

## ADVISOR EDUCATIONAL SERIES

### EQUIMAX® PARTICIPATING WHOLE LIFE EXCELERATOR DEPOSIT OPTION

Designed in a Q&A format, this piece can help you understand the Excelerator Deposit Option (EDO) offered with Equimax Estate Builder® and Equimax Wealth Accumulator® participating whole life products. It explains how EDO works and provides some information on current administration rules.

The information contained in this document applies to sales of Equimax Estate Builder and Equimax Wealth Accumulator policies issued under the new tax-exempt legislation (G3 tax status). If your client has a whole life policy with the option for EDO issued under the old tax-exempt legislation (G2 tax status) please contact Advisor Services for information on administration rules that will apply to their policy.

For more information on functionality and administration of the currently sold Equimax Estate Builder and Wealth Accumulator products, please refer to the [Equimax Admin Guide](#). This guide is available electronically from EquiNet®, Equitable Life's advisor site on the Equimax product page at <https://advisor.equitable.ca/advisorhome/insurance/products/equimax.asp>

In this document "client" refers to the policy owner or intended policy owner.

If you have questions about this information or any of Equitable Life's individual life products, please contact your local [Regional Sales Manager](#).

#### EXCELERATOR DEPOSIT OPTION – FUNDAMENTAL FACT

Under the provisions of the Income Tax Act (Canada), Equitable Life reserves the right to maintain your client's Equimax policy as a tax-exempt policy. This means a maximum limit will apply on the amount of Excelerator Deposit Option payment they can make to their Equimax policy each year.

Equitable Life® will not allow scheduled or single Excelerator Deposit Option payments to exceed this maximum in any policy year and will not accept an Excelerator Deposit Option payment that would cause the policy to become non-exempt.

The Income Tax Act is subject to change and any changes may affect the taxation of both new and existing life insurance policies.

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<b>Q</b>	<b>#1: What is the Excelerator Deposit Option?</b>
<b>A</b>	<p>The Excelerator Deposit Option (EDO) gives your client the option to make additional payments, subject to specified limits and our current administrative rules and guidelines, above the required guaranteed policy premium. EDO payments can help grow the long-term values in your client's policy.</p> <p>The EDO payment is a separate payment from the premium payment required for the insurance coverage. EDO is also an optional payment. Unlike the premium payment, EDO payments are not required to keep the policy in effect. EDO payments are at the discretion of your client and can be made if they have extra funds available.</p> <p>The amount of insurance coverage your client purchases should be based on what they need and what they can afford, however if they have discretionary money now or in the future, they can use EDO to put extra money into the policy.</p> <p>The ability to make an EDO payment is subject to administrative rules, tax-exempt status and applicable tax legislation and underwriting approval.</p> <p>EDO is available on Equimax Estate Builder or Equimax Wealth Accumulator plans for all ages for the Life Pay and 20 Pay premium options, with the paid-up additions or enhanced protection dividend option.</p>
<b>Q</b>	<b>#2: What happens when my client makes an EDO payment to a policy?</b>
<b>A</b>	<p>If your client is approved for EDO payments, the EDO payment is used to purchase participating paid-up additional insurance (PUAs). This insurance is in addition to the PUAs purchased by policy dividends<sup>1</sup>. Since the PUAs are participating, both the Equimax base coverage and the PUAs are eligible to participate in the earnings of the participating account through dividend payments<sup>1</sup>, which further accelerates the growth within the policy. PUAs also have cash value that grows on a tax-advantaged basis within the policy. Depending on the dividend option selected by your client, the PUAs can also immediately increase the total death benefit.</p> <p>Your client can choose to make either:</p> <ol style="list-style-type: none"> <li>1. Scheduled Payments <ul style="list-style-type: none"> <li>• Scheduled EDO payments can be annual or monthly based on the policy premium mode and subject to maintaining the tax-exempt status.</li> <li>• When applied for when the policy is issued, scheduled EDO payments are included in the annual premium billing notice or as part of the monthly pre-authorized debit (PAD) for the policy and will have the same effective date as the Equimax policy.</li> <li>• Equitable Life will process any scheduled annual payments on the policy anniversary. To be processed as an annual payment the EDO payment must be received within one month following the policy anniversary. Otherwise, the payment will be processed as a monthly payment at the time it is received.</li> </ul> </li> </ol>

	<ul style="list-style-type: none"> <li>Scheduled monthly payments are processed when they are received.</li> </ul> <p>2. Single Payment</p> <ul style="list-style-type: none"> <li>Your client can request to make a single ad hoc EDO payment at any time.</li> <li>Single payments are subject to administrative rules, tax-exempt status, and underwriting approval at the time of the request and processed when received.</li> <li>Equitable Life will process any EDO payment received within one month following the policy anniversary as an annual payment; otherwise, the payment will be processed as a monthly payment. All payments are subject to maintaining the tax-exempt status.</li> </ul> <p>A premium load of 8% applies to each EDO payment. A modal factor of 0.09 will apply to all EDO payments received after the first month following the policy anniversary and will apply regardless of the amount of the EDO payment, even if it is the full EDO amount for the year. This 0.09 modal factor is not reflected in the EDO payment amount and does not increase the maximum EDO payment when switching from annual 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.</p> <p>The rates used to buy PUAs with EDO payments are the same rates as those used to buy PUAs with dividends. An interpolated rate applies for PUA purchases made with EDO payments received other than at the policy anniversary.</p>
<b>Q</b>	<b>#3: Are there any restrictions on the availability of the EDO?</b>
<b>A</b>	<p>EDO is only available for Equimax policies with the paid-up additions or enhanced protection dividend option.</p> <p>The premium option must be Life Pay or 20 Pay. EDO is not available with the 10 Pay premium option. However, a term rider added to a 10 Pay policy may allow for EDO payments (see Question # 23 below).</p> <p>EDO is not available if your client's policy receives a flat extra rating.</p> <p>However, EDO may still be available for clients who are a substandard risk:</p> <ul style="list-style-type: none"> <li>Multiple ratings on single life adult and joint plans of 300% or less.</li> <li>Joint last-to-die with a declined life, provided the other life is rated 300% or less.</li> </ul>
<b>Q</b>	<b>#4: Are there any limits to the amount of the EDO payment?</b>
<b>A</b>	<p>Yes, there are both minimum and maximum limits with respect to the payment amount.</p> <p>The following minimum payment amounts apply:</p> <ul style="list-style-type: none"> <li>Scheduled payments - \$100 annual pay or \$10 monthly pay</li> <li>Single payment - \$100</li> </ul>

