Participating life insurance

Great-West Life

Product guide

Not for use with clients

For products issued after Jan. 1, 2017

Information accurate as of May 15, 2018

The information contained in this guide is for financial security advisors. This material is not intended for use with clients.

While reasonable effort has been made to ensure the accuracy of the information in this guide, some errors and omissions may occur. This guide is intended to provide a general overview for financial security advisors' information and education purposes only. In the event of a discrepancy between this guide and the contract, the terms of the policy contract prevail.

THE Great-West Life ASSURANCE COMPANY

Contents

Great-West participating life insurance

This guide helps you understand how participating life insurance works and provides technical details on the Enhanced Legacy and Enhanced Wealth participating life insurance products issued Jan.1, 2017 or later by The Great-West Life Assurance Company.

Enhanced Legacy and Enhanced Wealth products can provide your clients with:

- Guaranteed basic premiums with the flexibility to choose guaranteed 20 pay or pay to age 100
- Guaranteed basic cash value that grows, under current law, on a tax-advantaged basis
- Cash surrender value they can access during their lifetime
- Dividends that can be used to pay some or all of the basic, rider and benefit premiums or to buy more life insurance through paid-up additions or enhancement dividend options
- Riders and benefits that can be added to the basic policy to tailor coverage
- A death benefit payout which is currently not subject to Canadian income tax

Participating life insurance

Participating life insurance is built on a foundation of guaranteed values plus the opportunity to receive participating policyowner dividends. Participating policy values can grow tax free within the policy, within legislative limits.

Understanding participating life insurance

Participating policyowner premiums go into a separate account called the participating account. The account's assets are invested in a diversified portfolio of bonds, mortgages and equities including real estate.

Earnings arise when actual experience is more favourable than the assumptions used when pricing the products. Experience factors that influence earnings may include, but are not limited to:

- Investments
- Mortality
- Expenses, including taxes
- Other factors

Each year, some, if any, of the earnings, are distributed in the form of participating policyowner dividends, as approved by the board of directors.

The amount to be distributed is influenced by considerations such as the need to retain earnings as surplus and to reduce short-term volatility in dividends. Surplus is held in the participating account for a number of reasons including to help maintain the account's strength and stability.

At least once a year, the participating policyowner dividend scale and the participating account insurance contract liabilities are reviewed. It is determined whether they are at an appropriate level and whether the dividend scale needs to change. This review may include items such as one-year term life insurance rates, the premiums charged to purchase paid-up additions and various crediting interest rates associated with the participating account.

Investment returns have historically provided the largest contribution to participating policyowner dividends. However, in the current low interest rate environment, mortality expenses (including taxes) and other factors are playing a larger role than before.

How dividends are allocated

In distributing participating policyowner dividends the contribution principle is applied. In following this principle, several elements are taken into account. For example:

- Dividend groupings
- Generations of policies
- Legal and regulatory requirements
- Professional guidelines
- Industry practices

Any amount distributed from the participating account as policyowner dividends is divided among groupings of policies that share common attributes. The amount, if any, credited to each policy within a dividend grouping will vary depending on the earnings considered to have been contributed by that grouping. A policy may not receive a dividend, for example, if the grouping of policies to which it belongs is considered to have made no contribution to participating account earnings.

Examples of how groupings are determined include:

- The year a policy was issued
- Time periods in which premiums, guarantees or pricing assumptions were similar
- Plan types
- Basic risk classifications, for example, male or female, smoker or non-smoker
- Issue ages

Dividends are distributed to policies according to the terms of each policy and take into account the amount of basic coverage and coverage from paid-up additions. The premium due on the first policy anniversary must be paid before a dividend is credited.

Whether or not a policy receives a dividend does not affect the guaranteed values and benefits payable under the contract. If a policy does not receive a dividend in any year this will not reduce the cash or death benefit values that have been accumulated up to that point as long as premiums continue to be paid when due and policy values have not been used for any purpose as may be specified under the contract or elected by the policyowner.[1]

Before any participating policyowner dividends are declared, the appointed actuary must report to the board directors on the fairness to participating policyowners of the proposed dividend scale and whether it is in accordance with the company's dividend policy.

[1] For policies with the enhancement dividend option, if the policy does not receive a dividend or the amount of the dividend is not sufficient to support the illustrated enhancement amount, the policyowner may choose to pay an additional cash premium to buy sufficient one-year term insurance to maintain the enhancement amount, otherwise, the enhancement amount will be reduced.

Vesting

Vesting is a significant benefit available with participating life insurance.

Starting at a policy's first anniversary, participating policyowners may begin receiving dividends. Dividends credited to a policy have a cash value associated with them. This cash value, once credited to the policy, cannot be reduced or used for any purpose other than as authorized by the policyowner, to pay premiums, or to preserve the policy's tax-exempt status.

Vesting is a key and attractive advantage of participating life insurance because policyowner dividends, once credited, cannot be negatively affected by future adverse experience.

Products

Great-West offers two participating life insurance products: Enhanced Legacy and Enhanced Wealth. Both contain participating life insurance key features, but emphasize these features differently to suit your clients' financial needs and goals.

Great-West participating life insurance – Enhanced Wealth

The Enhanced Wealth product provides higher short-term cash values than the Enhanced Legacy product, while still providing lifetime insurance protection. It provides a choice of level basic premiums payable for a maximum of 20 years, or to age 100. The choice of premium-paying period impacts the growth of values such as death benefit, dividend amounts and cash value.

Relative to Enhanced Legacy, Enhanced Wealth product features include:

- Higher cash value in the earlier policy years
- When purchased by a business, the Enhanced Wealth cash surrender value may appear as an asset on the company's balance sheet earlier due to the higher early cash value.

Great-West participating life insurance – Enhanced Legacy

The Enhanced Legacy product provides higher long-term growth in total cash value and death benefit than the Enhanced Wealth product. It provides a choice of basic level premiums payable for a maximum of 20 years or to age 100. The choice of premium-paying period impacts the growth of values such as the death benefit, dividend amounts and cash value.

The performance of Enhanced Legacy is focused on long-term growth of policy values.

Product details

Choice of premium-paying periods

The choice of premium-paying period impacts values such as death benefit, dividend amounts and cash value.

The participating life insurance Enhanced Wealth and Enhanced Legacy products have two guaranteed premium-paying periods.

Pay to age 100

- Level basic premiums are payable to a maximum of age 100 or for joint, until equivalent single age (ESA) of 100.

Guaranteed 20 pay

- Level basic premiums are payable for a guaranteed maximum duration of 20 years.

Policies may be eligible for premium offset prior to the end of the premium-paying period depending on dividends declared, whether policy loans have been taken and other factors. Refer to the premium offset section for more details.

The level basic premiums are considered as providing only the basic coverage. Any riders or benefits shown under the Description of Benefits and Premiums on the Policy Details pages(s), or on later amendments to the contract, provide additional coverages or benefits and, unless otherwise indicated, do not form part of the level basic premium. Guarantees related to the Enhancement dividend option are separate from level basic premium. See the Enhancement section of this product guide and the policy contract for details of the Enhancement guarantee and related parameters.

Issue ages

Issue ages are based on the life insured's age at his or her birthday nearest to the policy date.

Pay to age 100

Single life:

- Juvenile: 0-17*
- Non smoker: 18-85
- Smoker: 18-85

Joint first-to-die and joint last-to-die:

- Equivalent single ages (ESA): 18-85
- Each individual insured must be within the single life issue ages.

Guaranteed 20 pay

Single life

- Juvenile: 0-17*
- Non smoker: 18-80
- Smoker: 18-80

Joint first-to-die and joint last-to-die:

- Equivalent single ages (ESA): 18-80
- Each individual insured must be within the single life issue ages.

