Equimax® participating whole life advisor guide

including administration rules and guidelines

May 2026

ADVISOR USE ONLY

The Equitable Life Insurance Company of Canada
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About Equitable

Equitable® is proud to be one of Canada's largest mutual life insurance companies. As a mutual company, Equitable is not driven by shareholder pressures for quarterly results. This allows us to focus on management strategies that foster prudent long-term growth, continuity, and stability.

We are dedicated to meeting our commitments to our clients – to provide good value and meet their needs for insurance protection and wealth accumulation – now and in the future. That's why Canadians have turned to Equitable since 1920 to protect what matters most.

Equitable is a focused, stable, and strong company. We have sufficient earnings and capital to meet our future growth targets, and we continue to grow steadily. Our growth in sales has been driven by our ability to implement our strategic plan, placing a priority on products, service, and execution. Our financial success reflects our continued commitment to profitable growth and our ability to navigate a changing regulatory and economic environment.

Our mutual structure is a key element of our value proposition, along with our diversified product portfolio and superior service. As an organization, we're progressive, competitive, and firmly committed to serving the best interests of our policyholders through longer-term strategies that foster ongoing stability, growth, and profitability.

About this guide

Equimax is a participating permanent life insurance product that provides coverage for the lifetime of the insured. It offers guarantees as well as the opportunity for tax-advantaged investment growth.

Throughout this guide client, "policyholder" and "policy owner" refers to the owner of the policy.

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

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

Information contained in this guide reflects the provisions of the Income Tax Act (Canada) as of the date of publication of this guide. Equitable reserves the right to modify its practices to reflect any subsequent changes to the Income Tax Act (Canada) and regulations affecting Equimax policies.

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Who to contact?

Equitable is committed to providing you with the service you need to support your business. If you have questions or require additional information on any of Equitable's insurance products, please contact your Equitable Wholesaler.

For additional information or clarification on a client's specific policy or administration of Equimax products no longer being sold, please contact your Equitable Advisor Service Team.

- By phone: **1.800.668.4095**
- By email: **clientcarecentre@equitable.ca**

Marketing materials

If you are looking for information to share with clients, you can find brochures and guides available on EquiNet® our Advisor site. Look under the **Marketing Materials** tab of the Whole Life product page.

You can order available materials through your MGA. Your MGA completes the supply order form (Form 1390) and submits it by email to supply@equitable.ca or by fax to 519-883-7424. You can find the supply order form on EquiNet under **Individual Insurance>Forms**.

Other online client information: Our Dividend Policy and our Participating Account Management Policy can be found on www.equitable.ca under **Already a Client?>Dividend Information**.

Easy options to apply for coverage

Take advantage of ***EZ*complete®**, Equitable's easy-to-use online application system. Use it for in-person or non-face-to-face meetings. It easily guides you through the required sections of the application and includes functionality that allows clients to sign the application using their own electronic device.

An EquiNet user ID and password will be required to use the *EZ*complete application. Then simply log into EquiNet and click on the ***EZ*complete menu bar** to start an *EZ*complete application.

Paper applications are also accepted. Please use form 350 (Application for life and/or critical illness insurance). A signed illustration must accompany the paper application and show the same plan type, face amount, premium payment option, premium paying mode and dividend option, as well as any riders and benefits for which the client is applying.

Need access to EquiNet? Go to the EquiNet home page and click on the **Log In** option. Then, click on the option to **Activate Your Account**.

The tax status of a client's Equimax policy

Defining the tax status

Canada Revenue Agency (CRA) last changed the tax rules that apply to life insurance policies on January 1, 2017.

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

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

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

Determining the tax status of a client's policy

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

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

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

Under the current tax 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 will not allow changes on a G2 policy that will cause the policy to lose its G2 tax status. These change rules are different than the rules that apply to G3 policies. Please contact Advisor Services for any questions pertaining to a client's G2 policy. (See "Who to contact" on page 3 of this guide)

This guide outlines administrative rules and guidelines that apply to Equimax Estate Builder® and Wealth Accumulator® policies that are currently available for sale, which have a G3 tax status.

What is Equimax?

As traditional whole life insurance, Equimax provides clients with permanent life insurance protection, while providing the option for tax-advantaged investment growth. Equimax can help clients:

- Create an inheritance – the tax-free death benefit creates an instant legacy for loved ones or a favourite charity
- Preserve an inheritance – beneficiaries can keep their inheritance intact by using the proceeds to cover final expenses and any tax burden that occurs on death
- Build wealth that can be accessed – use the cash value to supplement retirement income, help pay for a child's education or other financial needs, or use the policy as collateral for a loan
- Provide for loved ones – the death benefit can be used to replace income to provide for loved ones
- Protect children – provides permanent insurance at children's rates plus access to cash values they can use to help fund future life events: education; buying a house; starting a business

While it provides flexibility and guaranteed premiums, cash values, and a death benefit similar to other whole life insurance plans available in the market, as a participating policy from a mutual company, it offers something more. As one of Canada's largest mutual insurance companies, we have no shareholders. Instead, our participating policyholders are our owners.

About participating policies and dividends

Equimax is a participating policy. It is eligible to participate in the earnings of the participating account through dividend payments which have the potential tzo increase the value of the policy above the guaranteed amount, depending on the dividend option selected.

Dividends are not guaranteed and are paid at the sole discretion of the Board of Directors. Dividends will vary based on the actual investment returns in the participating account as well as mortality, expenses, lapse, claims experience, taxes, and other experience of the participating block of policies.

How the dividends are calculated

To calculate the dividend, we look at several factors. The participating account is mainly impacted by returns earned on investments and by death benefits, but also other factors such as policy loans, terminated policies, taxes and expenses. Improvement in some of the factors can help to offset declines in others. For example, improvements in mortality (death claims paid) can help offset the impact of declining interest rates on investment performance.

Investment performance

Investment performance is based on the actual rate of return Equitable earns on the participating fund. The rate of return goes up and down based on the economy.

Mortality and lapse experience

Death claims as well as lapsed policies can impact dividends either positively or negatively depending on the actual experience of the participating account versus the estimates used for product pricing. Lapsed policies are those no longer in effect for any reason other than a death claim.

Taxes and expenses

Dividend calculations also consider the difference between the estimated and actual taxes and expenses required to administer the participating block of policies. Change in the taxes and expenses can have a positive or negative impact on dividends. Taxes and expenses are generally a small factor of the total dividend compared to the investment and mortality experience.

There is a contribution to surplus from the participating account. Income is reinvested to further growth and development. This approach ensures Equitable maintains a strong capital base, benefiting both the company and participating policyholders. Our current and estimated capital and surplus position is considered in the dividend scale setting process.

Dividend experience

Dividend calculations consider the difference between the assumed and actual experience of the participating account. It's important to keep in mind that dividends and their future performance are not guaranteed.

The participating account is impacted by returns earned on investments and by death benefits, but also other factors such as policy loans, terminated policies, taxes and expenses. Dividends are sensitive to all of these factors but especially changes in investment returns.

We focus on long-term stability and growth. If low interest rates continue, investment returns in the participating fund will be lower.

A change in the dividend scale affects the future non-guaranteed values of the policy. Non-guaranteed values are values that depend on future dividends that are credited to the policy if a dividend is declared. Previously credited dividends are fully vested, and along with the guaranteed cash values and the guaranteed death benefit, are not affected by a later change in the dividend scale.

The illustration you provided to the client when they purchased their participating whole life policy was based on the dividend scale in effect at that time. It was neither a projection nor a prediction of future performance. The purpose of the illustration was to highlight that the performance of a policy is based on both guaranteed and non-guaranteed values and show how the policy would perform if the dividend scale illustrated remained unchanged for the life of the policy.

The illustration also includes sample alternate dividend scale scenarios to help highlight the potential impact a dividend scale interest rate change has on the non-guaranteed values in the policy. It was not a prediction of the largest dividend scale change that could occur over the life of the policy.

To learn more about our **Dividend policy** and our **Participating account management policy** please visit our website at https://www.equitable.ca/ Information can be found under **Already a client**?>Dividend Information.

Check out the **Performance and Perspective** -par fund report for more information.

Equimax at a glance

Base plan summary	Equimax provides permanent life insurance protection and the opportunity for savings accumulation. There are two plan types to meet clients' short and long-term goals. • **Equimax Estate Builder** offers higher long-term value. Ideal for things like estate planning and covering taxes and fees at death. • **Equimax Wealth Accumulator** offers higher early cash values within the first 20 years. Ideal for building wealth for things like business needs.
Target market	• Adults focused on estate planning and an effective means to ensure a tax-efficient transfer of their assets to their heirs • Those wanting to provide a child/grandchild with permanent adult insurance coverage at children's rates, plus access to cash value they can use in the future • Adults wanting to supplement their future retirement income • Adults interested in charitable giving using life insurance • Business owners wanting to protect their business while having higher early cash value on their balance sheet
Premium payment options	• Life pay • 20 pay • 10 pay
Dividend options	• Paid in cash • Premium reduction • On deposit • Paid-up additions (PUAs) • Enhanced protection (with lifetime enhancement guarantee)
Additional deposits	• The Excelerator Deposit Option (EDO) offered with the PUA, and Enhanced protection dividend options allows for extra optional payments in addition to the required premium and can increase the permanent paid-up additional insurance coverage faster. • Available with all plan types and premium options for all issue ages. Clients must have substandard ratings of 300% or less. • A term rider added at issue of the policy may allow for a higher maximum EDO payment limit. • An 8% premium load applies to all EDO payments to cover compensation, premium tax, and administrative expenses. • Equitable will not accept an EDO payment that will cause the policy to lose its tax-exempt status.
Coverage availability	• Single life (adults and children) • Joint first-to-die (2 adult lives) • Joint last-to-die (2 adult lives)

Issue ages	• Children's policies: age nearest 0 to 17 (all premium payment options)
	  • Must be a least 15 days old to be considered for insurance coverage.
	• Adult policies (including joint)
	  • Life pay: age nearest 18 to 85
	  • 20 pay: age nearest 18 to 80
	  • 10 pay: age nearest 18 to 85

Expiry	• Lifetime coverage
Minimum sum insured	• Single life: $10,000 basic coverage (excluding any Enhancement amount) • Joint life: $25,000 total coverage (including any Enhancement amount)

Maximum sum insured	• $25,000,000 (based on total Equimax coverage) This is the maximum amount we allow for illustration without a special quote. If you have a large case that needs a special quote, please contact your Equitable wholesaler.
Minimum premium	• Annual premium mode: $150.00 • Monthly premium mode: $15.00
Policy fees	No policy fee applies.
Optional riders	• Additional accidental death benefit (life pay premium option only) • Children's protection rider • Disability waiver of premium provision • EquiLiving® critical illness insurance • Term life insurance (on the life insured under a single life policy only) Offered exclusively on children's policies: • Applicant's death and disability waiver rider • Flexible guaranteed insurability option rider
Built-in features	KIND® – providing support at claim time, the KIND program includes: • Compassionate advance (not contractual) • Bereavement counselling benefit • Snap advance (not contractual) • Living benefit (formerly called the disability benefit disbursement) • Reduced paid-up insurance • Option to elect individual policies (available on joint policies) • Survivor benefit (joint first-to-die policies only)
***EZ*complete® online application**	• Use it for in person or non-face-to-face meetings • Easily guides you through only the required sections of the application • Allows clients to sign the application using their own electronic device • Log in to EquiNet and click on the *EZ*complete icon on the menu bar

Base plan summary

Plan types

Equimax has two plan types to choose from:

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

With two plan types to choose from, clients can select the plan type and features that best meet their needs and goals. Both plans offer the option for tax-advantaged investment growth subject to limits as prescribed in the Income Tax Act (Canada).

For clients who are looking for....	Equimax Estate Builder	Equimax Wealth Accumulator
Higher long-term value for estate planning and a tax-efficient means to pass wealth to their heirs.	✓	
A higher death benefit to cover any tax burden that occurs at death.	✓	
Cash values to supplement retirement income.	✓	✓
Permanent insurance for a child/grandchild at low children's rates, plus access to cash values to help fund education, buy a house, start a business, etc.	✓	✓
A way to leave a significant donation to a favourite charity while reducing income tax now or in the future.	✓	✓
A highly liquid investment option that provides almost immediate access to cash values that can be used for emergency funding, investing, collateral loans, or other cash needs.*		✓
Protection for a business with higher early cash values on the balance sheet.		✓

*Cash value is available as early as one year after the policy is issued and can be accessed without the time restrictions of locked-in investments or the market volatility of equities.

Accessing the cash value of the policy may have tax consequences.

Life insurance protection

All Equimax policies have a basic amount of permanent insurance, which is what the premium buys. This basic amount of coverage is guaranteed provided premiums are paid as outlined in the policy contract. If the client has used the policy as collateral for a loan and there is an outstanding loan balance at the time of death, the guaranteed death benefit amount may be reduced.

Depending on the dividend option the client chooses, there is an opportunity to have dividends increase the death benefit of the policy. A choice of 5 dividend options is available (please see the Dividends section for details). If the client chooses the:

- Paid in cash or premium reduction dividend option - the death benefit will be equal to the guaranteed basic permanent insurance coverage purchased by the premium.
- On deposit dividend option - the total death benefit consists of the guaranteed basic permanent insurance plus the accumulation of dividends on deposit.
- Paid-up additions (PUAs) dividend option - the total death benefit consists of the guaranteed basic permanent insurance plus any participating paid-up additional insurance purchased with dividends.

- Enhanced protection dividend option - the total death benefit consists of the guaranteed basic permanent insurance, that the premium buys, plus an amount of one-year term insurance enhancement, that the dividends buy. A lifetime enhancement guarantee is offered on the portion of one-year term insurance. It is important to understand that certain actions by the client can void the enhancement guarantee as outlined in the policy contract. The basic amount of permanent insurance is guaranteed provided the premiums are paid as outlined in the contract.