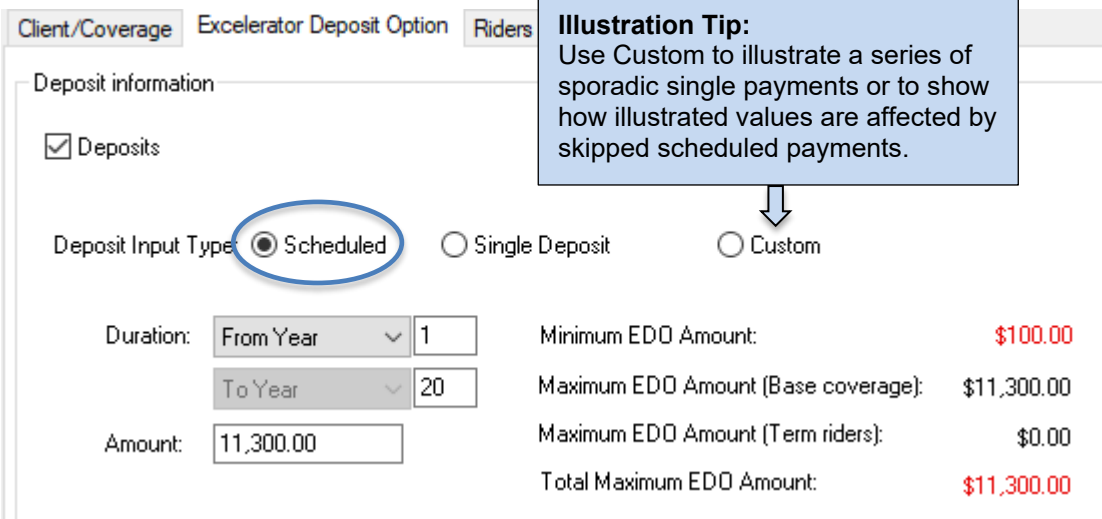
There is a maximum EDO payment allowed each year. This limit is set to ensure the policy remains exempt from accrual taxation over its lifetime assuming the dividend scale in effect at that time remains unchanged for the life of the policy. It is determined at the time the policy is issued and is based on the issue age, sex and risk class of the life insured, as well as the basic amount of coverage in effect, the plan type and the premium option chosen. If the Owner Signature Date of the policy is June 26, 2021 or after, a term rider applied for and issued at the same time as the Equimax whole life coverage may allow for an increase to the EDO maximum payment limit, or allow EDO to be added to the policy, subject to our approval and the administrative rules and guidelines in effect. Please refer to questions #23 through #33 for details.

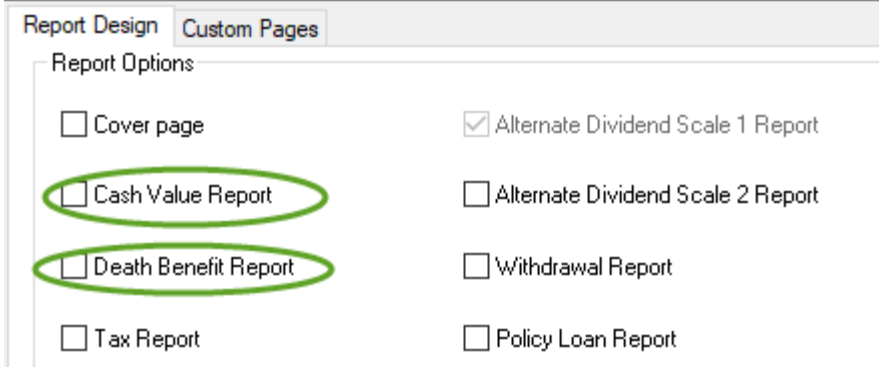
The Owner Signature Date is determined as the date the Owner signed the application for the policy, or, if there is more than one Owner, the latest of the dates that the Owners signed the application for the policy.

Equitable Life will not accept an EDO payment that causes the policy to lose its tax-exempt status and reserves the right to limit subsequent EDO payments we will accept. If a policy loses its tax-exempt status, it becomes subject to accrual taxation for the remainder of the life of the policy.

The illustration system will calculate the maximum EDO amount based on the illustration assumptions you have entered for your client. No exceptions will be made to allow EDO payments more than this maximum.

Changes made to the policy after issue may result in changes to the maximum EDO payment allowed. The maximum EDO payment may also be affected by changes made to the dividend scale and/or the applicable policyholder tax exempt legislation (*Income Tax Act Canada*).

<b>Q</b>	<b>#5: Am I able to show my client an illustration with a scheduled EDO payment?</b>
<b>A</b>	<p>Yes, you can show a scheduled EDO payment by choosing Scheduled as the Deposit Input Type on the Excelerator Deposit Option tab.</p>  <p>The illustration system will calculate the maximum EDO amount based on the illustration assumptions you have entered for your client.</p>
<b>Q</b>	<b>#6: Is my client required to pay the scheduled EDO payment each year/month?</b>
<b>A</b>	<p>No, all EDO payments are optional and not required to keep your client's policy in effect.</p> <p>However, if your client is approved for scheduled annual or monthly EDO payments and payments are stopped and not restarted within the time permitted under the contract, EDO will be stopped.</p> <p>How long your client is permitted to stop and then restart their schedule EDO payments without additional evidence of insurability and underwriting approval depends on when the policy was issued and applied for. Please refer to Question #19 for details.</p> <p>If EDO stops because of missed payments, your client can request to reinstate the scheduled payment by completing <a href="#">Form 374G3 – G3 Application for Change</a> and submitting the required evidence of insurability.</p> <p>If your client applies to have a scheduled EDO payment reinstated, the effective date of the EDO payment will be the date Equitable Life receives the first payment after approval of the application.</p>