* Juvenile rates are composite and cannot be switched to non-smoker rates at any time.

Issue limits

The minimum face amounts are:

- $25,000 for a single-life coverage
- $50,000 for joint first-to-die and joint last-to-die coverage

There is no preset maximum face amount. However, you will need a special quote if inforce coverage at Great-West on the prospective life insured – plus the illustrated net amount at risk (NAAR) for the coverage applied for – exceeds $20 million for standard risk or $10 million for a rated case. For amounts over $20 million, contact your advanced case consultant at your local product solutions centre for a special quote.

Back-dating

The policy date may be back-dated up to 11 months from the date of underwriting approval if required to save age (subject to current administrative rules). All back-dated premiums must be paid. No other transactions can be back-dated prior to the date the policy takes effect.

The incontestability and suicide exclusion periods will be in effect from the later of the issue date of the policy, as stated on the policy details page of the original contract, and the date the policy takes effect. (Note: if there is a later contract amendment increasing coverage, the incontestability and suicide provisions start again, but for the increased coverage only.) Any time a policy lapses and then is reinstated, the incontestability and exclusion periods start again, from the re-instatement date.

Substandard lives

Substandard lives may be accepted and the substandard extra premium may be eligible for commissions. See Great-West's commission schedule for details.

See riders and benefits chart for availability.

Rating reduction program

To help ensure eligible clients receive the best offer on permanent life insurance, the Great-West Life program may reduce their rating. This does not require any action by you or your clients.

During the underwriting process, an underwriter may determine that due to specific health or lifestyle issues, a client could be considered a higher risk. If, after the underwriting process, the underwriter's evaluation results in a substandard rating, the rating reduction program may apply.

The rating reduction program isn't part of the underwriting process, nor is it provided as part of any contract. It is a separate pricing program to help clients obtain appropriate life insurance protection that's also cost-effective. The availability and application of this program are not guaranteed and are subject to change by Great-West Life at any time.

This chart shows how the current rating reduction program is applied where available.

If a client is originally rated:	Then the rating is reduced by:	As a result, the client's reduced rating is:
Standard	N/A	N/A
125%	25%	Standard
150%		125%
175%		150%
200%	50%	150%
225%		175%
250%	75%	175%
275%		200%
300%	100%	200%
325%		225%
350%	125%	225%
375%		250%
400%	150%	250%
425%		275%
450%	175%	275%
475%		300%
500%	200%	300%

When it's available

This chart shows how the rating reduction program may be applied, when available.

Product type	Available at issue	Available at conversion
Participating life insurance		
• Basic coverage	Yes	N/A
• Enhancement	Yes	Yes*@
• Term riders	No	Yes*

*To be eligible for the rating reduction program inforce coverages must convert to either Great-West Life participating life insurance or Great-West Life universal life insurance.

@Rating reduction on original enhancement will apply to new policy at time of conversion, but rating won't be reduced further.

Non-smoker rates

Non-smoker rates are available for insureds aged 18 or older at policy issue provided they meet the then current underwriting requirements of a non-smoker. Insureds with issue ages under 18 are issued with a blended juvenile premium rate and cannot be changed to non-smoker rates.

Insurance coverage bands

Bands	Basic Insurance coverage amount
Band 1	$25,000 to $99,999
Band 2	$100,000 to $249,999
Band 3	$250,000 to $999,999
Band 4	$1 million+

Policy fee for pay to age 100 and guaranteed 20 pay

There is an annual fee of $35 for single-life and joint policies. This fee is incorporated in the annual premium.

Coverage options available

- Single life
- Joint first-to-die
- Joint last-to-die, premiums payable to first death

- Joint last-to-die, premiums payable to last death

<u>Single life</u>
The life of one individual is insured under the policy, with the death benefit payable on the death of the life insured.

<u>Joint first-to-die</u>
The lives of two individuals are insured under the policy. The total death benefit is payable on the death of the first joint insured to die.

<u>Joint last-to-die</u>
The lives of two individuals are insured under the policy.

The total death benefit is payable on the death of the last joint insured to die and therefore generally costs less than two single-life policies.

There are two types of joint last-to-die policies available:

Premiums to first death
Basic premiums are payable up to the first death of the lives insured or to the end of the contractual premium payment period, if earlier. Upon first death, future premiums will be waived for the remainder of the premium payment period. After the first death, no further additional deposit option (ADO) premiums will be accepted. After the first death, additional payments may be required to pay for enhancement shortfall amounts after the guaranteed period. For more information, see the enhancement section.

Premiums to first death is not available if one of the lives insured is declined. Great-West reserves the right to exclude premiums to first death from policies where one or both of the joint applicants have been deemed a substandard risk.

Premiums to last death
Premiums are payable to the death of the last of the joint insureds to die or to the end of the contractual premium payment period, if earlier.

Exchange from joint to single life

A joint first-to-die or joint last-to-die policy may be exchanged for a new single life policy on each of the joint life insureds, with no evidence of insurability required.

This exchange is not available on joint policies with more than two joint insureds or, where there are two insureds, if either joint insured's Attained Age is 71 or greater.

An exchange is also not available under a joint last-to-die policy for a joint Insured who is not insured as a single life standard rate class. For a joint last-to-die policy you may apply for any reason on or before the third policy anniversary, but after the third policy anniversary, you must apply within 60 days following a legal separation, common law or civil union dissolution, or partnership dissolution, of the Joint Insureds.

An exchange is not available on the life of a Joint Insured if premiums for the joint policy are being waived under any Disability Waiver of Premium rider or other disability insurance rider on that Joint Insured.

Each new individual policy

- must be on any participating life insurance plan we offer on the date of exchange, subject to our then current administrative rules and our then current maximum and minimum age and amount limits, and
- must have a face amount no greater than 50% of the combined total of the joint policy face amount plus any remaining convertible enhancement one year term insurance amount.

If the joint policy contains any exclusion rider with respect to any Joint Insured, a similar rider will be included in the applicable single life policy for that insured.

Exchanging the joint contract will be a full surrender and termination of it, and any Cash Surrender Value will be paid, regardless if the exchange is to two new policies or to one new policy, and regardless of the amount(s) of insurance provided under the new policy(ies).

The first premium for any new policy must be paid to us at the time of application.

The premiums for each new individual policy will be based on our then current premium rates for the plan of insurance and face amount of the new policy, using the applicable Joint Insured's sex and age at the date of exchange, and the Rate and Health Classes applicable to that Joint Insured under the new policy. Those classes will be the same as the Rate and Health Classes applicable to the Joint Insured under the joint policy, if available under the new policy. If not available, the Rate and Health Classes under the new policy will be those closest to the Rate and Health Classes applicable to the Joint Insured under the joint policy as determined by us.

Riders or benefits may be added to each individual policy only with our consent and subject to such evidence of insurability as we may require.

An exchange is a taxable disposition of the joint policy and may have tax implications, including increasing taxable income.

Premiums for basic term riders

For basic term riders, premiums are renewable for successive periods as outlined in the riders, benefits and options section.

Premium mode

The client can pay premiums on an annual or monthly (autopay) premium basis. Monthly premiums are subject to a modal fee.

Prepayment of premiums

Premiums can be pre-paid by use of a premium deposit account (PDA). The PDA is an agreement separate from the insurance contract. Money is deposited into the PDA where it earns interest. The premiums for the policy are paid from the PDA until its balance is zero.

Interest is guaranteed at the schedule of rates in effect at the time a deposit is received. The schedule of rates is not guaranteed in advance of the money being received. Interest earned in the PDA is subject to income tax. The money in the PDA is not eligible for creditor protection, either before or after the death of the life insured, even if the policy itself may be. The PDA exists separately from the policy.

