



Advisor Guide

PARTICIPATING WHOLE LIFE INSURANCE
ESTATE ENHANCER | ACCELERATED GROWTH



Table of contents

1 ABOUT PARTICIPATING WHOLE LIFE INSURANCE

| | |
|--|---|
| ▶ Overview | 4 |
| ▶ How it works | 4 |
| ▶ Dividend scales | 5 |
| • Advantages of participating whole life insurance | 5 |

2 TARGET MARKETS

3 FEATURES

| | |
|---|----|
| ▶ Summary table of participating whole life insurance | 11 |
| ▶ Premium payment period and age limit | 15 |
| ▶ Rate class | 16 |
| ▶ Policy fee and modal factor | 16 |
| ▶ Coverage type and number of insureds | 17 |
| • Individual coverage | 17 |
| • Joint first-to-die coverage | 17 |
| • Joint last-to-die coverage | 17 |
| • Joint last-to-die, paid-up first death | 17 |

4 DIVIDEND OPTIONS

| | |
|---|----|
| ▶ Paid-up additions (PUAs) | 19 |
| ▶ Enhanced insurance | 21 |
| • Conversion privilege for the enhanced insurance's one-year term | 21 |
| • Enhanced insurance guarantee periods | 23 |
| ▶ Annual premium reduction | 24 |
| ▶ Cash payment | 24 |
| ▶ Dividends on deposit | 24 |
| ▶ Participating whole life insurance components at a glance | 25 |
| ▶ Summary table of dividend options | 26 |
| ▶ Dividend option changes | 27 |
| ▶ Premium offset | 27 |
| ▶ Tax treatment | 28 |
| ▶ Tax implication according to the dividend option | 29 |
| • Tax trigger according to the dividend option | 34 |
| ▶ Determination of dividends | 35 |
| • Investment returns | 35 |
| • Mortality rate | 35 |
| • Taxes and expenses | 35 |
| • Financial results of the participating account | 36 |

5 USE OF ACCUMULATED CASH SURRENDER VALUES

| | |
|--|----|
| ▶ Partial withdrawal of the basic insurance coverage | 40 |
| ▶ Total surrender of the policy | 40 |
| ▶ Policy loan (guaranteed cash surrender values) | 41 |
| ▶ Reduced paid-up insurance | 41 |
| ▶ Additional coverages | 42 |

1

About participating whole life insurance

- ▶ Overview
- ▶ How it works
- ▶ Dividend scales



Overview

Desjardins Insurance's participating whole life insurance offers advantageous solutions for **upper-middle income, mass-affluent, high-net-worth clients** and **business people**. It's designed to help them **maximize their estate** or benefit from **higher cash surrender values**.

Three products are available:

- Estate Enhancer, to maximize the amount payable upon death
- Accelerated Growth, to access higher cash surrender values in the medium term
- 5 Pay PAR, to have a paid-up coverage after a 5-year payment period¹

How it works

Participating whole life insurance includes basic cash surrender values, premiums and a basic amount payable upon death, which are all guaranteed.