<b>Q</b>	<b>#7: If my client has the paid-up additions dividend option, what happens to the death benefit and cash value of the policy if they make an EDO payment?</b>
<b>A</b>	The payment buys paid-up additional insurance (PUAs) which will increase both the cash value and the permanent insurance coverage. The total death benefit and total cash value will increase right away.
<b>Q</b>	<b>#8: If my client has the enhanced protection dividend option, what happens to the death benefit and cash value of the policy if they make an EDO payment?</b>
<b>A</b>	<p>The payment buys paid-up additional insurance (PUAs), which will increase both the cash value and the permanent insurance coverage. The total cash value will increase right away, however the total death benefit at the policy anniversary will not initially increase, as the PUAs are first used to replace the one-year term insurance. With EDO also buying PUAs, the one-year term insurance is replaced more quickly than by dividends<sup>1</sup> alone. This means the dividend conversion point (the point where all the one-year term insurance has been replaced with PUAs) will occur sooner. Once PUAs replace all the one-year term insurance, the total death benefit will start to increase.</p> <p>If the policy has scheduled monthly EDO payments, PUAs are purchased each month, but there is no monthly adjustment to the one-year term insurance. It will be adjusted at the policy anniversary when any potential dividends<sup>1</sup> are also allotted. Therefore, since the total death benefit will include the PUAs purchased by the monthly EDO payments it will be higher throughout the policy year until all the PUAs are applied and the one-year term insurance is re-adjusted.</p>
<b>Q</b>	<b>#9: How can I show my client an illustration of the values generated by PUAs?</b>
<b>A</b>	<p>When you run an Equimax illustration there are two optional reports you can choose from the Report Design tab shown below: Cash Value Report and Death Benefit Report.</p>  <p>By selecting these reports, you will be able to show the client cash value generated by PUAs and the death benefit of the PUAs. These illustrated values include all the PUAs purchased with both EDO as well as dividends<sup>1</sup>. The values are as of the end of each policy year.</p>



	<p><b>ILLUSTRATION TIP:</b></p> <p>If you are running an illustration with the enhanced protection dividend option, the optional Death Benefit Report will also show you the amount of one-year term insurance purchased at each policy anniversary for the enhanced portion of the total coverage. Run the illustration with and without EDO payments to see how EDO can accelerate the replacement of one-year term insurance.</p>
<b>Q</b>	<b>#10: How does my client apply for EDO?</b>
<b>A</b>	<p>Your client can apply for EDO at the same time they apply for the Equimax policy, simply indicate this on the application for life insurance. The illustration that your client signs and submits with the application will need to include EDO and the scheduled EDO amount.</p> <p>Provided your client has an Equimax policy issued under the 2017 tax rules (G3), they can also apply to add EDO on an existing policy, subject to submission of additional evidence of insurability we require at that time and underwriting approval. Use Form 374G3 – G3 Application for Change. The policy must meet the required criteria to support the addition of EDO (i.e. supported dividend option).</p>
<b>Q</b>	<b>#11: Does my client need to submit additional medical requirements when they apply for Equimax coverage if they also apply for EDO?</b>
<b>A</b>	<p>If your client applies for EDO at the same time they apply for Equimax coverage it will not increase the medical requirements beyond those required for the insurance coverage.</p> <p><b>EXCEPTION:</b></p> <p>The Equimax coverage is applied for under the conversion privilege provided by a Term plan or Term rider. EDO payments purchase additional paid-up insurance and increase the death benefit, so if the new Equimax coverage applied for under a Term conversion includes EDO, additional underwriting and submission of evidence may be required for the EDO amount.</p> <p>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 coverage being converted.</p> <p>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.</p> <p>If you have clients who are interested in converting their term coverage to Equimax coverage and want to include EDO we have created a worksheet to determine if underwriting will be required. The worksheet and the illustration need to be submitted with the application for conversion.</p> <p>You can find the Application for Term Conversion (Form 1616) as well as the worksheet (Form 1616Worksheet) on EquiNet under <a href="#">Forms</a>.</p>

<b>Q</b>	<b>#12: If approved for EDO how long does my client have to submit the initial EDO payment?</b>
<b>A</b>	<p>How long your client can delay making their first EDO payment without providing additional evidence of insurability depends on the Owner Signature Date and the issue date of their policy.</p> <p>The Owner Signature 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.</p> <p>If the Owner Signature Date is before June 26, 2021 and the issue date of the Equimax policy is:</p> <ul style="list-style-type: none"> <li>• <b>Prior to March 23, 2020:</b> <ul style="list-style-type: none"> <li>○ Your client will have up to 24 months from the date the application for EDO is signed, to submit the initial payment without providing additional evidence of insurability.</li> </ul> </li> <li>• <b>March 23, 2020 or later:</b> <ul style="list-style-type: none"> <li>○ Your client will have up to 60 months from the date the application for EDO is signed to submit the initial payment without providing additional evidence of insurability.</li> <li>○ However, if the EDO payment amount your client has been approved for is more than \$150,000 annually (\$12,500 monthly), we will accept the full amount underwritten and approved provided it is within 12 months of the date the application for EDO is signed; otherwise, a contribution cap will apply.</li> </ul> </li> </ul> <p>If the Owner Signature Date is June 26, 2021 or after:</p> <ul style="list-style-type: none"> <li>○ Your client will have up to 60 months from the date the application for EDO is signed to submit the initial payment without providing additional evidence of insurability.</li> <li>○ However, if the EDO payment amount your client has been approved for is more than \$150,000 annually (\$12,500 monthly), we will accept the full amount underwritten and approved provided it is within 12 months of the date the application for EDO is signed; otherwise, a contribution cap will apply.</li> </ul> <p>It is important to understand how long your client has to submit the initial payment without providing additional evidence of insurability, either 24 months or 60 months, is measured from the date the application for EDO was signed, not the issue date of the policy.</p>
<b>Q</b>	<b>#13: Are there any restrictions on EDO payments if my client is approved for EDO and delays submitting the initial EDO payment?</b>
<b>A</b>	<p>That depends on the Owner Signature Date and the issue date of the Equimax policy, the amount of the approved EDO payment, and when the initial EDO payment is made.</p> <p>The Owner Signature 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.</p> <p>If the Owner Signature Date is before June 26, 2021 and the issue date of the Equimax policy is:</p> <ul style="list-style-type: none"> <li>• <b>Prior to March 23, 2020:</b> <ul style="list-style-type: none"> <li>○ the initial EDO amount can be paid any time within 24 months of the date the application for EDO is signed and no additional evidence of insurability would be required.</li> <li>○ Once schedule payments begin a maximum payment check also applies. It checks the maximum payment received in the 3 prior policy years against the amount that was approved; if you client has been paying less than the amount they were approved for, it</li> </ul> </li> </ul>

can limit the maximum payment we will accept for future payments without additional evidence and underwriting approval.

