Advisor educational series
Equimax® participating whole life
Dividends – 2025/2026

This educational Q & A piece gives you more information about the 2025 dividend scale review.

It includes:
- The basics behind the dividend scale review process
- Details about the participating account
- Competitor information
- Benefits of dealing with a mutual company

Here is what you need to know about dividends:
- They are not guaranteed.
- They are paid at the sole discretion of the Board of Directors.
- They may be subject to taxation.
- They will vary based on the actual investment returns in the participating account and the experience of other factors. These other factors are mortality, expenses, lapse, claims, taxes, and other experience of the participating block of policies.

Note: We have made every effort to ensure the accuracy of the information presented here. Accuracy is not guaranteed. The policy governs in all cases. For more information about the competitive information we provide in this document, please contact the competitor directly.

Need more information?
- The **Equimax advisor/admin guide** on the whole life resources tab on EquiNet® has details on Equimax Estate Builder® and Equimax Wealth Accumulator® plans.
- **Understanding participating whole life insurance** (#1038) has details about the participating account assets and dividends. It also explains how a dividend scale change can affect a policy.

Please contact your wholesaler if you have any questions. They are happy to help you.

Participating life insurance dividends – fundamental facts

Dividends are a policyholder's share of the participating account earnings. The dividend is a dollar amount paid to the policy on the policy anniversary. How the dividend affects the policy depends on the dividend option the client chooses. Dividends may grow the cash value and death benefit of the policy; help pay premiums; or provide cash income.

Dividends are not guaranteed. They can change but they will never be negative. Any dividends a client receives before a dividend scale change are theirs to keep. Received dividends will not be affected in any way by changes to the dividend scale.

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The Equitable Life Insurance Company of Canada
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Questions & Answers

2025/2026 Dividend Scale

1. How strong is Equitable financially and how well-equipped is it to fulfil its obligations to policyholders?

We are financially strong. We feel confident that we can meet our obligations to our policyholders.

There is a measure called a total life insurance capital adequacy test (LICAT) ratio. This is one of the measures used by the Office of the Superintendent of Financial Institutions (OSFI) to assess an insurance company's financial strength. Having a robust LICAT ratio means a company is financially strong. It can meet its obligations to its policyholders.

As of December 31, 2024, our total LICAT ratio is a strong 169%. This is well above the OFSI target of 100%. This strong ratio affirms that Equitable is well capitalized to deliver on its promises to clients today and into the future.

2. How does the interest rate environment affect the dividend scale?

What happens with interest rates affects the participating account experience. This means it will also affect the dividend scale.

The dividend scale interest rate (DSIR) is one of the factors we use to determine how much is paid as a dividend to a participating policy. It is different from the participating account rate of return.

The DSIR reflects the investment performance of the participating account. It does not include investment income from policy loans. It smooths out the ups and downs of the participating account experience. Because we smooth the ups and downs, changes in the DSIR will lag interest rate changes and participating account returns. If interest rates are low, the DSIR usually goes down in the future. When interest rates rise, the DSIR usually goes up in the future.

Dividend scales can change. We recommend that when you discuss illustrations with clients, you show them values under the alternate dividend scale assumptions. We include one that assumes a DSIR decrease of 1%. Another alternate assumes a DSIR decrease of 2%.

3. Is there a change to Equitable's participating whole life dividend scale effective July 1, 2025?

No.

The Board of Directors approved continuing the current dividend scale for the period from July 1, 2025 to June 30, 2026.

The dividend scale interest rate (DSIR) will not change. It will stay at 6.40% on July 1, 2025.

Other experience factors used in calculating the dividend scale remain the same.

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4. Is there any change to the policy loan interest rate?

No.

The policy loan interest rate will stay at 6.50%.

This rate applies to most new or active policy loans and automatic premium loans. It applies to Equimax® policies that have a 9-digit policy number beginning with a "3" or an "8".

The policy loan interest rates on some older policies may differ as they are based on the prime interest rate.

5. Is there any change to the interest rate for dividends left on deposit with Equitable?

No.

The interest rate for dividends left on deposit will not change. It will stay at 3.50% on July 1, 2025, for all participating whole life policies.

About dividends

6. How is the dividend scale calculated?

Each year, we watch how the participating account performs. We look at investments and other factors that affect the account. These include death benefits, taxes, expenses, policy loans and terminated polices. All these things can change how the account is doing.

We compare how we thought each of these factors might perform over the year to the actual results. We use safe assumptions to help gauge performance. The dividends declared reflect when the results outperform the assumptions. Using this, we can understand how the participating account did during the year.

If results were better than we expected for a factor, this has a positive effect. If results were worse than we expected for a factor, this has a negative effect. Some things may balance out others. For instance, if people live longer and fewer death benefits are paid out, this is good and the money that remains can help even out any dips in investment returns.