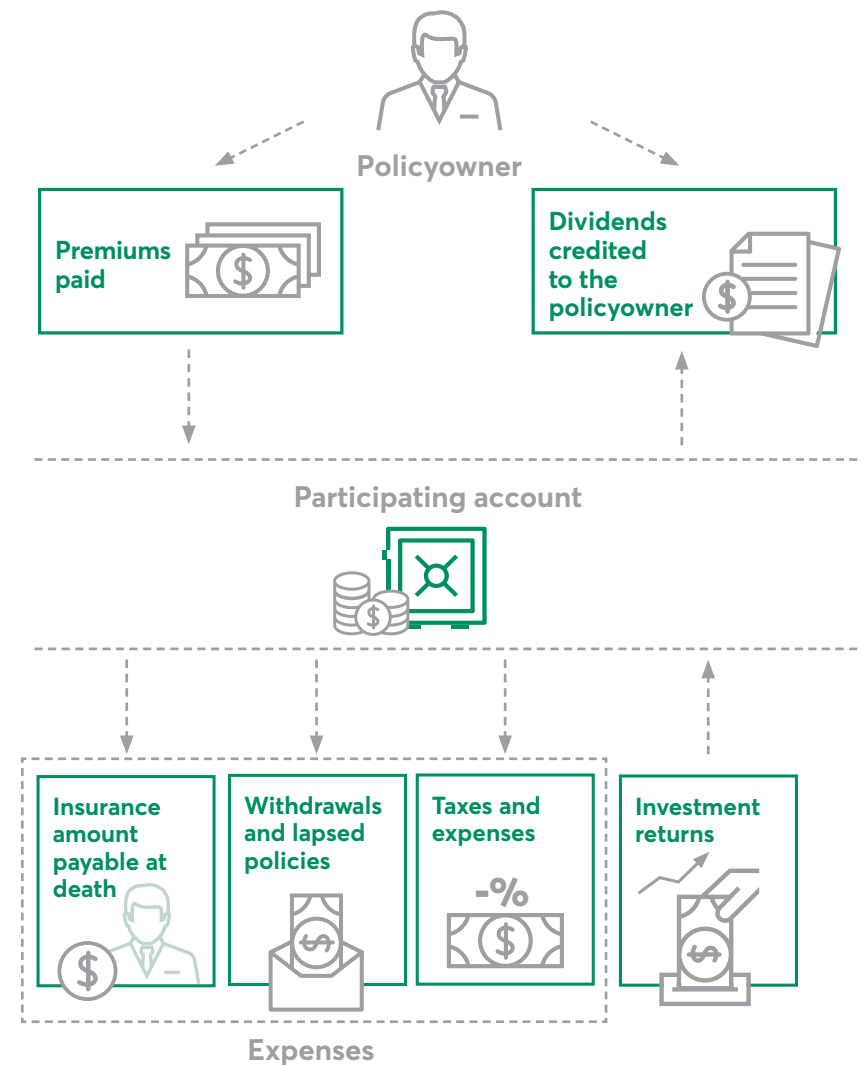
Premiums from participating life insurance policies are pooled together into a single account that is managed **separately** from all other Desjardins Insurance accounts.

The dividend scale is determined by the account's financial results, which depend on a number of factors, including investment returns, mortality rates, and taxes and expenses paid by the insurer. Dividends are credited annually, on the policy anniversary, when the participating account results are better than the assumptions used to determine the guaranteed values.

Dividends are credited according to a specific formula established by the insurer to pay each policyholder the fair value of the amount available.

Participating account dividends are not guaranteed, but once credited, they are vested to the policyholder.

They may differ from those indicated in the illustration reports' financial projections.



¹ Enhanced insurance is the only dividend option available at issue (guaranteed to age 100).

In 2021, participating life insurance in Canada generated*:

- 51.7% of the total life insurance premiums
- An average annual premium of \$9,806 per policy

*Source: LIMRA Life insurance, as at December 31, 2021

Dividend scales

Dividends are credited to policyowners once a year starting on the **first policy anniversary**.

- **Participating whole life insurance – Estate Enhancer**
 - Dividend scale increases steadily over time, but slows down somewhat in the long term.
 - Allows policyowners to accumulate a significant long-term value, based on the selected dividend option.
- **Participating whole life insurance – Accelerated Growth**
 - Dividend scale shows accelerated growth in the first 10 to 15 years, and then slows down in the long term.
 - Allows policyowners to accumulate higher value in the **medium term**, depending on the selected dividend option.
- **Participating whole life insurance – 5 Pay PAR**
 - Dividend scale maximized in the long-term.
 - Allows policyowners to accumulate a significant long-term value.

