Your client can access the value of their Equation Generation IV policy through the choice of a cash withdrawal, policy loan or by policy surrender. Each of these options is discussed separately below.
- There could be tax consequences to your client if they choose to access the value in their policy through any of these options.
- In addition, if your client chooses to surrender their policy during the first 10 years it is in effect, a surrender charge will apply.
- Funds in the shuttle account do not form part of the cash surrender value of the policy, but are part of the policy surrender value.
- Surrender charges do not apply to funds in the shuttle account.
- Funds in the shuttle account are paid to the policy owner if they request a cash withdrawal or surrender the policy.

Cash Withdrawals

- Cash withdrawals can be taken at any time provided there is cash surrender value (net of indebtedness) in the policy.
- The policy owner must provide written request and which investment interest accounts they want the cash to be withdrawn from. If no order is specified for the withdrawal then Equitable Life will take the withdrawal from the investment interest accounts using the order specified for the deduction of monthly charges.
- If there is any value in the shuttle account withdrawals will be made from this account first.
- The minimum amount that can be withdrawn is $500 and the maximum amount cannot exceed the policy surrender value less any indebtedness, less $500.
- Withdrawing cash value from the policy will affect the death benefit; it will be reduced by the portion of the account value withdrawn from the policy.
- If the policy has the Account Value Protector death benefit the account value is reduced by the amount of the withdrawal, thereby reducing the death benefit.
- If the policy has the Level Protector death benefit the sum insured is reduced by the portion of the account value withdrawn from the policy.
- If a cash withdrawal is requested in the first 10 years of the policy a pro-rata surrender charge will be calculated, but not deducted, at the time of the withdrawal. If the policy is surrendered before completion of the 9th policy year the surrender charge that would have been applied to the account value for the cash withdrawal will be deducted at that time, along with any other applicable surrender charges. Please see the Policy Surrender section below for details on surrender charge rates that apply.
- Cash withdrawals may have tax consequences for the policy owner; they may be subject to income tax and a tax reporting slip may be issued.
- Equitable Life will charge a $25 fee for each cash withdrawal from the policy.
- Minimum balances in the investment interest accounts must continue to be met.
- The effective date of the cash withdrawal will be within 5 business days of receipt of the written request at our Head Office in Waterloo, Ontario.
- To request a cash withdrawal please complete a letter of direction signed and dated by the policy owner.

Policy Loans

- In addition to the option for cash withdrawals, if the policy has accumulated cash surrender value, the policy owner can also apply for a policy loan.
- All loan requests are subject to the 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 owner can borrow up to the amount the maximum loan value of their Equation Generation IV policy exceeds any indebtedness under the policy.
- The maximum loan value is equal to 90% of the cash surrender value of the Guaranteed Deposit Accounts and Daily Interest Account, reduced by one year's loan interest at the rate charged on policy loans at that time and existing loan balance.
- Taking a policy loan may have tax consequences and may be subject to income tax, 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.
- At each policy anniversary, if the interest due on the policy loan is not paid, it will be capitalized and added to the outstanding loan balance and interest will be charged on the entire indebtedness under the policy.
- The owner cannot borrow against the value in any LIO accounts, or against any value held in the shuttle account.
- A policy loan will be granted only after Equitable Life receives the completed Policy Loan Agreement application form.
- Normally, we will make the loan within 30 days of receiving the completed loan application at our Head Office in Waterloo, Ontario. However, we can defer the loan for up to 6 months.
- 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 while the policy is in effect the total indebtedness exceeds the maximum loan value, Equitable Life will transfer sufficient amounts, if they are available, from the LIOs to the DIA to ensure the indebtedness of the policy remains equal to the maximum loan value, provided the LIO minimum balance requirements are met.
- The required amounts, if available, will be transferred from the LIOs using the same method elected for deduction of monthly charges.
- If sufficient amounts are not available in the LIOs, the policy will lapse and the policy will terminate.
- The amount payable on death or surrender of the policy will be reduced by any existing indebtedness under the policy, including any accrued interest.

Loan amounts, limits and fees:

- Policy owners can borrow up to the amount the maximum loan value of their Equation Generation IV policy exceeds any indebtedness under the policy.
- The maximum loan value is equal to 90% of the cash surrender value of the Guaranteed Deposit Accounts and Daily Interest Account, reduced by one year's loan interest at the rate charged on policy loans at that time and existing loan balance.
- 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.
- As of June 28, 2019 the policy loan interest rate applicable to Equation Generation IV is 6.70%; this rate is reviewed from time to time and is subject to change. Changes will affect both new and existing loans.

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 the policy is on PAD and payment is received without direction it will be applied to any outstanding loan balance. If the policy is annual paying then the payment is treated as a premium deposit. To ensure accurate processing for both on-line and cheque deposits to repay loans please have your client specify that the payment is to be used for loan repayment.
- 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 (see Who to Contact on page 2 of this guide).
- 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 to reduce the coverage amount and a cash value reduction is required, 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.
- 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.

Policy Surrender

- The owner may elect to cancel the policy at any time and receive the policy surrender value less any indebtedness to the policy.
- The policy surrender value is the current cash surrender value of the policy plus any value in the shuttle account. Please refer to the Policy Values section of this guide for details on how policy values are determined.
- Typically the policy surrender value would be paid to the owner within thirty (30) days of receiving the written request to surrender the policy. However, Equitable Life has the right to defer the payment for up to six (6) months after the date the request is received. If we defer the payment for thirty (30) days or more, interest is added at a rate determined by us, calculated from the effective date of surrender of the policy and the date that we pay the policy surrender value to the owner.
- The effective date of surrender of the policy is within five (5) business days of receipt of the request at Equitable Life's Head Office in Waterloo, Ontario.
- The policy and all benefits and riders associated with it will terminate on the effective date of the surrender.
- Surrendering the policy for the policy surrender value may have tax consequences and may be subject to income tax. A tax reporting slip may be issued.

Surrender Charges

- The following table shows the surrender charges that apply to each Equation Generation IV insurance coverage.

Policy Year	% of Target Annual Premium
1	100
2	200
3	275
4-6	300
7	250
8	150
9	100
10+	0

- The surrender charges that apply your client's policy will be shown in the policy contract in the Table of Charges.
- If the policy is surrendered in the first policy year the surrender charge is shown in the Table of Charges. For subsequent years up to year 10, when the charge is zero, monthly values grade linearly to the value at the next policy anniversary. The percentages above show the percentage applied at the last month of each policy year.
- There are no surrender charges that apply after the insurance coverage has been in effect for a full 9 years. Prior to that a charge will apply if your client decides to make a cash withdrawal which leads to an insurance coverage reduction, reduce the insurance coverage, or cancel (surrender) the entire policy.
- From the first month of the 10th policy year and thereafter surrender charges do not apply.

POLICY LAPSE

- The Equation Generation IV policy will lapse at the earliest date on which:
    - The account value of the policy is equal to zero;
    - The cash surrender value of the policy is equal to zero and the total of all premiums paid, less all cash withdrawals is less than the sum of the minimum annual premiums, including any rider or additional benefit premiums payable since the effective date of the policy; or
    - The indebtedness under the policy is equal to the cash surrender value of the policy.
- Once the policy has lapsed, a grace period of 31 days measured from the effective date of the lapse begins. During this period the owner has the opportunity to make payment in full.
- If payment is not received by the end of the grace period, the policy will terminate as of the effective date of lapse.
- If the death benefit become payable during the grace period any overdue amounts applicable to the policy will be deducted from the death benefit payable.

Lapse extension

- With the lapse extension provision the Equation Generation IV policy may continue for a maximum of 12 months provided all of the following conditions are met.
    - The policy has been in effect for at least 3 years;
    - The account value of the policy is greater than zero and sufficient to pay the monthly charges for 12 months; and
    - The indebtedness under the policy does not exceed the current cash surrender value of the policy.
- Monthly policy charges continue to be deducted from the account value during this time.
- After the maximum of 12 months, unless a full premium payment is remitted to cover all overdue amounts as determined by Equitable Life, the policy will terminate subject to the grace period as discussed above.

Please note that surrender charges that apply to the account value of the policy during the surrender charge period are not considered indebtedness under the policy.

Reinstatement

- If the Equation Generation IV policy lapses at the end of the grace period because the premium due at the beginning of the grace period was not paid, the policy can be reinstated by payment of the overdue premium within a further period of 30 days after the grace period, but only if the lives insured by the policy are alive at the time the payment is made.
- The owner can reinstate the Equation Generation IV policy within two years of lapse by providing written application to do so (see Policy Changes and General Administration).
    - Equitable Life will require submission of evidence of insurability, according to the underwriting guidelines in effect at that time, for all lives insured and based on their attained ages, that is satisfactory to us.
    - Equitable Life will also require payment of premiums that would have been required to maintain the policy in effect from the date of lapse to the date of reinstatement,

payment of any interest that applies to that amount (determined and calculated by us), and repayment of any indebtedness under the policy.
  - These amounts will be determined by Equitable Life at the time the owner requests reinstatement.

TAXATION

- Equation Generation IV is designed to conform to the current provisions and regulations for a tax-exempt life insurance policy under the Income Tax Act (Canada).
- The value within the policy can grow on a tax-advantaged basis, within limits as prescribed under the Income Tax Act (Canada).
- The Income Tax Act (Canada) is subject to change and any changes may affect the taxation of both new and existing insurance policies.
- Periodically, and not less than on each policy anniversary Equitable Life will monitor the policy to determine its tax status.
- Equitable Life will test the Equation Generation IV policy against the applicable exempt test policy in order to maintain its exempt status.
- In addition, starting on the 10th policy anniversary and at each subsequent policy anniversary, we will ensure that the policy passes the 250% (anti dump-in) rule.