- **March 23, 2020 or later:**

- The initial EDO amount can be paid any time within 60 months of the date the application for EDO is signed and no additional evidence of insurability would be required.
- If the approved EDO amount is more than \$150,000 annually (\$12,500 monthly) a contribution cap may apply depending on when the initial payment is received.
  - If the initial payment is received within 12 months of the date the application for EDO is signed the contribution cap would not apply and we would accept the full amount underwritten and approved.
  - If the initial payment is annual and is received more than 12 months after the date the application for EDO was signed and before 60 months, a contribution cap will apply and the maximum EDO payment that your client will be able to make will be the lesser of:
    - [the previous policy year's EDO payment + \$150,000]; and
    - [the annual amount of EDO payment underwritten and approved at the time of application]
- Starting in the 6<sup>th</sup> policy year a maximum payment check applies. This check looks at the EDO payments received in the previous 5 policy years compared to what was underwritten and approved.
- Delaying the initial EDO payment, paying less than the EDO amount underwritten and approved, and taking an EDO payment break can affect the maximum we will accept for future payments without additional evidence of insurability and underwriting approval.

If the Owner Signature Date is June 26, 2021 or after:

- The initial EDO amount can be paid any time within 60 months of the date the application for EDO is signed and no additional evidence of insurability would be required.
- If the approved EDO amount is more than \$150,000 annually (\$12,500 monthly) a contribution cap may apply depending on when the initial payment is received.
  - If the initial payment is received within 12 months of the date the application for EDO is signed the contribution cap would not apply and we would accept the full amount underwritten and approved.
  - If the initial payment is annual and is received more than 12 months after the date the application for EDO was signed and before 60 months, a contribution cap will apply and the maximum EDO payment that your client will be able to make will be the lesser of:
    - [the previous policy year's EDO payment + \$150,000]; and
    - [the annual amount of EDO payment underwritten and approved at the time of application]
- Starting in the 6<sup>th</sup> policy year a maximum payment check applies. This check looks at the EDO payments received in the previous 5 policy years compared to what was underwritten and approved.
- Delaying the initial EDO payment, paying less than the EDO amount underwritten and approved, and taking an EDO payment break can affect the maximum we will accept for future payments without additional evidence of insurability and underwriting approval.

The contribution cap also applies to monthly EDO payments greater than \$12,500. Please refer to the Equimax Admin Guide for details on how the contribution cap applies in situations where the EDO payment is monthly.

**Q #14 How does the contribution cap work?**

**A** For policies issued March 23, 2020 or later with an Owner Signature Date before June 26, 2021, and for policies issued with an Owner Signature Date of June 26, 2021 or after where the approved EDO amount is more than \$150,000 annually (\$12,500 monthly), if your client does not submit the initial EDO payment within 12 months of the date the application for EDO is signed, a contribution cap may apply on the payment amount.

The following examples explain how this contribution cap works and how delaying the initial payment can affect the amount of EDO your client may be able to pay.

- Example #1: Initial EDO payment made within 12 months Assume when your client applied for their Equimax policy they also applied and were approved for an annual EDO payment of \$400,000.
- If the initial payment is made within 12 months of the date the application is signed, we would accept the \$400,000 payment and the client could continue to make that annual \$400,000 payment each year following.

Example #2: Initial EDO payment delay until the 4<sup>th</sup> policy anniversary

- Same situation. client applied for their Equimax policy they also applied and were approved for an annual EDO payment of \$400,000.
- However, in this example, your client decides to delay the initial EDO payment until the 4<sup>th</sup> policy anniversary; still within 60 months of the date the application for EDO was signed, but well after 12 months.

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

- When your client makes the initial payment at the beginning of the 4<sup>th</sup> policy year, the maximum amount we will accept will be \$150,000. This is because of the contribution cap that applies if the annual EDO payment is more than \$150,000.
- At the beginning of year 5, the payment can be increased to \$300,000; again the payment is limited by the contribution cap.

	<ul style="list-style-type: none"> <li>In year 6 the maximum payment check begins, and because the client delayed making the initial payment, the maximum payment that has been received in the previous 5 years was the \$300,000 paid in year 5. This is now the maximum EDO payment we would accept on this policy without additional evidence of insurability and underwriting approval.</li> </ul> <p>IMPORTANT NOTE: The \$400,000 payment allowed in year 1 applies only for the first 12 months from the date the application for EDO was signed; not from when the policy settles. Depending on when the policy settles the EDO payment may be subject to the contribution cap even if it is made within the first policy year.</p>
<b>Q</b>	<b>#15 Are there other situations where the contribution cap could apply?</b>
<b>A</b>	Yes, if your client decides to pay less than the amount of EDO they were underwritten and approved for at the time of application for EDO, or skips/misses a scheduled EDO payment.
<b>Q</b>	<b>#16: If my client does not apply for scheduled EDO payments when they apply for the Equimax policy, can they apply later?</b>
<b>A</b>	<p>Yes, your client can apply for both scheduled EDO payments and single EDO payments after the issue of their Equimax policy by completing <a href="#">Form 374G3 – G3 Application for Change</a>.</p> <p>Additional evidence of insurability and underwriting approval will be required. If approved, the EDO contract provisions that apply will be based on the Owner Signature Date and the effective date of the insurance policy, not the date the EDO was added.</p> <p>Approval is subject to Equitable Life's administrative rules and underwriting criteria in effect at the time Equitable Life receives the Application for Change. The EDO payment will be limited to the maximum EDO payment amount permitted for the policy. That amount is based on the amount that would apply at the effective date of the policy as well as the tax-exempt status of the policy and the applicable tax legislation in effect at the time the addition is requested.</p> <p>The effective date of the scheduled EDO payments will be the date the first EDO payment is received following approval of the application.</p>
<b>Q</b>	<b>#17: Can my client increase the scheduled EDO payment in the future?</b>
<b>A</b>	Yes, if your client is paying less than the maximum EDO amount permitted for their policy, they can increase the scheduled EDO payment amount in the future provided it does not cause the policy to lose its tax-exempt status. Approval is subject to Equitable Life's administrative rules, underwriting criteria and the tax legislation in effect at the time we receive the request to increase the amount.