The PDA can be withdrawn in full or in part at any time without canceling the life insurance policy. There is a surrender charge for any withdrawals. PDA amounts used to pay premium on the associated policy do not incur the surrender charge. If the policy death benefit is paid, the gross balance of the PDA is paid to the policyowner or policyowner's estate and the surrender charge is not applied.

Dividend options

Great-West offers participating policyowners a choice of three dividend options. Dividend options can be changed at the policyowner's written request, subject to administrative rules then in effect. A change in dividend option may result in taxable income to the policyowner and may require underwriting. Only one dividend option can be elected at any given time.

Cash payment

Dividends are paid to the policyowner each year, assuming dividends are declared by the board of directors. Policy cash values equal the contractually guaranteed cash values with this option and the death benefit remains level (less any policy indebtedness). Cash dividends reduce the policy's adjusted cost basis (ACB) and are subject to tax once the policy's ACB is zero.

Paid-up additions

The paid-up addition (PUA) dividend option purchases additional paid-up life insurance with each dividend credited to the policy.

The key features of paid-up additions are:

- For the same premium, it provides higher early cash value and lower initial death benefit than the enhancement option. It also provides higher death benefit growth over the long term.
- Coverage increases annually without evidence of insurability. Dividends are used to pay for the additional paid-up life insurance coverage on a pre-tax basis. That is, dividends immediately applied to pay the premiums for the paid-up additions within the same policy don't attract income tax.
- Paid-up additions are taken into account in determining any dividend to be credited to the policy.
- Once paid-up additions are purchased, their value at purchase is guaranteed. Note that the associated death benefit and cash value can be reduced if the policyowner requests a partial surrender (e.g., premium offset or withdrawal) or if used under the non-forfeiture option. Paid-up additions may also be surrendered to maintain the tax exempt status of the policy.
- The value in the paid-up additions, in addition to the basic cash value, can be used to secure an automatic premium loan if the premium for the basic death benefit is unpaid (as specified in the policy) to help keep the policy from lapsing.

Paid-up addition premiums vary by:

- Sex
- Smoking status
- Substandard rating

- Attained age

Paid-up additions are purchased at the single premium rate then in effect and rates are subject to change without notice.

Enhancement

With enhancement, dividends are applied to purchase additional insurance – first, one-year term insurance to make up the enhancement insurance amount, and then paid-up additions (PUA) if there are excess dividends. The enhancement insurance amount is shown on the policy details pages, or in other documentation provided by Great-West.

The enhancement option offers these key advantages:

- Enhancement provides higher initial death benefit for the same cost as the paid-up additions dividend option.
- Premiums for the one-year term coverage are paid by dividends using pre-tax dollars. Dividends that are immediately applied to pay the term cost within the policy do not attract income tax.
- Whenever the annual dividend exceeds the enhancement one-year term cost, the remainder of the dividend is used to purchase paid-up additions. Over time, the amount of term life insurance may be completely replaced by paid-up life insurance, at which time the death benefit begins to increase and the dividend option is switched automatically to paid-up additions. This is referred to as "cross-over." Within limits, the policyowner can choose the amount of enhancement used to strike a balance between affordability and future growth in cash value and death benefit.
- The one-year term life insurance can be converted at the policyowner's request to any permanent life insurance policy that is available for issue at the time of conversion, prior to the policy anniversary nearest to the life insured's 65th birthday (or nearest to the joint attained age 65 for joint first-to-die coverages, or either insured's attained age 65 for joint last-to-die coverage), subject to then current administrative rules and product issue limits. The one-year term life insurance on joint policies can only be converted to a new joint policy with the same joint type (i.e. joint last-to-die).

The enhancement rates for one-year term vary by:

- Sex
- Smoking status
- Substandard rating
- Issue age and policy duration
- Enhancement guarantee selected

One-year term and paid-up addition premium rates are not guaranteed and are subject to change.

Changes to the dividend scale will affect the rate at which the term insurance is replaced by paid-up additions.

Enhancement guarantees

Enhancement is available with a 10-year or lifetime guarantee of the enhancement amount. A higher enhancement amount is available for the 10-year guarantee option than is available for the lifetime guarantee option.

The enhancement guarantee (for lifetime or 10 years) states:

- Great-West will not seek any shortfall in premium to cover the cost for one-year term insurance required to make up the guaranteed enhancement amount, if while the guarantee is in effect current dividends are unable to completely cover the cost of that insurance.
- The enhancement amount will not be reduced during the guarantee period.

Certain options available to the policyowner, if elected, cause the enhancement guarantee to end. For example, if dividends are used to support premium offset or if they're surrendered from the policy, the enhancement guarantee ends. A policy loan or a reduction in the one-year term insurance will not affect the enhancement guarantee.

Cross-over and shortfall

Over time, the amount of the term portion of the enhancement may be completely replaced by paid-up life insurance, at which time the death benefit begins to increase. This is commonly referred to as cross-over. When a policy crosses over, the dividend option is changed to paid-up additions. The amount of dividends credited to a policy each year is not guaranteed and may fluctuate from year to year. If the dividend scale increases year to year, the cross-over point may be earlier. If the dividend scale decreases, the cross-over point may be later

A shortfall occurs when the declared dividend is insufficient to purchase the full enhancement amount, resulting in a term cost shortfall. If the policy is within the enhancement guarantee period, the policyowner will not be responsible for this cost, and the full amount of the enhancement portion will be maintained. If the policy is not within the enhancement guarantee period, the policyowner can maintain the full amount of the enhancement by making a cash premium payment within 31 days of notification. If the payment is not made, the term portion of the enhancement is reduced to the amount purchased by the declared dividend and the enhancement amount is reduced by the same amount for the remaining duration of the policy.

If the enhancement dividend option is elected and an additional deposit option (ADO) rider is added to the policy, the ADO premiums also buy PUA. Any PUA purchased by the ADO rider forms part of the enhancement insurance amount. A policy with ADO generally has an earlier cross-over point (where the PUA has replaced all of the one-year term) than a policy without ADO.

Termination of enhancement dividend option

The enhancement terminates when:

- The basic policy terminates
- The policyowner requests paid-up life insurance. The dividend option is changed (including at the cross-over point)
- The policyowner elects to convert all of the term insurance then in force

On surrender of the policy, a proportionate refund of the premium for the unused portion of the one-year term life insurance is included in the surrender proceeds.

Additional deposit option (ADO)

The additional deposit option provides a way to increase the flexibility of a participating life insurance policy by allowing additional scheduled and unscheduled premium to purchase extra PUA coverage. The dividend option on the policy must be PUA or enhancement to add ADO to a policy.

ADO is available on both standard and substandard policies. ADO is not available when flat extra premiums are involved. The ADO premium duration is to age 100 (see ADO termination section), and may increase the amount of underwriting required.

There are two versions of the ADO:

- **Scheduled premium** involves a regular premium payment (monthly or annual) to purchase additional paid-up additions.
- **Single premium** involves a one-time purchase of additional paid-up additions.
- ADO premiums are not waived under any benefit or paid by an automatic premium loan (APL).

After the policy is issued, the rider may only be added on a policy anniversary, subject to limitations and underwriting.

The scheduled ADO premiums will stop when:

- A written request from the policyowner to stop premiums for this rider is received
- Premiums are being paid by premium offset.
- The life insured reaches age 100 or the ESA for a joint policy reaches 100 (for guaranteed 20 pay, ADO can continue past the 20th policy year, up to this maximum).
- Waiver of premium comes into effect
- A dividend option other than paid-up additions or enhancement is selected
- The death of the first joint insured to die occurs on a joint last-to-die policy with premiums to first death
- Paid-up insurance is elected by the policyowner
- The policy is terminated.
- The re-start conditions are not met. Please see stop and start of ADO premiums section.