The exempt test policy

- This is a benchmark policy set up at the same time as the Equation Generation IV policy.
- The exempt test policy is based on an 8 pay endowment to age 90 as set out in the Income Tax Act (Canada).
- When determining the tax status of a life insurance policy, the value of the accumulating fund of the exempt test policy is compared to the accumulating fund of your client's policy.
- For Joint plans, the equivalent single life age (ESA) of the lives insured by the policy is used to determine the issue age of the exempt test policy.

The 250% rule

- Also referred to as the anti-dump-in rule, the 250% rule is a test, as set out in the Income Tax Act (Canada), which begins on the 10th policy anniversary.
- Starting at the 10th policy anniversary and on each subsequent policy anniversary Equitable Life will ensure that the accumulating fund at the current policy anniversary is not greater than:
  - 2.5 times the accumulating fund of the policy on the policy anniversary 3 years earlier; or
  - 3/8 (three eighths) of the accumulating fund of the exempt test policy at current policy anniversary.
- If it is in the best interest of the policyholder, Equitable Life will maintain the favourable tax status using an exempt test policy set up three years ago, rather than on the issue date of the policy. This helps to pass the 250% rule test.

Failing the exempt test

- If, at any time, an Equation Generation IV policy fails any of the applicable exempt tests and is therefore subject to accrual taxation as set out in the requirements of the Income Tax Act (Canada) and Regulation, Equitable Life reserves the right to transfer sufficient funds to the shuttle account.
- A portion of the cash value attributable to the daily interest account, the guaranteed deposit accounts and/or the linked interest options will be transferred to the shuttle account to maintain the policy's exempt status, provided it is possible for the Company to do so under the legislation in effect at that time.
- All funds in the shuttle account do not make up any part of the policy and are subject to annual taxation.
- If on any policy anniversary, there is room for additional premiums in the Equation Generation IV policy and there is money in the shuttle account, Equitable Life will automatically transfer an amount up to the greater of the value in the shuttle account and the maximum exempt premium from the shuttle account to the policy. This transfer is treated as a premium payment into the Equation Generation IV policy.
- The premium paid will be allocated in the same manner the owner has elected for premium deposits. Provincial premium tax will apply.
- If a premium payment is made that exceeds the maximum exempt premium permitted for the policy, Equitable Life will accept as a premium for the Equation Generation IV an amount that will maintain the tax-exempt status of the policy and deposit the balance in the shuttle account. The balance deposited to the shuttle account is not considered a premium payment to the policy. Premium tax would apply only to the amount deposited to the policy.
- If at any policy anniversary the Equation Generation IV policy fails any of the applicable exemption tests and provided your client has not requested that the automatic increase option be removed from their policy, the sum insured is automatically increased as needed at the policy anniversary, subject to the maximum percentage increase permitted under the tax legislation that applies, to assist in maintaining the exempt status of the policy. If the increase in the sum insured is not sufficient to maintain the exempt status of the policy, a portion of the cash surrender value attributable to the daily interest account, guaranteed deposit accounts and/or the linked interest options will be transferred to the shuttle account in order to maintain the exempt status of the policy. No evidence of insurability is required for the automatic increase in the sum insured.
- If your client requests that the automatic increase option be removed from their Equation Generation IV policy the sum insured will not be increased to assist in maintaining the exempt status of the policy and failure of any of the applicable exemption tests will result in a transfer of funds from the exempt policy to the shuttle account.
- These provisions of the Income Tax Act (Canada) and Regulations can change and Equitable Life reserves the right to modify its practices to reflect any subsequent changes made in the Income Tax Act (Canada) and Regulations affecting Equation Generation IV policies.
- Any required tax reporting slips will be provided to your client by us.

SHUTTLE ACCOUNT

- The shuttle account is a separate premiums-on-deposit account which assists in maintaining the tax-exempt status of an Equation Generation IV policy.
- A shuttle account is set up in conjunction with all Equation Generation IV policies, but does not form part of the Equation Generation IV policy.
- Any premiums received over the maximum exempt premium in any policy year will be deposited into the shuttle account and held there until they can be paid as premiums into the Equation Generation IV policy or are withdrawn by the owner.
- In addition, funds are transferred to the shuttle account as required to maintain the tax-exempt status of the Equation Generation IV policy.
- Funds transferred to the shuttle account may have tax consequences. A tax reporting slip may be issued to your client.
- At each policy anniversary, if room becomes available in the policy, Equitable Life will automatically transfer funds from the shuttle account to the policy to be paid as a premium.
- Premium tax will apply to amounts transferred from the shuttle account to the policy, and the amount transferred will be limited to what is allowed to maintain the exempt status of the policy.
- Any interest earned on the funds in the shuttle account is subject to annual taxation. Each year, the amount of interest income will be reported on a tax information slip as Canadian source interest income. A tax reporting slip will be issued to your client.
- The investment bonus and/or incentive bonus that may apply to the Equation Generation IV policy do not apply to the account value of the shuttle account.
- The value in the shuttle account is paid out on death of the owner or on termination of the policy.
- In the event the policy is surrendered, surrender charges would not apply to funds in the shuttle account.
- If your client requests a cash withdrawal and there are funds in the shuttle account, the funds from the shuttle account will be withdrawn first to satisfy the requested withdrawal amount.
- The funds in the shuttle account are not available to support a policy loan.
- Subject to certain conditions protection from creditors may be available to an Equation Generation IV policy, but this same protection does not apply to funds in the shuttle account since it is does not form part of the policy.

Shuttle Interest Accounts

- The shuttle account is credited or debited interest based on the rate of return, less any applicable administration fees, of the shuttle interest accounts available and chosen by your client.
- Equitable Life selects the shuttle interest accounts that are available with an Equation Generation IV policy.
- Currently the only interest account option available with the shuttle account is the daily interest account.

- Should other interest account options become available in the future, your client may be able to request changes to the allocation subject to the rules and guideline in effect at that time. A fee may apply.

Shuttle Premiums

- Shuttle premium are premiums paid from the shuttle account to the Equation Generation IV policy.
- At each policy anniversary, once the maximum exempt premium has been determined, we will pay a premium, if possible, from the shuttle account to the policy.
- Premium tax is applied and the net premium is allocated to the investment interest accounts elected by the owner for the Equation Generation IV policy.
- If no premium allocation was elected for the Equation Generation IV policy the premium is allocated to the daily interest account.
- The premium paid will be the lesser of the maximum exempt premium and the shuttle account value.

Shuttle Deposits

- Shuttle deposits are funds transferred from the Equation Generation IV policy to the shuttle account.
- Shuttle deposits occur any time a premium in excess of the maximum exempt premium is paid or on any policy anniversary the Equation Generation IV policy fails the exempt test.
- The amount of the shuttle deposit will be the amount necessary to maintain the exempt status of the Equation Generation IV policy.
- Shuttle deposits are not subject to premium tax.

Shuttle Account Value

- At any time, the shuttle account value is equal to the sum of the shuttle deposits, plus any interest debited or credited to the shuttle account less shuttle premiums paid to the Equation Generation IV policy, less any withdrawals.

BUILT-IN BENEFITS

Disability benefit disbursement

- The disability benefit disbursement is a built-in benefit currently offered on single life, joint first to die and joint last to die Equation Generation IV policies.
- The disability benefit disbursement allows the owner to apply for a payment from the account 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 account 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.
- Each disability benefit disbursement during the surrender charge period will be subject to the surrender charges that apply for that year.
- If a disability benefit disbursement is taken from a guaranteed deposit account a market value adjustment will apply. The market value adjustment calculation that applies will be the same calculation that applies to a cash withdrawal.
- Currently, there is no minimum payment requirement. Equitable Life reserves the right to implement a minimum payment requirement at any time.
- Currently, the maximum payment amount that can be taken is equal to 100% of the cash surrender value of the policy; this includes any amounts in the shuttle account and includes any surrender charges or market value adjustments that may apply. Equitable Life reserves the right to change the maximum payment limit at any time.
- 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.
- The owner can specify the investment interest accounts from which the disbursement is to be made, however, if there is any value in the shuttle account, those funds will be used first.

- If the owner does not provide written instruction as to the investment interest accounts to be used for the disbursement, Equitable Life will make the withdrawals from the shuttle account and the investment interest account using the same method used for deduction of monthly charges.

Impact of the disbursement on the policy values

- The account value of the policy will be reduced by the amount of the disability benefit disbursement.
- If the policy has Level Protector as the death benefit option, the sum insured will be reduced by the amount of the disability benefit disbursement.
- If the policy has the Account Value Protector death benefit option the death benefit will be reduced by the amount of the disability benefit disbursement.
- If the disbursement occurs during the surrender charge period a pro-rata surrender charge will be calculated, but not deducted, at the time of the payment. If the policy is surrendered prior to completion of the surrender charge period the surrender charge that would have applied to the disbursement will be deducted at that time along with any other surrender charges that may apply at that time.

Other important information

- If the owner takes the maximum amount of cash value from the policy there is a risk that the policy will lapse and coverage will terminate even if premiums have been paid. Charges for the policy are monthly regardless of the premium payment method selected and if there is not enough value remaining in the policy to cover those charges the policy will lapse and coverage will terminate.
- 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 charges rider benefit, it is simply a cash payment from the account 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 charges rider benefit included on the disabled life insured, charges 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 qualifies for the disability benefit disbursement, payment may be subject to income tax.

Qualifying for the disability benefit 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
- (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 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.

Bereavement counselling benefit

- Upon the death of a life insured covered under the Equation Generation IV 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.

Special options provision on joint first-to-die plans

Survivor benefit

Joint first-to-die Equation Generation IV plans have a survivor benefit automatically included that offers options to the surviving life insured.

- The joint first-to-die 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. Charges 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 charges 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 charges rider under the joint first-to-die plan, and charges 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 charges under the new policy would continue to be waived as long as the disability of the surviving life insured continues.
- If charges 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, charges for any new permanent coverage obtained on the surviving life insured would not be waived and would become payable.