<b>Q</b>	<b>#18: Can my client decrease the scheduled EDO payment in the future?</b>
<b>A</b>	<p>Yes, your client can decrease the scheduled EDO payment at any time. The new payment amount must meet the minimum payment requirement.</p> <p>Decreasing the amount of the payment may affect future EDO payment amounts your client can make without having to submit additional evidence of insurability.</p> <p>If the policy was issued prior to March 23, 2020, future EDO payments will be limited to the highest EDO payment received in the previous 3 years.</p> <div style="background-color: #f0f0f0; padding: 10px; margin: 10px 0;"> <p><b>EXAMPLE:</b></p> <p>Assume Equitable Life approves your client for a scheduled EDO payment amount of \$2,500 per year at the time the policy is issued.</p> <ul style="list-style-type: none"> <li>• An EDO payment of \$2,500 is paid by your client in year 1</li> <li>• In years 2, 3, and 4, your client decreases the EDO payment to \$1,000 in each year.</li> <li>• The maximum EDO payment amount your client can now make in year 5 would be \$1,000.</li> </ul> <p>\$1,000 is the highest EDO payment received in the previous 3 years. If your client wants to return to an EDO payment of \$2,500 per year, additional evidence of insurability would be required, even though your client was originally approved for \$2,500 at the time of issue of the policy.</p> </div> <p>For policies issued March 23, 2020 or later with an Owner Signature Date before June 26, 2021, and for policies issued with an Owner Signature Date of June 26, 2021 or after, the maximum payment check will start in the 6<sup>th</sup> policy year and will limit the EDO payment to the highest amount paid in the previous 5 years.</p> <div style="background-color: #f0f0f0; padding: 10px; margin: 10px 0;"> <p><b>EXAMPLE:</b></p> <p>Assume Equitable Life approves your client for a scheduled EDO payment amount of \$2,500 per year at the time the policy is issued.</p> <ul style="list-style-type: none"> <li>• An EDO payment of \$2,500 is paid by your client in year 1</li> <li>• In years 2, 3, 4, 5 and 6, your client decreases the EDO payment to \$1,000 in each year.</li> <li>• The maximum EDO payment amount your client can now make in year 7 would be \$1,000.</li> </ul> <p>\$1,000 is the highest EDO payment received in the previous 5 years. If your client wants to return to an EDO payment of \$2,500 per year, additional evidence of insurability would be required, even though your client was originally approved for \$2,500 at the time of issue of the policy.</p> </div>

<b>Q</b>	<b>#19: If my client has a scheduled EDO payment, can they stop it?</b>
<b>A</b>	<p>Yes, your client can stop scheduled EDO payments at any time. However, if your client wants to resume payments, additional evidence of insurability may be required. Your client must complete <a href="#">Form 374G3 – G3 Application for Change</a> to reinstate (restart) scheduled payments.</p> <p>When your client can stop and restart without additional evidence of insurability will depend on when their policy was issued and the Owner Signature Date of the policy. The Owner Signature date is the date on which the owner signed the application for the policy. If there is more than one owner, the Owner Signature Date is the latest date on which the owners signed the application for the policy.</p> <p>If the Owner Signature Date is before June 26, 2021 and the issue date of the Equimax policy is:</p> <ul style="list-style-type: none"> <li>• <b>Prior to March 23, 2020:</b> <ul style="list-style-type: none"> <li>○ If Equitable Life receives the application to restart scheduled EDO payments <u>within</u> 24 months of the date that the last EDO payment was due, no additional evidence of insurability is required.</li> <li>○ If Equitable Life receives the application to restart scheduled EDO payments <u>after</u> 24 months of the date the last EDO payment was due, evidence of insurability will be required.</li> <li>○ If payments are restarted within 24 months, the maximum EDO payment amount permitted once payments resume will be limited to the lesser of: <ul style="list-style-type: none"> <li>• [the amount initially underwritten and approved] and</li> <li>• [the maximum payment received in the previous 3 years],</li> </ul> and is subject to maintaining the tax-exempt status of the policy, our administrative rules, and the applicable tax legislation. </li> </ul> </li> <li>• <b>March 23, 2020 or later:</b> <ul style="list-style-type: none"> <li>○ If Equitable Life receives the application to restart scheduled EDO payments <u>within</u> 60 months of the date that the last EDO payment was due, no additional evidence of insurability is required.</li> <li>○ If Equitable Life receives the application to restart scheduled EDO payments <u>after</u> 60 months of the date the last EDO payment was due, evidence of insurability will be required.</li> <li>○ If the contribution cap does not apply and payments are restarted within 60 months, the maximum EDO payment amount permitted once payments resume will be limited to the lesser of: <ul style="list-style-type: none"> <li>• [the amount initially underwritten and approved]; and</li> <li>• [the maximum payment received in the previous 5 years],</li> </ul> and is subject to maintaining the tax-exempt status of the policy, our administrative rules, and the applicable tax legislation. </li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>○ In situations where the contribution cap applies, and payments are restarted within 60 months, the maximum EDO payment permitted once payments resume will be limited to the least of: <ul style="list-style-type: none"> <li>• [the previous policy year's EDO payment + \$150,000]; and</li> <li>• [the amount initially underwritten and approved]; and</li> <li>• [the maximum payment received in the previous 5 years],</li> </ul> and is subject to maintaining the tax-exempt status of the policy, our administrative rules, and the applicable tax legislation. </li> </ul> <p>If the Owner Signature Date is June 26, 2021 or after:</p> <ul style="list-style-type: none"> <li>○ If Equitable Life receives the application to restart scheduled EDO payments <u>within</u> 60 months of the date that the last EDO payment was received, no additional evidence of insurability is required.</li> <li>○ If Equitable Life receives the application to restart scheduled EDO payments <u>more than</u> 60 months after the date the last EDO payment was received, evidence of insurability will be required.</li> <li>○ If the contribution cap does not apply and payments are restarted within 60 months, the maximum EDO payment amount permitted once payments resume will be limited to the lesser of: <ul style="list-style-type: none"> <li>• [the amount initially underwritten and approved]; and</li> <li>• [the maximum payment received in the previous 5 years]</li> </ul> and is subject to maintaining the tax-exempt status of the policy, our administrative rules, and the applicable tax legislation. </li> <li>○ In situations where the contribution cap applies, and payments are restarted within 60 months, the maximum EDO payment permitted once payments resume will be limited to the least of: <ul style="list-style-type: none"> <li>• [the previous policy year's EDO payment + \$150,000]; and</li> <li>• [the amount initially underwritten and approved]; and</li> <li>• [the maximum payment received in the previous 5 years],</li> </ul> and is subject to maintaining the tax-exempt status of the policy, our administrative rules, and the applicable tax legislation. </li> </ul>
<b>Q</b>	<b>#20: If my client skips scheduled EDO payments one year, can they carry missed payments forward and make a payment in addition to the scheduled payments in the next year?</b>
<b>A</b>	<p>Although skipped payments do not carry forward, if your client has not been paying the maximum EDO payment that is available with their policy, they may be able to increase the payment subject to underwriting, tax-exempt status and our administrative rules and guidelines in effect.</p> <p>Each policy has a maximum EDO payment amount that is determined at issue of the policy based on the issue age, sex, and smoking status of the life insured, as well as the amount of Equimax coverage in effect, the plan type and the premium option chosen. Depending on when the policy was applied for, term riders added at issue of the policy may also increase the maximum EDO payment, or in the case of a 10 Pay policy, allow for EDO payments to be made.</p>