Premium payment options

All premium payment options are offered on both Equimax Estate Builder and Equimax Wealth Accumulator.

- **Life pay**
  - Provides guaranteed level premiums to the policy anniversary nearest age 100 of the life insured (rated age 100 for a policy with a multiple substandard rating, or joint age 100 for joint policies).
  - If the policy is still in effect after the premium payment period is finished the Equimax insurance coverage becomes paid-up and no further premiums for the Equimax insurance coverage would be due. The policy will continue to be eligible for dividends.
  - Any premiums for additional riders and benefits still in effect on the policy will continue to be payable for their respective payment periods.
- **20 pay**
  - Provides guaranteed level premiums payable for 20 years.
  - If the policy is still in effect after 20 years, the Equimax insurance coverage will become paid-up and no further premiums for the Equimax insurance coverage would be due. The policy will continue to be eligible for dividends.
  - Any premiums for additional riders and benefits that extend beyond 20 years will continue to be payable for their respective payment periods.
- **10 pay**
  - Provides guaranteed level premiums payable for 10 years.
  - If the policy is still in effect after 10 years, the Equimax insurance coverage will become paid-up and no further premiums for the Equimax insurance coverage would be due. The policy will continue to be eligible for dividends.
  - Any premiums for additional riders and benefits that extend beyond 10 years will continue to be payable for their respective payment periods.

Issue ages (age nearest)

Single life

- 0-85 (life pay; 10 pay)
- 0-80 (20 pay)
- Adult policies start at age nearest 18

Children's policies are issued from age nearest 0-17. A child must be a least 15 days old to be considered for insurance coverage.

Joint life

- Available on adult lives only
- 18-85 (life pay; 10 pay)
- 18-80 (20 pay)

Policies cannot be issued for ages above these maximums.

Age nearest

- Equimax policies use an age nearest pricing approach.

- Age nearest refers to issue age of the life insured and is determined by the date of birth of the life insured and the issue date of the policy
    - If the issue date of the policy is closest to the life insured's last birthday, the age of the life insured will be recorded as the age at their last birthday
    - If the issue date of the policy is closest to the life insured's next birthday, the age of the life insured will be recorded as the age at their next birthday.
    - A child can be issued as age nearest zero (0) if they are less than 6 months old, but they must be at least 15 days old to be considered for insurance coverage.
- A policy can be backdated to save age. This means that the Equimax policy would be issued with an earlier effective date, a younger issue age and lower required premium.
- Usually backdating up to 6 months is sufficient to save the age, but we allow an Equimax policy to be backdated up to a maximum of 364 days.
- The client must pay all the premiums for the backdated period with the application for the policy. Backdating is beneficial to the client if the savings from having a lower premium over the life of the policy is greater than paying all the premiums due for the backdated period.
- If a client is interested in backdating the policy more than 6 months, you can request this by making a note in the Advisor Report section of the application.
- We do not allow backdating on a policy where the purpose is to save age to qualify for a coverage or feature the proposed insured would not qualify for based on their actual age at the time they apply for coverage.
- We do not allow a policy with a critical illness rider to be backdated more than 3 months. If a client wants to backdate the Equimax policy more than 3 months and include critical illness coverage the critical illness coverage will be issued as a standalone policy. The standalone policy will include a policy fee. The critical illness policy can be backdated up to a maximum of 3 months.

Joint age

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

Substandard lives

- In situations where underwriting assesses a life with a multiple substandard rating a rated age is used to issue the policy.
- The illustration system uses the multiple substandard rating entered and calculates the rated age that applies.
- The rated age used for the illustration will appear in the summary screen and on the bottom right corner of the Coverage Summary page of the illustration report.
- All rates and values for the policy are based on the individual's rated age. This includes premium rates, dividends, costs for paid-up additional insurance, costs for one-year term insurance (applicable with the Enhanced Protection dividend option), Excelerator Deposit Option limits, guaranteed cash values and reduced paid-up values.

- The accidental death benefit rider is an embedded coverage on the base Equimax coverage, therefore premiums for this rider are based on the rated age.
- Premiums for any term riders are based on the age nearest, not the rated age, and an applicable multiple or flat extra rating will apply.
- Other riders and benefits that may apply to the policy are also issued based on age nearest, and do not use a rated age for ratings that may apply.
- Underwriting requirements are based on the actual attained age of the individual to be insured, not on the rated age.
- The illustration shows values to age 100 based on the rated age. This means that if the client has a substandard rating that results in issue of the policy using a rated age, the illustration will show values to Rated Age = 100, not to the client's actual age 100. If the client is still alive at Rated Age = 100:
    - The policy remains in effect until a death claim is made.
    - If the policy has a life pay Equimax coverage, this coverage will be paid-up at Rated Age = 100 and no further premiums would be due for the Equimax coverage.
    - The policy continues to be eligible to participate in the earnings of the participating account through dividend payments as long as it remains in effect.
- The rated age calculated for an adult is also used in calculation of the joint age if coverage will be joint first-to-die or joint last-to-die (see section above on Joint Age).

Flat extra ratings

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

Coverage types

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

Minimum and maximum face amounts

- Single life policies:
    - $10,000 minimum amount of basic Equimax coverage (excluding any enhancement amount)
    - $25,000,000 maximum amount (based on total Equimax coverage)
- Joint first-to-die and Joint last-to-die policies:
    - $25,000 minimum amount of total Equimax coverage (including any enhancement amount)
    - $25,000,000 maximum amount (based on total Equimax coverage)

These maximum amounts are what we allow without a special quote. If a client needs a special quote, please contact your Equitable Wholesaler.

With the enhanced protection dividend option, typically there is a range of amounts the client can choose for the amount of the enhancement coverage and the minimum amount of enhancement allowed is $1,000. However, there are situations at older issue ages and smaller face amounts where the maximum enhancement amount is less than $1,000. Equitable will still issue the policy, and in these situations the enhancement amount will be both the minimum and maximum allowed for the policy.

The illustration software will calculate the minimum and maximums that apply based on the illustration assumptions.

Policy fees

- There are no policy fees that apply to the Equimax coverage.

Premium banding

- $10,000 - $99,999
- $100,000 - $249,999
- $250,000 - $499,999
- $500,000 - $999,999
- $1,000,000 - $4,999,999
- $5,000,000 and above

Minimum premiums

- $150.00 annually
- $15.00 monthly pre-authorized deposit

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

Risk class

- Smoker
- Non-smoker
    - To be considered a non-smoker, the insured person must not have used any cigarettes, pipe or chewing tobacco, smoking cessation products, or tobacco substitutes within the prior 12 months. Up to one cigar/cigarillo is permitted per month, subject to a negative cotinine test level. Clients who use marijuana, whether inhaled or ingested, may qualify for non-smoker rates (Class 3).
- For a policy issued on a child (age nearest 0-17) we classify the insured child as a non-smoker for the life of the policy.

If the life insured has been classified as a smoker and they quit smoking, they can apply to change the smoking status of their policy to non-smoker. Refer to Smoker status changes in the Policy changes section of this document for additional details on changes from smoker to non-smoker.

Guaranteed cash values

- Guaranteed cash values begin to accumulate in the policy as per the table of guaranteed values in the policy contract.
- Guaranteed cash values can be used to support a cash policy loan and/or an automatic premium loan.
- The net cash value will be paid to the policy owner upon surrender of the policy.
- Guaranteed cash values vary by plan type, issue age, risk class, sex, and premium payment period.
- Any changes to the issue age, risk class or sex will affect the guaranteed cash values, and an amendment is sent to the policy owner with the new values.
- Guaranteed cash values are available on Equimax Wealth Accumulator at the end of the first policy year; and on Equimax Estate Builder typically at the end of the 5th policy year.

What happens if the life insured is still alive at age 100?

- If a life insured is still alive at age 100 the policy continues in effect and is eligible for dividends.
- The illustration report is set up to show values only to age 100 for a single life; rated age 100 for a single life illustration where a substandard rating applies, and a rated age is used; and to joint age 100 for joint life illustrations. In all cases if the life insured is still alive beyond the end of the illustrated years, the policy

remains in effect and continues to be eligible for dividends. If the policy premium payment option is life pay, premiums will not be required beyond age 100 of the life insured or rated age 100 for an adult policy with a multiple substandard rating, or joint age 100 for joint policies.

- The policy will not endow. We will not pay the death benefit unless we receive and approve the claim at time of death of the life insured, or the second life insured if the policy is a joint last-to-die. Cash value in the policy can be accessed by requesting a cash withdrawal, policy loan or a partial or full surrender of the policy. Accessing the values in the policy may have tax consequences.

Dividends

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

How dividends are calculated

- The client pays premiums for their participating whole life policy. Those premiums flow into the participating account and are used to cover benefits and expenses, as well as a contribution to the company's surplus. The remainder is invested. The investments in the participating fund are managed by the Equitable Asset Management Group to ensure there is enough money to meet the guarantees in the product and pay claims and expenses, today and in the future.
- Determining the dividends takes into consideration various components of the participating block of policies. Dividends will vary based on the actual investment returns in the participating fund as well as mortality, expense, lapse, claims experience, taxes, and other experience of the participating block of policies. The investment performance of the participating fund is just one component of determining dividends.
- Any dividend payment to our participating policyholders is based on the guidelines in Equitable's Dividend Policy.

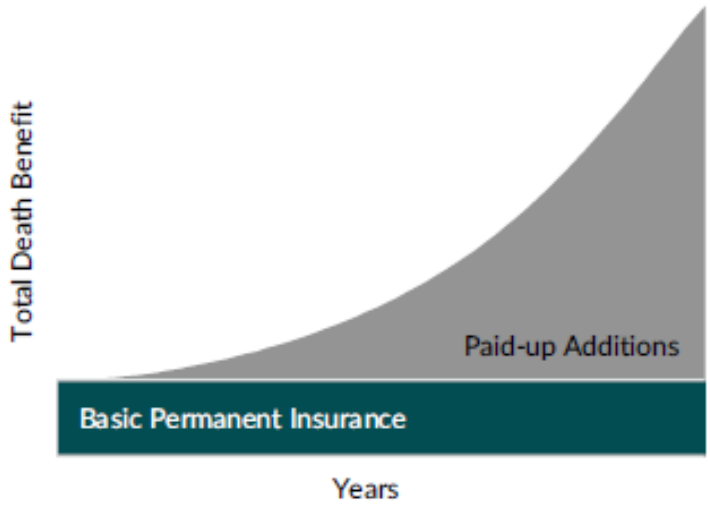
Copies of Equitable's Dividend Policy and the Participating Account Management Policy can be found on our website at: **https://www.equitable.ca/contact-us/participating-account-management-policy**

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

Dividend options:

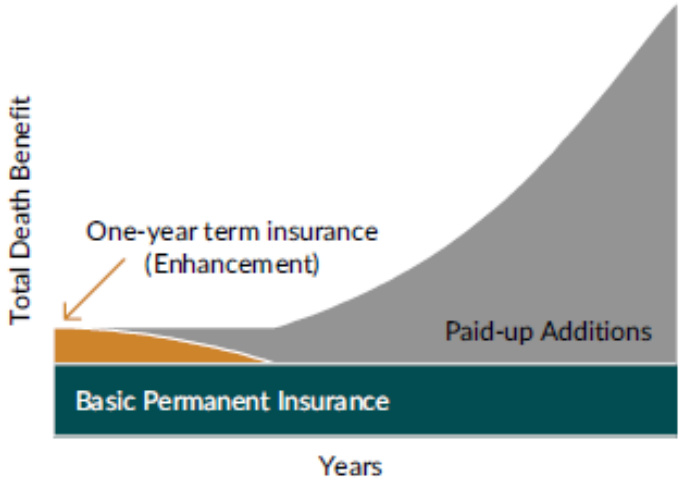
- Paid in cash:
  - allows the policy owner to receive dividends in cash on the policy anniversary.
  - The income may be subject to taxation, and a tax reporting slip may be issued.
- Premium reduction:
  - allows dividend payments to be used to reduce the annual policy premiums.
  - This option is only available with the annual premium payment mode. This has two benefits:
    a) the client gets cost savings because the annual premium is less than 12X the monthly premium; and
    b) because the dividend paid at the policy anniversary is immediately used to pay the required premium at the beginning of the next policy year there is no taxable event created until the dividend amount is more than the required premium.
  - Any excess dividend amount over the amount of premium is paid in cash and may be subject to taxation and a tax reporting slip may be issued.

- On deposit:
    - Operates like a savings account. The client is leaving the cash dividend payment on deposit with Equitable.
    - Any dividends paid are automatically deposited with Equitable in a deposit account held outside the policy and earn a competitive interest rate. The interest rate is set by us at least annually and is subject to change without notice.
    - Dividends paid may be subject to taxation and a tax reporting slip may be issued.
    - Interest earned may be subject to taxation and a tax reporting slip may be issued.
    - The policy owner can make withdrawals anytime.
    - On death, the accumulated dividends are paid, tax-free to the named beneficiary(ies), minus any unreported earnings between the policy owner's last tax filing and the date of death.
- Paid-up additions (PUAs):
    - Dividend payments are used to purchase paid-up additional (PUA) insurance, which is added to the basic policy to create another "layer" of permanent participating whole life insurance, which is also eligible to participate in the earnings of the participating account through dividend payments.
    - Dividend payments on PUAs combined with dividends earned on basic permanent coverage can result in substantial increases in both the death benefit and cash value over the life of the policy. Cash value of PUAs grows on a tax-advantaged basis.