Additional death benefit payable

Joint first-to-die Equation Generation IV plans offer an additional death benefit payout.

- 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 Equation Generation IV 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 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. The policy must be in good standing.
- The original joint first-to-die policy is surrendered. Any value, net of outstanding indebtedness, is paid to the policy owner and treated as a disposition of income. A tax reporting slip may be issued to your client.
- The new permanent single life policies are issued at attained age and the rates in effect at that time for a similar class of risk. No evidence of insurability 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.
- Any request to increase the amount of coverage will be subject to underwriting approval and submission of evidence of insurability.
- If the joint first-to-die policy has a waiver of charges rider in effect on any of the lives insured at the time the policy is surrendered for individual policies, and charges are not being waived, the life insured by the waiver can continue to have waiver on the new single life policy, provided it is offered, and the life insured must be within the issue age limits for the waiver of charges rider on the new plan. Otherwise, the waiver of charges rider will terminate with the request to surrender the joint first-to-die policy.
- If charges for the joint first-to-die Equation Generation IV policy are being waived under the waiver of charges rider provision and a request is made to surrender the policy for single life policies, premiums/charges would not be waived for the new single life policies and would become payable.
- If the joint first-to-die policy contains any exclusion, a similar exclusion will apply to the new single life policy, along with any limitations to our liability included for the type, amount, and risk classification of the coverage issued.
- Riders and benefits issued with the joint first-to-die policy may be added to the new policy subject to availability and the current administrative rules and guidelines in effect at that time.

Living Benefit

- A non-contractual benefit that advances the lesser of $100,000 or 50% of the face amount of the policy if the life 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.
- 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

- Optional riders and benefits available with Equation Generation IV universal life are a great way to customize your client's policy and provide additional coverage they may need.
- Some riders can be added after issue of the policy, subject to underwriting and evidence of insurability, and the administrative rules and guidelines in effect at that time, but depending on the tax status of the policy other restrictions may apply.
- A rider can be cancelled at any time by providing written notification to Equitable Life's head office.

Term insurance rider

- 10 and 20 Year Renewable and Convertible term (YRCT) insurance coverages are available as riders on Equation Generation IV single life plans.
    - Premiums are renewable at the end of each renewal period (10 or 20 years) and are guaranteed at issue.
    - The term rider will automatically renew at each renewal period for the same renewal period (10 or 20 years). The only exception is the last renewal period because the rider expires at age 85.
- Term rider coverage can be added on the life insured by a single life Equation Generation IV policy.
- Term rider coverage is not available to cover additional lives or to cover the lives insured under a joint policy.
- A term rider coverage will add additional exempt room to the Equation Generation IV policy, and will be included in the annual exempt test. Only term riders add additional exempt room, other riders and benefits available with Equation Generation IV do not add exempt room.

Issue ages

- 10 YRCT: 18 – 75
- 20 YRCT: 18 – 65

Availability

- Single life basis only
- This rider can be added after issue of the Equation Generation IV policy subject to underwriting and the administrative rules and guidelines in effect at that time. (Policy must have a G3 tax status).
- Preferred underwriting applies at face amounts of $1,000,001 and above.
- To add a term rider to an existing plan use the Application for Change – G3 (form 374G3). Addition of a term rider to an existing plan is subject to underwriting and submission of satisfactory evidence of insurability.

Benefit amounts
- $50,000 - $10,000,000. Minimum for a Preferred Risk Class is $1,000,001

Preferred risk classes
- Class 1: Preferred plus non-smoker
  - The life insured is a very healthy non-smoker with an excellent family medical history.
  - Non-smoker qualification - no cigarettes, cigars, cigarillos, pipe or chewing tobacco, smoking cessation products, tobacco substitutes, or marijuana within the past 24 months.
- Class 2: Preferred non-smoker
  - The life insured is in good health, a non-smoker with a good family medical history.
  - Non-smoker qualification - no cigarettes, cigars, cigarillos, pipe or chewing tobacco, smoking cessation products, tobacco substitutes, or marijuana within the past 12 months.
- Class 3: Non-smoker
  - The life insured is a healthy non-smoker.
  - Non-smoker qualification - no cigarettes, pipe or chewing tobacco, smoking cessation products or tobacco substitutes within the past 12 months. Up to one cigar/cigarillo is permitted per month, subject to a negative cotinine test. Marijuana, both inhaled and ingested, will be considered for Class 3 Non-Smoker rates provided the life insured does not also use tobacco.
- 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 YRCT rider can be exchanged to a 20 YRCT 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 YRCT, they will carry that preferred class over to the new 20 YRCT upon exchange.
- Partial exchanges are permitted; maintaining a preferred risk class will be subject to meeting the minimum requirement of $1,000,001.
- Use the Application for Change – G3 (form 374G3).

Conversion
- For both 10 YRCT and 20 YRCT riders 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.
- Use the Application for Term Conversion (form 1616). A signed illustration is required.
- 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.
- 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 the time of conversion.
- All coverages must meet the minimum and maximum face amount, age and premium requirements, according to the 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, and the administration rules and guidelines in effect at that time.
- If premiums are being waived for the term rider and conversion is requested, premiums will become payable for the new policy.

For additional details regarding term insurance riders, please see the Preferred Term Insurance Riders – Admin Rules and Guidelines document. You can find it on EquiNet on the Insurance>Term product page.

Disability waiver of charges

- Charges are waived if the life insured by the disability waiver of charges rider becomes disabled by sickness or accident for an extended period. On a joint policy if only one life has a disability waiver of charges rider, charges 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 charges rider and became disabled, charges would not be waived and would continue to be payable.

Issue Ages

- 16 – 55 of the life to be insured by the waiver (Equivalent single life age (ESA) is used for issue of the waiver on both lives insured by a joint first-to-die plan)

Coverage and availability

- Available on single life and joint first-to-die coverage. Not available on joint last-to-die coverage.
- The rider can be added to the life insured under a single life plan or to one or both lives insured under a joint first-to-die plan.
- This rider can be added after issue of the Equation Generation IV policy subject to underwriting and the administrative rules and guidelines in effect at that time.
- Coverage expires at age 60 of the life insured by the waiver (ESA 60 if the waiver is on both lives insured by a joint first-to-die plan).

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 monthly charges for as long as the disability lasts.
- If the life insured is not disabled, the benefit will terminate at the anniversary nearest their 60th birthday (ESA 60 on joint first-to-die plans).

Charges

- The rate used to calculate the charges is level and guaranteed at issue. The disability waiver cost is based on the amount of charges to be waived and will increase and decrease as charges increase and decrease, for example, if rider coverages are added or expire.
- 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 Equation Generation IV policy issued was to a child (ages 0-15), at the policy anniversary nearest age 21 of the insured child, disability waiver of charges will automatically be added to the policy, unless the benefit was declined by Equitable Life at the time of issue. Charges for the rider will apply starting at the policy anniversary nearest age 21 of the insured child.
- If the owner does not want the disability waiver of charges rider at age 21 they can submit a written request to cancel it.
- Functionality for the disability waiver of charges is the same as that described above for adult policies.

Payor waiver of charges

- Also referred to in some materials as Applicant's waiver of charges; the Payor waiver of charges and Applicant's waiver of charges are one and the same.
- The owner has a choice of death or death and disability for the waiver.
- This rider is intended to cover the payor of the policy; the individual who is paying the premiums.
- With the death and disability option, charges for the policy are waived if the life insured by the rider becomes disabled by sickness or accident for an extended period, or dies before the earlier of age 60 and the insured child's attained age 21.
- With the death option, charges for the policy are waived only if the life insured by the rider dies before the earlier of age 60 and the insured child's attained age 21. There is no benefit if the life insured by the rider becomes disabled.
- This rider does not cover the insured child; there is no benefit if the insured child becomes disabled.

Issue Ages

- 16 – 55 of the life to be insured by the rider

Coverage

- Available on single life children's policy.
- Can be added after issue for ages 16 – 55, subject to underwriting and the administrative rules and guidelines in effect at that time.

Waiting period for disability

- 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 made prior to the earlier of age 60 of the life insured by the rider and age 21 of the child insured under the policy and approved, we will waive the monthly charges due under the policy until age 21 of the child insured by the Equation Generation IV policy or until the life insured by the rider is no longer disabled, whichever occurs first.
- If the life insured by the rider dies prior to age 60 and the insured child attaining age 21, we will waive the monthly charges until the insured child attains age 21.
- At the insured child's age 21, the Payor death or death and disability waiver of charges will terminate and, if applicable, the disability waiver of charges on the insured child will automatically come into effect. Functionality of this rider is as described above under disability waiver of premium.

Charges

- Guaranteed rates at issue. Charges for the rider are based on the amount of charges to be waived and will increase and decrease with the charges for the policy.
- 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

- 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.

Issue Ages

- Available for issue ages 16 – 60

Availability

- Single life Equation Generation IV plans only
- Not available on joint plans
- This rider can be added after issue of the Equation Generation IV policy subject to underwriting and the administrative rules and guidelines in effect at that time.

Coverage amounts

- The minimum amount available is $1,000.
- The maximum amount available is the lesser of the amount of Equation Generation IV coverage or $500,000.

Expiry
- Charges apply to the policy anniversary nearest age 65 of the life insured by the rider at which time it expires.

Benefit payment
- For payment of the benefit, satisfactory proof must be submitted that the death of the life insured by the rider resulted from bodily injury caused solely by external, violent and accidental means while the policy and rider were in effect and that death occurred within 90 days of the date of sustaining such injury.
- This rider does not pay out a benefit if the death of the life insured results either directly or indirectly from:
    - Suicide, regardless of the mental state of the life insured;
    - War, or any act incident to war, whether declared or not, or any conflict between the armed services of any countries or international organizations;
    - Making or attempting to make or descending from an aerial flight as a member of an aircraft crew or having duties in connection with such flight, as a participant in training or maneuvers of the armed forces of any country, or for instructional or training purposes;
    - Service in the armed forces of any country which is in a state of war, declared or not;
    - The taking of drugs or poison in any form or the inhalation of gas or fumes, voluntary or otherwise.
- Equitable Life reserves the right and opportunity to examine the body and make an autopsy.