	<p>In any given policy year, the maximum EDO payment your client can make is limited to this maximum amount. Each policy year, your client may be able to make an EDO payment up to this maximum amount, provided the payment does not cause the policy to lose its tax-exempt status and subject to underwriting and administrative rules and guidelines in effect at the time.</p> <p>If, in any given year, your client has paid the maximum, no further payments can be made, even if there were no EDO payments the previous year.</p> <p>Changes made to the policy after issue may result in changes to the maximum EDO payment limit allowed. Equitable Life 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.</p>
<b>Q</b>	<b>#21: If my client changes the dividend option on their policy, can they make EDO payments?</b>
<b>A</b>	<p>It will depend on what dividend option your client chooses. Since EDO payments buy paid-up additional insurance, the dividend option must be paid-up additions or enhanced protection.</p> <p>EDO is not available if your client chooses to have their dividend paid out in cash, to reduce the premium payment or to accumulate on deposit. If your client requests a change to one of these dividend options, EDO will no longer be available.</p> <p>To change the dividend option after issue of the policy, you will need to complete <a href="#">Form 558 – Request for Withdrawal of Dividends, Change in Option, or Premium Offset</a>. Changing the dividend option after issue may have tax consequences for your client. More information is available in the <a href="#">Equimax Admin Guide</a> available on EquiNet on the Whole Life Insurance Product page under the <a href="#">Resources tab</a>.</p>
<b>Q</b>	<b>#22: If my client requests a decrease in the basic Equimax coverage, will this affect the amount of EDO payment they can make?</b>
<b>A</b>	<p>Yes. The maximum amount of EDO is recalculated as of the effective date of the policy based on the reduced coverage amount and applicable limits. (See Question #4 for details.)</p> <p>It is important to note that reductions in coverage can also have tax consequences for your client.</p>
<b>Q</b>	<b>#23: If my client adds a Term rider to their Equimax plan, will this increase the maximum EDO payment limit or allow EDO to be added to the policy?</b>
<b>A</b>	<p>Yes, depending on when your client applied for the Equimax policy, a Term rider added to your client's Estate Builder or Wealth Accumulator plan may increase the maximum EDO payment limit, or in the case of a 10 Pay policy, allow for EDO to be added to the policy. Whether or not the term rider allows for an increase to the maximum EDO or allows EDO to be added to the policy is subject to underwriting and the administrative rules and guidelines in effect.</p> <p>If the Owner Signature Date of the policy is June 26, 2021 or after and the term rider is issued at the same time as the basic Equimax coverage, your client will be able to apply for an EDO payment that will include an increased amount from the addition of a term rider(s).</p>

	<p>In the case of a policy with a 10 Pay premium option where EDO is not offered, a term rider issued at the same time as the basic Equimax coverage will allow your client to apply to add EDO to the policy. In this situation the EDO payment limit provided by the base whole life coverage is zero and the maximum EDO payment limit for the policy will be provided only by any qualifying term rider coverage.</p> <p>The Owner Signature date is the date on which the owner signed the application for the policy. If there is more than one owner, the Owner Signature Date is the latest date on which the owners signed the application for the policy.</p> <p>There must be an insurance need for the term insurance coverage, and this will be assessed as part of the underwriting process.</p> <p>Please refer to the Equimax Participating Whole Life Administration Rules and Guidelines posted to EquiNet for more information.</p>
<b>Q</b>	<b>#24: My client's policy was issued before June 26, 2021 and has a term rider, will the term rider increase the maximum EDO payment limit or allow EDO to be added?</b>
<b>A</b>	If your client's policy was issued before June 26, 2021 because it was back dated to save age, provided it has an Owner Signature Date of June 26, 2021 or after and the term rider was issued at the same time as the Equimax coverage, then the term rider may increase the maximum EDO payment limit, or in the case of a 10 Pay policy, may allow EDO to be added.
<b>Q</b>	<b>#25: My client's policy has an Owner Signature Date before June 26, 2021 and has a term rider, will the term rider increase the maximum EDO payment limit?</b>
<b>A</b>	No, for the term rider to increase the maximum EDO payment limit the policy must have an Owner Signature Date of June 26, 2021 or later.
<b>Q</b>	<b>#26: If a term rider is added to my client's Equimax policy after it is issued will it increase the maximum EDO payment limit or allow EDO to be added?</b>
<b>A</b>	<p>No, if your client's policy qualifies for a term rider to increase the maximum EDO payment or in the case of a 10 Pay policy, allows for EDO to be added (the Owner Signature Date is June 26, 2021 or after), the term rider must be issued at the same time as the Equimax whole life coverage.</p> <p>Even though a term rider added after issue increases the tax-exempt room on the policy, at this time we cannot administratively support an increase to the maximum EDO payment limit if the term rider is added after issue to the policy.</p>
<b>Q</b>	<b>#27: How can I calculate the maximum EDO payment that will apply to my client's plan?</b>
<b>A</b>	Good news, you don't need to calculate it! The Equitable Sales Illustrations system will determine the maximum EDO payment limit based on the illustration assumptions and will include the amount available from term riders if applicable.

