

# YOUR GUIDE TO EQUIMAX

CLIENT GUIDE



equimax

# ABOUT EQUITABLE LIFE OF CANADA<sup>®</sup>



Equitable Life<sup>®</sup> is one of Canada's largest mutual life insurance companies. For generations we've provided policyholders with sound financial protection, and we look forward to continuing to deliver long-term financial value. We're focused on the needs of our clients, and pride ourselves on the breadth and quality of our financial and insurance products and on our premier client service.

The mutual structure of our company means that our participating policyholders are owners with voting rights on company issues. With no shareholders imposing undue emphasis on short-term earnings, Equitable Life always operates in the best interest of our policyholders.

## **Equitable Life is a focused, stable and strong company.**

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

This guide provides an overview of participating whole life insurance as well as the specific features and benefits of Equimax<sup>®</sup> participating whole life insurance. For complete contractual details, please refer to your policy contract. 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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## HOW INSURANCE COMPANIES STACK UP

Many life insurance companies in Canada are stock companies. They are owned by shareholders who have voting rights and input into how the company conducts its business.

Only a few life insurance companies are mutually structured. Mutual companies have no shareholders. They are run for the benefit of participating policyholders, who are not only customers, but also have an ownership interest in the company.

Equitable Life is one of the largest mutual life insurance companies in Canada.

### Benefits of dealing with a mutual company

- Participating whole life policyholders have the opportunity to share in the earnings of the participating account. Their share in the earnings in the account is annually credited to their policy as a dividend payment.<sup>1</sup> Dividends are undiluted by shareholder transfers.
- Participating policyholders elect our Board of Directors and have a right to vote on various other company issues. We operate the company in their interests and we answer only to them.
- As a mutual company, we are not driven by shareholder pressures for quarterly results. Our focus is on prudent long-term growth, continuity and stability. We are dedicated to meeting our commitments to customers – now and in the future.
- We believe our mutual status allows us to provide better levels of service than a publicly traded company.





## ABOUT EQUIMAX

Equimax is a participating (par) permanent whole life insurance policy that not only ensures a tax-efficient transfer of assets to your heirs, but also gives you access to the cash value in your policy if you need it.

Equimax provides traditional whole life benefits including:

- Guaranteed level premium
- Guaranteed cash values
- Guaranteed death benefit<sup>2</sup>
- Tax-advantaged growth
- Paid-up life insurance protection
- Available on a single life, or on two lives on a joint first-to-die or joint last-to-die basis
- An opportunity to increase plan values by making additional deposits to your policy
- Eligibility to receive dividends<sup>1</sup> through one of five dividend options
- Access<sup>3</sup> to a cash value to help fund education, make a down payment on a home, supplement your retirement income, cover business expenses, etc.
- Optional riders and benefits to customize your plan

## Plan types

Equimax Estate Builder <sup>®</sup>	Equimax Wealth Accumulator <sup>®</sup>
For those looking for higher long-term value. Ideal for covering estate taxes and fees so your estate passes intact to your heirs.	For those looking for higher early cash values within the first 20 years. Ideal for building wealth you can access to help fund education, supplement retirement income, etc.

## Important Note

Dividends are not guaranteed. They are subject to change, and will vary based on the actual investment returns in the participating account as well as mortality, expense, lapse, claims experience, taxes and other experience of the participating block of policies.

## Which plan type is right for you?

Determining your life insurance and savings goals will help you and your advisor choose the best plan type to help you achieve them.

Are you looking for...	Equimax Estate Builder	Equimax Wealth Accumulator
Higher long-term value for estate planning?	✓	
A higher death benefit to cover estate taxes and fees?	✓	
Cash values to supplement your retirement income?	✓	✓
Permanent insurance for your 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 your favourite charity while reducing income tax now or in the future?	✓	✓
Higher early cash values that you can access within the first 20 years?		✓
Protection for your business plus higher early cash values on your balance sheet?		✓

## Premium payment options

Equimax offers you the flexibility to choose between two premium payment options:

- **Equimax life pay**, level premiums guaranteed for the life of the plan
- **Equimax 20 pay**, level premiums guaranteed for 20 years (excludes premiums for additional riders and benefits that may extend beyond 20 years)

## Unique, stable investment

A stable, hands-off investment option that offers tax-advantaged growth. Equimax gives you the potential for a higher rate of return than may be available with traditional non-registered interest bearing savings vehicles that are taxed annually.