Termination
- The rider will terminate at the earliest of the expiry date, the date the policy lapses or otherwise terminates and the date on which all insurance coverages applicable to the life insured covered by the rider are terminated.

Flexible guaranteed insurability option (FGIO)
- Available on children's policies this rider guarantees the right to purchase, without evidence of insurability, additional insurance at specified dates in the future.
- All options must be elected at issue. This rider cannot be added after issue.

Issue ages
- 0 to 15; available on children's policies only

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

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 on one individual life cannot exceed $500,000.

Premiums/Charges

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

Option dates

- The first option date, also called the special option, must be at age 18. If the option is not taken, or only partially taken, at age 18 the amount remaining is automatically extended on a year by year basis for up to 5 years, but if not taken in that time, will expire on the policy anniversary nearest age 23 of the insured child. Charges for this option would continue to expiry at age 23. If the remaining amount is less than the minimum option amount required, the option will terminate.
- 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.
- If the additional options are not taken at the ages selected they will expire.

Functionality with disability waiver of premium

- If disability waiver of charges is in effect on the insured child when any FGIO options are exercised, disability waiver of premium/charges can be added to the new policies obtained under the FGIO option without underwriting.
- If the policy does not have a disability waiver of charges in effect on the insured child when any FGIO options are exercised, disability waiver of premium/charges can be added to the new policies obtained under the FGIO options subject to full underwriting.
- If charges for the Equation Generation IV policy are being waived under either the payor (or applicant's) death or death and disability waiver of charges or under the disability waiver of charges on the insured child when an FGIO option becomes due, the new coverage can be taken, however the premiums or charges on the new coverage would not be waived and would become payable. Disability waiver of premium/charges may be available to be added to the new coverage subject to full underwriting.

Exercising the options

- Requests for new coverage through the option amounts must be submitted in writing using the Application for Life and/or Critical Illness Coverage (form 350). Or using one of the online electronic application processes, *EZ*complete® for face-to-face sales, or InsuranceAssist® for non-face-to-face sales. A signed illustration may also be required.
- The new policy can be for permanent or term coverage that is offered by Equitable Life at the time the option is exercised, subject to the administrative rules and guidelines in effect at that time. Currently the owner can choose from Equimax Estate Builder, Equimax Wealth Accumulator whole life, Equation Generation IV universal life, 10 and 20 year renewable and convertible term or Term 30/65 coverage.
- Purchase of Critical Illness coverage through an FGIO option is not permitted.
- The amount of new coverage cannot exceed the amount of the individual option.
- The premiums or charges due for the new policy will be based on the attained age of the life insured for the applicable risk class and at the rates in effect at that time for the chosen plan.

- Riders and benefits may be added on the new plan subject to availability and the current administrative rules and guidelines in effect at that time. Evidence of insurability may be required.

Termination

- The FGIO rider will terminate on the earliest of the last option date under the rider, the date the policy lapses or otherwise terminates, and the date on which all insurance coverages applicable to the life insured covered by the rider are terminated.

Children's protection rider (CPR)

- Provides term insurance coverage for children of the life insured by the Equation Generation IV policy under one rider.
- It is available only on adult policies.

Issue Ages

- Parents: 16 – 55
- Children: 15 days – 18 years

Minimums and Maximums

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

Availability

- Single life plans and on Joint plans provided one life qualifies.
- This rider can be added to an Equation Generation IV policy after it has been issued, provided the policy has a G3 tax status, and subject to underwriting and the administrative rules and guidelines in effect at that time.

Premiums

- Premiums are payable for 20 years.

Insured children

- An insured child under this rider is a child, step-child or legally adopted child of the life insured who is named on the application for the rider and not excluded by endorsement and on the effective date of the rider is at least 15 days of age and not older than age nearest age 18.
- After the rider is issued each child born of the marriage of the life insured or legally adopted by the life insured is automatically included as an insured child 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.

Death of an insured child

- In the event of death of an insured child, provided the policy and rider are in effect, the coverage has not already been converted, and death occurs after the insured child is 15 days of age and before their 25th birthday, the rider will pay out a benefit equal to the amount of coverage of the rider to the life insured, if living, or to the estate of the life insured.

Conversion option

- As part of this rider, the insured children will have the option to purchase their own policies between ages 21 and 25 and convert the term coverage for up to 5 times the original face amount of the CPR benefit, without evidence of insurability. The option to purchase their own policy expires on the anniversary nearest the child's 25th birthday.
- Use the Application for Life and/or Critical Illness Coverage (form 350) or one of the new online application processes, *EZ*complete for face-to-face sales or InsuranceAssist for non-face-to-face sales. A signed illustration may be required.
- Currently conversion can be made to Equimax Estate Builder, Equimax Wealth Accumulator, Equation Generation IV, 10 and 20 year term or Term 30/65. Minimum requirements for face amount, issue age and premiums must be met on the new plan. The new plan will be issued at attained age of the insured child using the rates in effect at that time for a smoker risk class. Conversion to a policy with non-smoker premiums will be subject to satisfactory evidence of qualification at the date of conversion.
- Riders and benefits may be added to the new converted policy subject to availability and the administrative rules and guidelines in effect at that time. Submission of satisfactory evidence of insurability may be required.

With disability waiver of charges

- If the life insured by the Equation Generation IV plan is also insured by the waiver of charges rider and dies before 20 years of premiums have been paid for the rider, the rider will become paid-up and remain in effect on the insured children until expiry at the anniversary nearest each child's 25th birthday.

Termination

- Requests to terminate the children's protection rider must be submitted in writing.
- The rider will terminate at the earliest of the expiry date of the rider, the date the policy lapses or otherwise terminates except if death of the life insured occurs after the 20th anniversary of the effective date of the rider and all charges for the CPR benefit have been paid as of the date of death, and the date on which all insurance coverages applicable to the life insured by the rider are terminated.
- This rider may also be terminated if the policy is changed to another plan that has a shorter premium payment period than that required for the rider.

EquiLiving® critical illness rider

- EquiLiving critical illness (CI) is available as a rider on the life insured by the Equation Generation IV coverage. The rider can be added if the life insured is an adult or a child.
- The EquiLiving CI rider provides a lump sum benefit if the person insured by the rider is diagnosed with one of the covered critical conditions as defined in the rider contract and survives the applicable survival period for that particular condition. The benefit is payable to the person insured by the critical illness rider unless otherwise specified by the owner.

- The EquiLiving CI rider covers all the same critical conditions as the stand alone EquiLiving CI plan (25 on adult plans, plus an additional 5 on children's plans) and offers the same premium options.
- Return of premium benefits offered with EquiLiving CI plans are not offered with the rider.

Issue ages of the person insured

- Children:
  - 30 days to age nearest 17 for all premium types
- Adults:
  - Age nearest 18 to 65 for the 10 year renewable to age 75 and Level to age 100 premium options
  - Age nearest 18 to 64 for the Level to age 75 premium option

Availability

- Single life basis only for lives insured under a single life Equation Generation IV plan or a joint Equation Generation IV plan.
- Not available for additional lives that are not insured by the base Equation Generation IV policy.
- Offered on a substandard risk basis; ratings may differ from the life insurance coverage. It is possible that a life insured can be issued as a standard risk for the Equation Generation IV coverage and a substandard risk for the EquiLiving CI rider coverage.
- The rider can be added after issue of the Equation Generation IV policy subject to underwriting and the administrative rules and guidelines in effect at that time.

Coverage amounts

- $25,000 is the minimum amount for all issue ages and premium types
- $250,000 is the maximum amount for children's coverage for all premium types
- $2,000,000 is the maximum amount for adult coverage for all premium types
- Maximums are for CI coverage with <u>all</u> insurance carriers.

Smoking status

- Either Smoker or Non-Smoker applies.
- To be considered a non-smoker the person insured must not have used any cigarettes, pipe or chewing tobacco, smoking cessation products, or tobacco substitutes within the past 12 months. Up to one cigar/cigarillo is permitted per month, subject to a negative cotinine level. Marijuana, both inhaled and ingested, will be considered for non-smoker rates provided the person insured does not also use tobacco.

10 year renewable to age 75 premium option

- Provides a level benefit amount with guaranteed premium charges that renew every 10 years.
- The rider will renew automatically to expiry at age 75. The expiry date displays on the Coverage Specifications pages of your client's contract.
- A change privilege is available that allows the owner to change to a level premium to age 75 rider or a level premium to age 100 rider covering the same conditions covered by the original rider, provided one is available. The change can be requested on any policy

anniversary up to an including the policy anniversary nearest age 60 of the person insured by the rider. No evidence of insurability is required as long as there is no increase to the benefit amount.

- The request for the change must be submitted using the [Application for Change – G3 (form 374G3)] at least 30 days prior to the policy anniversary nearest their 60th birthday.
- Premium charges for the new rider are based on the attained age of the person insured at the applicable rates in effect for the level premium to age 75 or level premium to age 100 change rider as of the date of change for the same class of risk and smoking status.

Level to age 75 premium option

- Provides a level benefit amount with a guaranteed level premium charge to age 75.
- The rider automatically expires at the policy anniversary nearest age 75 of the person insured. The expiry date displays on the Coverage Specifications pages of the contract.

Level to age 100 premium option

- Provides a level benefit amount with a guaranteed level premium charge to age 100.
- The rider will become paid-up at age 100 of the insured person; it does not expire.