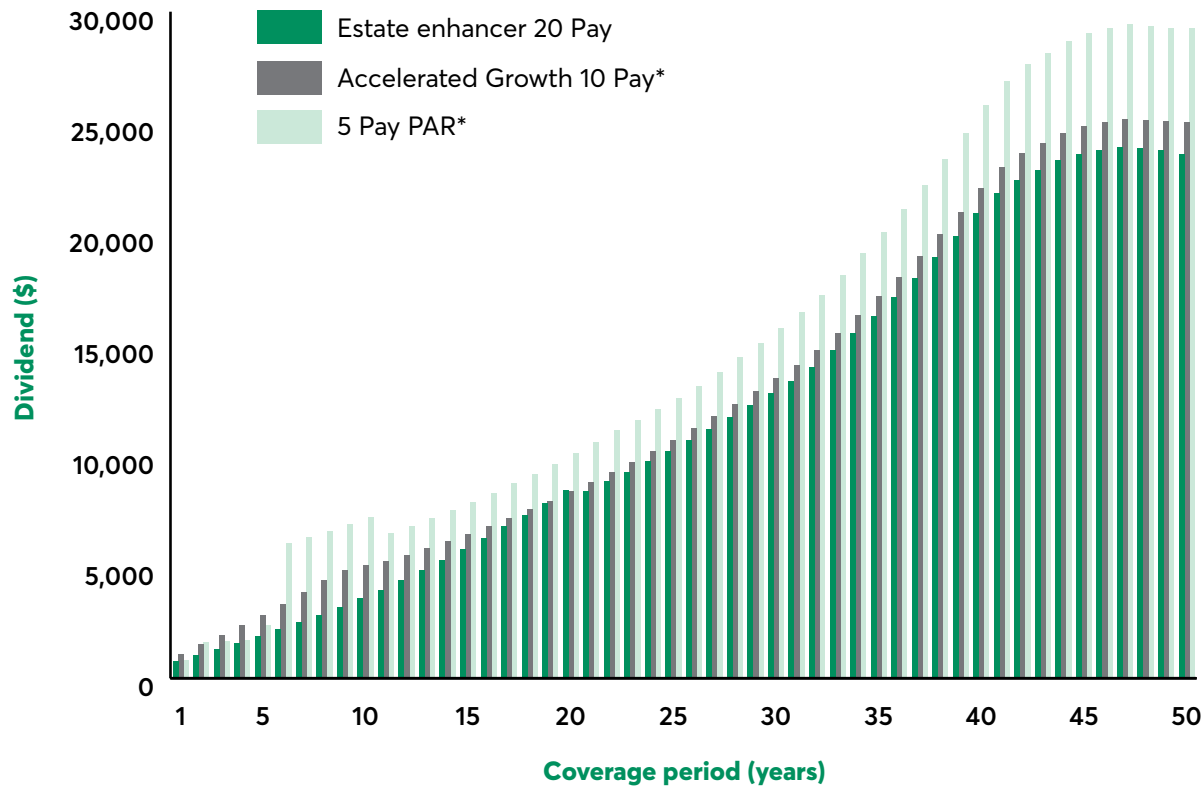
Advantages of participating whole life insurance

- **Protection for life**
 - Option to significantly grow the amount payable upon death on a tax-efficient basis.
- **Cash surrender values**
 - If the policy is cancelled, a portion of the paid premiums and perhaps more may be recoverable.²
 - The policyowner may be able to borrow against the cash surrender values of the contract if needed.²
 - Possibility of getting a higher amount than you would with guaranteed whole life insurance.
 - Tax-efficient growth depending on the selected dividend option.
- **Annual payment of dividends**
 - Up to five flexible dividend options are available to meet the needs and goals of clients.
 - The participating account is managed entirely by the insurer—the policyowner does not have to manage anything.
 - The investment risk is relatively low because the investments are diversified.
- **Flexible premium payments**
 - Depending on the total dividend amount, premium payments can be reduced or even stopped while maintaining the basic insurance coverage.

² May trigger a taxable policy gain.

