the co-operators®
A Better Place For You®

Individual Immediate Annuity Resource Guide

About This Guide

Navigating the Guide
To navigate through this guide, use the links in the Bookmarks section on the left. Depending on your computer settings, those links may not be visible when this guide is opened. If they are not visible, click on the Bookmarks icon on the left side of the screen (as pictured below). You may then click on the links in this pane to navigate to any of the guide topics.

Disclaimer of Liability
While every effort is made to ensure the information contained within this document is accurate and complete, Co-operators Life Insurance Company assumes no legal liability or responsibility for any errors or omissions. Where the information differs from the insurance policy wording, the terms of the policy will always apply.

Produced by
Co-operators Life Insurance Company
1920 College Avenue
Regina, SK S4P 1C4

Revised Editions	
2018	August

WMA900

Table of Contents

WHAT IS AN ANNUITY

A payout annuity is an insurance product in which a client invests a lump sum of money in exchange for a stream of future benefit payouts. Usually payable monthly, these benefits provide guaranteed income for either a specified period (Term Certain annuity) or until death (Life annuity). Most often, annuities are purchased by individuals in or approaching retirement, looking to turn a portion of their savings into safe, predictable income for their later years.

There are two ways a client can request an annuity:

- The client will have a sum of money they want to invest and a payout amount is calculated based on several factors, including age, gender, product features and market interest rates.
- A client may request a specific benefit amount (ex. $1000/month) and the required lump sum premium is calculated based on that.

The insurer then invests the lump sum and makes the required payouts over the lifetime of the policy.

REASONS TO PURCHASE AN ANNUITY

Financial planning strategies

There are many ways to design an annuity that will create the desired income streams needed throughout one's retirement. For example, a portion of one's savings could be invested in a Life annuity to cover known, recurring expenses, such as rent/mortgage, utilities and groceries, while other savings are invested more aggressively. Depending on life circumstances, a Term Certain annuity could be used to fund temporary expenses, such as a loan repayment, or bridge the gap until other income sources are available (CPP/OAS).

Peace of Mind

Canadians are living longer and life expectancy continues to rise. By purchasing a Life annuity, which is payable until death, a client can protect themselves or their family from the risk of outliving their savings. Annuities are the most effective safeguard against this longevity risk.

Investment Risk

Since annuity payout amounts are pre-determined based on interest rates at the time of purchase, the client is protected against adverse changes in the market.

Inflation Risk

For annuities purchased with registered funds, the client has the option to add indexing, which increases their annuity payouts by a factor (ex. 2%) every year. This protects their income from losing purchasing power over time, due to a rising cost of living.

Simplicity

An annuity is a low-maintenance retirement income option, compared to alternatives which may involve tracking performance and moving money in and out of multiple funds.

Option for Registered Funds

Most registered assets have restrictions regarding how funds may be accessed. For example, RRSP money needs to be withdrawn or transferred into a payout product by age 71. For some clients, purchasing an annuity with their RRSP or pension funds may be an attractive option.

Tax Benefits

Annuities purchased with non-registered funds may qualify for prescribed taxation, providing higher after-tax income in early policy years.

Workers Compensation

Some annuities are purchased with settlement funds, as consideration for lost retirement income due to an injury. There may be restrictions on the type and features available for an annuity purchased with WCB funds.

ANNUITY TYPES

Co-operators Life Insurance Company offers three types of individual annuities:

Single Life: This Life annuity pays the benefit until the death of the annuitant.

Joint Survivor: This is a Life annuity contingent on two lives (primary annuitant and spouse) and payout continues until **both** are deceased. The benefit may reduce upon death of the primary annuitant based on a pre-selected survivor percentage. The joint annuitant (spouse) cannot be changed after issue.

Term Certain: This annuity is payable only for a specified number of payouts, referred to as the benefit period, generally covering 5-15 years in length. Should the annuitant die before the end of the benefit period, a lump sum settlement is paid to the Beneficiary or the Estate (or remaining guaranteed payouts may continue to an eligible Beneficiary). The minimum term we offer is five years.