- Enhanced protection:
    - The enhanced protection dividend option is available at issue only. A change from another dividend option to enhanced protection cannot be made once the policy is in effect.
    - At the time of issue, the policy owner can select a base insurance amount, which will have a premium associated with it. They will also be able to select an additional enhanced amount of insurance that dividends will buy. The client chooses the amount of enhanced coverage they want. They can choose any amount between the minimum and the maximum that is allowed for the policy. See the **maximum enhancement amount** section below for more details on the calculation.
    - At the time of policy issue, the full additional enhanced amount will be made up of one-year term (OYT) insurance. OYT insurance is term insurance that renews every year. The OYT insurance cost is based on the issue age, sex, and risk class of the life insured, as well as the amount of basic permanent insurance protection in the policy and the policy duration. The yearly cost of the enhanced OYT amount for the policy are set out at the time the policy is issued; however, they are not guaranteed and can change. OYT costs are reviewed as part of the dividend process, however, a change in the dividend scale does not necessarily mean a change to the OYT insurance costs.

- At the policy anniversary, a portion of any dividend payment pays for the OYT, and any remainder purchases PUAs. Over time, the OYT will gradually be replaced by the accumulating PUAs.
- If the dividend payment is not sufficient to cover the cost of the OYT, accumulated PUAs are surrendered to help pay the outstanding cost.
- We also automatically provide a lifetime enhancement guarantee on the enhancement amount. If the guarantee is in effect, the full enhancement amount elected at issue will be paid as part of the death benefit even if the dividend payment and accumulated PUAs are not enough to buy the needed OYT.
- Once all the original OYT insurance has been replaced by PUAs, the dividend conversion point is reached. At this point, any future dividend payments are used solely to purchase PUAs, which increase the amount of the death benefit.



Conversion of the enhancement amount under the Enhanced Protection option

- The OYT portion of the enhancement amount can be converted to any eligible permanent policy on an attained age basis, without evidence of insurability, prior to the policy anniversary nearest age 71 of the life insured (oldest life insured age 71 on joint policies; all insured lives must be living at the time of conversion).
- The amount of OYT available for conversion is limited to the amount in effect at the time conversion is requested.
- The amount of the OYT will be reduced by the amount converted and this reduction will also be applied to the initial enhancement amount. Any enhancement guarantee will continue to apply to the reduced enhancement amount.
- If the full OYT portion of the enhanced protection is converted, the dividend option will be changed to paid-up additions on the original Equimax policy.
- If premiums for the Equimax policy are being waived under the disability waiver of premium provision and a request is received to convert all or a portion of the OYT, premiums for the new coverage will NOT be waived and will become payable. Premiums for the original Equimax policy (not including the enhanced amount or the OYT coverage) will continue to be waived under the disability waiver of premium provision.
- If premiums for the Equimax policy are being waived under the disability waiver of premium provision at the policy anniversary nearest age 71 of the life insured (oldest life insured age 71 on a joint policy) the OYT is not available for conversion.
- The new permanent policy will be issued at attained age and current rates for a similar class of risk for the same coverage type and must meet the minimum and maximum age and premium limits required for the new coverage. The amount must meet the minimum required for the new coverage and cannot exceed the amount of OYT in effect at the time of the conversion.

- The election of a death benefit amount on the new policy must not increase the insurance coverage amount. If a request for a death benefit amount exceeds the original coverage, the request will be subject to the consent of Equitable and underwriting approval.
- The OYT insurance can be converted to a separate Equimax policy with no restrictions on the dividend option allowed, providing the benefit amount does not exceed the original death benefit amount.
- Note: For an Equimax policy with enhanced protection dividend option, the total of base coverage and the enhancement amount cannot exceed the original death benefit amount.

Enhancement guarantee that applies under the Enhanced Protection option

- When the enhanced protection dividend option is chosen, Equitable automatically provides a guarantee on the enhancement amount for the life of the policy. Even if dividends credited to the policy and surrendered PUAs are not enough to cover the cost of the OYT insurance, Equitable will pay the original guaranteed amount on death provided the guarantee is in effect.
- The enhancement guarantee remains in effect provided:
    - There is no surrender of paid-up additional insurance for its cash value and
    - All required premiums are paid and
    - There have been no requests for a cash withdrawal or to put the policy on premium offset (these requests surrender PUAs to either provide the cash or to pay future premiums).

Maximum enhancement amount that applies under the Enhanced Protection option

The enhanced insurance amount a client can choose can be any amount from a minimum of $1,000.00 to the maximum allowed for their policy. The maximum enhancement amount is calculated in the illustration system and is based on the illustration assumptions entered for the client. The maximum enhancement amount will vary by:

- issue age
- smoking status
- sex
- plan type
- premium type
- amount of basic permanent insurance in the policy

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

Although selecting the maximum enhancement amount may be appealing because it will result in the least amount of basic permanent Equimax coverage and the lowest premium for the total amount of coverage a client may need, there are benefits to selecting a lower enhancement amount than the maximum and taking a higher amount of basic permanent Equimax coverage. Having a lower enhancement amount than the maximum allowed for the policy will mean:

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

Choosing the dividend option

The chart below is an overview of the different dividend options available and offers additional information on how they differ from one another to meet specific client goals. The policy owner can change the dividend option anytime during the life of the policy, however changes to the enhanced protection dividend option are not permitted.

For more information on changing the dividend option please see the **Policy Changes** section and for more information on how the different dividend options are taxed please see the **Taxation** section.

Dividend	Ideal for clients who want…	Annual cash flow	Investment accumulation	Increased life insurance protection	Annual tax reporting	Impact of a dividend scale decrease
Paid in cash	Extra cash each year	Yes	No	No	Yes	Lower amount paid to the policy owner
Premium reduction	Cost effective basic permanent insurance	Yes	No	No	Yes	Increase in the portion of the required guaranteed premium payable by the policy owner
On deposit	Flexible access to cash	No	Yes	Yes, value of dividends on deposit	Yes	Lesser amount left on deposit
Paid-up additions (PUAs)	Permanent protection, an increasing death benefit, potential for additional tax-advantaged growth, plus guarantees	No	Yes	Yes	No	PUAs and cash values will be lower than illustrated; no change to the basic permanent insurance
Enhanced protection	More initial coverage with the cost advantage of one-year term insurance and the long-term security of basic permanent insurance	No	Yes	No, however may occur if dividend conversion point is reached	No	Non-guaranteed cash values and non-guaranteed death benefit will be lower than illustrated; dividend conversion point will be delayed; no change to the basic permanent insurance.

Excelerator deposit option (EDO)

- The Excelerator deposit option (EDO) allows for additional payments (EDO payments), subject to specified limits, above the required guaranteed policy premium. EDO payments enhance policy values by purchasing paid-up additional insurance (PUAs) over and above the PUAs purchased by policy dividends. The PUAs purchased with EDO payments are also eligible to receive dividends.
- The policy owner must have elected the paid-up additions or enhanced protection dividend option to make EDO payments.
- The policy owner can apply to add EDO to the policy subject to our underwriting criteria and administration rules and guidelines in effect at the time we receive the request to add EDO.
- EDO payments are optional and are not required to keep the policy in effect.
- Like any other rider or benefit, EDO must be requested on the application along with the planned EDO payment amount. EDO can be applied for at the same time as the policy or may be added later subject to underwriting approval and our administrative rules in effect at that time – see Adding EDO after issue below for the current rules. If approved, the planned EDO payment amount can be part of the monthly pre-

authorized debit draw for the policy or be included in the annual premium reminder. Single ad hoc payments are also an option.
- EDO payments are not backdated and are processed when received.
- If the dividend option is paid-up additions, payments made through the EDO will purchase paid-up additional insurance, increase the death benefit, and cash values of the policy.
- If the dividend option is enhanced protection, payments made through the EDO will purchase paid-up additional insurance and reduce the one-year term (OYT) portion of the enhancement amount more quickly. This can assist a policy in reaching the dividend conversion point earlier and potentially increase the death benefit and cash values.
- Under the provisions of the Income Tax Act (Canada), Equitable reserves the right to maintain the Equimax policy as a tax-exempt policy. This means a maximum limit will apply on the total EDO payment amount the owner can make to the policy in each policy year to ensure the policy remains exempt from accrual taxation. The sum of the EDO payments for the policy year cannot exceed this maximum amount. The Income Tax Act is subject to change, and any changes may affect the taxation of both new and existing insurance policies.
- Equitable will not accept an EDO payment that would cause the policy to lose its tax-exempt status.
- Equitable reserves the right to surrender paid-up additional insurance for its cash value and pay it to the owner to keep the policy exempt from accrual taxation. We may also limit the amount of subsequent EDO payments we will accept. Surrendering paid-up insurance for its cash value may have tax consequences for the policy owner.
- The ability to make an EDO payment is subject to administrative, tax-exempt status, and underwriting approval.

Minimum payments

- Planned payments: $100 annual payment; $10 monthly payment
- Single payments: $100 per payment

Maximum payments

- Each policy has a maximum EDO payment allowed each policy year. This limit is set to help ensure the policy remains exempt from accrual taxation over its lifetime, assuming the dividend scale in effect at that time remains unchanged for the life of the policy.
- The maximum is determined based on the issue age, sex, and risk class of the life insured, as well as the basic amount of Equimax coverage in effect, the plan type and the premium option chosen. The illustration system will calculate the maximum EDO payment amount based on the illustration assumptions.
- Depending on when the policy was applied for, and subject to our approval and the administration rules and guidelines in effect, a term rider may also increase the maximum EDO payment amount allowed each year. See the Term riders may increase the maximum EDO payment limit section below that outlines when a term rider may increase the maximum EDO payment and how it currently works.
- The maximum EDO payment may also be affected by dividend scale changes and changes to the income tax act exempt regulations.
- Changes made to the policy after issue may result in changes to the maximum EDO payment amount allowed.
- No exceptions will be made to allow EDO payments above the maximum that applies to the policy.
- Equitable will not accept an EDO payment that causes the policy to lose its tax-exempt status, and we may also limit the amount of subsequent EDO payments we will accept.

Term riders may increase the maximum EDO payment limit

- If the Application Signed Date of the policy is June 26, 2021, or after, and the term rider was applied for and issued at the same time as the Equimax whole life coverage, the term rider may allow for an increase to the EDO payment limit subject to our approval and the administrative rules and guidelines in effect.

- The Application Signed Date is determined as the date the owner signed the application for the policy, or, if there is more than one owner, the latest of the dates that the owners signed the application for the policy.
- There must be an insurance need for the term insurance coverage, and this will be assessed as part of the underwriting process.
- Term riders are only available on single life adult policies at this time, as such, only single life adult policies have the option for term riders to increase the maximum EDO payment limit.
- For a term rider to increase the EDO payment limit, it must be issued at the same time as the Equimax whole life coverage. At this time, we cannot administratively support an increase to the EDO payment limit, if a term rider has been added after issue of the Equimax policy.
- Also, all term riders must have the same rating, or lower, as the Equimax coverage. For example, either all are standard; or if a multiple substandard rating of 200% applies to the Equimax coverage, the same 200% rating, or lower, must apply to the term rider. EDO is not available if a flat extra rating applies.
- Multiple term riders that are issued at the same time as the Equimax coverage may also increase the maximum EDO payment limit.
- The amount of term coverage that can increase the EDO payment amount is limited to the amount of basic Equimax whole life coverage in effect on the policy.
- The illustration system will determine the maximum EDO payment limit based on the illustration assumptions and will include the amount available from term riders if applicable.
- Term riders are typically added to a policy to cover a temporary insurance need. Once that temporary need no longer exists the term rider is typically converted or terminated. It is important for the policy owner to understand that if any term rider added to the policy allowed for higher EDO payments, reducing, converting, or terminating the term rider too soon could cause the policy to become non-exempt. In this situation, paid-up additional insurance will be surrendered, and its cash value paid to the owner to keep the policy exempt from accrual taxation.
- To limit the amount of paid-up insurance surrendered in the situation above, which may have tax consequences for the policy owner, it is recommended that the term rider coverage(s) be held for a minimum of 10 years before it is terminated, converted, or reduced.
- Changes to any of the term riders may result in changes to the maximum EDO payment amount allowed, or termination of the EDO.
- If any term rider added to the policy has increased the maximum EDO payment limit for the policy, and the term rider coverage is terminated, converted, or reduced before the 10th policy anniversary, the maximum EDO payment limit that applies to the policy will be reduced accordingly.
- If any term rider added to the policy has increased the maximum EDO payment limit for the policy and the term rider is terminated, converted, or reduced on or after the 10th policy anniversary, the maximum EDO payment limit that applies to the policy will not be reduced. This means if the policy owner has been paying the maximum EDO amount that includes the amount that was provided by the term rider, they can continue to do so, subject to maintaining the tax-exempt status of the policy. The payments will continue to be subject to the provisions outlined in the policy contract as well as the administrative rules and guidelines in effect.

Effective date

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

Processing of EDO payments

- EDO payments are additional optional payments above those required to keep the policy in effect. They can be made at any time, subject to our administrative rules, tax-exempt status of the policy, and underwriting approval.
- The maximum EDO payment amount is the maximum total additional payment that can be deposited into the policy each policy year. This is the amount that will be underwritten and, if approved, is the total amount that can be deposited into the policy each policy year by any number of payments. How this (or a lesser) amount is

deposited throughout the policy year is at the discretion of the policy owner. If paying by monthly pre-authorized debit (PAD), the annual EDO payment amount will be divided by 12.