Covered Conditions

- The following 25 critical conditions are covered for both adults and children regardless of the premium option elected for the rider:

Heart attack	Cancer (life threatening)	Stroke
Alzheimer's disease	Aortic surgery	Aplastic anaemia
Bacterial meningitis	Benign brain tumour	Blindness
Coronary artery bypass surgery	Coma	Deafness
Heart valve replacement	Kidney failure	Loss of independent existence*
Loss of limbs	Loss of speech	Major organ failure on waiting list
Major organ transplant	Motor neuron disease	Multiple sclerosis
Paralysis	Parkinson's disease	Occupational HIV infection
Severe burns		

* Loss of Independent Existence provides a benefit for cognitive impairment and/or a total and permanent inability to perform two or more of: bathing, dressing, toileting, continence, transferring, feeding.

- In addition to the conditions above, the rider on children provides coverage for the following 5 childhood critical conditions until age 25:

Cerebral palsy	Congenital heart disease	Cystic fibrosis
Muscular dystrophy	Type 1 diabetes mellitus	

* For plans insuring children, coverage for Loss of Independent Existence does not apply until age 18 at which time it is added automatically.

- Detailed information on the covered critical conditions can be found in the guide Understanding the Covered Conditions (form 1248) on EquiNet. This guide can be found on the EquiLiving critical illness product page.

Payment of the EquiLiving benefit

- Provided the Equation Generation IV policy and the EquiLiving CI rider are in effect, Equitable Life will pay the EquiLiving CI rider benefit amount to the person insured (or the named beneficiary) in a lump sum following the diagnosis by a licensed physician in Canada, the United States, or any other region as approved by us, of a covered critical condition as defined in the policy contract and satisfaction of the specified survival period.
- The benefit is payable only once and only for one covered critical condition. Once the benefit is paid the EquiLiving CI rider terminates, regardless of how many additional covered critical conditions the person insured may be diagnosed with.
- Any illness, disorder, or condition not specifically defined as a covered critical condition in the contract is not insured and no benefit payout will apply.

Diagnosis

- Diagnosis of any covered condition or the advice to undergo surgery for any covered condition, which includes both covered critical conditions and early detection benefit covered conditions, must be made by a licensed medical practitioner/specialist who has been trained and certified in the specific area of medicine relevant to the covered condition.
- In the absence of a specialist a covered condition may be diagnosed by another qualified medical practitioner as approved by Equitable Life.
- The licensed medical practitioner must not be related by blood or marriage to the owner or person insured nor can the licensed medical practitioner be the owner or the person insured.
- The covered condition must meet all of the requirements as specified in the rider contract under the definitions of covered critical conditions or early detection benefit covered conditions.
- The diagnosis must be supported by objective medical evidence.

Survival period

- Refers to the number of days the person insured must survive starting on the date of diagnosis of, or surgery for, a covered critical condition or an early detection covered condition before payment of the benefit.
- The survival period is generally 30 days unless specified otherwise in the definition of the covered condition in the rider contract.
- The person insured must be alive at the end of the survival period and must not have experienced irreversible cessation of all brain function during the survival period. The date the person insured experiences irreversible cessation of all brain functions is deemed to be the date of death of the person insured.
- During the survival period for a covered critical condition no premium payment is required. If the rider benefit becomes payable, any premiums paid during the survival period will be added to the benefit amount to be paid.
- Premium payment is required during the survival period for an early detection benefit covered condition.

Extension of expiry

- If the 10 year renewable to age 75 or Level to age 75 premium options have been elected and the rider expires while the person insured is satisfying an applicable survival period for a covered condition, the extension of expiry applies and the rider will remain in effect until the earlier of the date of the death of the person insured or the date the benefit becomes payable.
- This extension of expiry applies to both the EquiLiving benefit and the early detection benefit but only for the particular covered critical condition or early detection benefit covered condition that initiated the extension of expiry.

Automatic policy exchange

- If the Equation Generation IV joint first-to-die policy terminates due to payment of the death benefit and the surviving life insured is covered by an EquiLiving CI rider we will automatically exchange the rider to a separate EquiLiving CI policy, providing uninterrupted coverage.
- The premiums for the plan will be the same as those for the rider with the addition of a policy fee. The policy will have the same benefits and will be at the same class of risk and status as the rider, and no evidence of insurability is required. Any additional riders will not be included.
  - The owner can cancel the critical illness coverage at any time by providing written notification to our Head Office.

Early detection benefit

- This automatically included feature provides a lump sum benefit if the person insured by the EquiLiving CI rider is diagnosed with and survives the applicable survival period for one of the four early detection benefit covered conditions.
- The early detection benefit covers:
  - Coronary angioplasty
  - Early prostate cancer
  - Ductal breast cancer
  - Superficial malignant melanoma
- The benefit payment will be the lesser of 15% of the then current EquiLiving CI rider benefit amount and $50,000.
- This benefit can be paid twice while the rider is in effect, but only once for any of the early detection benefit covered conditions. If two early detection benefits have been paid under the rider, no further early detection benefits will be paid.
- Payment of the early detection benefit does not cause the rider to terminate, does not reduce the benefit payable for the covered critical conditions that are covered by the rider, or change the rider premium charges.

Cancer exclusions:

- No EquiLiving benefit or early detection benefit is provided for cancer or any other covered condition defined under the rider contributed to or caused by any type of cancer (covered or excluded under the rider) if either:
  a) the date of diagnosis of any form of cancer (covered or excluded under the rider), or

b) the signs, symptoms, tests and/or medical consultations that led to diagnosis of any covered or excluded cancer, regardless of the date of diagnosis of cancer (covered or excluded under the rider),

is within the first ninety (90) days following the effective date of the rider, or within ninety (90) days following the effective date of the last reinstatement of the rider.

- If any diagnosis, signs, symptoms, tests and/or medical consultations occur as described and within the time period specified in the preceding paragraph, and the person insured is diagnosed with cancer (whether covered or excluded under the rider), regardless of when the diagnosis is made, the owner or person insured must give written notification of the diagnosis to Equitable Life within one hundred and eighty (180) days following that diagnosis. If the owner or person Insured fails to disclose this information, Equitable Life reserves the right to deny any claim for cancer or any covered condition, including the early detection benefit covered conditions, caused by cancer or the treatment of cancer (covered or excluded under the rider).
- Upon receipt of notice, Equitable Life will provide confirmation that the cancer and other related covered conditions exclusion applies. The owner may, by written request, elect to maintain the rider in effect, provided the written request is received in Equitable Life's Head Office in Waterloo, within thirty (30) days of the date of confirmation. Upon receipt of written request, Equitable Life will, in the absence of fraud or misrepresentation, maintain the rider in effect. Otherwise the rider will terminate and Equitable Life will return all premiums paid for the rider and no EquiLiving benefit or early detection benefit will be payable.
- If the owner elects to maintain the rider in effect, no benefits will be payable for a subsequent diagnosis of any form of cancer (covered or excluded under the rider) or other covered condition, including an early detection benefit covered condition, directly resulting from any cancer (covered or excluded under the rider) or its treatment.

Additional exclusions

- In addition to the exclusions noted in the definitions of covered critical conditions and in the definitions of the early detection benefit covered conditions, no benefit will be paid if the person insured is diagnosed with a covered condition which arises directly or indirectly from:
    - Suicide attempt or self-inflicted injury regardless of the mental state of the person insured;
    - Misuse of medication or the use of illegal drugs or intoxicants;
    - The failure to seek or follow the medical advice of a licensed and practicing physician;
    - War, or any act or incident of war, declared or not, or any conflict between the armed services of countries or international organizations;
    - Terrorism;
    - Committing or attempting to commit a criminal offence;
    - Operating a motor vehicle while the concentration of alcohol in 100 milliliters of blood exceeds 80 milligrams;
    - Taking a poisonous substance or inhaling toxic gases or fumes.

Covered conditions outside of Canada

- If occurrence or diagnosis of one of the covered critical conditions or early detection benefit conditions occurs outside of Canada, the applicable benefit will be payable only if all of the following conditions are satisfied:
    a) The complete medical records are made available and provided to Equitable Life; and
    b) The medical records provide evidence satisfactory to Equitable Life that:
        i. The same diagnosis would have been made had the illness or accident occurred in Canada;
        ii. Immediate treatment would have been indicated under Canadian standards; and
        iii. The same treatment, involving the particular surgical procedure, would have been advised if treatment had taken place in Canada; and
    c) The person insured must undergo an independent medical examination by a physician licensed and practicing in Canada appointed by Equitable Life, if we request this. In the event of elective surgery, this examination must occur before the surgery takes place.

Termination

- The EquiLiving critical illness rider and all benefits associated with it will terminate on the earliest of:
    - The date the rider expires;
    - The date the Equation Generation IV policy lapses;
    - The date the Equation Generation IV policy terminates;
    - The date of death of the person insured;
    - The effective date of the automatic policy exchange provision;
    - The date we receive written request to cancel the rider;
    - The date the EquiLiving critical illness insurance rider benefit is paid.

POLICY CHANGES AND GENERAL ADMINISTRATION

- Most change requests require the **Application for Change**. There are now two versions of this form, one is to apply for changes to G2 policies and one is to apply for changes to G3 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 on Page 2 of this guide).
- All changes discussed in this section of the guide pertain to changes permitted on Equation Generation IV policies with a G3 tax status and most will require the Application for Change – G3 (form 374G3), unless noted otherwise. All forms can be found on EquiNet under Insurance>Forms.
- In cases where the Application for Life and/or Critical Illness Coverage (form 350) is required, the new online electronic application processes can also be used. *EZ*complete can be used for face-to-face applications, or InsuranceAssist® can be used for non-face-to-face applications.
- If there is an assignment on the policy the assignee's signature will be required for any change requests.
- If there is an irrevocable or preferred beneficiary the beneficiary's signature will be required for any change requests.
- When determining any evidence requirements that may be required include any additional coverage issued with Equitable Life within the last 12 months
- If coverage is added and the policy is on annual billing, a pro-rated premium payment may be required.
- Changes are not available on a COD basis.
- Once the change request has been approved, the change will be effective as of the last monthiversary.
- In most cases fees are not charged for policy changes, however, Equitable Life reserves the right to charge a fee.
- A $50 fee will be charged to reverse a policy change.