Issue ages - Scheduled or single premium ADO

Pay to age 100: 0-85

Guaranteed 20 pay: 0-80

Minimum ADO premium

Single premium:	$1,000
Scheduled:	$1,000 annual premium mode
Scheduled:	$90 monthly premium mode (the premium mode for ADO must match the base policy)

There may be situations where the illustration will allow you to select an amount that is below the posted minimum. For only those cases you can go below the posted minimum.

Maximum ADO premium

This is the lower of either the maximum allowed by the tax-exempt test, or the amount for which the life insured is underwritten (single or scheduled premium).

ADO maximum premiums are designed to help keep the policy exempt from accrual taxation based on current Canadian tax legislation. In some situations (such as stopping and restarting ADO premiums, certain policy changes, dividend withdrawals or dividend scale changes), a partial surrender or reducing ADO premiums may be necessary to maintain the tax exempt status. A partial surrender could generate taxable income.

The preset maximum scheduled ADO premium in *KeySource* assumes payments start immediately and continue to age 100. The maximum for the single premium ADO assumes an immediate payment.

Issue maximums vary by:

- Smoking status
- Substandard rating
- Sex
- Issue age
- Basic policy
- Premium-paying period for the basic policy (guaranteed 20 pay or pay to age 100)
- Rider version (single premium or scheduled with annual or monthly)
- Basic death benefit amount
- Policy duration when the rider is added to an inforce policy

ADO administrative fee

The ADO administrative fee is currently eight per cent to cover compensation, premium tax and issue and administration expenses. The ADO administrative fee is subject to change.

Why annual and monthly ADO values are different

Different premium rates are used to purchase PUA depending on whether the ADO is paid annually or monthly.

When ADO is paid annually, the ADO is typically paid at the beginning of the policy year and purchases PUA at the single premium rate for the attained age at the **beginning** of the policy year.

When ADO is paid monthly, the PUA is purchased when ADO premiums are received. Monthly ADO payments buy PUA using purchase rates that are interpolated between the last and next policy anniversary. This means the purchase rates increase over the course of the year. For monthly ADO payments, *KeySource* uses the purchase rates at the next policy anniversary. This may result in actual PUA amounts that are different from those shown on the sales illustration. Paying monthly rather than annually generally results in slightly lower values.

Monthly ADO premiums are equal to the annual ADO plus a modal fee. Paid-up additions purchased throughout the year are taken into account in the same way as paid-up additions purchased at the beginning of the year in determining any dividend to be credited to the policy.

Initial ADO payment

The first ADO payment may be delayed for up to 3 years, if annual ADO payments are selected, or 36 months, if monthly ADO payments are selected.

Start and stop of ADO premiums

After the first ADO premium is paid, ADO premiums can stop and start again without additional underwriting up to and including missing three consecutive annual payments or 36 monthly (autopay) premiums. For example, a policyowner could pay the scheduled year one ADO premium, then miss years two, three and four and then resume payment of the scheduled ADO at the start of year five without providing new evidence of insurability. If the policyowner does not resume payment of scheduled premiums, on or before the next premium due date, after having missed three consecutive annual payments or 36 monthly premiums, the rider terminates.

If the highest amount paid during a four-year period is less than the equivalent of one scheduled annual ADO premium (a partial payment), this amount becomes the new scheduled maximum ADO premium permitted without requiring further underwriting.

PUA that would otherwise be purchased by any portion of a scheduled ADO premium payment that is missed in a particular year is forfeited and cannot be recovered in a subsequent year. This applies even if the regular scheduled additional premium payment is reduced by the policy's tax exemption test in a particular year.

Notes:

- If ADO premiums stop and restart, no first year commission (FYC) override is paid on the restarted payments unless underwriting is involved.
- If ADO is added to a participating policy as part of a term conversion, evidence is required if the net amount at risk (NAAR) is increasing.
- Underwriting requirements related to ADO risk are determined based on the amount of coverage illustrated to be purchased by three years of ADO premiums.

Premium offset

With premium offset, the premiums are still payable; the policy does not become paid-up**.** Premium offset is not guaranteed. Policy premiums are paid by any current dividends and, when applicable, by surrender of any paid-up additions as described in the policy provisions. Since premium offset is dependent on non-guaranteed dividends that may be credited to and retained in the policy over time, increases and decreases in the amount of dividends that may be credited over the life of the policy affect a policy's eligibility for premium offset.

Important information:

- Availability of premium offset depends on the performance of the participating account and any dividends that may be credited from this account, which are not guaranteed.

- If actual policy dividends are less than those illustrated, premium offset may not be available as originally illustrated.
- Even after premium offset has started, changes in the dividend scale may result in a policy ceasing to be eligible for premium offset. Out-of-pocket premium payments may need to resume.
- Premium offset could draw on dividend values that may have built up in the policy, resulting in a reduction of the cash surrender value and the death benefit, compared to the values if the premiums are paid in cash. Premium offset causes any enhancement guarantee to be permanently forfeited.
- If a policy has Enhancement dividend option, the one-year term cost will always be paid before dividends are applied for premium offset

Types of premium offset

The following types can be selected to the end of the premium payment duration, or for a temporary period. This election is subject to current and future dividend supportability.

Full premium offset

- The full premium will first be paid by any current annual dividend and then, if necessary, by surrendering any existing paid-up additions. The premium mode will be changed to annual while on full premium offset.

Variable premium offset

- Apply a percentage (between 5 and 100 per cent) of the current annual dividend toward the premium owing. The client must pay the balance of the premium owing through another method. If the policy has Enhancement dividend option, the percentage of dividend applied toward the premium owing is calculated after Enhancement term costs are paid.
- This can be done for annual premiums or monthly autopay premiums.
- The existing dividend values will not decrease as a result of electing variable premium offset.
- This election can occur earlier than level or full premium offset because it only uses the current annual dividend.

Level premium offset

- Select a specific dollar amount to pay out-of pocket, the balance of premium is paid from dividends.
- This can be done for annual premiums or monthly autopay premiums
- The remaining premium owing will be first paid by the current annual dividend, and then, if necessary, existing paid-up additions will be surrendered.

Eligibility for premium offset

A policy's eligibility for premium offset is determined by Great-West based on its current administrative rules at the time of application for premium offset.

When determining the eligibility for premium offset, it's assumed no policy loan exists. A policy loan does not affect eligibility for premium offset. However, if a policy loan does exist, a policy on premium offset may require additional cash payments for loan interest to remain in force. Policies on premium offset are tested at each policy anniversary and each dividend scale change to ensure continuing eligibility.

There are a number of events affecting the date premium offset will be available, such as:

- Increases or decreases in the dividend scale

- Surrender of any paid-up additions
- Changing a dividend option
- Adding, deleting or changing a rider (including ADO) or supplementary benefit
- Changes to enhancement term rates or PUA purchase rates

Premium offset on policies with the enhancement dividend option delays the cross-over point, and in some instances may result in shortfall. As a reminder, premium offset terminates the enhancement guarantee.

Cash values

A policy's total cash value is comprised of three components:

- Guaranteed basic cash values, which are specified in the policy contract
- Cash value arising from any dividends declared; these cash values accumulate in policies with paid-up additions and enhancement dividend options
- Cash value from any paid-up additions purchased by ADO premiums.

*Cash values are interpolated daily between policy anniversaries.

Accessing cash values

Dividends

A policyowner may surrender all or a portion of the paid-up additions for their cash value, provided they have not been used as security for a policy loan or under a non-forfeiture benefit. Surrender of any paid-up additions that are part of the enhancement will reduce the enhancement death benefit and terminate any enhancement guarantee. Surrender of PUA is a disposition for income tax purposes and tax may be payable.

Surrender value

A policyowner may elect to terminate a policy for its cash surrender value (if any). In addition to the guaranteed cash value, the cash value of any existing dividends, less any policy loan indebtedness on the policy, will be paid out. Surrendering a policy is a disposition for income tax purposes and tax may be payable.