Dividend scale according to chosen product

Male age 50, non-smoker



* Based on a total premium of \$188,000 of the Estate enhancer 20 Pay



Quick tip

Policyowners can access their cash surrender values and use them for educational and business expenses, or to enhance their retirement income.

Tax consequences are to be expected for the policyowner.

2

Target markets

▶ Target markets



Advisor Guide

PARTICIPATING WHOLE LIFE INSURANCE
ESTATE ENHANCER | ACCELERATED GROWTH

1 ABOUT PARTICIPATING WHOLE LIFE INSURANCE

2 TARGET MARKETS

3 FEATURES

4 DIVIDEND OPTIONS

5 USE OF ACCUMULATED CASH SURRENDER VALUES

Estate Enhancer and Accelerated Growth feature three premium payment periods (10 pay, 20 pay or to age 100). 5 Pay PAR offers the option to pay premiums over 5 years. Three products for you to recommend the best solution for the needs and goals of your clients.

| Individuals | | | |
|-------------------|---|---|---|
| | 5 Pay PAR | Estate Enhancer | Accelerated Growth |
| Target age | Children: 0 to 17 Adults: 18 to 65 | Children: 0 to 17 Adults: 35 to 60 | Adults: 45 to 65 |
| Profile | Affluent or high net-worth clients including parents, grandparents, professionals and business owners who: <ul style="list-style-type: none"> • Want permanent whole life insurance that can be quickly paid up. Guaranteed premiums payable over 5 years • Have additional funds for discretionary use | Affluent clients, like parents, grandparents or young professionals just starting their career who: <ul style="list-style-type: none"> • Want permanent whole life insurance with flexible and guaranteed options • Have additional funds for discretionary use | Affluent and high net-worth clients, including business owners, who: <ul style="list-style-type: none"> • Want permanent whole life insurance with flexible and guaranteed options • Have additional funds for discretionary use |
| Needs | <ul style="list-style-type: none"> • Maximize the value of their assets • Plan their estate and cover taxes owing upon death • Build a solid financial foundation for their children or grandchildren, and guarantee their insurability • Have access to cash during their lifetime for long-term needs through policy loans or withdrawals³ • Plan a charitable donation • Want their death benefit to keep up with inflation | | <ul style="list-style-type: none"> • Have access to higher cash surrender value during the first 10 to 15 contract years to cover medium-term needs • Increase their retirement income through policy loans or withdrawals³ • Diversify their assets while meeting life insurance needs • Plan their estate and cover taxes owing upon death • Want their death benefit to keep up with inflation |

³ May lead to taxable gains. For the purposes of this document, "taxable gain" has the meaning of a taxable policy gain. It is an income that is entirely taxable and is not a taxable capital gain.

Advisor Guide

PARTICIPATING WHOLE LIFE INSURANCE
ESTATE ENHANCER | ACCELERATED GROWTH

1 ABOUT PARTICIPATING
WHOLE LIFE INSURANCE

2 TARGET MARKETS

3 FEATURES

4 DIVIDEND OPTIONS

5 USE OF ACCUMULATED
CASH SURRENDER VALUES

| Businesses | | | |
|----------------|--|-----------------|--|
| | 5 Pay PAR | Estate Enhancer | Accelerated Growth |
| Profile | <ul style="list-style-type: none"> Shareholders or key employees Businesses with a surplus of liquidity Need permanent whole life insurance Businesses that want to use their cash surrender values in the medium-term to compensate for the loss of a key employee, to reinvest, etc.³ | | |
| Needs | <ul style="list-style-type: none"> Finance a buy-sell agreement following the death of a shareholder Transfer a family business to children with a joint last-to-die insurance policy on the parents Access higher cash surrender values to meet the shareholder's long-term needs³ Plan for the departure of a shareholder³ Reward a key employee who is leaving the company³ | | <ul style="list-style-type: none"> Protect the business with higher cash surrender values as an asset on the balance sheet, especially at the beginning of the contract |

³ May lead to taxable gains. For the purposes of this document, "taxable gain" has the meaning of a taxable policy gain. It is an income that is entirely taxable and is not a taxable capital gain.