- Clients can choose a planned EDO payment amount up to the maximum allowed for their policy. If the client is paying premiums monthly the planned EDO payment can be included as part of the PAD draw for the premium payment. If they are paying premiums annually, this amount will be included as part of their annual premium reminder notice they receive.
- A premium load will apply to each EDO payment, and a modal factor may be applied, but no explicit tax load will apply. When the client makes the EDO payment will determine whether a modal factor will apply to the purchase of the PUAs.
    - An 8% premium deposit load applies to all EDO payment amounts. It covers commissions, premium tax, and administration costs. The net EDO payment is then used to buy PUAs.
    - A modal factor of 0.0867 will apply to the purchase of PUAs for all EDO payments made monthly as part of the monthly PAD draw.
    - The modal factor of 0.0867 will also apply to any purchase of PUAs for an annual or ad hoc EDO payment made off-anniversary. Off-anniversary means the annual or ad hoc EDO payment is not made at the policy anniversary. However, if the EDO payment is made within the first month following a policy anniversary, we will consider the payment made at the policy anniversary and not apply the modal factor. The modal factor will apply to the purchase of any PUAs for any EDO payment made off-anniversary regardless of the amount of the EDO payment, even if it is one EDO payment the client plans to make for the policy year for the maximum allowed. If the owner wants to avoid the modal factor for an annual EDO payment they plan to make for the policy year, the annual EDO payment must be received within the first month following the policy anniversary.
    - This 0.0867 modal factor is not reflected in the EDO payment amount and does not increase the maximum EDO payment when switching from annual premium to monthly PAD. The modal factor is applied when the paid-up insurance is purchased and will affect how much paid-up insurance is purchased with the EDO payment.
- If policy premiums are outstanding, any EDO payments received will first pay the policy premiums and any excess will be applied to the EDO payment to purchase PUAs.
- When an Equimax 20 pay or 10 pay policy becomes paid-up, any planned EDO payments stop, as they are tied to premium payments for the policy. However, EDO payments can continue on an ad hoc basis at the discretion of the policy owner. Clients must submit a request to us for each EDO payment they want to make. Payments are subject to the administrative rules and guidelines in effect at the time regarding what we will accept without additional underwriting approval, as well as the tax-exempt status and tax legislation that applies. The current rules around when additional underwriting approval is required are outlined in the EDO payment flexibility section below. Underwriting approval may be required to continue payments if additional reinsurance capacity is needed to secure the risk.

Paid-up insurance (PUA) purchase

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

Death benefit payable with enhanced protection

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

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

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

Planned EDO payments

- Planned EDO payments can be made on a monthly or annual basis based on the policy premium payment mode.
- Planned EDO payments are included in the annual premium reminder notice or as part of the monthly pre-authorized debit (PAD).
- Planned EDO payments are payable on the same date as the policy premium. Equitable will process any annual EDO payment on the policy anniversary provided the EDO payment is received with the annual premium payment, and any monthly EDO payment when received with the monthly PAD draw for the monthly premium. All EDO payments are processed subject to maintaining the tax-exempt status.
- Planned EDO payments are optional and not required to keep the policy in effect. If the EDO payment is not made when the required premium is due it can be made at a later date subject to administrative rules, tax-exempt status, and underwriting approval at the time the EDO payment is received. Please see the EDO payment flexibility section below for more information about when underwriting approval is required.

Single EDO payments

- Single ad hoc EDO payments can be made at any time, subject to administrative rules, tax-exempt status, and underwriting approval and will purchase PUAs at the time the payments are received. Please see the EDO payment flexibility section below for more information about when underwriting approval is required.
- If a single ad hoc payment is received within the first month following the policy anniversary, it will be treated as an annual payment; otherwise, it will be processed as a monthly payment using an interpolated rate and a modal factor will apply.

Substandard ratings

- EDO is available on a policy for a life insured that has a substandard multiple underwriting rating up to a maximum of 300%.
- EDO is also available on a joint last-to-die policy where a life has been declined provided the other life has a rating of 300% or less and the policy has been issued using the new joint age calculation process that went into effect September 12, 2020. This applies to both Estate Builder and Wealth Accumulator joint last-to-die policies.
- If the application for joint last-to-die Estate Builder and Wealth Accumulator is received on or after September 12, 2020, and Underwriting has declined a life insured, the joint last-to-die policy will be issued using the new joint age calculation and we will allow the owner to apply for EDO provided the other life has a rating of 300% or less.
    - Any previously issued joint last-to-die policies with a declined life rating will not be permitted to apply to add EDO.
    - The application for the joint last-to-die policy must be received on or after September 12, 2020, and the policy issued using the new joint age calculation to allow for EDO.
- The maximum EDO payment amount permitted for the joint last-to-die policy with a declined life will be based on the lesser of the maximum that would apply based on the joint age and the maximum amount that would apply based on a single life policy issued to the healthy life.
- EDO is not available for any policy with a flat extra rating, however if the flat extra rating is removed in the future, the owner can request at that time to add EDO, subject to our administrative rules in effect at that time and underwriting approval.

Adding EDO after issue

- If EDO was not applied for at the time of application of the original Equimax policy, the owner can apply at any time after issue of the policy to add EDO. Additional evidence of insurability and underwriting approval will be required.
- Approval is subject to Equitable's administrative and underwriting criteria and the applicable tax legislation in effect at the time the application for EDO is received.
- The maximum EDO payment a client can make if EDO is approved is based on the amount that would have applied when the policy was purchased as well as the tax-exempt status of the policy and the applicable tax legislation in effect at the time EDO is added.
- To add EDO after issue the policy must be issued under the 2017 tax rules (G3 tax status). Adding EDO after issue on a policy with a G2 tax status is not permitted.
- The G3 - Application for Change (Form 0374G3) must be completed to add EDO.

Adding EDO on a term conversion

- If an Equimax policy is being issued because of a term policy or term rider conversion, EDO can be added to the new permanent Equimax policy. Additional evidence of insurability may be required, and it will be subject to underwriting approval, as well as the administrative rules and guidelines and the tax-exempt legislation in effect at the time of the conversion.
- Under the current rules, underwriting will not be required to add EDO on an Equimax policy issued from a term conversion provided that the maximum net amount a risk (NAAR) illustrated for the proposed amount of Equimax coverage and including the planned EDO payment does not exceed the amount of term coverage being converted.
- If clients are interested in converting term coverage to Equimax coverage and want to include EDO, a worksheet is available to determine if underwriting will be required. The worksheet and the illustration need to be submitted with the application for conversion.
- You can find the Form 1616 Worksheet on EquiNet under Forms along with the Application for Term Conversion (Form 1616). The worksheet must be downloaded to your computer to use it.

EDO payments and policy loans

- If the policy has a policy loan, EDO payments can still be made to the policy. The current administration rules around the EDO payment would apply.
- However, if the policy has an outstanding automatic premium loan (APL) due to missed premium payments and there is not enough policy value to pay the policy premium to the next policy anniversary, the client would not be able to make an EDO payment. If there is not enough policy value to pay the premium to the next policy anniversary, the client would first need to make the required premium payment before making an EDO payment.

Disability claim in effect

- When a waiver of premium claim is in effect, planned EDO payments would stop. Planned payments are tied to premium billing and the premium billing status would be changed to "waived" if a disability claim were in effect.
- The policy owner may continue to make ad hoc EDO payments at their discretion. EDO payments are not covered by the waiver of premium benefit.
- Once the policy is no longer on waiver, planned EDO payments could resume. These payments would not be subject to underwriting approval provided the amount has not increased and the policy owner has not stopped and restarted the EDO payments outside the 60 months permitted. The amount of the payment we will accept may be limited. Please refer to the EDO payment flexibility section below.

- If a request to stop EDO payments is received while the policy is on waiver, EDO payments cannot be restarted unless the policy is no longer on waiver and will be subject to our administrative rules in effect at that time and underwriting approval.

Premium offset

- If premium offset is selected by the policy owner, planned EDO payments will stop.
- EDO payments are not permitted with premium offset.

Suicide – Exclusion of the death benefit

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

Termination

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

- The date the policy owner requests to have planned payments cancelled.
- A payment has not been received within 60 months of the last EDO payment.
- If a 20 pay or 10 pay policy has become paid-up.
- If a policy has a waiver of premium claim in effect and is placed on waiver status.

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

- Premium offset is elected.
- The policy is still in effect after the policy anniversary nearest:
    - age 100 of the life insured;
    - rated age 100 of the life insured if the policy was issued with a rated age due to a substandard health rating; or
    - joint age 100 if the policy was issued with joint first-to-die or joint last-to-die coverage.
- The policy owner requests a dividend option change to other than PUA or enhanced protection.
- The date the Equimax base policy premiums are paid by automatic premium loan (APL).
- The policy is changed to reduced paid-up insurance.
- The date the death benefit becomes payable.
- The date the Equimax policy otherwise terminates.

EDO payment flexibility

- Application for EDO can be made at the same time as application for the policy or EDO can be applied for after issue of the policy (see Adding EDO after issue in the EDO section above). To apply to add EDO after issue the policy must be issued under the 2017 tax rules and have a G3 tax status.
- The planned EDO payment amount must be included on the signed illustration submitted with the application.
- The application for EDO is underwritten based on the maximum amount of EDO included on the illustration. Once EDO has been approved, the maximum annual EDO payment allowed in a policy year without underwriting approval will be the lesser of:
    - The annual EDO payment amount approved at issue by underwriting; and
    - The sum of all EDO payments made in the last 5 policy years
- If the premium mode is monthly, the planned EDO amount illustrated will be a monthly amount. In this case the sum of the EDO payment for each policy year will be equal to the sum of the monthly EDO payments for the policy year.
- The owner must make an initial EDO payment within 60 months from the date the application is signed. If no EDO payment is received within the first 60 months of the date the application is signed, additional evidence of insurability and underwriting approval will be required to make an EDO payment.

- Delaying the initial EDO payment, paying less than the approved EDO payment amount, and taking an EDO payment break can affect the maximum EDO payment we will accept in a given policy year without underwriting approval. However, clients who miss EDO payments or pay less than the approved EDO payment amount can return to the EDO payment amount they were approved for over time.

What happens when clients skip EDO payments or pay less than the approved EDO payment amount

- Once Underwriting approves it, EDO will be added to the policy. However, EDO payments are optional and not required to keep the policy in effect.
- Clients may choose to pay less than the approved EDO payment amount or skip EDO payments altogether.
- It is important that clients understand what it means if they choose to pay a lower EDO payment amount than what was approved or if they choose to skip EDO payments. These actions may limit the EDO payments they can make in the future without underwriting approval.
- The maximum EDO payment we will accept in a policy year without underwriting approval is the lesser of:
    - The annual EDO payment amount approved at issue by underwriting; and
    - The sum of all the EDO payments made in the last 5 policy years.
- If clients pay less than the approved EDO payment amount over the first 5 policy years, this will limit the EDO payment they can make in the 6th policy year, but they can build back up to the approved EDO payment amount by making EDO payments in subsequent policy years.
- Using this method to determine the maximum EDO payment we will accept in a policy year without underwriting approval means over time, clients will be able to return to the EDO payment amount initially approved by underwriting without needing additional underwriting approval.
    - Clients must pay an average of 20% of their approved EDO payment amount in the prior 5 policy years to continue to pay the approved EDO payment amount the next policy year.
    - Clients averaging less than 20% per policy year of the approved EDO payment amount can still return to the EDO payment amount they were approved for, but it will require multiple years of sustained usage to return to the originally approved EDO payment amount.
- If a client makes no EDO payments over the prior 5 policy years, then the sum of all the EDO payments will be $0. EDO has effectively been stopped by the client based on their payment behaviour. To restart EDO payments, the client will have to reapply for EDO and be approved again by underwriting. Effectively, the client will be applying to add EDO after issue of the policy (see Adding EDO after issue section above.)

Let's look at some examples of different clients making EDO payments over a 10-year period to understand how we determine the maximum EDO payment a client can make in a given policy year without additional underwriting approval.

Example 1 – Steady Betty - Approved for a $10,000 annual EDO payment

100% = $10,000

Policy year	% EDO paid	Maximum % EDO payment allowed (no underwriting)
1	20	100
2	20	100
3	20	100
4	20	100
5	20	100
6	20	100
7	20	100
8	20	100
9	20	100
10	20	100

- Even though Betty is paying only 20% of the approved EDO payment amount each policy year in the first 5 years, she is still able to make the approved $10,000 EDO payment in policy year 6 if she wants, as the sum of her previous 5 EDO payment is 100%.
- And if she continues to make her same 20% of the approved EDO payment amount after policy year 5, she maintains the approved $10,000 EDO payment amount in subsequent policy years because the sum of the EDO payments made in the previous 5 policy years is equal to 100%.

Example 2 – Single Spike - Approved for a $10,000 annual EDO payment

100% = $10,000

Policy year	% EDO paid	Maximum % EDO payment allowed (no underwriting)
1	0	100
2	0	100
3	100	100
4	0	100
5	0	100
6	0	100
7	0	100
8	0	100
9	0	0
10	0	0

- Single Spike defers his initial EDO payment until policy year 3 and then pays the approved $10,000 EDO payment.
- He will be able to make the approved EDO payment amount each policy year in years 6 through 8 if he wants because the sum of the EDO payments made in the previous 5 policy years is equal to 100%.
- But if Spike doesn't make an EDO payment in policy year 8, in policy year 9 the maximum EDO payment he will be able to make without underwriting approval is $0 because the sum of the EDO payments in the previous 5 policy years is 0.
- If Spike wants to make an EDO payment in policy year 9 or 10, he will have to reapply for EDO, submit the evidence of insurability we require at that time, and be approved by underwriting.
- If Spike makes an EDO payment again in policy year 8, he will be able to make an EDO payment in policy year 9 and 10, but the EDO payment amount we will accept without underwriting may be less than 100% of the $10,000 originally approved if he doesn't pay the approved $10,000, he can in policy year 8.