Changing the plan type

- The plan type, Bonus or Low Fees, is elected at time of issue of the Equation Generation IV policy.
- Requests to change from one plan type to the other (Bonus to Low Fees or Low Fees to Bonus) are treated as a policy replacement; the original policy must be surrendered and a new policy applied for using the Application for Life and/or Critical Illness Coverage (form 350), or one of the online electronic application processes; *EZ*complete or InsuranceAssist.
- The owner must clearly identify that the change is a replacement using the Termination for Internal Replacement (form 1609)
- The new policy will be issued at attained age and the applicable rates in effect at that time, subject to underwriting and the administrative rules and guidelines in effect at that time.

- Requests to change from older versions of universal life to Equation Generation IV are also treated as a policy replacement and will require that the original universal life policy be surrendered and a new policy applied for. The new policy will be issued at attained age and the applicable rates in effect at that time, subject to underwriting and the administrative rules and guidelines in effect at that time.
- If the policy has cash surrender value, surrender of the policy can result in a disposition of income and may have tax consequences. A tax reporting slip may be issued to your client.

Changing the coverage type

- The type of coverage, single life, joint first-to-die or joint last-to-die, is elected at time of issue of the Equation Generation IV policy.
- Requests to change from one type of coverage to another are treated as a policy replacement. The original policy must be surrendered and a new policy applied for using the Application for Life and/or Critical Illness Coverage (form 350), or one of the online electronic application processes; *EZ*complete or InsuranceAssist.
- The owner must clearly identify that the change is a replacement using the Termination for Internal Replacement (form 1609)
- The new policy would be issued at attained age and the applicable rates in effect at that time, subject to underwriting and the administrative rules and guidelines in effect at that time.
- In the situation where a joint first-to-die policy is being surrendered under the option to select individual policies provision, the original joint policy is surrendered and the new permanent single life policies are issued at attained age and the applicable rates in effect at that time, subject to the administrative rules and guidelines in effect at that time, however, evidence of insurability is not required provided the amount of coverage does not exceed the amount of coverage in effect under the joint plan. Any requests to increase the amount of coverage would be subject to underwriting and satisfactory evidence of insurability. Use the Application for Life and/or Critical Illness Coverage (form 350), or one of the online electronic application processes; *EZ*complete or InsuranceAssist.
- If the policy has cash surrender value, surrender of the policy can result in a disposition of income and may have tax consequences. A tax reporting slip may be issued to your client.

Changing the death benefit option

- At time of issue of the Equation Generation IV policy your client would have elected either the Level Protector death benefit option or the Account Value Protector death benefit option.
- Changes to the death benefit are permitted provided the death benefit is supported by the cost of insurance (COI) type that applies.
- Currently on Equation Generation IV the Level Protector and Account Value Protector death benefit options are offered with both Level to 100 and YRT to 100 COI so changes from one death benefit option to the other can be supported.
- If your client requests to change from the Account Value Protector death benefit option to the Level Protector death benefit option the sum insured under the Level Protector death benefit option will be not greater than the sum insured plus the account value at the time the change is requested subject to the maximum and minimum face amount requirement. The sum insured will remain level for the duration of the policy unless the owner takes a cash

withdrawal or requests a reduction or unless the sum insured is increased to assist in maintaining the tax exempt status of the policy (please refer to the Taxation section of this guide for more information). Rates used to calculate the charges will continue to be based on the original age and duration of the original policy. When the death benefit becomes payable it will be equal to the sum insured or the account value if the account value is greater than the sum insured. Submission of satisfactory evidence of insurability is not required when changing the death benefit from Account Value Protector to Level Protector.

- If your client requests to change from the Level Protector death benefit option to the Account Value Protector death benefit option, under the Account Value Protector death benefit option the sum insured will be equal to the Level Protector death benefit less the account value at the time the change is requested, subject to the minimum and maximum face amount requirement. The sum insured will remain level for the duration of the policy unless the owner requests a reduction or unless the sum insured is increased to assist in maintaining the tax exempt status of the policy (please refer to the Taxation section of this guide for more information). Rates used to calculate the charges will continue to be based on the original age and duration of the original policy. When the death benefit becomes payable it will be equal to the sum insured plus the account value of the policy.

Changing the cost of insurance (COI) type

- At time of issue of the Equation Generation IV policy either the Yearly Renewable Term (YRT) to age 100 or Level for Life (to age 100) was elected as the COI type.
- If the life insured was a juvenile (age 0 to 15 inclusive) at time of issue then the only COI option available was YRT.
- Changes to the COI are allowed and subject to the administrative rules and guidelines in effect at the time the change is requested, and may be subject to underwriting and submission of satisfactory evidence of insurability.
- Minimum and maximum age and face amount restrictions apply and the new COI type must be supported by the death benefit option elected for the policy.
- Currently the owner can request a change from YRT to Level COI and from Level to YRT COI.
- Both the Level Protector and Account Value Protector death benefit options are available with YRT and Level COI, and a change in the COI option can be supported with either death benefit option.
- The maximum issue age for both YRT and Level COI on Equation Generation IV is 80; requests to change the COI must be made at least 60 days prior to the policy anniversary nearest age 80 of the life insured. Requests to change the COI after age 80 will not be accepted.
- The rates that apply will be the applicable rates, if available, at the attained age of the life insured for the same class of risk and smoking status. Equitable Life will determine the applicable rates at the time the request is received to change the COI.
- The change will take effect as of the last monthiversary following approval of the change.
- Changing the COI type may impact the exempt room in the policy and cash value in the policy may need to be transferred to the shuttle account to maintain the exempt status.

Changes from YRT to Level

- Most requests are to change from YRT COI to Level COI. Typically these changes do not require submission of evidence of insurability provided the amount of coverage is not being increased. Whether the change requires submission of satisfactory evidence of insurability will be determined by Equitable Life and we reserve the right to request satisfactory evidence of insurability.
- A change from YRT to Level on a juvenile policy cannot occur until Level COI rates are available. On Equation Generation IV, Level COI rates are available starting at age 16. A request to change from YRT to Level cannot be supported until the insured child has attained age 16.
- The minimum amount of coverage for Level COI is $50,000. If the coverage on a juvenile life insured is less than $50,000 the change to Level cannot be made unless the coverage is also increased to the minimum amount required. Submission of satisfactory evidence of insurability will be required to increase the coverage.
- Equitable Life determines the Level COI rates that will apply at the time the change is requested. Currently the Level rates that will apply are the Equation Generation IV Level COI rates that were in effect when the policy was issued.
- Once the change is made to Level COI the rate per thousand of amount at risk will remain level for the Equation Generation IV UL coverage until the policy anniversary after the life insured's 100th birthday. The rate is guaranteed.

Changes from Level to YRT

- If the Equation Generation IV policy was issued with Level COI and a request is received to change the COI type to YRT evidence of insurability may be required. When the change is made the charges for the UL coverage will be based on the YRT rate that applies at the attained age of the life insured for the same class of risk and smoking status.
- Minimum and maximum age restrictions and face amounts apply.
- Equitable Life determines the YRT COI rates that will apply at the time the change is requested. Currently the YRT rates that will apply are the Equation Generation IV YRT COI rates that were in effect when the policy was issued.
- Once the change is made to YRT COI the rate per thousand of amount at risk will increase yearly until the policy anniversary after the life insured's 100th birthday. The rates are guaranteed.

Changing the premium payment mode

- Charges are deducted monthly regardless of whether your client has elected to make annual or monthly premium payments.
- If your client wants to change the current method of premium deposits they can do so at any time by providing written notice, and subject to our current administrative rules and guidelines in effect at that time.

Changing from annual payments to monthly pre-authorized debit (PAD)

- If your client has elected annual premium payments and would like to change to monthly PAD they can do so by providing written notice along with the needed banking information and the amount of monthly premium payment to be withdrawn from the applicable bank account. Complete the Pre-Authorized Debit Form (form 378)

  - Your client can choose to have the change effective the last or next monthiversary. Following the change Equitable Life will automatically withdraw the monthly premium amount indicated from the policy owner's bank account.
  - The monthly amount will continue to be withdrawn from the owner's bank account until the owner elects to stop it or requests to change to annual premium payments.

Changing from monthly PAD to annual payments

- If your client has elected to pay premiums by monthly PAD and would like to change to annual premium payments they can do so by providing written notice which includes the amount of annual premium to be billed.
  - Effective at the next policy anniversary the owner will receive an annual billing notice for the premium amount indicated.
  - If the change is requested part way through the policy year, your client may have to make an additional premium payment at the time the change is requested to keep the policy in effect until the next policy anniversary when the annual billing mode will take effect.
  - The owner will continue to receive an annual billing notice until they elect to stop it or request to change to monthly PAD payments.

Increasing the coverage

- If a policy owner submits a request to increase the insurance coverage on an Equation Generation IV policy, the acceptance of the request will be subject to full underwriting and the administration rules in effect at that time.
- If approved, a new policy would be issued at attained age and the applicable rates in effect at that time for the amount of new coverage requested.
- A new application and a signed illustration are required. Use the Application for Life and/or Critical Illness Coverage (form 350) or one of the online electronic application processes; *EZ*complete or InsuranceAssist.

Decreasing the coverage

- The new requested coverage amount must remain within plan minimums.
- Decreases in the amount of coverage may have tax consequences. Decreasing the amount of coverage will affect the exempt room in the policy. Cash value may need to be transferred from the exempt policy to the shuttle account in order to maintain the exempt status.
- If the Equation Generation IV policy has an additional accidental death benefit (AADB) rider in effect a reduction in the coverage may also require a reduction to the AADB coverage amount as it cannot exceed the amount of UL coverage in effect.