Policy loan

A policy loan is a way to access the cash value of a participating life insurance policy without actually surrendering any of the inforce coverage.

Policy loans are available and are secured by the cash value of the policy in accordance with the loan provisions of the contract. Loans are subject to interest charges at a rate that is set by Great-West, which is subject to change. Interest is calculated daily on the total amount of the loan and is billed at each policy anniversary. Interest not paid when due is added to the loan amount, and bears interest at the loan interest rate in effect. The interest rate in effect on existing loans can be found on the policy anniversary statement. The interest rate currently in effect is available by contacting the client service centre.

The policy continues to earn dividends at the same rate as a policy would without a policy loan. However, if the life insured dies, or if the policy is surrendered while a loan is present on the policy, the death benefit or cash surrender value is reduced by the amount owing on the policy. A loan left unpaid results in lower total cash value and total death benefit, and could result in the policy lapsing.

The maximum policy loan amount cannot exceed the following:

- Guaranteed basic cash value, plus
- PUA cash value, less
- Any amounts already owed on the policy including accrued interest,
- Multiplied by a factor of 100% less the current policy loan interest rate

Policy loans are not taxable if the amount being borrowed is less than the policy ACB at the time of the policy loan. Policy loans reduce the ACB and when the ACB is reduced to zero any additional policy loan is taxable. Repayments of policy loans that were previously taxed are eligible for tax deduction but do not increase the ACB. Additional policy loan repayments above the taxable amount increase the ACB.

Surrendering PUAs may result in a taxable disposition, even if the PUAs are used to repay a loan amount

Policy loans may be repaid at any time in a lump sum or through installments.

Withdrawals

Policyowners may withdraw cash value arising from policy dividends without affecting the basic guaranteed cash value. If the dividend option is PUA, the cash withdrawal is made available by surrendering PUA related to that cash value. PUA are surrendered at current age and current purchase rate. The death benefit will reduce by the PUA surrendered. The reduction in death benefit will exceed the amount of cash value surrendered. If surrendering paid-up additions that are part of the enhancement, the enhancement will be reduced by an amount equal to the death benefit of the PUAs surrendered and the enhancement guarantee will be permanently forfeited. Withdrawals of guaranteed cash value require an amendment to the policy, which revises the guaranteed values in the policy — including a reduction in basic death benefit. Any withdrawal of cash value may be subject to taxation.

Non-forfeiture

Automatic premium loan

When a premium payment and/or loan interest remains unpaid at the end of the grace period, a policy loan for the unpaid amount is automatically applied against the security of the policy's cash value, provided there is sufficient cash value available in the policy. This allows the policy to remain in force on its original terms as long as there is cash value available to cover the premium and/or loan interest charged. An automatic premium loan can be repaid at any time. Automatic premium loans are also subject to interest charges. Automatic premium loan is the default non-forfeiture provision.

Paid-up life insurance

A policyowner can elect to use the cash surrender value of the policy as a single premium to purchase participating paid-up life insurance, provided the reduced amount meets the minimum face amount rules in effect. The amount that can be purchased depends on the amount of cash value available (less any indebtedness), the life insured's attained age, sex, smoking status and risk class. Election of this option may result in the loss of the tax-exempt status of the policy, which would result in the policyowner having to report taxable income each year. Once this option has been exercised, it cannot be reversed.

All optional benefits and riders terminate when the policy is changed to paid-up.

Riders and benefits

Participating life insurance Wealth Achiever and Estate Achiever — available riders and benefits

Rider	Issue ages - Guaranteed 20 pay policies	Issue ages - pay to age 100 policies	Single life	Joint first-to-die	Joint last-to-die, premiums to last death	Joint last-to-die, premiums to first death
Additional deposit option (ADO) • Scheduled • Single premium	0-80 0-80	0-85 0-85	Y	Y	Y	Y
Disability waiver of premium	18-55	18-55	Y	Y	N	N
Death and/or disability or death only Payor waiver of premium — Adult basic insured*	Payor 18-55 when Basic insured 18-80	Payor 18-55 when Basic insured 16-80	Y	N	N	N
Death and disability or death only Payor waiver of premium — Juvenile	X	Payor 18-55 Basic insured 0-15	Y	N	N	N
Death and disability or Death only waiver of premium	18-55	18-55	Not applicable	Not applicable	Y	Not applicable
Guaranteed insurability rider (standard risk only)	0-45	0-45	Y	N	N	N
Business growth protection rider 10 or 15 years (standard risk only)	10-year option: 18-65 15-year option: 18-60	10-year option: 18-65 15-year option: 18-60	Y	Y (single life basis)	Y (single-life basis)	Y (single-life basis)
Accidental death benefit	0-65	0-65	Y	N	N	N
Term life insurance rider – term 10	15-75	15-75	Y	N	N	N
Term life insurance rider – term 20	15-65	15-65	Y	N	N	N
Child's term life insurance (rating under 200 per cent pre-rating reduction program for basic insured and insured children at issue	15 days 17 Years Basic insured: 18-59	15 days 17 Years Basic insured: 18-59	Y	N	N	N

*Maximum issue age for payor on death is 60.

Term riders

The following basic insured term riders are available on single life policies:

- Term 10 basic rider
- Term 20 basic rider

Availability

The minimum issue amount for term basic riders is $50,000. Preferred underwriting is available for face amounts of $250,000 or more.

Term rider insured must be the same as the basic policy insured.

Issue ages

	Non-smoker	Smoker
Term 10	18 to 75	15 to 75
Term 20	18 to 65	15 to 65

Premiums

Term riders renew every 10 or 20 years depending on the term of the rider. Evidence of insurability is not required for renewal. Generally, term rider premiums increase at each renewal anniversary and are determined according to the rates shown in the policy details page. Term renewals are automatic unless the policyowner notifies Great-West that the term rider is not to be renewed, or the rider is being converted at the renewal date.

Expiry date

Expiry date is the earlier of:

- The expiry of the basic policy
- The policy anniversary nearest the 85th birthday of the life insured under the rider

Attained Age Conversion

While the rider is in force and all premiums due have been paid, the policyowner may convert the rider without evidence of insurability to a new single life permanent policy insuring the same life as the rider, with a face amount no greater than that of the term rider. The conversion privilege is available until the policy anniversary nearest the insured's age 70. Premiums will be based on the life insured's attained age at date of conversion (calculated on an age-nearest basis).

Attained age conversion can be to any single-life permanent life insurance product offered by Great-West at the time of conversion. All conversions are subject to applicable policy minimums and then-current administrative rules.

Term 10 to Term 20 conversion

A policyowner can convert a T10 rider to a new single life Term 20 policy before the seventh policy anniversary or the anniversary nearest the life insured's 65th birthday, whichever is earlier, and not before the first coverage anniversary. The new premiums are offered on the life insured's attained age (calculated on an age-nearest basis) and the first renewal occurs 20 years from the date of conversion, regardless of how many years the Term 10 coverage was in force prior to the change. In a partial conversion, part of the Term 10 rider can be retained as a Term 10 rider, provided all product minimums are met for the remaining Term 10 rider and the new Term 20 policy.

Conversion age table

Type of conversion	**Maximum age**
Conversion to permanent insurance	Up to age 70 (with an issue age of 69 and older, conversions are available for two years after the contract date)
Conversion of a Term 10 rider to a Term 20 policy	Earlier of the first seven years or up to age 65

Special considerations for term riders and disability waiver

If premiums are being waived under a disability waiver of premium (DWP) at the date of renewal of basic insured term riders, the term coverage will be renewed.

If the policyowner applies to convert prior to the end of the conversion period while premiums are being waived, premiums will not be waived on the converted policy.