Based on the results for each of these factors in the participating account, we can calculate our dividend scale. The dividend scale is what we use to determine the dividend payment a policy gets.

7. Is it possible for Equitable to declare a zero-dollar dividend?

Yes.

Future dividends are not guaranteed. They could be $0. This would require sustained adverse investment and/or other negative experience in the participating account.

A dividend will never be negative and, once credited, it cannot be taken away.

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Dividend scale interest rate

8. What is the dividend scale interest rate (DSIR)?

The dividend scale interest rate (DSIR) is one of the factors we use to figure out how much is paid as a dividend to a participating policy.

It is different from the participating account rate of return. It reflects the investment performance of the participating account. It does not include investment income from policy loans. The DSIR smooths out the ups and downs of the participating account experience.

Because we smooth the ups and downs, changes in the DSIR will lag interest rate changes and participating account returns. If interest rates and participating account returns are low, the DSIR usually goes down in the future. When interest rates rise, the DSIR usually goes up in the future.

9. What factors influence a change to the dividend scale interest rate?

The dividend scale interest rate (DSIR) is affected mostly by the returns of the participating account.

Returns in the participating account are based on the investment earnings of the assets. Expenses from managing those assets also affects the returns.

To manage the participating account effectively, we have ground rules. We call these rules a "mandate." These rules guide us in how we use assets in the participating account. They support our long-term goals of growth and income to help make sure:

1. We keep our product guarantees; and
2. We have enough money to pay dividends.

Also, under the *Insurance Companies Act* guidelines, we must keep the participating account assets separate from other company assets. They are kept separate from assets supporting non-participating policies and from company surplus.

10. Is the dividend scale interest rate the same as the participating account rate of return?

No.

We use the dividend scale interest rate (DSIR) to reflect the investment performance of the participating account. The DSIR smooths out the ups and downs of the participating account experience so the dividend scale is not drastically affected in a short time.

The PAR rate of return is the return on the investments in the participating account over the calendar year.

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11. Is the dividend scale interest rate the rate of return on the policy?

No.

There is no specific rate of return on a whole life insurance policy.

Growth in cash value does not equate to a specific interest rate as it does with universal life insurance. Growth in cash value in a whole life policy comes entirely from rates set by actuaries. This includes the guaranteed cash value; and the non-guaranteed dividend along with how the policyholder has elected to use that dividend.

The illustration software includes internal rate of return (IRR) calculations for the cash value and the death benefit. IRR calculations are included for the current dividend scale as well as the alternate dividend scales.

Simply put, the IRR is a measure of the return on an investment in comparison to the amount that has been invested at a specific point in time. For each duration, it looks at the premiums paid versus the cash value available if the policy were surrendered and versus the death benefit that would be paid if the life insured were to die.

12. How does Equitable's dividend scale interest rate compare with other companies'?

Year	Equitable	Canada Life	Sun Life	Manulife Par[1]	Empire Life	iA Par	RBC
2015	6.80%	6.50%	6.75%	~~n/a~~	6.50%		
2016	6.50%	6.00%	6.75%	~~n/a~~	6.50%		
2017	6.50%	5.50%	6.25%	~~n/a~~	6.51%		
2018	6.35%	5.50%	6.25%	6.25%	6.25%		
2019	6.20%	5.25%	6.25%	6.25%	6.00%		
2020	6.20%	5.10%	6.25%	6.00%	6.00%	5.75%	
2021	6.05%	5.10%	6.00%	6.00%	6.00%	5.75%	6.00%
2022	6.05%	5.25%	6.00%	6.10%	6.00%	5.75%	6.00%
2023	6.25%	5.50%	6.25%	6.35%	6.00%	6.00%	6.00%
2024	6.40%	5.50%	6.25%	6.35%	6.25%	6.25%	6.25%
2025	6.40%	5.75%	6.25%	6.35%	6.25%	6.35%	6.30%

N/A means the company has not announced as of the source date below.

[1]The dividend scale interest rate is for the Manulife Par product.

Dividend scale interest rates for 2025 are the rates announced to be in effect for the 2025/26 dividend scale year. Dividend scale interest rates for all other years are as of December 31st of the applicable year.

Sources: Equitable Life of Canada; other companies' historical performance publications. Information based on material available at July 1, 2025.

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Size of the participating account

13. How many participating policyholders does Equitable have?

At the end of 2024, Equitable had more than 312,000 participating policyholders.

This includes over 220,000 participating whole life policies.

14. Should I be concerned that Equitable is not as large as other competitors?

While some of our competitors are larger, we do not view size as something needed for success. To the contrary, our size makes it easier for us to be nimble and gives us flexibility with our investment choices. This helps us to act on what's happening in the markets. Both short-term and long-term investment opportunities are considered.

Also, we can achieve attractive returns in smaller markets that our larger peers ignore. Most important is our ability to seek out high quality assets with attractive yields that fit within our risk profile.