<b>Q</b>	<b>#28: If a rating applies will the term rider increase the maximum EDO payment limit or allow EDO to be added?</b>
<b>A</b>	<p>Yes, if your client's policy qualifies for a term rider to increase the maximum EDO payment limit or allows EDO to be added, and the term rider is rated, it may still increase the maximum EDO payment limit or allow EDO to be added provided the rating is the same, or lower, as the base Equimax coverage. For example, if the base Equimax coverage is rated 200%, the rating on the term rider must be 200% (or lower).</p> <p>The term rider must be issued at the same time as the Equimax coverage for it to increase the EDO payment limit, or for 10 Pay policies, allow the EDO to be added, so in most cases the ratings should be the same.</p> <p>A rating on the term rider does not change the EDO payment limit amount available from the term rider coverage. The EDO payment limit amount provided by the term rider will be the same with or without the rating.</p> <p>If a flat extra rating applies EDO is not available.</p>
<b>Q</b>	<b>#29: What happens if my client has more than one term rider on their policy?</b>
<b>A</b>	<p>If your client's policy qualifies for a term rider to increase the maximum EDO payment limit, or in the case of a 10 Pay policy, allows EDO to be added, and has more than one term rider issued on the policy, all the term riders may increase the maximum EDO payment limit. The amount of term rider coverage that can increase the EDO payment is limited to the amount of basic Equimax coverage.</p> <p>For a term rider to increase the EDO payment limit, or allow EDO to be added, it must be issued at the same time as the Equimax coverage and if a multiple substandard rating applies, the rating must be the same or lower than the rating on the Equimax coverage.</p>
<b>Q</b>	<b>#30: If my client qualifies for a preferred risk class on the term rider will that change the EDO payment amount provided by the term rider?</b>
<b>A</b>	<p>No, although the EDO payment limit provided by the term rider varies between whether your client is a smoker or a non-smoker, it will not vary if your client qualifies for a preferred non-smoker or preferred smoker risk class.</p> <p>For example, the EDO payment limit provided by a term rider if your client is a non-smoker will not change if after they are underwritten, they qualify as a preferred non-smoker or preferred plus non-smoker on the term rider.</p>
<b>Q</b>	<b>#31: What happens if my client terminates a term rider that allows for EDO payments or higher EDO payments?</b>
<b>A</b>	<p>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. If any term rider added to the policy allows for EDO payments, or higher EDO payments, and your client has been making those EDO payments, reducing, converting, or terminating the term rider too soon could cause the policy to become non-exempt.</p>

	<p>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.</p> <p>To limit the amount of paid-up insurance surrendered in this situation, 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.</p> <p>Changes to any of the term riders on the policy may result in changes to the maximum EDO payment allowed.</p>
<b>Q</b>	<b>#32: What happens to the maximum EDO payment limit for the policy if my client terminates a term rider that allows for EDO payments or for higher EDO payments?</b>
<b>A</b>	<p>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.</p> <p>In the case of a 10 Pay policy where a term rider has allowed for EDO payments and the term rider is terminated or converted <u>before</u> the 10<sup>th</sup> policy anniversary, and no term rider coverage remains in effect on the policy, EDO payments would no longer be accepted.</p> <p>If any term rider added to the policy has increased the maximum EDO payment limit for the policy, or in the case of a 10 Pay policy, has allowed for EDO payments, and the term rider is terminated, converted, or reduced on or <u>after</u> 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.</p>
<b>Q</b>	<b>#33: What happens with a term rider on my client's policy if I illustrated it terminating prior to expiry?</b>
<b>A</b>	<p>The illustration system provides you with the flexibility to show your clients how illustrated values may be affected by actions they may take in the future. This includes things like custom EDO payments, cash withdrawals, policy loans, and illustration of term riders being terminated before they expire.</p> <p>If you illustrated a term rider terminating before expiry it is the responsibility of the policy owner to request the term rider be terminated at that point in the future. Equitable Life will not terminate the term rider unless it has been requested by the policy owner regardless of what was illustrated at the time the policy was sold.</p> <p>Please refer to Question #31 regarding termination of a term rider that allowed for EDO payments or allowed for higher EDO payments.</p>
<b>Q</b>	<b>#34: Will making EDO payments mean my client's policy could qualify sooner for premium offset?</b>

**A** EDO payments buy paid-up additional insurance, which has cash value, and is also eligible to earn dividends. This will help to build the value in the policy and may mean that your client’s policy could qualify earlier for premium offset than if EDO payments were not made.

Premium offset is not guaranteed; it is dependent on dividends, which are not guaranteed. A policy does not automatically qualify for premium offset. The owner must make a request in writing to Equitable Life, and the policy must meet the qualifications at the time of the request.

At the time your client makes a request to place the policy on premium offset, Equitable Life will test the policy to determine if based on the current dividend scale, future dividends and the non-guaranteed cash value of the policy are sufficient to pay all required future premiums. Also, there must be no outstanding policy loan on the date the policy is approved for premium offset status.