If basic insured term riders have not converted by the end of the conversion period, and premiums have been continuously waived for the period stated in the rider provisions, the life insurance provided under this rider will be converted automatically to a non-participating permanent life insurance plan with premiums payable for life or at least until age 85. If (on automatic conversion) the life insured continues to be totally disabled, premiums will be waived on the converted insurance.

If the life insured is not disabled at the date of term rider conversion, and is younger than age 55 at their birthday nearest the conversion date, the DWP benefit rider on the existing policy may be continued in the new policy. Disabilities evident prior to the conversion date are not covered under the DWP with the new policy.

Child's term life insurance rider

The child's term life insurance rider, available on single-life policies, provides increasing term life insurance coverage on all children in a family. The coverage stops, with respect to any particular child, on the rider anniversary nearest that child's 25th birthday, or when the basic life insured turns 65, whichever is earlier. However, the policyowner can extend the coverage beyond the basic life insured's 65th birthday if any insured children are still under 25 at that time. The policyowner must request this extension within 60 days of the insured parent turning 65.

At issue, the term "all children" includes natural, adopted and stepchildren of the basic life insured named in the application. Any additional children who are born to or legally adopted by the life insured prior to his or her 65th birthday are automatically included under the contract. The initial coverage in these cases, for each added child, is the amount in force on each of the children already covered, at the time the additional child is added.

Issue ages

Basic life insured: 18-59

Children insured under rider: 15 days up to and including 17 years of age (on an age nearest basis)

Issue limits

Minimum: $10,000

Maximum: $25,000

Substandard

- If the primary basic life insured is rated over 200 per cent (pre-rating reduction program), the rider is not available.
- If any child born to or adopted by the primary life insured at the time the rider is underwritten is rated over 200 per cent (pre-rating reduction program), that child is excluded from the rider. This does not apply to children born to or adopted by the life insured after the rider issue date.

Benefit

A death benefit is paid for the insured child provided the death occurs before the earlier of:

- The rider anniversary nearest the insured child's 25th birthday, or
- The termination of the rider

Expiry

The child's term life insurance rider expires at the policy anniversary nearest the policy insured's 65th birthday.

The child's term life insurance rider is not eligible for dividends and has no cash value or non-forfeiture benefits while the basic policy life insured remains alive and the rider has not expired. At death of the policy life insured, the full amount of term life insurance on each covered child becomes fully paid-up term life insurance. The paid-up coverage continues to be in force to the policy anniversary nearest the covered child's 25th birthday.

Termination

The rider terminates on the earliest of:

- The expiry date of the rider
- The date on which the policyowner elects to change to paid-up insurance
- Policy surrender
- Policy termination (other than by death of the policy insured)
- The date at which the policyowner terminates the child's term life insurance rider

Premiums
The annual premium is level and is not dependent on the number of insured children.

The premium-paying period is the greater of 25 years or to the basic life insured's age 65 as long as the coverage is in force. The premium period may be extended to additional years of coverage to protect all children who have not yet reached age 25.

Conversion
The coverage on each child may be converted to a term or permanent policy, either when the child turns 25, or within 31 days of the insured child's marriage, if the child marries between their 21st and 25th birthday. The amount of coverage converted may not be more than $250,000 of new life insurance, and is subject to current minimum issue limits.

When applying for conversion, the applicant may also apply for non-smoker rates by providing required evidence.

Accidental death benefit
Accidental death benefit (ADB) provides for the payment of an additional amount of life insurance if the life insured dies as a result of bodily injury within 365 days of the accident that caused the injury. The accident must occur while the policy rider is in force and before the rider anniversary nearest the life insured's 70th birthday. The injury must be caused by accidental means (as defined in the rider), and death must result directly from the injury.

Availability
The ADB is available on any new or existing single life policy if the life insured is rated 200 per cent or below (pre-ASTRA rating).

Issue ages

Regular	0 to 65
Non-smoker	18 to 65

Issue limits

Minimum	$1,000

Maximum elected amount is the lesser of:

- One times the basic coverage, plus term rider coverage, or
- $400,000, including all ADB coverages in force or applied for on the life insured at all life insurance companies

Exclusions
There are exclusions where benefits are not be payable under certain circumstances specified in the rider. ADB is not payable if the life insured's death is the direct or indirect result of the following:

- War
- Suicide
- Poison or drugs if not taken on the advice of a physician

- Committing, or attempting to commit a criminal offense
- Disease or illness
- Being in an aircraft in any capacity other than as a passenger
- Participating in any riot or civil commotion
- Intentional descent from an aircraft in flight
- Flight on, in or attached to any aircraft that is functioning as a glider or a kite
- Committing, attempting or provoking an assault or a criminal offence
- Operating a motor vehicle while under the influence of any drug, intoxicant or narcotic (blood alcohol concentration over 80 milligrams of alcohol per 100 millitres of blood)

Premiums

Premiums are level and payable to the rider anniversary nearest the insured's age 70. For Max 20, the premium period is the lesser of 20 years or the life insured's age 70.

Guaranteed insurability rider

The guaranteed insurability rider (GIR) allows the life insured to purchase additional life insurance on specified option dates without providing new medical evidence of insurability.

The new life insurance policy obtained through this benefit can be on any single-life permanent insurance London Life offers at the date of issue of the new policy.

Availability

This rider is only available on single life policies and is not available for substandard risks. The risk class must be standard before the rating reduction program is applied.

Option amounts

When a GIR option is exercised, the new policy face amount must be within the following limits:

- Minimum of $25,000
- Maximum is the lesser of:
  - Two times the face amount (including term riders)
  - $300,000
- The total life insurance amount of all GIR-optioned new policies may not exceed the cumulative maximum amount allowed under the GIR option, as illustrated in the table below.
- The premium or cost of insurance required for any new insurance elected will be based on our then current rates applicable for the plan and insurance amount requested, using the Life Insured's sex and attained age at the Option Date, and the "Standard" Rate Class and appropriate health classification for that new insurance.

Issue limits

Original policy issue age	Cumulative maximum of all options is the lesser of:
0-36	$1.2 million or four times selected option amount

37-39	$900,000 or three times selected option amount
40-44	$600,000 or two times selected option amount
45	$300,000 or one times selected option amount

Any exclusions on the policy are applied to the new policy.

Issue age

0 - 45

Benefits and riders

- If the base policy includes a waiver of premium rider, this rider may be added to the new policy without medical evidence when a GIR option is exercised. However, if the life insured is disabled due to a condition existing before exercising the GIR option, the premium for the new policy will not be waived for the existing disability under the disability rider for the new policy.
- If the base policy does not include a premium waiver, when a GIR option is exercised a waiver of premium rider may be added to the new policy subject to providing satisfactory evidence of insurability.
- If the policy contains an accidental death benefit (ADB) rider on the life insured at the date of option, a similar rider may be included with the new insurance policy or coverage without evidence of insurability. The amount of the new rider cannot exceed the new insurance amount applied for at the date of option and must be within the maximum and minimum amounts allowed for the new plan or type of coverage.
- If the base policy includes any other rider, it can be added to the new policy subject to providing satisfactory evidence of insurability.

The inclusion of any optional riders or benefits in the new policy is subject to providing current satisfactory evidence of insurability at the time the GIR is exercised.

Option dates

Option dates are the policy anniversaries nearest the life insured's following birthdays: 25, 28, 31, 34, 37, 40, 45 or 50. Alternative option dates occur on the 91st day after:

- Marriage
- Birth or adoption of a child

The alternative option dates negate the next available option date. If a regular option date falls within the 90-day period before the alternative option date, it is cancelled. If an option date does not fall within the 90-day period and the insured purchases additional life insurance on the alternative option date, the next available option date is cancelled. Requests for other special option dates are considered.