We have public investments and private investments. Public investments are broadly traded. Private investments are not broadly traded.

The inclusion of both public and private asset classes helps with diversification. Diversification means we work to make sure that our participating account assets are spread out in different types of investments to help enhance returns while also reducing risk.

15. What will happen to the participating account if Equitable has a large claim?

Mortality is one of the experience factors of the participating account. It affects the dividend scale over time. Our prudent risk management approach helps make sure a large claim won't cause too much volatility.

Part of our prudent management of the participating account is to limit mortality risk using reinsurance.

A reinsurance company provides the reinsurance. They take some of the risk in exchange for some of the premiums we get.

16. What will happen to the participating account if there's a large market downturn?

A large market downturn usually means lower investment returns in the participating account. This can have a negative effect on the dividend scale.

The dividend scale interest rate (DSIR) reflects the investment performance of the participating account. The DSIR smooths out the ups and downs of the participating account experience. This helps limit volatility in the dividend scale.

We want to ensure we are careful and responsible with the assets in our participating account. We follow good strategies to manage risks, diversify our portfolio and support our long-term goals.

Diversification means we work to make sure that our participating account assets are spread out in different places to help minimize risk.

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Investments in the participating account

17. Can you provide an overview of your private placement portfolio?

Our private placement portfolio is comprised of fixed income investments made through private agreements with companies that require financing.

These investments provide funding for a variety of purposes. They include investments in energy generation like renewable energy facilities; infrastructure such as regulated utility companies; transportation projects; and credit tenant leasing facilities.

Terms can be as long as 30 years but typically range from 5 to 15 years at the time of investment. The size of each investment can vary, but the average investment is between $5 million and $15 million.
We have a team of experts that specializes in private debt and manages each private debt investment.

Returns are usually more attractive than those offered on public corporate bonds of similar risk to compensate for reduced liquidity.

18. Can you provide an overview of your commercial mortgage portfolio?

Our commercial mortgage portfolio is comprised of loans that are secured by buildings and property, which serve as collateral for the loan.

Commercial mortgages included in the participating account consist of first lien mortgage loans, which are the most secure type of mortgage. They are diversified by location and by property type.
Property types include industrial, multi-family residential, office, and retail such as plazas anchored by quality tenants like grocery stores or banks.

Mortgages are primarily held in Ontario, including the Greater Toronto Area and other major cities such as Ottawa, Barrie, and Kitchener-Waterloo.

Investments across Canada include mortgages on properties in Edmonton, Calgary, and Montreal.
We have a team of experts that specializes in mortgage origination and manages each investment.

Commercial mortgages are generally offered for terms of between 3 and 5 years.
These mortgages provide higher returns than public corporate bonds with comparable terms to maturity.

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19. Can you provide an overview of your real estate portfolio?

Our real estate portfolio includes directly-owned real estate as well as investments in real estate funds and joint ventures.

Our directly owned real estate is located in major cities across Canada, but mostly in Ontario, Quebec, and British Columbia. We invest in properties that are good income-producing properties. These offer stable cash flows and contribute to the stability of the portfolio's returns. We also look for properties that will provide opportunities for capital appreciation. This part of the portfolio includes retail, multi-family residential, office, and industrial properties, such as warehouses and manufacturing facilities.

Investments in real estate funds augment our direct real estate portfolio. They are managed by experienced professional asset managers who specialize in real estate. These funds offer diversification beyond that in the direct real estate portfolio in terms of property type, size, strategy, and location and they offer enhanced potential for capital appreciation. We have a team of experts that specializes in real estate investing that manages each investment.

20. What do the equity market positions look like?

We invest in equity markets using exchange traded funds (ETFs). We invest in ETFs primarily in Canada and the U.S. but may also invest internationally. The ETFs we invest in track the major market indices like the S&P/TSX or S&P 500, as well as other ETFs that invest in selected portions of the market. We choose which ETFs to invest in by considering economic fundamentals as well as corporate fundamentals, such as earnings growth.

Mutual company status

21. What is surplus?

Some of the money in the participating account goes into the company's surplus account. This account is used for the growth and development of Equitable. Doing this helps us maintain a strong capital base. It means that we have financial strength and allows us to invest back into our business. This benefits participating policyholders.

More information is available in our Annual Report, under **'Financial Strength/Resources'.**

22. Is there a benefit to buying a participating policy from a mutual company?

We believe our mutual status best serves the long-term interests of all our policyholders, participating and non-participating. As a mutual, we are not driven by shareholder pressures for quarterly results. This allows Equitable to focus on management strategies that foster stable, long-term growth.

At Equitable, we are dedicated every day to generating value to the client. Clients who put their trust in us – in particular through the participating solutions they purchase – get the benefit of our full support for the policies they have today and into the future.

Our latest Annual Report is available online under **'Financial Strength/Resources',** and details all this and more.

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