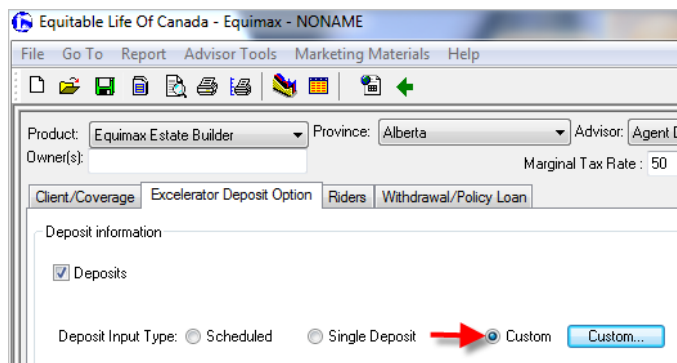
Once a policy qualifies for premium offset it is not guaranteed to continue to qualify. Dividend scale changes can affect whether a policy continues to qualify for premium offset. All policies on premium offset are tested following a dividend scale change to determine if they continue to qualify for 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.

Any scheduled EDO payments will stop once the policy is on premium offset. Please refer to Question #40 for details. Putting a policy with enhanced protection on premium offset during the enhancement guarantee period will void the guarantee.

**Q #35: If my client has a 10 Pay or 20 Pay policy, can they make EDO deposits after it becomes paid-up?**

**A** Yes, however these payments must be annual or ad hoc payments at the discretion of your client. Payments are subject to the income tax regulations affecting the tax-exempt status of the policy, as well as administrative and underwriting rules and guidelines in effect at the time.

If the policy becomes paid-up, scheduled EDO payments will stop as they are tied to premium billing and no further premiums would be required.



**ILLUSTRATION TIP:**

Use the Custom option on the EDO tab to illustrate EDO payments into a 10 or 20 Pay plan after the policy anniversary when scheduled payments would stop.

**Q #36: If my client has missed a premium payment, can they make an EDO payment?**

A	Yes, but Equitable Life will first use any EDO payment amount to pay any unpaid premiums. Any excess will then be applied, if possible, as an EDO payment.
Q	<b>#37: Can my client withdraw EDO payments in the future?</b>
A	<p>EDO payments are used to buy paid-up additional insurance (PUAs) which generates cash value and adds to the non-guaranteed cash value of the policy. PUAs, whether purchased with dividends or EDO payments, can be surrendered to provide a cash withdrawal from the policy.</p> <p>Withdrawals from an exempt policy are partial dispositions of the policy and subject to taxation. The value of the withdrawal comes from a partial surrender of the base coverage and/or PUAs and is subject to proportional taxation. Based on policy values before the withdrawal, the excess of the policy's cash surrender value (CSV) over the adjusted cost base (ACB) provides an estimate of income subject to taxation on full surrender. If a fraction of the CSV is withdrawn, the same fraction of income is reported.</p> <p>If the client immediately uses the withdrawal to pay premiums and or repay a policy loan previously used to pay a premium on the same policy, it is not taxable income. Any amount withdrawn that exceeds the premium or policy premium loan repayment will be subject to proportional taxation. If the client uses the withdrawal to repay a previous policy loan taken in cash, the withdrawal amount will be subject to proportional taxation.</p> <p>If your client has the enhanced protection dividend option and the policy is in the enhancement guarantee period, surrendering PUAs for a cash withdrawal will void the enhancement guarantee.</p>
Q	<b>#38: Can my client borrow against EDO payments in the future?</b>
A	<p>EDO payments are used to buy paid-up additional insurance (PUAs) which generates cash value and adds to the non-guaranteed cash value of the policy. The cash value of the PUAs, whether purchased with dividends or EDO payments, is available as collateral for a policy loan.</p> <p>Loans received as cash against a tax-exempt policy, whether against the guaranteed cash value or the PUAs are considered partial dispositions of the policy. Policy loans are made against the policy's cash surrender value and are subject to excess taxation. The amount by which the loan exceeds the adjusted cost base (ACB) is an estimate of the taxable income due to the loan.</p> <p>If the loan is used to immediately pay premiums on the same policy, it is not considered to be a partial disposition of the policy and taxable income is not created. Any loan amount that exceeds the premium may be subject to taxation.</p>
Q	<b>#39: Do waiver of premium benefits cover EDO payments?</b>
A	No, only the premiums that are required to be paid for the policy are covered by the waiver of premium benefit.

	<p>When a policy goes on waiver, scheduled monthly EDO payments stop, as they are based on the billing status, which will be changed to “waived”. However, your client can continue to make EDO payments on an annual or ad hoc basis while a waiver of premium claim is in effect.</p> <p>Scheduled payments can resume once the policy is no longer on waiver and would not require additional evidence of insurability provided the amount has not increased and EDO payments were not stopped and restarted outside the permitted 24 or 60 months your client’s policy provides for.</p> <p>However, if your client requests to stop EDO payments while the policy is on waiver, payments cannot resume unless the policy is no longer on waiver and would be subject to underwriting approval.</p>
<b>Q</b>	<b>#40: If my client requests to have their policy placed on premium offset, can they make EDO payments?</b>
<b>A</b>	<p>Typically, requests to determine if a policy can qualify for premium offset status are made because a client is no longer interested in making out-of-pocket premium payments. Instead, they are interested in having premiums for the policy paid by future dividends and non-guaranteed cash value within the policy.</p> <p>If your client’s policy qualifies for premium offset, any scheduled EDO payments would stop. If your client wants to make a single EDO payment in the future, they can apply to do so; however, approval will be subject to administrative rules, tax-exempt status, applicable tax legislation and underwriting approval.</p>
<b>Q</b>	<b>#41: If my client elects the reduced paid-up death benefit option, can they make EDO payments?</b>
<b>A</b>	<p>Typically, requests to elect the reduced paid-up (RPU) death benefit option are made because a client is no longer interested in making out-of-pocket premium payments or can no longer afford to make the needed premium payments for the full amount of coverage.</p> <p>If your client elects the RPU option, any scheduled EDO payments would stop. Because there are no longer premiums being paid on the policy, single EDO payments cannot be processed.</p> <p>Electing RPU may make a policy lose its tax-exempt status and become subject to accrual taxation immediately or in the future.</p>

**Notes:**

<sup>1</sup> 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.

While Equitable Life has made every effort to ensure the accuracy of the information presented here, the policy contract governs in all cases.

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