PRODUCT FEATURES

Death Benefit	Lump sum settlement if (last) policy death occurs before guarantee features expire.
Guarantee Period	Available for Single and Joint survivor policies (some restrictions depending on source of funding). Minimum 5 years.
Survivor Percentage	Benefits may reduce upon death of primary annuitant on a Joint Survivor policy. Survivor percentage may be 60%-100%. Survivor percentage below 60% will require a Spousal Waiver form.
Payment Frequency	Monthly, Quarterly, Semi-annual, Annual.
Payment Method	EFT. A cheque may be available upon special request.
Indexing	Fixed percentage benefit indexing available for annuities purchased with registered funds.

Death Benefit

A lump sum is payable upon death of the annuitant only if there are guaranteed benefits remaining at the time of death. The amount payable is the commuted value of remaining guaranteed benefits, based on the Canadian Institute of Actuaries standard of practice. The situations where a death benefit would be payable are:

- Term Certain annuity: Death during the benefit period
- Single Life annuity: Death before the guarantee period expires
- Joint Survivor annuity: Death of **both** annuitants before the guarantee period expires

Without a guarantee period in place, or after the guarantee has expired, no further benefits are payable upon death of the annuitant(s).

In the unlikely event that the annuitant dies before the first benefit payment is made, we would pay a death benefit in the form of a commuted value lump sum.

Guarantee Period

When purchasing a Life annuity, the client can select a term where benefits are guaranteed, even in the event of death.

For a Single Life annuity, should the annuitant die before the end of the guarantee period, a lump sum settlement is paid to the Beneficiary or the Estate (or remaining guaranteed payouts may continue to an eligible Beneficiary).

In the case of a Joint Survivor annuity with a guarantee, upon death of the primary annuitant, payments would continue to the spouse at 100% until the end of the guarantee period, at which time the survivor percentage would apply. Should both annuitants die before the end of the guarantee period, a lump sum settlement is paid to the Beneficiary or the Estate (or remaining guaranteed payouts may continue to an eligible Beneficiary).

Standard guarantee periods are 5, 10 or 15 years, but may be restricted depending on the source of fund. The minimum guarantee period we allow is five years.

No guarantee period is necessary for a Term Certain annuity, as all payments are guaranteed throughout the benefit period.

Survivor Percentage

When purchasing a Joint Survivor annuity, the client can select a factor (60%-100%) which reduces the benefit amount upon death of the primary annuitant. For example, a 75% survivor percentage on the death of the annuitant would mean that should they die first, benefits continuing to the spouse would be reduced by 25%. Besides lowering the price of the annuity, this may be a practical feature, in that some surviving spouses might not require as much income as a married couple. For those who do not wish to see payments reduce, a 100% survivor benefit can be selected. Note that for a survivor percentage below 60%, a Spousal Waiver Form will be required.

Benefit Payment Method

The method of payment is by Electronic Funds Transfer (EFT) to a Canadian Financial Institution. Payment by cheque may be available upon special request.

Benefit Payment Frequency

The client can choose to have benefits paid to them either monthly, quarterly, semi-annually or annually.

Indexation

Due to inflation, a flat benefit will lose purchasing power over time. An indexed annuity may be purchased where payouts increase annually by a specified percentage. For example, with 2% indexing on a $1000 benefit, the amount payable would be $1020 in year 2, $1040.40 in year 3, $1061.21 in year 4, etc.

Note: Co-operators Life Insurance Company does not offer indexing for annuities purchased with non-registered funds.

TAXATION

An annuity can be purchased with either registered or non-registered funds. Annuity payouts are then taxed based on the source of premium.

Registered funds
Examples of registered funds include, but are not limited to, registered pension plans and RRSPs. Often, an individual will be required by law to move these registered savings into a payout product. Purchasing an annuity is one of the options they have available.

Annuity payouts from a registered policy are taxable in the year they are received. For registered policies only, we withhold taxes as required by the CRA.

Non-registered funds
When an annuity is purchased with non-registered money, there are two taxation methods: accrual and prescribed.

Accrual
Taxation varies by year, based on assumed capital growth. Usually, this will create higher taxable benefits in the early years which then decrease over time. (This option is not available through The Co-operators).

Prescribed
Taxation assumes that growth is level over the life of the annuity and the taxable portion of benefits is the same every year. This creates lower taxes in the early policy years, compared to the accrual method. (This is the only taxation method offered by The Co-operators for annuities purchased with non-registered funds).