## HOW YOUR DIVIDENDS ARE CALCULATED

Dividends are based on the actual investment returns in the participating account as well as mortality, expense, lapse, claims experience, taxes and other experience of the participating block of policies. Each year, Equitable Life's Board of Directors determines the amount of the dividend payment to its participating policyholders based on the guidelines in Equitable Life's Dividend Policy<sup>4</sup>.

### Investment performance

Investment performance is based on the actual rate of return Equitable Life earns on the participating account. When the rate of return on the participating account is higher than expected, impact on dividends is positive. When the rate of return is lower than expected, impact on dividends is negative.

### Mortality and lapse experience

Claims experience includes death claims as well as cancelled and lapsed policies, which can impact your dividends either positively or negatively depending on the actual experience versus the estimates used for pricing. Policy dividends take into account the difference between what Equitable Life estimated would happen and what actually happened. Lapse experience is the impact of policies that are 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.

We have credited dividends<sup>1</sup> every year since we first launched participating whole life in 1936.

## ABOUT YOUR DIVIDEND OPTIONS

As an Equimax policyholder, you are eligible to receive annual dividends on the basic permanent insurance portion of your policy, through one of five dividend options:

1. Paid in cash
2. Premium reduction
3. On deposit
4. Paid-up additions
5. Enhanced protection

With the exception of enhanced protection, the dividend option you choose can be changed as your needs change throughout the life of the policy.

### Paid in cash

This option allows you to receive dividends in cash annually, which may be subject to taxation.

### Premium reduction

This option allows you to use dividends earned to reduce and potentially pay all your premiums. If dividends are sufficient to pay your entire required premium, you will receive the excess in cash, which may be subject to taxation.

### On deposit

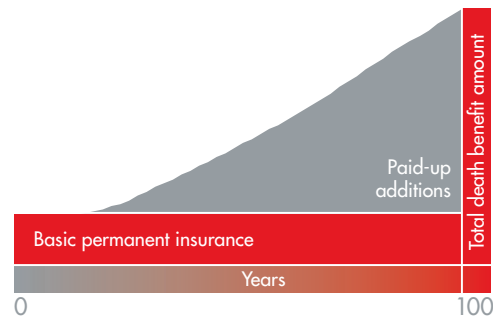
This option operates similar to a savings account. Dividends earned are deposited with Equitable Life and earn a competitive interest rate which is reviewed at least annually with the dividend scale. You have access to the cash and can make withdrawals at any time. Both dividends, and interest earned on dividends, may be subject to taxation.





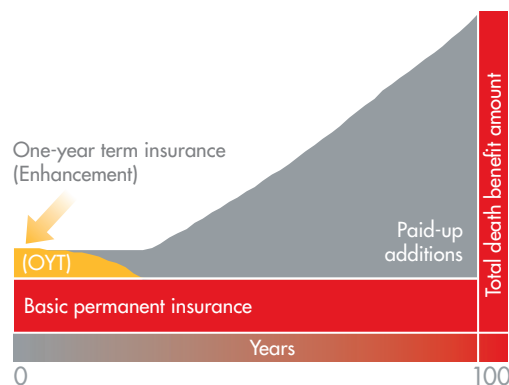
### Paid-up additions (PUAs)

This option uses dividends earned to purchase participating paid-up additions. PUAs are added to the basic policy to create another “layer” of permanent participating whole life insurance, which is also eligible to earn dividends. Dividends earned on PUAs, combined with dividends earned on your basic permanent coverage, can result in increases in both the death benefit and cash value over the life of your Equimax policy. The cash value of PUAs grows on a tax-advantaged basis.



### Enhanced protection

With this option, your policy begins with a combination of basic permanent coverage and yearly renewable one-year term insurance coverage (Enhancement). On each policy anniversary, dividends earned are used first to pay for the one-year term insurance with any excess used to purchase participating paid-up additions. Any new PUAs automatically replace part of the one-year term insurance. Once all of the original one-year term insurance has been replaced by PUAs, the dividend conversion point is reached. Future dividends earned are used to purchase additional PUAs, which increase the amount of the death benefit.



### Enhancement guarantees

When you select the enhanced protection dividend option, there are two guarantees to choose from. Both options affect the ratio of basic permanent insurance to one-year term enhancement that you can apply for.