A written application must be received at London Life's head office 60 days before or 31 days after the option date. Provided the life insured is still living, coverage takes effect on the later of:

- The option date
- Receipt by head office of the first premium no later than 31 days after the option date

Premiums

Premium rates for this benefit are based on the GIR coverage option amount, the life insured's age at the birthday nearest the policy anniversary date and risk class at issue.

Policies on waiver of premium benefit

The premiums for the GIR are waived if and when premiums under the inforce policy to which it is attached are waived under any waiver of premium benefit provision. However, the premium is not waived on new policies obtained by exercising the GIR at future option dates. A disability waiver rider may be attached to a new policy, but this rider only applies to disabilities arising after issue on that new policy and may be subject to exclusions. For example, if the inforce policy premiums were being waived due to a disabling back injury and the policyowner exercises the option to purchase a new policy under the GIR after the waiver claim has ended, the new policy may have a disability waiver benefit attached but the waiver benefit for the new policy may include an exclusion for disabilities arising from back injuries.

Business growth protection rider (10- or 15-year option period)

The business growth protection (BGP) rider gives business owners — whether shareholders, partners or sole proprietors —the option to purchase additional life insurance coverage on the life insured at their attained age, without providing additional medical evidence of insurability.

The business must be headquartered in Canada, and have been operating at least three consecutive years. Operations in the U.S. will be considered on a case-by-case basis.

The rider is available for:

- Single life policies – only one BGP rider is allowed per business per policy. If the applicant has more than one business, then a separate policy and BGP rider must be issued.
- Joint policies – the BGP rider is available on a single life basis.

Each rider can cover only one life and the life insured's interest in only one business. The one business can be a holding company that has ownership of subsidiaries.

The rider is not available for substandard risks. The risk must be standard before the rating reduction program is applied.

Issue age

10-year option: 18 - 65

15-year option: 18 - 60

Issue requirements

The rider can be added at issue or after issue, subject to medical evidence of insurability and financial underwriting approval. At the time of underwriting, a rider option period of 10 or 15 years must be chosen.

With the application, the business must provide:

- Financial statements for the company's last three fiscal years. They must be prepared using generally accepted accounting principles (GAAP) or International Financial Reporting Standards (IFRS) by an accountant whose qualifications are acceptable to Great-West Life.
- Documentation (acceptable to Great-West) establishing the applicant's current ownership interest in the company.

The valuation of the business — and the life insured's share of it for the purposes of the rider — will be determined by Great-West using one of the following methods:

- Asset-based valuation – This method is used for businesses with low earnings, where value is based on the underlying assets; e.g., a real estate holding company or construction company
- Earnings-based valuation – If the business has a stable track record and predictable prospects, this method uses capitalized earnings or cash flow. If the business has fluctuating earnings or cash flow, this method uses discounted earnings or cash flow.

Great-West may accept alternative methods of valuation.

Cost

Rates vary by the chosen option period (10 or 15 years), age, sex and smoker status. The premium for the rider is not banded. The cost is a level rate per thousand of the option amount, and is not affected by the cumulative maximum amount remaining.

The BGP rider is priced on the basis that the premium remains level even as options are exercised.

Option amount limits

Issue minimum: $100,000

Issue maximum: $2.5 million

Financial underwriting by Great-West determines the value of the business for an option date, based on the financial statements provided from the last three fiscal years (and other information as is deemed necessary).

Cumulative maximum amount

The cumulative maximum amount of new insurance coverage that can be purchased under this rider is the lesser of:

- $10 million
- Four times the rider's option amount limit
- The life insured's ownership share of any increase in the business value measured from the rider date

Increases in the option amount, and therefore in the cumulative maximum, are not permitted. Decreases in coverage are permitted, subject to the minimum amounts of $100,000 and Great-West's then-current administrative rules.

Exercising an option

The option dates are on each rider coverage anniversary from years one through 10, or years one through 15, depending on the chosen option period. A letter of notification is mailed 60 days in advance to remind the policyowner of the option date. The option expires 31 days after its option date.

Options may be exercised to:

- Buy a stand-alone Term 10 or Term 20 policy
- Buy a permanent life insurance policy (subject to administrative rules at that time):
    - Additional coverage must be a stand-alone policy
        - There are no dividend option restrictions on that new insurance, e.g., PUA is available without additional underwriting

- Additional deposit option (ADO) is available, subject to administrative rules and medical evidence for the ADO amount

The premium or cost of insurance required for any new insurance elected will be based on the current rates applicable for the plan or type of coverage and insurance amount requested, using the Life Insured's sex and attained age at the Option Date, and the "Standard" Rate Class and appropriate health classification for that new insurance.

An option may only be exercised if the financial underwriting review concludes that the value of the life insured's share of the business has increased since the rider date.

Typically, the policyowner applies for and is the policyowner of the new insurance. If the policyowner does not wish to apply for new insurance, the rider provisions allow the life insured to apply with the written consent of the policyowner. In this situation, the life insured would be the owner of any new insurance issued. This may result in tax implications (for example, a deemed benefit received by a shareholder, partner or employee), and the policyowner and life insured should seek advice from their tax advisor.

The additional coverage which can be purchased at a single option date cannot be less than the policy minimums for the new insurance at that time. It also cannot exceed any of the following:

- The maximum option amount
- The life insured's ownership share of any increase in the business value measured from the rider date, minus all amounts of new insurance previously purchased under the rider. Note that the life insured's ownership share of the growth is based on their ownership at time of opting (e.g., growth of the business is determined first, then the current percentage of ownership is applied to the growth. The maximum option does not change when ownership percentage changes.)
- The cumulative maximum amount, minus all amounts of new insurance previously purchased under the rider

Other riders and benefits

- If the base policy for the BGP rider includes a waiver of premium rider (at the policyowner's request) that benefit can also be added to the new policy without medical evidence of insurability, provided the life insured is not disabled at the time of opting.
- If the base policy contains an accidental death benefit (ADB) rider on the life insured at the date of option, at the policyowner's request a similar rider may be included with the new insurance without evidence of insurability, unless prohibited by the terms of the rider or by Great-West's then current administrative rules. The amount of the new rider cannot exceed the new insurance amount applied for at the option date and must be within the maximum and minimum amounts Great-West would then allow for the new insurance policy or coverage.
- If the base policy includes other riders, they can be added to the new policy, subject to providing satisfactory medical evidence of insurability and then-current administrative rules.

Termination

The rider terminates automatically on the earliest of the following:

- Date of the life insured's death
- Rider expiry date (the 10^{th} or 15^{th} anniversary of the rider, as applicable)
- Date the cumulative maximum amount has been reached
- Date the remaining cumulative maximum amount is less than any available product minimums
- Date the base policy to which this rider is attached is fully converted, terminates, or lapses
- Date the policyowner elects to change the policy to paid-up insurance

Death and disability waiver of premium benefits

With death or disability waiver of premium rider benefits, payment of policy premiums is waived in the event the rider insured either dies or becomes disabled in accordance with the rider provisions. Waiver of premium is available on any existing participating life insurance policy.

For disability waiver, where total disability of the rider insured has continued uninterrupted for at least six months, and before the rider anniversary nearest to his or her 60^{th} birthday, premiums are waived retroactive to the beginning of disability. Premium payments must continue for the first six months of total disability, but are refunded if total disability continues beyond that period. Premiums for any enhancement shortfall when the guarantee is no longer in effect will continue to be payable.

Definition of total disability

The life insured must be totally disabled continuously and without interruption for the first six months of disability. During the first 24 months of disability, total disability and totally disabled mean the life insured, due directly to injury or sickness, cannot perform the substantial duties of his or her regular occupation and is not working at any other gainful occupation. After the first 24 months, the life insured must be unable to work in any gainful occupation for which he or she is qualified, or becomes reasonably qualified by education, training or experience.