Example 3 – Erratic Earl - Approved for a $10,000 annual EDO payment

100% = $10,000

Policy year	% EDO paid	Maximum % EDO payment allowed (no underwriting)
1	10	100
2	0	100
3	70	100
4	0	100
5	20	100
6	10	100
7	20	100
8	50	100
9	0	100
10	35	100

- Earl makes his EDO payments when he has extra funds available.
- He will be able to make the approved EDO payment amount each policy year in years 6 through 10 because even though his EDO payments are not consistent or for the approved amount, the sum of the EDO payments made in the previous 5 policy years is equal to 100%.

Example 4 – Minimal Minnie - Approved for a $10,000 annual EDO payment

100% = $10,000

Policy year	% EDO paid	Maximum % EDO payment allowed (no underwriting)
1	0	100
2	5	100
3	0	100
4	0	100
5	0	100
6	5	5
7	10	10
8	15	15
9	30	30
10	60	60
11	100	100

- Minnie pays 5% of the approved EDO payment amount in policy year 2. This is the only EDO payment in the first 5 policy years.
- This means in policy year 6 the maximum EDO payment she can make without underwriting approval is limited to 5% of the approved $10,000 EDO payment amount.
- But over time, Minnie can work back up to the approved $10,000 EDO payment amount. If she makes the maximum EDO payment she is allowed in policy years 6 through 10, she can work back up to her approved $10,000 amount and pay the full $10,000 in policy year 11 without requiring underwriting approval.

Stopping and restarting planned EDO payments

- The policy owner may request to stop planned EDO payments at any time. EDO payments can be restarted without additional evidence of insurability and underwriting approval, provided they are restarted within 60 months of the date the last EDO payment was made.
- If EDO payments are restarted within the 60 months permitted, the maximum EDO payment amount that we will accept without underwriting approval will be the lesser of:
    - The annual EDO payment amount approved at issue by underwriting; and
    - The sum of all EDO payments made in the last 5 policy years
- If a request to restart EDO payments is received more than 60 months after the last EDO payment, the EDO payment is subject to reapplying for EDO. Underwriting approval is required and the evidence of insurability that Equitable requires at the time must be provided. The G3 - Application for Change (Form 0374G3) is required to restart EDO payments more than 60 months after the last EDO payment. Effectively, the client will be applying to add EDO after issue of the policy (see Adding EDO after issue section above.)
- Missed EDO payments do not carry forward to the next policy year.

Increases to the planned EDO payment amount

- If the owner has not been paying the maximum EDO payment permitted for their policy each policy year, they can increase the EDO payment they can make in a given policy year up to the maximum permitted, provided the payment does not cause the policy to lose its tax-exempt status.
- Additional evidence of insurability and underwriting approval may be required.
- The increase will be subject to our administrative rules, underwriting criteria, and the tax legislation in effect at that time.
- Currently, additional evidence of insurability and underwriting approval will be required if the amount the owner wants to pay in a given policy year is higher than the lesser of:
    - The annual EDO payment amount approved at issue by underwriting; and
    - The sum of all EDO payments made in the last 5 policy years.
- The client cannot pay more than the maximum EDO payment allowed for the policy and the policy must remain tax-exempt.
- If underwriting is required to increase the planned EDO payment, the policy must be issued under the 2017 tax rules (G3 tax status) and the G3 - Application for Change (Form 0374G3) must be completed to increase the EDO payment.

Decreases to the planned EDO payment amount

- A decrease in the EDO payment can be made at any time providing that the new decreased amount is still within the EDO minimum payment permitted.
- If the policy owner elects to pay a decreased EDO payment amount, the maximum payment amount we will accept for future EDO payments can be affected. The maximum EDO payment amount we will accept without evidence of insurability and underwriting approval will be the lesser of:
    - The annual EDO payment amount approved at issue by underwriting; and
    - The sum of all EDO payments made in the last 5 policy years.
- Clients can choose to pay less than the approved EDO payment amount and can still return to the approved EDO payment amount over time without underwriting approval.

Taxation

- Equimax is a tax-exempt life insurance policy under the Income Tax Act (Canada). The cash value of the policy can grow on a tax-advantaged basis, within limits as prescribed under the Income Tax Act (Canada). The taxation of a life insurance policy's dividends depends, in part, on how the dividends are used.
- Dividend payments to the policy owner (or otherwise accumulated outside of the policy) may generate a gain, which is reported to the policy owner at the time the dividend is paid. A tax reporting slip will be issued.

- Dividend payments that are accumulated within the policy will not result in a gain until disposition of the policy occurs and may be paid out tax-free to the policy's beneficiary(ies) in the event of the death of the life insured. Payment of a death benefit does not constitute a disposition of an interest in a life insurance policy.
- The Income Tax Act (Canada) is subject to change, and any changes may affect the taxation of both new and existing insurance policies.
- The table on the next page describes the taxation of the various dividend options.

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

Accessing policy values

- Cash value in the Equimax policy can be accessed by requesting a cash withdrawal, a policy loan, or a partial or full surrender of the policy. Each of these options is discussed below.
- The guaranteed cash value of the policy is available to support a policy loan or if the owner requests a full or partial surrender of the policy. It is not available to support a request for a cash withdrawal.
- Accessing the values in the policy may have tax consequences and a tax reporting slip may be issued.
- Information contained in this guide reflects the provisions of the Income Tax Act (Canada) as of the date of publication of this guide. While every effort is made to keep this guide current, in all cases the policy contract and/or provisions of the Income Tax Act (Canada) in effect at the time will prevail. Equitable reserves the right to modify its practices to reflect any subsequent changes to the Income Tax Act (Canada) and regulations affecting these policies.

Cash withdrawals

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

Paid-up additions (PUAs)

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

Example:

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

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

Enhanced protection

- Cash withdrawals are made by surrendering PUAs for their cash value.
- The total cash value of the policy is reduced by the amount of the withdrawal.
- Upon surrender of the PUAs, the income reportable is based (pro rata) on the cash value of the PUAs surrendered in relation to the cash value of the policy as a whole (including PUAs). See above for example.
- Surrendering PUAs during the enhancement guarantee period will void the guarantee.
- The enhanced amount will be reduced by the amount of the PUAs withdrawn.
- The OYT insurance portion of the enhanced protection will not change from the date of the withdrawal until the next anniversary. On the policy anniversary, and subsequent policy anniversary dates, the enhanced amount will be based on the lower enhanced amount.

Example:

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

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

Paid in cash

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

Premium reduction

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

On deposit

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

Policy loans

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

General functionality

- Policy loans are available with all dividend options. Even if a client chooses to have their dividend paid to them in cash, they are still able to borrow against the guaranteed cash value of the policy.
- Clients can request to change their selected dividend option. Changing the dividend option does not change the loan amount available at the time of the change, but it can affect loan amounts available in the future. For example, if a client changes the dividend option from PUA to cash, future dividends will be paid to the client as cash and will not be reinvested into the policy to buy PUAs. These dividends paid in cash do not help build the cash value which supports the loan.
- The maximum amount the policy owner can borrow of the available cash value is subject to our administrative rules and guidelines in effect at the time the loan is requested. Equitable sets the maximum, and it is subject to change, however it will never be greater than 90% of the available cash value less any existing indebtedness.
- If the policy has an outstanding automatic premium loan (APL) the client can still apply for a policy loan. The amount available to support the policy loan will consider the amounts owing from the APL, including any accrued interest. If at any time the total indebtedness under the policy, including any accrued interest, exceeds the available cash value, the policy will lapse, and the insurance coverage will terminate.
- Typically, the loan is granted within 30 days of receipt and approval of the completed loan application form, however Equitable can defer the loan for up to six months.
- Policy loans (other than automatic premium loans) may be subject to taxation, and a tax reporting slip may be issued.
- The effective date of the loan is the date the loan is processed, not the date the funds are available.
- Interest will accrue daily from the effective date of the loan. The interest rate is variable and set by Equitable; it is subject to change.
- At each policy anniversary unpaid interest due on the policy loan is added to the outstanding loan balance (capitalized) and interest is charged on the entire indebtedness under the policy.
- The owner can make loan repayments at any time while the policy is in effect. The owner can repay all or a part of the amounts owed on the policy subject to a minimum amount as determined by Equitable.

- All loan repayments that are received are applied against the principal amount.
- If at any time the total indebtedness under the policy, including the accrued interest, exceeds the available cash value the policy will lapse, and the insurance coverage will terminate.

Loan amounts, limits, and fees

- Policy owners can borrow up to a maximum of 90% of the available cash value of their Equimax Estate Builder or Wealth Accumulator policy, less any outstanding loans. The available cash value includes both guaranteed cash values and the non-guaranteed cash value generated by dividends.
- The minimum loan amount the owner can apply for is $500; Equitable reserves the right to change this minimum.
- No processing fee applies; however Equitable 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 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.
- Effective June 30, 2023, the policy loan interest rate is 6.50%. This applies to all new and existing policy loans for Equimax Estate Builder and Equimax Wealth Accumulator policies This interest rate is reviewed from time to time and is subject to change.
- The policy loan interest rates on some older series of policies may differ because they are based on the prime interest rate. Please contact Advisor Services for policy loan interest rate information if a client has an older Equimax policy with Equitable.

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.
- The owner must specify if a payment is to repay a policy loan. We require written instructions from the owner for any payment other than the premium payment. This helps to ensure the payment is applied correctly.
- When a payment is received without any instruction from the owner, it will first be applied to pay any unpaid premiums. If we do not receive a response to our request for instruction, any additional funds will be applied to the loan (cash loan first, automatic premium loan second). Any excess amount will be held until it can be determined where the extra funds should be applied, or if they should be returned to the owner.
- 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. We cannot set up PAD exclusively for loan repayments.

- 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 Client Care Centre or by written notification to Equitable's 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 the Client Care Centre
- An Advisor can find the amount of accrued interest and any outstanding loan balance for a client by using EquiNet Inquiry, provided they have a user id and password, or by contacting Advisor Services.
- If the policy is surrendered, the outstanding loan balance and any accrued interest will reduce the cash surrender value paid to the owner
- If the death benefit becomes payable, the outstanding loan balance and any accrued interest will reduce the amount of death benefit paid to the beneficiary or beneficiaries.
- If the owner elects the reduced paid-up (RPU) death benefit option, the outstanding loan balance and any accrued interest will reduce the amount of paid-up insurance.
- If the owner elects to reduce the coverage amount, the outstanding loan balance and any accrued interest will reduce the cash surrender value paid to the owner. In some cases, the entire surrender value may be required to pay the outstanding loan. Any amount not required to repay the loan is paid to the owner.
- A reduction in coverage may also require additional repayment by the owner to ensure the outstanding loan balance is supported by the accumulated values in the policy at the reduced coverage amount.
- If the owner wants to withdraw cash from the policy, the outstanding loan balance and any accrued interest will reduce the amount available to support a cash withdrawal.

Premium offset

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

Full or partial policy surrender

- The owner can request to surrender all or part of the Equimax insurance coverage at any time.
- Guaranteed cash value may be paid to the owner if a request is received to surrender the policy.

- Guaranteed cash values available with a client's policy are outlined in the Table of Guaranteed Values of the client's policy contract.
- If the full policy is surrendered the guaranteed cash value available at that time will be paid to the owner along with any non-guaranteed cash value generated by dividends, if applicable. Whether there is non-guaranteed cash value will depend on the dividend option that the client has elected.
- If the owner requests a full surrender of the policy prior to the availability of guaranteed cash value, there will be no payment unless there is non-guaranteed cash value in the policy at the time of surrender.
- If the owner requests a full surrender of the policy, the insurance coverage will end on the date we receive the request to surrender the policy at our head office.
- If the owner requests a partial surrender of the policy, then a pro-rata amount of guaranteed cash value available at that time will be paid to the owner based on the amount of coverage that is surrendered. The death benefit will be reduced by the amount of coverage that is surrendered.
- In the case of a partial surrender, non-guaranteed cash value may also need to be paid to the owner in order to maintain the tax-exempt status of the policy.
- If the owner requests a partial surrender prior to the availability of guaranteed cash value, there will be no payment unless the partial surrender results in the policy becoming non-exempt and non-guaranteed cash value needs to be paid to maintain the tax-exempt status of the policy.
- Both a full and partial surrender of the policy may have tax consequences, and the payment may be subject to income tax, and a tax reporting slip may be issued.

Non-forfeiture options

- The default non-forfeiture option is automatic premium loan (APL).
    - If a premium is due and is not paid, and the policy has accumulated cash value, the outstanding premium will be paid by a loan against the policy.
    - The amount advanced will become indebtedness under the policy and daily interest will be charged from the date the premium was due.
    - The current APL interest rate for Equimax Estate Builder and Equimax Wealth Accumulator policies is 6.50% (effective as of June 30, 2023). It is subject to change any time and will affect new and existing premium loans.
    - At each policy anniversary unpaid interest due on the premium loan is added to the loan principal (capitalized) and interest is charged on the entire loan principal under the policy.
    - Contractually Equitable can set up the APL (effective when the unpaid premium was due) following a 31-day grace period from when the unpaid premium payment was due; however, our current practice is to set up the APL 60 days from when the unpaid premium payment was due. This practice allows for notification to the owner that premiums have not been paid for the policy and provides the owner with the opportunity to make the needed premium payments before APL is set up and interest will also be charged and become payable.
    - If the life insured dies, any amounts owing, including any interest, will be deducted from the death benefit payment.
- The policy owner can also request to have the policy changed to reduced paid-up (RPU) insurance.
    - The request must be made in writing, and the policy must have reduced paid-up values as set out in the table of guaranteed values in the policy contract.
    - The insurance coverage will be for a reduced amount and will be at least equal to the reduced paid-up insurance amount as set out in the table of guaranteed values at the applicable anniversary date.
    - If the policy has outstanding indebtedness, it will affect the amount of RPU coverage.
    - Any riders or benefits, as well as the ability to make EDO payments, will terminate with the change to RPU insurance.
    - The policy will continue as paid-up life insurance with no further premiums required.
    - The RPU policy is eligible to participate in the earnings of the participating account through dividend payments and the dividend option that applies to the RPU policy will be determined by us at the time the policy is changed to RPU.

