EquiBuild Universal Life
Frequently Asked Questions

Insurance Component

1. **Does the policy owner have to pay excess premiums to qualify for the EquiBuild Bonus?**

   Answer:
   No, the bonus is paid to all EquiBuild policy owners whether they pay excess premiums or not.

2. **What are the options for clients who want to buy paid-up additional (PUA) life insurance?**

   Answer:
   First, the client must elect to buy PUA upon issuance of the contract. The options are as follows:
   - Buy PUA with the bonus
   - Buy PUA with excess premiums (amount is predetermined and can later be reduced but not increased)
   - Buy PUA with both bonus and excess premiums

3. **Once the contract is issued, is it possible to change the selected PUA purchase option?**

   Answer:
   The client may cancel the elected purchase option but cannot add one.
   - If the client chose to buy PUA with the bonus only, the sole option would be to stop buying PUA.
   - If the client chose to buy PUA with excess premiums only, the sole option would be to stop buying PUA.
   - If the client chose to buy PUA with the bonus and excess premiums, the client can stop either one or the other, or both.

4. **Is it possible to buy PUA with only a portion of the bonus?**

   Answer:
   No, it's the entire amount (100%) of the bonus that is used.

5. **What bonus payment option should I recommend to a customer who doesn't know what to choose?**

   Answer:
   Upon issuance of the contract, we would recommend using the bonus to buy PUA. The reason is that the client can later change this decision and invest the bonus in the investment accounts, but the opposite is not permitted.

6. **How to reconcile the bonus amount that appears in the illustration report?**

   Answer:
   Bonus = Average total GCSV[1] x (EquiBuild Fund declared rate – 3.5%)
   = Average total GCSV x 2%[2]

   Total GCSV = Base GCSV + PUA GCSV
   Average total GCSV = (Total GCSV beginning of the year + Total GCSV end of the year[3]) ÷ 2

   Example

Year	EquiBuild Bonus paid	Base GCSV	PUA GCSV
19	1 044	46 601	8 324
20	1 132	49 809	9 642

   Let's suppose that we want to know how to get the result of $1,132 for the bonus at year 20.

   Base GCSV + PUA GCSV at the beginning of the year: $46,601 + $8,324 = $54,925
   Base GCSV + PUA GCSV at the end of the year - Bonus: $49,809 + $9,642 – $1,132 = $58,319
   Average GCSV: ($54,925 + $58,319) ÷ 2 = $56,622
   Bonus at year 20: $56,622 X 2% = **$1,132**

7. **What happens to the EquiBuild Bonus if the declared rate of the EquiBuild Fund falls below 3.5%?**

   Answer:
   Should this happen, no bonus would be granted for that specific year.

8. **Is there a charge related to the PUA purchase?**

   Answer:
   - Purchase with the bonus: No charge
   - Purchase with excess premiums: Yes, 5.5%

[1] Guaranteed cash surrender value
[2] 5.5% (Example of EquiBuild Fund declared rate)– 3.5% trigger threshold = 2%
[3] In the illustration report, the total GCSV at the end of the year includes the bonus amount for the year. For this reason, we have to subtract the bonus in order to make the calculation.

9. **Why is there a threshold of 3.5% to trigger the payment of the bonus?**
   Answer:
   3.5% represents the rate of return that the company needs to cover the future payment of benefits. Rather than keeping revenues beyond this threshold, the company is giving them back to the client via the bonus.

10. **Can a term policy be converted to an EquiBuild policy?**

    Answer:
    Yes, conversion to EquiBuild is allowed. However, the following applies:
    - The client can buy PUA with the bonus.
    - The client cannot buy PUA with the funds (excess premiums).
      (A client wanting to buy PUA with the funds should ask for a new issue, which means proof of insurability).

11. **Is every term of Pick-A-Term available for EquiBuild?**

    Answer:
    No, only T25 and T30.

12. **Is there preferred underwriting on EquiBuild?**

    Answer:
    - Base and PUA coverages: No
    - Term riders: Yes, for a face amount of $500,000 and over
      - Preferred smoker and non-smoker
      - Elite smoker and non-smoker

13. **Where do I go in LifeGuide to find EquiBuild premiums?**

    Answer:
    EquiBuild premiums can be found under **Whole Life Products / Adjustable Life Pay**, not under Universal Life.

14. **Is there an impact related to the 2017 tax reform?**

    Answer:
    - <u>Policies issued before 2017</u>
      No impact (except that some transactions such as additions of coverage could be restricted starting in 2017)
    - <u>Policies issued after 2016</u>
      The maximum premium or amount that may be accumulated in the Accumulation Fund will be revised to comply with the new tax rules. We don't foresee any additional significant changes to the product design.

15. **What is the difference between the “individual to joint last to die” rider and the contractual option?**

Answer:

	Contractual option	Rider
It can be exercised:	At any time after the fifth policy anniversary	
Underwriting of the second life is done:	At the time the option is exercised	At issue of the contract
Cost of insurance - **Equivalent age**	Based on: • Ages at issue and; • Equivalent age table at issue	
- **COI rates**	Based on: • Rates that are effective at the time of the change	

Investment Component

16. **difference between the EquiBuild Fund and the EquiBuild Account?**

Answer: What is the

- EquiBuild Fund
  - **Costs of insurance** paid by policy owners are invested in the EquiBuild Fund.
  - EquiBuild Fund is a portfolio of diversified assets managed by iA.
  - The declared rate of return is used to calculate the EquiBuild Bonus, annually.
  - The declared rate is guaranteed to be 5.5% through 2019.