- **10-year guarantee:** Guarantees the enhanced insurance coverage for 10 years, even if dividends earned on the policy are not enough to cover the cost of the one-year term insurance. This option has a smaller basic permanent insurance requirement, resulting in a lower premium. After the first 10 years, if dividends are not sufficient to purchase the required amount of one-year term insurance, you will have the following options:
  - Make additional premium payments to maintain the same level of one-year term insurance.
  - Reduce the one-year term insurance coverage to an amount that the current dividend will purchase.
- **Lifetime guarantee:** Guarantees the enhanced insurance coverage for life even if dividends earned on the policy are not enough to cover the cost of the one-year term insurance.



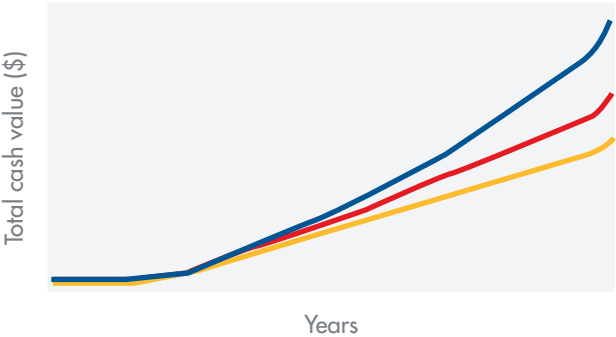
IMPACT OF A DIVIDEND CHANGE ON YOUR POLICY

Increases in the dividends credited will have a positive effect regardless of the dividend option selected. Decreases in the dividends credited will also affect your policy.

If you selected:

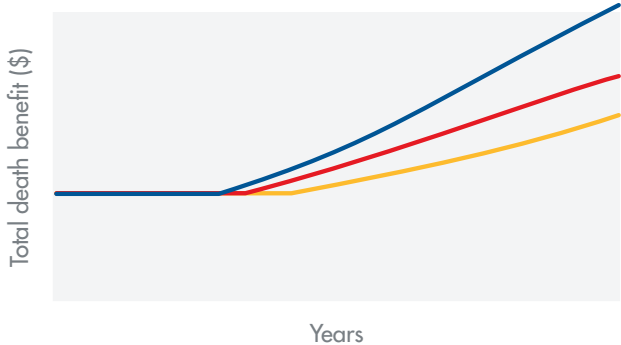
Dividend option	Impact of a dividend scale decrease
Paid in cash	A lower amount will be paid to you.
Premium reduction	There will be an increase in the portion of the guaranteed required premium that you will have to pay.
On deposit	A lesser amount will be left on deposit.
Paid-up additions	The paid-up additions coverage and cash value will be lower than projected. There will be no change to your basic permanent insurance.

Impact of a decrease in the dividend scale interest rate on projected total cash values<sup>5</sup>



- Values based on current dividend scale interest rate
- Values based on a decrease in the dividend scale interest rate of 1%
- Values based on a decrease in the dividend scale interest rate of 2%

This graph is for illustration purposes only. Actual results may vary.

Dividend option	Impact of a dividend scale decrease
Enhanced protection	<ul style="list-style-type: none"> <li>• With the 10-year guarantee, if the dividend scale decreases after 10 years, you may be required to:               <ul style="list-style-type: none"> <li>• Make additional premium payments to maintain the same level of enhancement, or</li> <li>• Reduce the one-year term insurance coverage to an amount that the current dividend will purchase.</li> </ul> </li> <li>• With the lifetime guarantee, there will be no impact on your total coverage; however, the death benefit will be lower than projected and the timing of the dividend conversion point delayed.</li> </ul> <p data-bbox="938 972 1442 1031"><b>Impact of a decrease in the dividend scale interest rate on the projected total death benefit<sup>6</sup></b></p>  <p data-bbox="878 1436 1495 1604"> <span style="color: blue;">■</span> Values based on current dividend scale interest rate  <span style="color: red;">■</span> Values based on a decrease in the dividend scale interest rate of 1%  <span style="color: orange;">■</span> Values based on a decrease in the dividend scale interest rate of 2%         </p>

This graph is for illustration purposes only. Actual results may vary.

Decreases in the dividend scale do not affect the guaranteed premium, guaranteed cash values, or guaranteed death benefit amount.



## Impact of a dividend change on premium offset

### What is premium offset?

If you select a dividend option that uses dividends to pay premiums, at some point in the future, you may be able to stop paying premiums for your policy. This is called the premium offset point. At this point, the projected future dividends plus the non-guaranteed cash value within the policy may be sufficient to pay future premiums.