- Electing the RPU option may have tax consequences and may result in the policy becoming non-exempt and the policy may be subject to income tax.
- The option for RPU may not be available depending on the basic Equimax insurance amount purchased.

Built-in benefits

KIND® benefit program

- The KIND program offers benefits to clients and their beneficiaries. If clients need any of these benefits and meet the eligibility requirements, we have them covered!
- Each Equimax whole life policy includes the KIND program benefits outlined below.
- All payments under the KIND program are subject to the provisions of the Income Tax Act (Canada). Changes to the Income Tax Act or its application may occur, and clients should consult with a tax professional before taking advantage of the payments offered under the KIND program.
- Clients must submit a request for any of the KIND benefits and provide the information we require. Requests are submitted to our Individual Life Claims team.

Compassionate advance (not contractual)

- Upon request and proof of eligibility, this benefit advances 50% of the face amount of the basic Equimax coverage amount less any policy loans and cash withdrawals (including any living benefit payment) to a maximum of $100,000.
- We will require sufficient proof the life insured is suffering from a disease or injury expected to cause death within 24 months of diagnosis and submission of a death claim for the Equimax policy.
- Diagnosis must be supported by a report/documentation from a licensed physician.
- The policy must be in effect for the 24 months prior to the date of diagnosis.
- No reinstatement can have taken place in the 24 months prior to the date of diagnosis.
- If a disability waiver of premium provision exists, the premiums for the policy will be waived.
- Whether we release the funds is not dependent on who will be using the funds.
- Based on current tax legislation the compassionate advance benefit is not taxable.
- If a preferred or irrevocable beneficiary or an assignee was indicated on the policy, it is necessary to have their authorization for the payout of the compassionate advance benefit.
- Any death benefit payable will be reduced by any compassionate advance payment.
- This benefit may be altered or terminated by Equitable at any time without notice.

Bereavement counselling benefit

- Upon the death of a life insured we will provide a reimbursement of up to a total of $1,000 of the cost of incurred counselling expenses, shared among all beneficiaries.
- Although contractually we state the reimbursement is offered once the death benefit has been paid, administratively we will allow the beneficiaries to request reimbursement of counselling costs when a death claim has been submitted for the policy or if the compassionate advance has been approved.
- The benefit is not taxable.
- The benefit amount is a total of $1,000 regardless of the number of beneficiaries.
- The beneficiary(ies) must submit receipts within 12 months of the date of death of the life insured to qualify for the reimbursement.
- The counselor must have professional accreditation or certification as determined appropriate by us at the time of receipt.

Snap advance (not contractual)

- A non-contractual benefit that allows for advanced payment of a portion of the death benefit to the beneficiary(ies) before the death benefit claim is processed.

- This benefit is available on request after submission of the death claim and provision of the information we require. Sufficient proof of death and details of the recipient are required in order to initiate the advance.
- The policy must be in effect for the 24 months prior to the date of death.
- No reinstatement can have taken place in the 24 months prior to the date of death.
- The amount of the advance is equal to the policy cash value on the date of death, less any policy loans and cash withdrawals (including any compassionate advance or living benefit payments) up to a maximum of $25,000.
- The benefit amount is not taxable unless the death benefit claim is not approved, in which case it would be treated as a cash withdrawal and may be taxed.
- If a preferred/irrevocable beneficiary or an assignee was indicated in the policy, it is necessary to have their authorization for the payout of the benefit.
- When the entire death claim is processed, the death benefit payable will be reduced by any payment made under the snap advance benefit.
- This benefit may be altered or terminated by Equitable at any time without notice.

Living benefit

- The living benefit is a built-in benefit offered on single life, joint first-to-die and joint last-to-die G3 Equimax Estate Builder and Equimax Wealth Accumulator policies.
- The living benefit allows the owner to apply for a payment from the cash value of the policy if a life insured by the policy becomes disabled from a severe mental or physical impairment as described below in the section on qualification for the living benefit.
- Evidence in writing satisfactory to Equitable of the disability of the life insured must be provided at the owner's expense.
- If the life insured qualifies for a living benefit payment as determined by Equitable, 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 payment.
- Based on current tax legislation, a living benefit payment from the cash value of the policy is not considered a disposition of an interest in a life insurance policy and would not be subject to income tax. However, tax rules can change at any time and Equitable does not guarantee that a living benefit payment 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 living benefit payment should the tax rules change in the future.
- The payment of the living benefit 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%, a flat extra rating, or has a declined rating on a joint last-to-die policy, the policy is not eligible for a living benefit payment on disability of that life insured. One living benefit payment per policy will be permitted in any policy year.
- Currently, there is no minimum payment requirement. Equitable 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 value of the policy. Equitable reserves the right to change the maximum payment limit at any time.
- If the owner requests to take 100% of the cash value for the living benefit payment this is a surrender of the policy. The policy will terminate, and no death benefit will be payable. If the owner wants to maintain the policy and keep it in effect, coverage can be reduced to the minimum face amount required at the time of the living benefit payment.
- Currently, there is no fee charged to process a living benefit payment; however, Equitable reserves the right to charge a fee at any time.

Impact of the living benefit payment on the policy values

- The cash value of the policy will be reduced by the amount of the living benefit payment.

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

Other important information

- If the dividend option is enhanced protection and paid-up additions are surrendered for their cash value during the enhancement guarantee period, the enhancement guarantee is voided. If the owner voids the enhancement guarantee only the basic amount of coverage purchased by the premium payments will be guaranteed going forward.
- If the dividend option is paid-up additions or enhanced protection and the owner elects to reduce the coverage to have the living benefit payment taken from the guaranteed cash values of the policy the remaining amount of non-guaranteed cash value could cause the policy to become non-exempt. In this situation, non-guaranteed cash value would be paid out to the owner in addition to the requested amount of guaranteed cash value in order to maintain the policy as tax-exempt.
- Qualifying to receive the living benefit payment does not guarantee the policy will remain in effect. The living benefit payment is different from the disability waiver of premium rider benefit. The living benefit payment is simply a cash payment from the cash value of the policy that under the current tax legislation would not be subject to income tax. If the policy does not have a disability waiver of premium rider benefit included on the life insured for whom the living benefit payment applies, or if the rider has expired, has been terminated or the life insured does not meet all the conditions to qualify for the waiver of premium rider, premiums will continue to be due for the policy and the owner will need to continue to make sufficient premium payments to keep the policy in effect.
- A living benefit payment may not be available if:
    - the policy has been assigned; or
    - there is an irrevocable beneficiary designation.

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

Qualifying for the living benefit payment

The life insured must be living at the time the owner applies for the living benefit payment. In order to receive the living benefit payment, the owner must provide at their own expense evidence in writing satisfactory to Equitable 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 living benefit payment will be payable if we determine that the life insured, who would have otherwise qualified for the living benefit payment, had that disability at the effective date or the last reinstatement date of the policy.

- That determination will be based on the conditions specifically identified in, or that can reasonably be inferred to have existed at that time from, the application, a related declaration of health, or other information required by Equitable.

Exclusions:

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

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

Survivor benefit – Joint first-to-die policies

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

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

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

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

Option to elect individual policies – Joint policies

- Joint first-to-die and joint last-to-die Equimax Estate Builder and Wealth Accumulator policies have an option to elect individual single life policies, without additional evidence of insurability, should there be a material change in the relationship of the lives insured, including but not limited to a divorce or a dissolution of a business partnership.
- The request to elect the individual policies must be submitted to Equitable no later than 90 days after the owner obtains evidence of the material change. Documentary evidence of the material change – e.g., a signed legal separation agreement, divorce order, or dissolution of business partnership – must be submitted within 60 days of our request.
- The option for individual policies is not available if either life insured under a joint last-to-die policy is assessed with a substandard rating, a flat extra rating, or a declined rating.
- The definition of a material change in the relationship will be determined by Equitable at the time we receive the request to elect individual policies.

- 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, subject to our administrative rules in guidelines in effect at the time.
- On a joint last-to-die policy, if any of the lives insured are over age nearest 70 when we receive the request for individual policies, the amount of coverage for the individual policies is subject to review and approval by Equitable.
- The original joint Equimax 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.
- The new permanent individual single life policies are issued at attained age and current rates for a similar class of risk. No evidence of insurability would be required.
- If a joint first-to-die policy is surrendered under this option, the total amount of coverage for each individual single life policy will be limited to the total amount of Equimax coverage in effect on the joint first-to-die policy at the time we receive the request to surrender it for individual single life policies. The new individual single life coverage must meet the policy minimums and maximums for the age, premium and coverage amounts required on the product selected.
- If a joint last-to-die policy is surrendered under this option, the amount of coverage for each individual single life policy may be limited to less than but not exceeding 50% of the amount of Equimax coverage in effect on the joint last-to-die policy at the time we receive the request to surrender it for individual single life policies. The new individual single life coverage must meet the policy minimums and maximums for age, premium and coverage amounts required on the product selected.
- If the amount of coverage in effect on a joint last-to-die policy is over $5 million, the individual policies are subject to review and approval by Equitable.
- The joint policy contract will terminate at the time the new single life policy coverages are issued.
- Any request to increase the amount of coverage will be subject to underwriting approval.
- If the joint policy has planned EDO payments, and the new single life policies are Equimax, EDO, if available, can be set up on the new single life pans without underwriting, subject to the maximums applicable for the single life coverage and the approved amount of EDO on the joint policy. The total amount of EDO for both single life Equimax policies cannot exceed the approved EDO payment amount on the joint policy at the time the request is received for individual policies.

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

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

- If the joint Equimax policy has a waiver of premium rider in effect on any of the lives insured at the time the policy is surrendered for individual policies, and premiums are not being waived, the life insured by the waiver can continue to have waiver on the new single life policy. Waiver of premium must be available on the new policy, and the life insured must be within the issue age limits for the waiver of premium rider on the new policy. Otherwise, the waiver of premium rider will terminate with the request to surrender the joint policy.
- If premiums for the joint Equimax policy are being waived under the waiver of premium rider provision and a request is made to surrender the policy for single life policies, premiums would not be waived for the new single life policies and premiums would become payable.
- If a critical illness rider is in effect on a life insured under the joint policy, it will not be terminated with the request to surrender the joint policy for individual single life policies, unless requested by the owner. The critical illness coverage will continue in effect on the applicable life insured as a separate stand-alone critical illness policy with the addition of a policy fee.
- If a request is made to add a term rider to the new individual single life policy, it will be issued at attained age and rates in effect at that time. Addition of the rider will be subject to the administrative rules and guidelines in effect at that time and submission of evidence of insurability that we require.
- Other riders and benefits may be available on the new single life policies, subject to our administrative rules and guidelines in effect at that time, and submission of evidence of insurability that we require.

Optional riders and benefits

- Equitable offers a variety of optional riders and benefits to help provide clients with comprehensive coverage they may need with the convenience of having it all under one policy.
- Clients can add a term rider to an Equimax policy to protect a temporary insurance need, like a mortgage, add a critical illness rider to provide benefits in the event of an accident or sickness, or add coverage that provides term insurance coverage on their children.
- Each rider or benefit has its own guaranteed premium rate, and premiums must be paid in addition to the premiums required for the Equimax coverage.
- On Equimax policies where the client chooses the 10 pay or 20 pay premium option, premiums for riders and benefits added to the policy can continue after the Equimax coverage has become paid-up.

Term life insurance rider (term rider)

The information below is intended to provide an overview of the term riders offered on Equimax Estate Builder and Equimax Wealth Accumulator policies. For details on specific features of the term riders please refer to the term information found on EquiNet.

- Term riders provide clients with cost-effective, temporary additional coverage with guaranteed premiums to enhance their permanent insurance coverage. They can be added to the life insured under any single life Equimax Estate Builder or Equimax Wealth Accumulator policy subject to satisfactory evidence of insurability and underwriting, and the administrative rules and guidelines in effect at the time.
- Available term riders:
    - Term 10 year renewable and convertible term (T10 YRCT) – has the lowest initial cost with 10 years of level premium. Renews on a yearly basis after the initial term. It expires at age 85.
    - Term 20 year renewable and convertible term (T20 YRCT) - has a longer initial premium with 20 years of level premium. Renews on a yearly basis after the initial term. It expires at age 85.
    - Term 30/65 (T30/65) – highest initial cost but lowest overall cost because of the longer level premium term. Premiums are level until rider expiry at the later of 30 years and age 65.
- A term rider issued at the same time as the Equimax Estate Builder or Equimax Wealth Accumulator coverage may allow for a higher Excelerator Deposit Option (EDO) payment, or in the case of the 10 pay premium option, allow for EDO to be added to the policy. Please refer to the Excelerator Deposit Option (EDO) section above for details.

Issue ages (age nearest)

- T10 YRCT: 18 – 75
- T20 YRCT: 18 – 65
- T30/65: 18-55

Availability and preferred underwriting

- Single life basis only on the life insured under a single life policy (adults only)
- At issue or added to an existing policy after issue
- Preferred underwriting is available. The minimum coverage amount for preferred rates depends on the issue age of the life insured by the term rider.

Benefit amounts

- $50,000 - $10,000,000.
- The sum of all term rider coverages that apply to the life insured by the policy cannot exceed $10,000,000.

If you have clients who require more than $10,000,000 of term coverage a special quote is required. Please contact your Equitable wholesaler.