Addition of optional riders and benefits

The following optional riders/benefits can be added after issue, as with changes to the base policy, the Application for Change – G3 form is required for adding optional riders and benefits to the Equation Generation IV policy:

- Term insurance riders (10 and 20 YRCT) can be added to the life insured under a single life plan (subject to minimum and maximum age restrictions). For information on exchange and conversion options offered with Term riders please refer to the Term insurance rider section above under Optional Riders and Benefits.
- Disability waiver of charges can be added to any qualified life insured on single life or joint first-to-die plan, or on a qualified payor on a juvenile plan.
- Children's protection rider can be added to any qualified life insured on a single life or joint plan.
- EquiLiving critical illness riders can be added to a qualified life insured under a single life plan or to a qualified life insured under a joint plan.
- Additional accidental death benefit can be added to a qualified life insured under a single life plan.

Cancelling optional riders and benefits

- Your client can cancel the coverage provided by an optional rider/benefit at any time by providing us with written notice using the Application for Change – G3.
- The effective date of the cancellation will be the date we process the request and terminate the applicable rider coverage.
- Charges for the applicable rider coverage will cease any benefits associated with the rider coverage will end.

Changing the smoker status

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

Adult policies

- If a life insured was originally determined to be a smoker they can request to have the status changed to non-smoker. Submission of the appropriate evidence required by us at that time is required.
- Currently, to be considered for non-smoker rates, the life insured must not have used any cigarettes, pipe or chewing tobacco, smoking cessation products, tobacco surrogates within the prior 12 months. Up to one cigar/cigarillo is permitted per month, subject to a negative cotinine level. Marijuana, both inhaled and ingested, will be considered for non-smoker rates provided the life insured does not also use tobacco.
- To request the change the Application for Change – G3 is required.
- The rates used to determine the charges are based on the rates applicable to the original issue age at the appropriate duration.
- The new charges would be effective the date of the change. Subsequent charges for the policy will be based on non-smoker rates.

Children's policies

- Children's policies are issued with children's rates. The owner of a children's policy will receive a non-smoker declaration at the policy anniversary following age 16 of the insured child. If the declaration is returned qualifying the insured child as a non-smoker subsequent charges for the policy will be based on non-smoker rates.
- If the declaration is not returned within 60 days of the policy anniversary following the 16th birthday of the insured child charges will be based on smoker rates. Requests to change the smoking status after the 60 days have passed are permitted, but will be treated as a standard request to change the smoking status (see above for adult policies) and will be subject to administrative and underwriting rules in effect at that time, as well as submission of satisfactory evidence of insurability that we require at that time.

Changing the premium allocation

- When the application was submitted your client elected a specific premium allocation. The allocation would have consisted of specified percentages to the selected investment interest accounts to which your client wanted to direct a portion of the net premium. These percentages would have added up to 100%.
- Your client can request in writing to change the allocation of premium to their selected investment interest accounts at any time using Reallocation and Transfer of Funds – Universal Life (form 693UL).
- The first change in any policy year is free of charge. Any additional change within the same policy year will be subject to a $25 fee per change.

Changing the monthly charges allocation

- When the application was submitted your client may have selected specific investment interest accounts chosen for the premium allocation to use to deduct the monthly charges.
- If they did not select any investment interest accounts for monthly charges, then monthly charges are deducted pro-rata from all the investment interest accounts selected for the premium allocation.
- Your client can request to change the allocation of investment interest accounts used for monthly charges by submitting Reallocation and Transfer of Funds – Universal Life (form 693UL). Minimum account balances must be met.
- Currently no fee is charged to change the monthly charges allocation, however, Equitable Life reserves the right to charge a fee for this change.
- Any accounts your client chooses for deduction of monthly charges must also be selected for premium allocation.
- If your clients have elected to have charges deducted from specific accounts and there are insufficient funds to cover the cost of the charges, the charges will be deducted pro-rata from the remaining accounts your client selected for deduction of charges.

Changing the selected investment interest accounts

- When the application was submitted your client would have chosen specific investment interest accounts for the net premium allocation.

- Your client can change the investment interest accounts they elected at any time by providing written notice and subject to the administrative rules and guidelines in effect at that time.
- Requests for changes should be submitted using [Reallocation and Transfer of Funds – Universal Life (form 693UL)].
- The first change in any given policy year is free of charge, however additional changes in the same policy year may be subject to a $25 fee.
- There is currently no minimum percentage requirement for the premium allocation to each account, however, Equitable Life reserves the right to set a minimum requirement at any time.
- Minimum fund requirements do apply to guaranteed deposit accounts and to the linked interest options; please see the Investment Interest Accounts section of this guide for details.
- There is currently no limit on the number of investment interest accounts available with your client's policy that they can choose, however, Equitable Life reserves the right to set a limit at any time.

Transferring funds between investment interest accounts

- Your client can also transfer a portion of the account value from one investment interest account to another available with the policy subject to the administration rules and guideline in effect at that time.
- Requests must be submitted in writing using [Reallocation and Transfer of Funds – Universal Life (form 693UL)].
- Equitable Life reserves the right to limit the number of requested transfers in any policy year.
- Minimum fund balance requirements must be met.
- There are no additional fees charged for the following transfers:
  - Moving savings from the daily interest account (DIA) to a guaranteed deposit account (GDA) or a linked interest option (LIO), subject to the minimum deposit requirements as determined by us. The transfer will be based on the account value of the DIA being transferred as of the effective date of the transfer.
  - Moving savings from one GDA to another GDA, the DIA or to a LIO. These transfers are based on the market value adjustment of the GDA as of the effective date of the transfer. The minimum account value of the GDA must be equal to the $500 minimum after the transfer has been made.
  - Moving savings from a LIO to another LIO, the DIA or a GDA, subject to the minimum requirement as determined by us. These transfers are based on the account value of the LIO being transferred as of the effective date of the transfer.
- The effective date of the transfer will be within 5 business days of receipt at Equitable Life's Head Office in Waterloo, Ontario, of the written request.

Removal of a substandard rating

- If an Equation Generation IV policy has a substandard rating added at issue on the life insured, the policy owner can submit the Application for Change form to have the rating removed.
- The request will be evaluated by underwriting.

- If underwriting approves removal of the rating and the policy is a joint plan, the equivalent single age of the joint life plan may change. The rates that will apply will be based on the new age using the rates in effect as of issue of the policy at the applicable policy duration.

Cancellation

- A policy owner may request to cancel the policy at any time by providing written notice to us. Use the Request for Termination (form 681).
- Once we receive the written notice and process the termination, charges for the policy will cease and the death benefit and all other benefits associated with the plan will end.
- If the policy has a cash surrender value this will be paid to the owner. This may have tax consequences and a tax reporting slip may be issued to the owner.
- If there is money in the shuttle account, this value will be paid to the owner.
- The effective date of the cancellation will be the date we process the request and terminate the policy.

Premium holiday

- Your client can also take a premium holiday.
- Taking a premium holiday means that the owner does not make a scheduled annual or monthly PAD payments for a period of time.
- When your client takes a premium holiday, monthly charges continue to be due for the policy and will be taken from the account value of the policy.
- It is possible that the account value of the policy is sufficient to pay charges on the policy for several years, but at some point in the future if the account value is not sufficient to cover the charges the policy will lapse. Your client will need to resume premium payments to keep the policy in effect.
- If your client does elect to take a premium holiday, especially over a longer period of time, they should, along with you, carefully monitor the account value of the policy.

Making additional premium deposits

- Your client can also make payments to their Equation Generation IV policy in addition to the scheduled annual or monthly PAD premium payments.
- No form is required to make an additional deposit and payments can be made online or by cheque.
- The additional deposit can be any amount, but only an amount up to the maximum exempt premium (MEP) applicable to the policy can be deposited as a premium payment into the Equation Generation IV policy. Applicable premium taxes will apply.
- The net additional premium amount will be applied to the policy using the same premium allocation for scheduled premium payments. If your client wants to choose a different allocation then they will need to submit the Reallocation and Transfer of Funds – Universal Life (form 693UL) with their additional deposit.
- Any amount received in excess of the MEP will be deposited into the shuttle account.
- If any of the additional deposit is placed into the shuttle account, interest earned on the amounts deposited is subject to taxation.

- At the policy anniversary if exempt room is available in the policy we will transfer amounts from the shuttle account to the exempt policy as a premium payment. Premium tax will apply and the premium will be allocated in the same manner as that used for scheduled premium payments.

Reinstatement of a lapsed policy

Within 2 years of lapsing:

- If a policy owner requests to have the policy reinstated within 2 years of the lapse date, they must submit evidence as required by us as well as:
  - payment of all outstanding premiums required to keep the policy in effect from the date of lapse; plus
  - any interest due on the unpaid premiums as determined by us; plus
  - any indebtedness under the policy
- Declaration of Insurability (Reinstatement) (form 370) is required.
- These amounts are determined by Equitable Life at the time reinstatement is requested by the owner.
- 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 policy reinstated after 2 years of the lapse date, a new policy will be issued at attained age and the rates in effect at that time.
- 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.

Policy statements

- At least annually, the policy owner will receive a statement with information on the policy coverage they have and details the financial activity that occurred over the statement period.
- The statement provides a **Financial Activity Summary**, as well as **Financial Activity Details** on the premium allocation and the financial activity in each selected investment interest option.
- The **Financial Activity Summary** also includes a personal rate of return for the policy. This is the rate of return for investments in the exempt portion of the policy. It is a measure of the growth of the exempt portion of the investment for the statement period.
- In order to better understand the personal rate of return on your client's policy statement it is helpful to understand the difference between a traditional rate of return, like those published on EquiNet, and the personal rate of return.