The sales illustration provided by your insurance advisor when you bought your policy may have projected a date when the premium offset point is expected to occur. This was based on the current dividend scale at the time you bought your policy. Since the premium offset point is dependent on dividends, it is not guaranteed.

### How does premium offset affect your policy values?

Premium offset is not an automatic option. It must be elected in writing when premium offset becomes available. If elected, the total cash value and total death benefit will be negatively affected since dividends and values within the policy will be used to fund the required premiums.

### How does a dividend scale change affect premium offset?

Premium offset is extremely sensitive to changes in the dividend scale. A decrease in the dividend scale may:

- Delay the premium offset point and require you to pay premiums for longer than previously projected.
- Require you to resume paying premiums for a period of time if your policy has been on premium offset.

## EXCELERATOR DEPOSIT OPTION (EDO)

If you select paid-up additions (PUAs) or enhanced protection as your dividend option, you can make extra deposits to your Equimax policy through the excelerator deposit option (EDO).

If you select:

- **PUAs** and use EDO to make extra deposits to your policy, the total death benefit and total cash value of the policy increases immediately.
- **Enhanced protection** and use EDO to make extra deposits to your policy, the total death benefit won't start to grow immediately. Instead, the PUAs purchased by the extra deposits will be used to replace the one-year term insurance. This will enable your policy to reach the dividend conversion point earlier than if dividends alone were being used to purchase PUAs.

In addition to increasing your death benefit, the extra deposits increase the cash value in the policy. You can access that cash value for:

- Supplementing your retirement income
- Cash emergencies
- Helping to pay for your children's or grandchildren's education
- Paying all or a part of your Equimax premiums

Use of the excelerator deposit option is subject to eligibility requirements. Limits are set on the amount of deposits you can make to ensure the policy remains tax exempt under the Income Tax Act (Canada). EDO is available on all plans types and issue ages.





## ACCESSING YOUR CASH VALUE

The cash value of your policy is accessible via a withdrawal, a policy loan or both, and may be subject to taxation.

### Via a withdrawal

A withdrawal can be used to access the policy's cash value. If your dividend option is:

- **Paid-up additions (PUAs) or enhanced protection<sup>7</sup>**, a withdrawal is made by surrendering PUAs. This results in a reduction of the death benefit of the policy that exceeds the amount of the withdrawal because one dollar of PUA cash value represents more than one dollar of death benefit.
- **On deposit**, a withdrawal is made from the Equitable Life deposit account held outside your policy.

### Via a policy loan

Regardless of the dividend option you choose, while your Equimax policy is in effect and has cash value, you may request a policy loan<sup>8</sup> for up to 90% of the cash value, less any outstanding policy loans.

## BUILT-IN FEATURES

Your Equimax policy provides the following built-in features.

<b>Bereavement counselling benefit</b>	Upon the death of a life insured under the Equimax policy, and payment of the death benefit, Equitable Life will provide a bereavement counselling benefit to the beneficiary(ies) of your Equimax policy. The benefit provides a reimbursement of up to \$500 of the cost of counselling, shared among all beneficiaries, subject to the requirements outlined in your contract.
<b>Reduced paid-up insurance</b>	If at anytime you need to stop paying premiums on your policy, the reduced paid-up insurance feature allows you to maintain some of your insurance coverage. The schedule of guaranteed reduced paid-up values is outlined in your contract. Electing this option may have tax consequences.
<b>Survivor benefit</b> (available on joint first-to-die plans only)	Within 60 days of the death of one of the lives insured under a joint first-to-die policy, the surviving life insured can purchase an individual policy (or policies), with a total death benefit up to the value of the original joint first-to-die policy, without evidence of insurability. This provision also pays an additional death benefit if the surviving life insured dies within 60 days of the first death.
<b>Option to elect individual policies</b> (available on joint first-to-die plans only)	Prior to age 75 of the oldest life insured, if there has been a material change in the relationship of the lives insured under the plan, the policy may be surrendered for two single life permanent policies, each with a death benefit up to the value of the original joint first-to-die policy, without evidence of insurability.
<b>Living benefit</b>	If the life insured is diagnosed with an illness that will become terminal within 24 months, they may qualify for a living benefit <sup>9</sup> payment. The living benefit payment is a portion of the death benefit and will be the lesser of \$25,000 or 50% of the face amount of the policy. <sup>10</sup> The policy must be in effect for the benefit to be paid.



## OPTIONAL RIDERS AND BENEFITS

Optional riders and benefits allow you to tailor the plan to meet your needs.