Exchange option

- A T10 YRCT rider can be exchanged to a T20 YRCT rider or a T30/65 rider. A T20 YRCT rider can be exchanged to a T30/65 rider. Age and amount requirements must be met for the new rider T20 YRCT rider or T30/65 rider.
- The owner can apply for the exchange after the rider has been in effect for one year. The exchange option expires when the rider has been in effect for 5 years or at the coverage anniversary nearest the life insured's 65th birthday, whichever comes first.
- Once the rider has been exchanged, subsequent exchanges are not allowed. However, the exchanged rider is eligible for conversion.
- If the rider was added through a partial term conversion with carryover of the remaining term coverage as a term rider on the Equimax policy, the term rider is not eligible for exchange but is eligible for conversion.
- Exchange is not allowed if premiums are being waived under a disability waiver of premium provision and the exchange option cannot be extended if it expires while premiums are being waived.
- The G3 - Application for Change (Form 0374G3) is required to exercise the exchange option.

Conversion

- For T10 YRCT and T20 YRCT riders, at any time prior to the anniversary nearest the life insured's 71st birthday, and while the term rider is still in effect, the rider may be converted without evidence of insurability, to any permanent life insurance product issued by us at that time.
- For a T30/65 rider, at any time prior to the anniversary nearest the life insured's 60th birthday, and while the term 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.
- Partial conversions are permitted, subject to meeting the policy requirements for both the new policy taken through the conversion and what remains on the term coverage.
- Any requests to increase the amount of Equimax coverage at the time of conversion will be subject to underwriting and submission of satisfactory evidence of insurability.
- To request conversion of a term rider use Form 1616 – Application for Term Conversion.

Conversion and EDO

- If the term rider is to be converted to additional Equimax whole life coverage and include EDO payments, additional underwriting, and submission of evidence of insurability may be required for the EDO payment amount.

- However, additional underwriting and evidence of insurability is not required if the maximum net amount at risk (NAAR) provided by the Equimax coverage amount and the EDO payment amount does not exceed the amount of term rider coverage being converted.
- An illustration is required to be submitted along with the application for conversion, and the illustration will display the maximum NAAR that applies. It can be found on the Underwriting page of the illustration report.
- For clients who are interested in converting their term rider coverage to Equimax coverage and want to include EDO, a worksheet is available to determine if underwriting will be required. The worksheet and the illustration need to be submitted with the application for conversion.
- You can find the Form 1616 Worksheet on EquiNet under Forms along with the Form 1616 – Application for Term Conversion.

Separate term life insurance policy option

- At any time while in effect, a term rider can be exchanged for a separate term life insurance policy on the life insured by the rider, without evidence of insurability.
- The separate term life insurance policy provides the same benefits and is in the same form as the rider. It will have an amount of insurance not less than the minimum required by Equitable, but not more than the amount provided by the rider.
- A policy fee will be added to the premium due for the rider; the current policy fee is $50 annually or $4.34 monthly.

Disability waiver of premium (DWP)

- Premiums due for the policy, including any additional riders and benefits in effect, are waived if the life insured by the disability waiver of premium rider becomes disabled by sickness or accident for an extended period.
- On a joint policy if only one life has a disability waiver of premium rider, premiums for the policy would be waived only upon disability of that life. If the other life insured under the joint policy does not have a disability waiver of premium rider and becomes disabled, premiums would not be waived and would continue to be payable.
- Although premiums for additional riders and benefits are covered under the DWP, EDO payments are not covered. Planned EDO payments would stop as they are tied to premium billing. The owner can continue to make EDO payments at their discretion while a disability waiver of premium benefit is in effect, subject to the administration rules and guideline in effect. Please see additional information under Excelerator deposit option.

Coverage

- Available on single life, joint first-to-die and joint last-to-die Equimax policies.
- For a qualifying policy, the DWP rider can be added to a life insured under the base Equimax policy and/or to the payor/applicant of the policy. One policy can have a waiver on both a life insured and the payor/applicant.
- Waiver benefits can be added after issue for ages 18 – 55; subject to underwriting approval and our administrative rules in effect at that time.
- DWP is not available on a life insured in any of the following situations:
    - The total initial premium for the policy year of the Equimax policy is more than $50,000 (annual premium or 12X the monthly premium). The total initial premium for the policy year includes premiums for all riders and benefits, including the premium for the DWP rider.
    - There are other Equitable policies (life or critical illness) in effect with a DWP rider on the same life insured and the sum of the total initial premiums for the policy year for these policies plus the total initial premium for the policy year of the new Equimax policy results in an overall total initial premium for the policy year of more than $50,000. Again, the total initial premium for the policy year for each policy includes premiums for all riders and benefits, including the premium for the DWP rider.

- The maximum amount of DWP for a life insured by the waiver is limited to $50,000 across all policies with Equitable. Let's look at some examples of when DWP would be allowed and when it would not be allowed on the Equimax policy.

Situation	Is DWP allowed on the Equimax policy?
• Client applies for an Equimax policy and the total initial premium for the policy year is $30,000. • Client does not have any other policies with Equitable.	**Yes** In this situation the total initial premium for the policy year of $30,000 is below the $50,000 limit and the client does not have any other policies with us.
• Client applies for an Equimax policy and the total initial premium for the policy year is $52,000. • Client does not have any other policies with Equitable.	**No** In this situation the total initial premium for the policy year is more than the $50,000 limit, the DWP rider would NOT be available on the Equimax policy.
• Client applies for an Equimax policy and the total initial premium for the policy year is $30,000. • Client also has a Term policy with Equitable that includes a DWP rider in effect on the same insured person, and the Term policy has a total initial premium for the policy year of $15,000.	**Yes** In this situation the sum of the total initial premiums between the new Equimax policy and the Term policy the client already has with a DWP rider on the same insured person is $45,000 which is less than the $50,000 limit. The DWP rider would be available on the Equimax policy.
• Client applies for an Equimax policy and the total initial premium for the policy year is $30,000. • Client also has a Term policy with Equitable that includes a DWP rider in effect on the same insured person, and the Term policy has a total initial premium for the policy year of $15,000. • Client also has a critical illness policy with Equitable that includes a DWP rider in effect on the same insured person, and the critical illness policy has a total initial premium for the policy year of $7,000.	**No** In this situation although the $30,000 of total initial premium for the Equimax policy is less than $50,000, when combined with the two policies the client already has with a DWP rider in effect on the same insured person, the sum of the initial total premiums exceeds the $50,000 limit. The DWP rider would NOT be available on the Equimax policy. However, the DWP rider may be available on the Equimax policy if it is added to a different life.

Issue ages (age nearest)

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

Waiting period

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

Duration

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

Premiums

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

On children's policies

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

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

- This rider can be added to the applicant, or owner, of a child's policy.
- Premiums payable for the policy are waived if the applicant/owner insured by the rider becomes disabled by sickness or accident for an extended period or dies before the earlier of the insured child's attained age 21 and the applicant/owner's age 60.
- EDO payments are not covered by the applicant's death and disability waiver of premium rider. However, planned EDO payments can continue at the discretion of the policy owner. Please see additional information under the Excelerator deposit option Disability claim in effect section above.

Coverage

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

Waiting period

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

Issue Ages (age nearest)

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

Duration

- If a claim for disability is made prior to the earlier of age 60 of the applicant/owner insured by the rider and age 21 of the child insured under the Equimax policy and approved, we will waive the policy premiums due under the policy until age 21 of the child insured by the Equimax policy or until the applicant/owner insured by the rider is no longer disabled, whichever occurs first.
- If the applicant/owner dies prior to the insured child attaining age 21 and the applicant/owner's age 60, we will pay the premiums until the insured child attains age 21.

- At the insured child's age 21, applicant's death and disability waiver of premium will terminate, and a disability waiver of premium offer will be sent to the policy owner, which will allow the policy owner to add the disability waiver of premium rider to the life insured under the Equimax policy. This rider can be added without full underwriting; the life insured must answer a disability question and return the form to Equitable's head office to put the disability waiver of premium rider into effect. The rates applicable to the rider will be based on the attained age of the life insured and the rates in effect at that time. Functionality of this rider is as described above under disability waiver of premium.

Premiums

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

Additional accidental death benefit (AADB)

- In the event of death by accident where the death occurs within 90 days of the injury, this benefit can provide for the payment of an additional death benefit up to the original amount of insurance, subject to a maximum of $500,000; depending on the coverage amount elected at issue. The minimum amount available is $1,000.
- Available for issue age nearest 18 – 60; expires at age 65
- Not available on joint policies.
- Not available on policies with the 20 pay or 10 pay premium option.

Flexible guaranteed insurability option (FGIO)

- Available on children's policies (issue age nearest 0-17), guaranteeing the right to purchase, without evidence of insurability, additional insurance at specified dates in the future. These dates are based on the age of the insured child. The ages are selected by the owner at time of issue, and the option date will correspond to the policy anniversary nearest each selected age(s).
- If a new Equimax policy is purchased through the FGIO option, we will allow the paid-up additions dividend option to be elected without additional underwriting approval.
- If the new policy purchased through the FGIO option is an Equimax policy, adding the Excelerator deposit option (EDO), if offered, would be subject to underwriting approval and the administrative rules and guidelines in effect at the time. We will allow EDO to be added without additional underwriting approval provided the maximum net amount at risk provided by the Equimax coverage and the EDO payment does not exceed the amount of the FGIO option.

Availability

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

Premiums

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

Option dates

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

Issue ages (age nearest)

- 0 – 17

Minimums and maximums

- Minimum: each individual option has a minimum of $25,000
- Maximum: each individual option has a maximum of $250,000, however the total of all FGIO options for one individual life insured cannot exceed $500,000 across all policies insuring the same life insured For example, if Child A has a policy with FGIO options that total $500,000 and another policy is issued on Child A, the second policy on Child A would not be approved for any FGIO options.

Functionality with disability waiver of premium

- When the disability waiver of premium offer is made at age 21, the policy owner can also add disability waiver of premium to the new policy obtained under the FGIO option at age 21 in the same manner as described above under the **Disability waiver of premium** section, without full underwriting. However, this option will expire at the policy anniversary nearest age 21 of the insured child, therefore, if the special option at age 21 is extended to the next policy anniversary, the option to add disability waiver of premium to the new policy obtained under the FGIO option at age 21 is not available.
- If disability waiver of premium is added to the Equimax policy at age 21 and is in effect when any FGIO options are exercised, disability waiver of premium can be added to the new policies obtained under the FGIO option without underwriting, subject to the administrative rules and guidelines in effect at that time.
- If the Equimax policy does not have a disability waiver of premium in effect when any FGIO options are exercised, disability waiver of premium can be added to the new policies obtained under the FGIO options subject to full underwriting.
- If premiums for the base Equimax policy are being waived either under the applicant's death and disability waiver of premium or under the disability waiver of premium on the insured child when an FGIO option becomes due, the new coverage can be taken, however the premiums on the new coverage would not be waived and would become payable.

Children's protection rider (CPR)

- Provides term insurance coverage for all children of the life insured by the Equimax policy under one rider.
- Premiums are payable for 20 years and then the rider is paid up. The rider remains in effect on each insured child until it expires at each child's 25th birthday.
- Children born or legally adopted by the life insured after the policy is issued are automatically included after age 15 days or upon the date of adoption, whichever is later. The child must be legally adopted before their 18th birthday.
- 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 is not covered by the rider.
- Each insured child has the option to purchase their own policy between ages 21 and 25 for up to 5 times the amount of the CPR coverage, without evidence of insurability. The option to purchase their own policy expires at each child's 25th birthday. Once they exercise the option to purchase their own policy, coverage provided by the CPR benefit for that child ends.
    - If the new policy purchased is an Equimax policy, we will allow the paid-up additions dividend option to be elected without additional underwriting approval.
    - If the new policy purchased is an Equimax policy, adding the Excelerator deposit option, if offered, would be subject to underwriting approval and the administrative rules and guidelines in effect at the time. We will allow EDO to be added without additional underwriting approval provided the maximum net amount at risk provided by the Equimax coverage and the EDO payment does not exceed 5 times the amount of the CPR coverage.
- If the life insured by the Equimax policy dies before 20 annual premium payments have been paid for the CPR, the rider will become paid-up and remain in effect on the insured children until expiry.
- Requests to terminate the children's protection rider must be submitted in writing.

Issue ages (age nearest)

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

Minimums and maximums

- Minimum: $10,000
- Maximum: $30,000 (maximum payable across all policies for any child)*

*This means if one parent has $20,000 of CPR coverage on their policy and the other parent also has a policy with $20,000 of CPR coverage, the maximum amount of CPR benefit on any insured child will be $30,000.

EquiLiving critical illness insurance rider

The information below is intended to provide an overview of the EquiLiving critical illness riders offered on Equimax Estate Builder and Equimax Wealth Accumulator policies. For full details and information regarding the EquiLiving critical illness rider as well as the covered conditions, please refer to the EquiLiving critical illness resources available on EquiNet. Including the Advisor/Admin guide which can be found on the Resources tab and has detailed product information as well as administration rules and guidelines.

- Adding an EquiLiving critical illness insurance rider can provide clients with well-rounded protection; providing a lump sum payment if the insured person becomes ill with one of the 26 covered critical conditions (and/or 5 additional childhood conditions available on children's policies) and qualifies for payment of the EquiLiving benefit.
- The rider provides a level amount of coverage. Both permanent and temporary coverage options are available with a choice of premium options for added flexibility.
- The benefit is payable only for one covered critical condition.
- Any illness, disorder, surgery, or condition not specifically defined as a covered critical condition in the contract is not insured and no benefit will be payable.