Sickness means disease or illness that must first manifest after the date of issue of the rider. Injury means accidental bodily injury that must be sustained after the date of issue of the rider. Sickness or injury must be supported by objective medical evidence.

The following losses are also considered total disability where the loss is total and irrevocable:

- Speech
- Hearing of both ears
- Sight of both eyes
- Use of both hands or both feet; or one hand and one foot

Waiver of premium benefit

For death waiver, policy premiums coming due after the death of the rider insured are waived until the expiry date for the benefit, when the policy lapses or terminates, the rider terminates or the rider anniversary nearest the life insured's 65th birthday.

For disability waiver, where satisfactory evidence of total disability (as defined) has been provided —both at the start of disability and at periodic times thereafter as required by Great-West — premiums are waived in accordance with the provisions of the rider and the policy. Premium payments must continue to be made during the first six months of continuous total disability, but are refunded if disability continues uninterrupted for more than six months. At the rider anniversary nearest the life insured's 65th birthday (and if satisfactory proof is provided), if the rider insured has been continuously disabled and premiums have been waived for five years or more, no further proof of continued disability is required.

Surrender, loan, non-forfeiture provisions and dividends, if any, are the same as if any premium waived had been paid in cash. The amount of the policy at maturity is not decreased by reason of any premium waived.

Waived premiums are benefit payments by Great-West into the policy.

There are several types of waiver of premium riders available:

- Disability waiver of premium for the owner/insured of single life and joint first-to-die policies
- Death and/or disability waiver of premium for the payer of single-life policies
- Disability waiver of premium for either or both lives of joint last-to-die, premiums to last death policies

Where the life insured is under age 16, the waiver of premium terminates on the day before the anniversary nearest the child's 25th birthday or the waiver life insured's (payer's) 60th birthday, whichever occurs first.

Where the owner-applicant (payer) is other than the basic life insured, evidence of insurability is required.

Exclusions

No premiums are waived:

- For death resulting from suicide within two years from the issue date of the rider, or
- For total disability if disability results from any of the following:
    - Self-inflicted injury
    - Riot or hostilities of any kind
    - Service in war with the armed forces of any country or with a group engaged in war

Maximum

A disability waiver benefit may only be attached to a policy that:

- Together with all policies in force and applied for on the same waiver insured at all life insurance companies, does not exceed $2.5 million of basic term insurance coverage, and
- Together with all policies in force and applied for on the same waiver insured at all life insurance companies, does not exceed $50,000 of policy premium, excluding ADO and waiver premium

Note: When the waiver claim period expires, future policy premiums become payable by the policyowner or premium payor.

Survivor benefit

The survivor benefit is a provision in joint first-to-die policies that provides temporary coverage and an option to purchase permanent coverage after the death of the first insured. No more than two lives may be insured in the policy. The survivor's insurance age must not be not over age 70.

Survivor term insurance (interim coverage)

Following the death of the first life insured, provided the death occurs before the policy anniversary nearest the surviving life insured's 70th birthday, the survivor has interim term coverage for 60 days. The term coverage is equal to the face amount of the policy, plus the amount of any insurance coverage provided by dividend options paid-up additions or enhancement, in effect at the date of death of the first life insured to die. If both insureds die within 60 days of each other or at the same time, the interim coverage is paid in addition to the otherwise payable death benefit.

Survivor benefit option to purchase additional insurance

The owner if living, (or the surviving insured if the owner is not living) may apply for new insurance on the surviving life insured, with no evidence of insurability required.

During the 60-day interim term coverage period, a permanent life insurance policy can be applied for on the life of the survivor without evidence of insurability, up to the amount of the coverage provided by the survivor term insurance under the survivor benefit. The date of issue and policy date of the new policy applied for is the 61st day after the death of the first insured. There is no overlap of coverage between the survivor term life insurance and the new policy.

New policy premiums

Premiums for the new policy are determined using the survivor's age at their birthday nearest the new policy issue date. The risk class of the new policy on the surviving life insured is the same as, or equivalent to, the risk class of the surviving life insured at the time of issue of the original policy, including any substandard extra premiums or restrictions. The first premium for the new policy must be paid at the time of application.

Disability waiver

The disability waiver of premium benefit may be included in the new policy as long as: the disability waiver of premium benefit was included in the original policy, the surviving life insured is not disabled and the surviving life insured's age nearest the new policy issue date is less than 55.

Taxation

A policy is issued with the intent that it would maintain a tax-exempt status, meaning it would be exempt from annual accrual taxation under the Income Tax Act (Canada). This allows values to accumulate in the policy on a tax-advantaged basis within limits. We're required to review the policy each policy anniversary to see if the values exceed those limits. We may make policy adjustments in our sole discretion in an effort to maintain the policy's tax-exempt status.

We cannot guarantee that the policy will continue to be tax-exempt, if for example, a policyowner decides to make a policy change or if there's a change in the dividend scale or in tax legislation. Once a policy becomes subject to accrual taxation, that status cannot be changed. Accordingly, should the policy already be subject to accrual taxation, no adjustments can be made which would change that status.

A partial or complete disposition of a policy may result in a policyowner having to report income for tax purposes. A partial or complete disposition of a policy can include, but is not limited to:

- A policy loan not immediately applied to pay a premium under the policy
- The partial or full surrender of the paid-up additions, if any
- The partial or full surrender of the contract for its cash value, or some portion thereof
- Transfer of the policy ownership

If the dividend option is cash the crediting of any dividends may require an amount to be included in the policyowner's income for tax purposes.

The information provided is based on current tax legislation and interpretations for Canadian residents and is accurate to the best of our knowledge as of the date of publication. Future changes to tax legislation and interpretations may affect this information. This information is general in nature, and is not intended to be legal or tax advice. For specific situations, consult the appropriate legal, accounting or tax expert.

Sales illustration

While an illustration is a valuable tool for understanding how a policy will work given a certain set of assumptions, it is not an estimate or projection of future policy performance. Actual experience will differ from the assumptions used in the illustrations; therefore, the non-guaranteed values in the policy will differ from those illustrated.

Great-West's participating life insurance illustrations provide a reduced scenario to show the sensitivity of the non-guaranteed values to changes in the dividend scale. This sensitivity is shown by a percentage reduction in the interest component of the dividend.

Note: the dividend scale interest rate is only one component of the dividend scale calculation. Changes to any of the other components, such as mortality, expenses and taxes, also affect the non-guaranteed values in the illustration. Guaranteed values and features are marked as such. Values and features that depend on dividends vary from those illustrated and are not guaranteed.

Annual statement and inforce illustration

At each policy anniversary, participating policyowners receive a detailed annual statement. The statement contains a summary of the death benefit and cash value, as well as the current dividend amount and how it was credited to the policy.

The inforce illustration provides a current and a reduced scenario to show the sensitivity of non-guaranteed values to changes in the dividend scale. Values are shown based on the current dividend scale, as well as a reduced scale with a reduction in the interest component.

Participating life insurance contracts

While reasonable effort has been made to ensure the accuracy of the information in this guide, some errors and omissions may occur. This guide is intended to provide a general overview for financial security advisors' information and education purposes only. In the event of a discrepancy between this guide and the contract, the terms of the policy contract prevail.

Assuris

The Great-West Life Assurance Company is a member of Assuris. Assuris is a not-for-profit corporation, funded by the life insurance industry, that protects Canadian policyowners against loss of benefits due to the financial failure of a member company. Details about the extent of Assuris' protection are available at www.assuris.ca or in its brochure, which can be obtained from Assuris by emailing info@assuris.ca or by calling 1-800-268-8099.

For more information

For more information on how the Great-West's participating life insurance products can help your clients realize their financial security goals, contact the life insurance team at your local product solutions centre.