### Disability waiver of premium provision

This rider can be purchased on the life insured and/or payor/applicant of the policy. It provides for the payment of all premiums applicable to the plan while the person(s) for whom the rider was purchased is totally disabled by sickness or accident. If the total disability occurs prior to their 60<sup>th</sup> birthday and lasts for six consecutive months, Equitable Life will refund any premiums paid during this six-month period and waive any premiums that come due during the continuation of the total disability.

### Applicant's death and disability waiver

(available on children's plans only)

Available on policies where the life insured is between the ages of 0 and 17 years, and the payor/applicant of the policy is between the ages of 18 and 55 years.

- If the payor/applicant is totally disabled by sickness or accident for at least six consecutive months, Equitable Life will refund any premiums paid during this six-month period and waive any premiums that come due during the continuation of the total disability until age 21 of the insured child.
- If the payor/applicant dies before the waiver expires, premiums will continue to be waived until age 21 of the insured child.
- The waiver expires at age 60 of the payor/applicant or age 21 of the insured child, whichever comes first. At age 21, the insured child will have the option to add disability waiver on their own life.

### Additional accidental death benefit

In the event of accidental death, this benefit provides for the payment of an additional death benefit equal to the original sum insured, subject to a maximum of \$500,000.

### Guaranteed insurability option

This option guarantees your right to purchase additional life insurance policies at specified future dates, without providing evidence of insurability.

## OPTIONAL RIDERS AND BENEFITS (continued)

**Flexible guaranteed insurability option***(available on children's plans only)*

This option guarantees the insured child's right to purchase, without evidence of insurability, up to a total maximum of \$500,000 of additional life insurance at specified dates in the future. Those dates are selected at the time of issue of your Equimax policy.

**Children's protection rider**

This rider provides term insurance protection for all of your children, aged 15 days to 18 years, under one convenient plan. The protection continues to be in effect until the child turns age 25. It may be converted to any permanent or term plan issued by Equitable Life at that time, for up to five times the original coverage amount. Conversion must be made when the child is between the ages of 21 and 25. No evidence of insurability is required. This rider becomes paid-up on the death of the life insured under the base Equimax policy.

**Term life insurance riders**

Term life insurance riders can be added to cover temporary needs. They can be purchased on your life, the life of your spouse, or a third party with an insurable interest. Three options are available:

- Term 10 - premiums renew every 10 years to age 85
- Term 20 - premiums renew every 20 years to age 85
- Term 30/65 - premiums are payable for the later of 30 years and age 65 with no increases.

Preferred underwriting rewards good health with lower term insurance premiums.

## QUESTIONS?

If you would like more information about Equimax or participating whole life insurance, please contact your advisor and/or refer to your policy contract for full details.

## NOTES:

<sup>1</sup> Dividends are not guaranteed. They are subject to change, and will vary based on the actual investment returns in the participating account as well as mortality, expense, lapse, claims experience, taxes and other experience of the participating block of policies.

<sup>2</sup> Your death benefit amount is guaranteed provided you pay the premiums outlined in your contract.

<sup>3</sup> The cash value of the policy is accessible via a withdrawal, policy loan, or both. May be subject to taxation.

<sup>4</sup> A copy of the Company's Dividend Policy and Participating Account Management Policy can be found on our website at [www.equitable.ca](http://www.equitable.ca)

<sup>5</sup> The total cash value is made up of the guaranteed cash value and the cash value of any paid-up additions purchased by dividends.

<sup>6</sup> The projected total death benefit includes the guaranteed death benefit plus the death benefit of the one-year term insurance and any paid-up additions purchased by dividends.

<sup>7</sup> Surrendering PUAs for a withdrawal under the enhanced protection dividend option will void the enhancement guarantee.

<sup>8</sup> A policy loan may be deferred for up to six months after the completed loan application has been received at our head office in Waterloo, Ontario.

<sup>9</sup> This is a non-contractual benefit.

<sup>10</sup> Less any existing policy loans.

# Works for me.®

Canadians have turned to Equitable Life since 1920 to protect what matters most. We work with your independent financial advisor to offer individual insurance and savings and retirement solutions that provide good value and meet your needs – now and in the future.

But we're not your typical financial services company. We have the knowledge, experience and ability to find solutions that work for you. We're friendly, caring and interested in helping. And we're owned by our participating policyholders, not shareholders. So we can focus on your interests and provide you with personalized service, security and wellbeing.



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