Availability

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

Plan types / issue ages (age nearest)

- 10 year renewable to age 75:
  - Adults (age 18 – 65); children (30 days to 17 years)
  - Provides temporary coverage with a guaranteed premium that renews (increases) every 10 years and is payable until the rider automatically terminates at the policy anniversary nearest age 75 of the person insured by the rider.
- Level to age 75:
  - Adults (age 18 – 64); children (30 days to 17 years)
  - Provides temporary coverage with a guaranteed level premium payable until the rider automatically terminates at the policy anniversary nearest age 75 of the person insured by the rider.
- Level to age 100:
  - Adults (age 18 – 65); children (30 days to 17 years)
  - Provides permanent coverage with a guaranteed level premium that is payable until the rider becomes paid-up at the policy anniversary nearest age 100 of the person insured by the rider.
- 20 pay coverage to age 75
  - Adults (age 18 to 54); children (30 days to 17 years)

    - Provides temporary coverage with a guaranteed level premium that is payable for 20 years. The rider coverage will automatically terminate at the policy anniversary nearest age 75 of the person insured by the rider.
- 20 pay coverage for life
    - Adults (age 18-65); children (30 days to 17 years)
    - Provides permanent coverage with a guaranteed level premium that is payable for 20 years.

Minimums and maximums

- Minimum benefit amount: $10,000
- Maximum benefit amount: $2,000,000 for adults; $500,000 for children

Early detection benefit

- This automatically included feature provides a lump sum benefit if the person insured by the rider is diagnosed with and satisfies all the requirements for any of eight non-life-threatening covered conditions.
- The early detection benefit will be the lesser of 15% of the then current EquiLiving benefit amount and $50,000.
- This benefit can be paid multiple times while the rider is in effect, but only once for any one of the early detection benefit covered conditions.

Change privilege

- A change privilege is offered with certain EquiLiving rider plan types that will allow the rider to be changed to another rider plan type, subject to our administrative rules and guidelines in effect at the time of the change.
- Provided there is no increase in the benefit amount no additional evidence of insurability is required for the change.
- The change privilege cannot be exercised if premiums for the rider are being waived under the disability waiver of premium provision.
- Full and partial changes are permitted, subject to our eligibility and administrative requirements.
- The new rider plan type will cover the same conditions as covered by the original rider, and the rates that apply will be those in effect as of the date of the change at the age nearest of the person insured at the date of the change. For changes to a 20 pay rider plan type the 20 year payment period starts the date of the change.
- Requests to change the rider plan type must be in writing and received prior the person insured's birthday as noted below for the different rider plan types that offer the change privilege.
- 10 year renewable to age 75 riders
    - Can be changed to either a level to age 75, level to age 100, or 20 pay coverage for life rider at any time up to and including the policy anniversary nearest the 60th birthday of the person insured by the rider.
    - Can be changed to a 20 pay coverage to age 75 rider at any time up to and including the policy anniversary nearest the 54th birthday of the person insured by the rider.
- Level to age 75 riders
    - Can be changed to a 20 pay coverage for life rider any time up to and including the policy anniversary nearest the 60th birthday of the person insured by the rider.
    - Can be changed to a 20 pay coverage to age 75 rider any time up to an including the policy anniversary nearest the 54th birthday of the person insured by the rider.
- Level to age 100 riders
    - Can be changed to a 20 pay coverage for life rider any time up to and including the policy anniversary nearest the 60th birthday of the person insured by the rider.

Rider exchange

- If the joint first-to-die Equimax policy to which an EquiLiving critical illness insurance rider is attached terminates due to payment of the death benefit, and the surviving life insured has an EquiLiving critical

illness insurance rider in effect, the policy owner, or contingent policy owner, may request to exchange the EquiLiving critical illness insurance rider for a separate EquiLiving policy without evidence of insurability.
- The request must be made in writing and within 60 days of the death of the life insured on the joint first-to-die Equimax policy.

Paid-up Equimax policies

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

Tax handling

- Presently, there are no tax laws specifically pertaining to critical illness insurance in particular. Equitable interprets current tax rules as follows:
    - If premiums are paid by an individual, the benefit payout received is not taxable regardless of who owns the policy.
    - If the policy is owned by an individual and premiums are paid by an employer and deducted as a business expense, either:
        1. The premium paid will be considered a taxable benefit to the owner of the policy (if is added to the income of the owner of the policy), or
        2. The benefit payout received will be taxable to the owner of the policy.

This is general tax information only and should not be used as the basis for rider purchase decisions. Clients should seek advice from their lawyer or tax advisor on the taxation of the EquiLiving critical illness insurance rider. While every effort is made to keep this guide current, in all cases the policy contract and/or provisions of the Income Tax Act (Canada) in effect at the time will prevail.

Policy change requests

- Most change requests require the use of Form 374 – Application for Change. There are now two versions of this form, one is to apply for changes to G2 – Application for Change (Form 0374G2) policies and one is to apply for changes to G3 - Application for Change (Form 0374G3) policies.
- You will need to check the Tax Indicator field on the Coverage tab in EquiNet Policy Inquiry for the 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 the client's G2 policy. (See Who to Contact)
- All changes discussed below pertain to changes that can be requested on current Equimax Estate Builder and Equimax Wealth Accumulator policies which have a G3 tax status.

Requesting changes in plan type

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

Requesting changes in premium option

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

Requesting changes in dividend option

- A request for a change in the dividend option will require Form 558 – Request for Withdrawal of Dividends, Change in Option, or Premium Offset
- Currently, the owner can request to change their existing Equimax Estate Builder or Equimax Wealth Accumulator dividend option to any of the other dividend options offered with Equimax Estate Builder and Equimax Wealth Accumulator except for enhanced protection. Changing to the enhanced protection dividend option is not permitted after the policy is issued.
- Changing to another dividend option is subject to the rules and guidelines in effect at the time the request is received.
- If the client requests to change to the paid-up additions (PUA) dividend option, we require the G3 - Application for Change (Form 0374G3) to be completed and submitted. This form is not required for a request to change from enhanced protection to PUAs. For requests to change from any other dividend option to PUAs, we require underwriting and proof of good health because any dividends that will be paid will be used to buy more insurance.
- Currently we do not require underwriting if the client wants to change to receive their dividend payment in cash, use it towards the required premium payment, or leave it on deposit with Equitable. For these options, the dividend is not used to buy additional insurance.
- If enhanced protection was selected as the dividend option at the time the policy was issued, the owner can request a change to any of the other options available and underwriting would not be required.
- If the owner has selected the enhanced protection or PUA dividend option and has been making EDO payments, changing to another dividend option may affect the ability to continue to make EDO payments.
    - EDO payments buy PUAs so the policy must have a dividend option where the dividend is buying PUAs to support the EDO payment.
    - The option for EDO payments is not offered if the dividend is paid in cash, used to reduce the annual premium, or left on deposit with Equitable.
- Changing a dividend option from enhanced protection or PUAs to any other dividend option may affect the ability to remain on premium offset if elected by the policy owner.
- Changing the dividend option may have tax consequences to the policy owner. Please see the **Taxation** section of this guide for more information.

Requesting increases in coverage amount

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

Requesting decreases in coverage amount

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

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

Requesting to add riders

The following optional riders/benefits can be added after issue subject to our current administration rules and guidelines in effect at the time of the request. The policy must have a G3 tax status and the G3 - Application for Change (Form 0374G3) is required.:

- Term life insurance riders – can be requested on the life insured by the Equimax coverage on a single life policy
- Critical illness insurance riders – can be requested on the life (lives) insured by the Equimax coverage on a single life or a joint life policy
- Disability waiver of premium – can be requested on the life (lives) insured by the Equimax coverage on a single life or a joint life policy, or on the owner of the policy.
- Children's protection rider – can be requested on the life insured by the Equimax coverage on a single life or a joint life policy.

Requesting smoker status changes

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

Requesting removal of a substandard rating

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

Requesting the reduced paid-up insurance option

- Each Equimax Estate Builder and Equimax Wealth Accumulator policy comes with a contractual non-forfeiture feature that allows the client the option for reduced paid-up insurance.
- If available, the client can choose to take a reduced amount of coverage and pay no further premiums.
- The reduced paid-up insurance amounts available for the policy at each applicable policy anniversary are shown in the Table of Guaranteed Values of the policy contract.
- The policy must have a reduced paid-up value at the applicable policy anniversary for the client to elect the reduced paid-up option.

- Equitable will calculate the amount of reduced paid-up coverage based on the policy duration, the guaranteed reduced paid-up rates that apply, any additional death benefit amounts that may have accumulated within the policy from dividends already credited, and any outstanding policy loans.
- Any outstanding policy loans, including interest, on the Estate Builder or Wealth Accumulator policy must be repaid in full before the policy can be changed to reduced paid-up. The amount of reduced paid-up insurance will be reduced by any outstanding loan amount and any interest due.
- Any riders attached to the policy will terminate once it is changed to reduced paid-up insurance.
- Once elected, the option cannot be changed.
- The reduced paid-up policy is eligible to receive non-guaranteed dividends. The dividend option that applies will be determined by us at the time we receive the request to change the policy to reduced paid-up insurance and will be subject to the administrative rules and guidelines in effect at the time.
- Electing the reduced paid-up insurance option may have tax consequences and may result in the policy becoming non-exempt and subject to income tax.
- The option for reduced paid-up insurance may not be available depending on the basic Equimax insurance amount purchased.

Requesting a policy reinstatement

Within 2 years of lapsing

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

After 2 years of lapsing

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

Requestion policy termination

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

Premium offset

- If the client has selected dividends on deposit, paid-up additions (PUA), or enhanced protection as the dividend option for their policy there may come a point over the life of the policy where future dividends and the non-guaranteed cash value of the policy are sufficient to pay all required future premiums. This is called the premium offset point.
- Premium offset is not guaranteed since it is dependent on dividends which are not guaranteed.
- A policy does not automatically qualify for premium offset. The owner must make a request in writing to Equitable. The policy must meet the qualifications at the time of the request.

- Once a policy qualifies for premium offset, it is not guaranteed to continue to qualify. Dividend scale changes can affect whether a policy continues to qualify for premium offset.
- All policies on premium offset are tested following a dividend scale change to determine if they continue to qualify for premium offset. The owner is notified in the event the policy does not, or will not, continue to qualify for premium offset status and they will need to resume premium payments.
- With the PUA and enhanced protection dividend options, paid-up additional insurance (PUAs) are surrendered to pay the annual premiums under the premium offset feature. Surrendering PUAs may have tax consequences.
- Putting a policy with enhanced protection on premium offset will void the enhancement guarantee.

Availability

- A policy owner may elect to place an Equimax policy on premium offset, subject to the following conditions:
    - The dividend option is either PUA, enhanced protection or dividends on deposit; and
    - The policy has reached the premium offset point as determined by Equitable; and
    - There is no outstanding policy loan on the policy on the date the policy is approved for premium offset.
- The **premium offset point (cross-over point on illustration)** for an Equimax policy is determined by Equitable. The policy is tested at the time of the request to determine if current and future policy values (excluding any guaranteed cash values) are adequate to pay all subsequent annual policy premiums while maintaining any enhanced protection coverage on the policy. Future policy values are calculated assuming continuation of the current dividend scale.
- No partial election of premium offset is available. Election is made for the entire annual policy premium due.
- Dividend rates are not guaranteed and therefore,
    - the date on which the policy will reach the premium offset point is not guaranteed and may not occur when originally illustrated, and
    - reaching the premium offset point does not guarantee that a policy can remain on premium offset for its lifetime. Decreases in the dividend scale may mean that a policy that has qualified for premium offset will not be able to continue on premium offset and the owner may need to resume premium payments at some point in the future. Equitable will notify policy owners if this situation occurs and inform them when they will need to resume premium payments.

Requesting premium offset

- The policy owner may request that an Equimax policy be placed on premium offset at any policy anniversary. At the time of the request Equitable will determine whether the policy can qualify for premium offset.
- In order to place a policy on premium offset, the following must be received at Equitable's head office no later than 90 days before the policy anniversary on which premium offset is to begin:
    - the Request for Premium Offset form #558
    - an inforce illustration showing that the policy has reached its premium offset point, and
    - a payment sufficient to:
        - pay off any outstanding policy loan, and/or
        - change the premium frequency of the policy to annual if the premium frequency of the policy is non-annual.
- Premium offset will take effect on the policy anniversary that coincides with or immediately follows the date the premium offset request is approved.

How premium offset operates

- On each policy anniversary that an Equimax policy is on premium offset, a premium offset sufficiency test will be performed to ensure that there is adequate policy value to pay the annual policy premiums due on that anniversary.

- A policy will pass the premium offset sufficiency test if the sum of the PUA and EDO cash values is greater than or equal to:
    - the annual premiums due on that policy anniversary, plus
    - the sum of the OYT costs in effect on the policy calculated using an OYT amount equal to the enhanced protection amount.
- If the test is passed, the annual premiums will be paid using policy values. See the *Paying the Annual Premiums when on Premium Offset* section for further details.
- If the test is failed, the policy will no longer qualify for premium offset, and the policy owner will be required to pay the annual premiums. This will be communicated to the policy owner on a revised policy statement. The statement is manually produced after the policy anniversary when the sufficiency test is done and included on a report and reviewed by a designated person in the Policy Administration department.
    - As the modal premiums will not have been paid on its due date, the policy will enter the grace period.

Premium offset policy – illustrations

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

Paying the annual premiums when on premium offset

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

Resuming out-of-pocket premiums

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

Resuming EDO payments

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

Premium offset and other policy features

Excelerator deposit option (EDO)

- EDO payments are not allowed while the policy is on premium offset.

Policy loans

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

Disability waiver of premium

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

Cash withdrawals

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

Addition of riders

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

Commissions while the policy is on premium offset

- Commissions are paid on premiums paid for the policy while it is on premium offset. Commission amounts paid will be based on the commission rates that applied at the time the policy was issued.