Most non-registered annuities qualify for prescribed taxation, given that:

- they are non-indexed;
- begin in the year they are purchased;
- guarantee features do not extend beyond age 90;
- annuitant/owner/payee are the same person;
- annuitant must be an individual (not a corporation).

PRODUCT GUIDELINES / RESTRICTIONS

To limit exposure risk, the Co-operators Life Insurance Company has created a set of company specific business rules surrounding the types of annuities that can be purchased.

We have minimum and maximum policy size allowances based on issue age for Life policies and term length for Term Certain policies:

Term Certain		
Term	Minimum	Maximum
5 to 9 years	50,000	Unlimited
10 years and longer	25,000	Unlimited
Life Annuities		
Issue Ages	Minimum	Maximum
50 to 65	50,000	2,000,000
66 to 71	35,000	1,500,000
72 to 75	35,000	1,250,000
76 to 80	25,000	1,000,000
81 to 85	25,000	750,000
86 to 90	15,000	500,000
For Joint Survivor use age of the younger spouse		

Due to legislation, there are limitations on what product types and features are allowed, depending on the source of funds:

Source of funds	Forms allowed	Guarantee	Indexing allowed
Registered (locked-in)	Life*	No longer than age 90 minus age at last birthday No longer than 15 years for RPP (Registered Pension Plan)	Yes
Registered (not locked-in)	Life, Term Certain to age 90	No longer than age 90 minus age at last birthday	Yes
Prescribed **Non-registered**	Life, Term Certain	At least 5 years. Must end before 91st birthday	No

*For RPP sources, we require a spousal waiver form for any annuity form that is less than Joint Survivor 60%.

Note: For joint survivor policies, the age of the younger spouse is used to determine guarantee period restrictions.

SALES / FULFILLMENT PROCESS

A client can request an annuity through their Advisor. In some cases, such as a retiree coming out of The Co-operators staff plan or other Co-operators Life administered group pension plans, the request can be made through an internal Retirement Income Representative.

Advisors can make a request to the Individual Actuarial inbox. using the Annuity Quote Request form (LSR007). A quote is produced by the actuarial team and sent back to the Advisor. The quote will be guaranteed up to a disclosed expiry date at which point pricing interest rates are updated and a new quote would be required.

To request an annuity, the Advisor will need to send an application form along with supporting documents (quote, proof of age, void cheque, spousal consent) to our Wealth Management Administration. Once accepted and funds are processed, a welcome letter and contract will be mailed to the client and payouts will begin as scheduled.

POLICY CHANGES / CLIENT COMMUNICATION

Death

Upon receiving notice regarding the death of an annuitant, the Individual Wealth Client Service Centre will request a copy of the Death Certificate. At this time, any changes to the policy (payment stoppage for Life only, payment reduction for Joint, any lump sum payment) would be communicated to the surviving spouse, Beneficiary or Estate. The Co-operators may request return of any overpayments that may have occurred since the death.

Client Services will also send out an annual letter, confirming the annuitant's status. The client is asked to contact Client Services once they receive the letter to ensure uninterrupted payments and to confirm that their personal information has not changed. Failure to do so may result in future payments being suspended.

Maturity

For a Term Certain policy, a letter is mailed to the client 60 days prior to the end of the term, notifying them of the last payment date.

Other Policy Changes

For any other required changes (banking information, change of address, etc.), please contact our Individual Wealth Client Service Centre.

COMMISSION

Advisors (other than Retirement Income Representatives) who sell Individual Annuities are eligible for commission at the following scale:

	Term Certain (less than 15 yrs.)	Other
First $100K	2.5%	3.0%
Next $100K	1.5%	2.0%
Excess	1.0%	1.0%

Once an annuity is sold, Actuarial is notified and will then calculate the commission due to the Advisor. These amounts are sent to the Wealth Operations team quarterly. From there, it makes its way to Agency Distribution and the Advisor or agency receives their commission payment quarterly.

ASSURIS PROTECTION

Assuris is an organization that protects client benefits in situations where the insurance company fails.

In the unlikely event of company bankruptcy, a member's annuity payouts would be covered by Assuris, **up to** $2000/month or 85%, whichever is higher.

For more information, please refer to www.assuris.ca.