- EquiBuild Account
  - EquiBuild Account is an active management account in which **excess premiums** can be invested.
  - Underlying fund is the EquiBuild Fund (same asset mix as EquiBuild Fund).
  - The credited rate is equal to the EquiBuild Fund declared rate minus an MER of 1.5%.

17. How is the Market Value Adjustment (MVA) for the EquiBuild Account determined?

Answer:

Reminder about transactions involving this account:

An MVA might apply	No MVA applies
A partial or total withdrawal	A deduction to purchase PUA
A transfer to another account	Automatic transfer or deduction to cover monthly deductions
A payment of the surrender value	The portion of any benefits payable to the beneficiary of the funds
Benefits that are paid as a disability benefit	
Transfer to the shuttle fund	
Transfer to a Life Investment Account (LIA)	

When an MVA applies, the MVA % is calculated as follows: **(1 – A ÷ B)**

Where:

A = The **market value** of all assets backing the EquiBuild Accounts for all EquiBuild policies

- The market value may change according to a change in the interest rate environment, for example.
- iA will track this market value on a regular basis.

B = The **book value** of the EquiBuild Account

- The book value equals the total of all EquiBuild Account balances for all EquiBuild policies.
- iA will track this book value on a regular basis.

- On a given date, the MVA % is the same for all clients who make a transaction that triggers an MVA.
- When A is higher than B, there is no MVA.
- The MVA % is never less than zero.
- The MVA % will be tracked from time to time and will be posted on our website.

Example

- At time 0: $10,000 deposit (net of premium tax) into the EquiBuild Account
  - At time 0: A = B ($10,000)
  - The $10,000 is invested in assets such as stocks and bonds.
  - At time 0 there is no MVA since A = B
- At time 1: An annual rate of 4.25% is credited on the $10,000
  - B = $10,425 ($10,000 × 1.0425)
- At time 1: The interest rate environment has changed, having an impact on the market value of the assets backing the EquiBuild Account.
  - Let's suppose that the change is such that the market value of the assets equals $10,200.

    A = $10,200

- At time 1: The MVA % will be calculated as follows: (1 – A ÷ B) = (1 – $10,200 / $10,425) = 1 – 0.978 = **2.16%**
- This means that for a client surrendering the EquiBuild Account, an MVA of 2.16% will apply to the withdrawn amount.

Life Investment Account (LIA)

18. How is the fixed monthly return determined?

Answer:

The fixed monthly return is based on the following:

- The amount of money transferred to the LIA
- The interest rate at the moment of the transfer
- The gender
- The age of the insured at the moment of the transfer
- The smoking status

19. Can the fixed monthly return be higher or lower than the minimum premium?

Answer:

Yes, it can.

- If it's higher, the excess is transferred to the other investment accounts, according to the Automatic Investment Instructions.
- If it's lower, we expect the client to continue depositing additional amounts into the policy to pay the minimum premium.

20. What happens to the money transferred into the LIA if the insured dies prematurely or surrenders the policy?

Answer:

- Premature death

  The estate will recover the difference between the initial investment and the sum of monthly payments received.

- Total surrender

  This is the same as in the case of premature death, except that an MVA may apply to reflect any changes in market conditions.

21. Why is the LIA only available after 10 years and 40 years of age?

Answer:

In the early years of the policy, a client cannot invest that much into UL because the tax room is lower. It takes a certain accumulation of money in order to use the LIA. We believe that after 10 years, a client can start to have enough money accumulated.

Moreover, we think this account is more appealing for clients approaching retirement since the older the clients are when they use it, the higher the fixed monthly rate of income will be.

22. Can investments in the LIA be illustrated using the EquiBuild illustration software?

Answer:
For the time being, it's not possible to illustrate the LIA. Please contact your sales manager in order to know the accumulated amount necessary, on a given date, to generate the required monthly income to pay the COI.

23. How is the Market Value Adjustment (MVA) of the Life Investment Account (LIA) determined?

Answer:
The MVA for the Life Investment Account = **Amount involved x (A – B) x C**, but no less than zero.

Where:

A = Interest rate that would be used to calculate the fixed monthly return if it were issued on the day of the surrender

B = Interest rate that was used to calculate the fixed monthly return at the time the LIA was established

C = The corresponding factor shown in the table below:

Life insured's age at the time of surrender	C factor
40-44	19
45-49	18
50-54	17
55-59	15
60-64	13
65-69	12
70-74	10
75-79	8
80-84	7
85-89	5
95 and over	3

Example:

- The balance of a 77 years old client's LIA is $10,000 and the client wants to surrender this amount.
- At the time the LIA was established, the interest rate that was used to calculate the LIA payout was 4%. B = 4%
- The interest rate currently used to calculate the payout of a new LIA is 4.5%.
  A = 4.5%
- The C factor for 77 years old = 8
- MVA % = (4.5% – 4.0%) x 8 **= 4%**
- MVA = $10,000 X 4% = $400

Cash Loans and Automatic Premium Loans

24. Where can I find the policy loan interest rate?

Answer:
You will find the policy loan interest rate in the rate schedule available in the Advisor Centre. The policy loan rate is currently set at prime + 1.5%.