

Dividend Notice

New Dividend Scale effective July 1, 2016

What does it mean to be a participating policyholder?

As a participating whole life policyholder, you have the opportunity to share in the earnings in the participating account.

The participating account works like this. Premiums paid for participating whole life policies are deposited into the account and invested. The participating account is mainly impacted by returns earned on investments, and by death benefits, but it is also impacted by other factors such as policy loans, terminated policies, taxes and expenses. Your share in the earnings in the account is annually credited to your policy as a dividend payment.

We use the dividend scale to determine the dividend payment. Dividends are sensitive to all of the factors that affect the participating account, but especially changes in investment returns. It's important to keep in mind that a dividend is not guaranteed.

An objective of each year's dividend scale review is to maintain reasonable equity between classes and generations of policyholders. This means that different series of policies may have different adjustments to the dividends they receive.

Every year, the dividend scale is reviewed to ensure that it is set at an appropriate level. Despite challenging economic times and a low interest rate environment, the strong equity and real estate returns between 2012 and 2014 allowed us to maintain the dividend scale for the past few years. However, 2015 saw lower performance of these assets, which has resulted in a change to the dividend scale.

If low interest rates continue, investment returns in the participating account will also be lower. We continue to monitor the impact of investment returns and may need to make further changes to the dividend scale in the future.

What change is Equitable Life making to the dividend scale?

Equitable Life's® Board of Directors has approved a change to the dividend scale effective July 1, 2016.

The dividend scale interest rate will change from 6.8% to 6.5%. The change will affect each series of policies differently.

Is your policy impacted by this change?

- **Equimax Estate Builder and Equimax Wealth Accumulator policies are not affected.**
The policy loan portfolio on this newer series of participating whole life policies has grown materially since inception and is now large enough that the experience has more impact on the participating account returns for this series. This has offset the impact of declining yields. Therefore, there will be no change to the dividend scales for the Estate Builder or Wealth Accumulator series of participating whole life policies. As this series of policies matures, the impact of policy loans is expected to be more stable over time.
- **All other participating whole life policies will be impacted.**
The policy loan portfolio in older series of participating policies is mature and does not change as significantly from year to year. Therefore, the decline in the dividend scale interest rate will generally result in a decrease to dividend scales for other series of participating whole life policies.

What does this change mean to you?

For policies impacted by this change, future projected policy dividends will generally be lower than those projected when you purchased your policy.

If you selected 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. A decrease in the dividend scale may:

- Delay the premium offset point, requiring 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.

If you are on premium offset and will be required to resume paying premiums as a result of this change, we will provide you with a new offset projection following your next policy anniversary. This new projection will provide you with updated projections of future cash values and death benefit based on the new dividend scale.

Base insurance coverages, guaranteed values, and previously credited dividends are not affected by this change. The guaranteed values within your policy will continue to grow as detailed in the “Table of Guaranteed Values” pages in your policy contract. Participating whole life continues to deliver excellent value by providing you with lifetime protection and an opportunity for tax-advantaged growth.

Would you like more information?

Please contact your advisor or the Individual Contact Centre at 1.800.668.4095 for:

- questions about the dividend scale
- an updated illustration showing the projected date when the new premium offset point is expected to occur based on the 2016/2017 dividend scale
- an illustration showing updated projections of future cash values and death benefits for your policy based on the 2016/2017 dividend scale
- clarification about whether your policy is impacted

For more information about Equitable Life's Dividend Policy visit www.equitable.ca under Our Products > Whole Life.

We work for you

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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