Traditional rate of return

- Investors are familiar with the volatility of returns in equity and bond markets. But even with the high degree of volatility, the industry has a standard for how to report the return for a fund over a given period of time as a single number – the rate of return.
- Using the rate of return, we are able to report the annual return for a given fund as a single number, i.e. 10%, even though we know the fund did not grow at a steady and constant rate throughout the entire year. It may have had shorter-term periods of rapid growth or decline within the year.

- The traditional method of reporting the rate of return for a fund during a specific period of time assumes that an investment is made at the beginning of the period and is not touched until the end of the period. There are no deposits and no withdrawals. Said another way, it is the rate of return of each dollar that was invested at the start of the period and was there for the whole period.

Your client's personal rate of return

- For your client's Equation Generation IV policy, there are daily and monthly cash flows that will occur throughout the policy year. The traditional rate of return published for the underlying fund doesn't consider these.
- Depending on the timing of the individual policy owner's deposits and withdrawals, their gain or loss can be greatly different than that of the underlying fund.

A simple example of two investors

- For simplicity, this example will assume two individuals invest in the same equity fund during the same calendar year.
- Both investors started with $10,000 and have equal net deposits during the year of $6,000 for a total investment of $16,000.
- However, the final value of each account is much different. **Investor #1 gains $2,947** and **Investor #2 gains $2,191** – and both are invested in the same fund for the same period. The difference is due to the timing of the cash flows of each investor.

Date	Account Interest Rate	Investor #1	Investor #2
Dec 31		**Deposit $10,000**	**Deposit $10,000**
Jan 1 to Mar 31	+ 15.0%	Account value increases to $11,500 **Withdraws $6,000** Remaining value = $5,500	Account value increases to $11,500 **Deposits an additional $6,000** Total value = $17,500
Apr 1 to Jun 30	- 10.0%	Account Value drops to $4,950 **Deposits an additional $6,000** Total value = $10,950	Account Value drops to $15,750
Jul 1 to Sep 30	+ 10.0%	Account value increases to $12,045 **Deposits an additional $6,000** Total value = $18,045	Account value increases to $17,325
Oct 1 to Dec 31	+ 5.0%	Account value increases to $18,947 **Total net deposits = $16,000** Gain of $2,947	Account value increases to $18,191 **Total net deposits = $16,000** Gain of $2,191

- The above example is simplistic to demonstrate how the timing of cash flows can impact the gains or losses in an investment. Cash flows for a universal life policy would also include the regular monthly withdrawals that would occur to cover the policy fees and cost of insurance. The timing of these withdrawals will also affect the client's personal rate of return.

- The rates of return in the example above would be reported as:
  Investment Fund = 19.5%
  Investor #1 = 30.0%
  Investor #2 = 15.2%
- The return on the Investment Fund is simply calculated by accumulating the interest rates over the year. This return is a simple number that illustrates the constant return that would have been earned by a dollar invested at the beginning of the period for the entire period, even though there were intervals of both gain and loss over the period. It also does not take into account any deposits or withdrawals that may have occurred over the period.
- To determine the rate of return for each investor the internal rate of return (IRR) is used. It is a single number that illustrates the constant return the investor would have had to earn based on their starting balance, the timing and the amount of the deposits and withdrawals, and the final balance.
- In our example above, Investor #1 could have gone from their opening balance to their closing balance, including their mid-year deposits and withdrawal, if they had experienced a constant gain at a rate of 30% annually.
- Similarly, Investor #2 could have gone from their opening balance to their closing balance, including their mid-year deposit, if they had experienced a constant gain at a rate of 15.2% annually.

Value of the rate of return

- The rate of the return of the fund is very valuable when comparing available investment options. Whether your client is a new investor or already has a portfolio, they will want to understand how one investment option is performing relative to another.
- The critical things to look for in the rate of return are the long-term performance, any short-term trends and the degree of volatility from one period to the next.
- Historical performance of a fund is not a guarantee of future performance but it can provide some valuable insight into the manager's relative ability and their investment style.
- As demonstrated in the above example, looking at only the fund's rate of return may not be a fair representation of any individual's return in that fund. By calculating the investor's IRR, we can report how <u>their</u> investments performed.
- By reporting the IRR, which is the personal rate of return shown on your client's policy statement, we are providing a powerful tool to be used in the annual review of a client's personal financial plan. For example, this return should be compared to the expected return used in the product illustration. It can help to keep the policy on track to meet the long-term goals and can highlight areas of concern early, so that corrective measures can be taken. This is the rate of return you should be providing to your client for their policy. Calculating a rate of return using other sources of information will not accurately reflect the actual gain or loss in your client's policy.

Your client's policy statement personal rate of return

- The personal rate of return (RoR) shown on the policy statement is the IRR and is calculated using the following information in each **exempt** investment account on the statement:
    - The sum of Opening Balance and Closing Balance of each exempt investment account.

- All the transaction dates and the sum of the Net Amount of the transactions that resulted in a cash going into the investment account and cash going out of the investment account on that date.
- The cash going into the investment account is positive and includes things like premium deposits, transfers from other accounts.
- The cash going out of the investment account is negative and includes things like surrenders, monthly charges and withdrawals, transfers to other accounts.

- As noted above the IRR is a single number that illustrates the constant return the investor would have had to earn based on their starting balance, the timing and the amount of the deposits and withdrawals, and the final balance.
- The personal RoR calculated on the policy statement is what makes the sum of the future value (the value at the end of the period growing with the rate of return calculated) of the investment account value at the starting point of the period, and the future values of all the transactions above equal to the sum of the investment account value at the end point of the period. A sample calculation of the policy RoR using a sample policy is provided below.
- Also included is the net interest earned for the period indicated on the statement. This value is expressed as a dollar amount and can be either positive or negative depending on the performance of the investment interest accounts your client has elected.

The policy rate of return calculation example using a sample policy

- For simplicity our sample policy has only one exempt investment account and one shuttle account

For the Period December 13, 2015 to December 12, 2016

Diversified Income Portfolio Interest Option

Date	Description of Transaction	Amount ($)	Net Amount ($)
13 DEC 2015	Opening Balance		34,147.74
12 JAN 2016	Monthly Charges	-95.41	-95.41
12 FEB 2016	Monthly Charges	-93.87	-93.87
12 MAR 2016	Monthly Charges	-94.47	-94.47
12 APR 2016	Monthly Charges	-94.38	-94.38
12 MAY 2016	Monthly Charges	-94.69	-94.69
12 JUN 2016	Monthly Charges	-94.82	-94.82
12 JUL 2016	Monthly Charges	-96.08	-96.08
12 AUG 2016	Monthly Charges	-96.31	-96.31
12 SEP 2016	Monthly Charges	-95.94	-95.94
12 OCT 2016	Monthly Charges	-95.85	-95.85
12 NOV 2016	Monthly Charges	-94.69	-94.69
12 DEC 2016	Exempt Transfer to Policy	4,398.06	4,266.12
12 DEC 2016	Monthly Charges	-104.30	-104.30
	Investment Bonus Credited	432.17	432.17
	Incentive Bonus Credited	96.34	96.34
12 DEC 2016	Closing Balance		38,632.48

Closing Balance includes interest earned of $840.92

These are the transactions in the ROR Calculation

Shuttle - Diversified Income Portfolio Interest Option

Date	Description of Transaction	Amount ($)	Net Amount ($)
13 DEC 2015	Opening Balance		41,607.91
12 JAN 2016	Monthly Charges	-76.66	-76.66
12 FEB 2016	Monthly Charges	-74.57	-74.57
12 MAR 2016	Monthly Charges	-75.79	-75.79
12 APR 2016	Monthly Charges	-75.56	-75.56
12 MAY 2016	Monthly Charges	-75.96	-75.96
12 JUN 2016	Monthly Charges	-76.14	-76.14
12 JUL 2016	Monthly Charges	-77.79	-77.79
12 AUG 2016	Monthly Charges	-78.18	-78.18
12 SEP 2016	Monthly Charges	-77.74	-77.74
12 OCT 2016	Monthly Charges	-77.71	-77.71
12 NOV 2016	Monthly Charges	-76.63	-76.63
12 DEC 2016	Exempt Transfer to Policy	-12,565.91	-12,565.91
12 DEC 2016	Monthly Charges	-53.58	-53.58
12 DEC 2016	Closing Balance		29,169.97

Closing Balance includes interest earned of $1,024.28

- The RoR will <u>not</u> include the shuttle account values.
- The sample spreadsheet below reflects the opening and closing values, as well as the transactions and was used to calculate the RoR for this sample policy.
- For this example, the personal RoR that will display on the owner's annual statement in the Financial Activity Summary will be 4.07%

J8 | fx =SUM(J12:J24)+J7

	A	B	C	D	J
3	Final non-annualized RoR:		4.07%		
4	Final annualized RoR:		4.07%		3
5					pass 3
6		Value	Date		4.072%
7	Start	$34,147.74	13-Dec-15		35,538.33
8	Close	$38,632.48	12-Dec-16		38,632.48
9					2.432E-05
10		Transactions			
11		Transaction Amt	Eff Date		Future Value
12		($104.30)	12-Dec-16		-104.30
13		$4,266.12	12-Dec-16		4,266.12
14		($94.69)	12-Nov-16		-95.00
15		($95.85)	12-Oct-16		-96.49
16		($95.94)	12-Sep-16		-96.90
17		($96.31)	12-Aug-16		-97.60
18		($96.08)	12-Jul-16		-97.70
19		($94.82)	12-Jun-16		-96.74
20		($94.69)	12-May-16		-96.93
21		($94.38)	12-Apr-16		-96.93
22		($94.47)	12-Mar-16		-97.35
23		($93.87)	12-Feb-16		-97.04
24		($95.41)	12-Jan-16		-98.97