3

Features

- ▶ Summary table of participating whole life insurance
- ▶ Premium payment period and age limit
- ▶ Rate class
- ▶ Policy fee and modal factor
- ▶ Basic insurance coverage amount and rate band
- ▶ Coverage type and number of insureds



Summary table of participating whole life insurance

| | 5 Pay PAR | Estate Enhancer | | | Accelerated Growth | | |
|----------------------------------|---|--|----------|---|---|----------|---|
| | | 10 pay | 20 pay | To age 100 | 10 pay | 20 pay | To age 100 |
| Dividend scale | Dividends maximized over the long term | | | | Dividends maximized in the first 10 to 15 years | | |
| Guaranteed payment period | 5 years | 10 years | 20 years | <ul style="list-style-type: none"> To age 100, or Equivalent age if joint life policy | 10 years | 20 years | <ul style="list-style-type: none"> To age 100, or Equivalent age if joint life policy |
| Issue age | 0 to 65 | 0 to 75 | | 0 to 80 | 0 to 75 | | 0 to 80 |
| Premium | Level and guaranteed for the payment period | Level and guaranteed for the payment period selected | | | | | |
| Rate class | Non-smoker and smoker | | | | | | |
| Rating | Maximum eligible rating is +200% | Rating Based on underwriter's decision | | | | | |
| Annual policy fee | \$40 per year \$3.60 per month | | | | | | |
| Modal factor | Monthly: 0.09 Semi-annually: 0.52 | | | | | | |

Advisor Guide

PARTICIPATING WHOLE LIFE INSURANCE
ESTATE ENHANCER | ACCELERATED GROWTH

1 ABOUT PARTICIPATING WHOLE LIFE INSURANCE

2 TARGET MARKETS

3 FEATURES

4 DIVIDEND OPTIONS

5 USE OF ACCUMULATED CASH SURRENDER VALUES

| | 5 Pay PAR | Estate Enhancer | | | Accelerated Growth | | |
|-------------------------|---|--|--------|---|---|--------|------------|
| | | 10 pay | 20 pay | To age 100 | 10 pay | 20 pay | To age 100 |
| Basic insurance | Level and guaranteed insurance amount | | | | | | |
| End of coverage | Upon the death of the insured | | | | | | |
| Coverage option | <ul style="list-style-type: none"> • Individual • Joint last-to-die (2 insureds) • Joint first-to-die (2 to 5 insureds) • Joint last-to-die, paid-up first death (2 insureds) | | | | | | |
| Insurance amount | Minimum: \$10,000 (excluding the enhanced insurance) Maximum: \$10,000,000 ⁴ | <ul style="list-style-type: none"> • Minimum: \$10,000 • Maximum: \$10,000,000⁴ | | | <ul style="list-style-type: none"> • Minimum: \$100,000 • Maximum: \$10,000,000⁴ | | |
| Rate band | <ul style="list-style-type: none"> • \$10,000 to \$24,999 • \$25,000 to \$49,999 • \$50,000 to \$99,999 • \$100,000 to \$249,999 • \$250,000 to \$499,999 • \$500,000 to \$999,999 • \$1,000,000 or more | | | <ul style="list-style-type: none"> • \$100,000 to \$249,999 • \$250,000 to \$499,999 • \$500,000 to \$999,999 • \$1,000,000 or more | | | |

⁴ For higher amounts, contact head office to get a special quote.

Advisor Guide

PARTICIPATING WHOLE LIFE INSURANCE
ESTATE ENHANCER | ACCELERATED GROWTH

1 ABOUT PARTICIPATING
WHOLE LIFE INSURANCE

2 TARGET MARKETS

3 FEATURES

4 DIVIDEND OPTIONS

5 USE OF ACCUMULATED
CASH SURRENDER VALUES

| | 5 Pay PAR | Estate Enhancer | | | Accelerated Growth | | |
|----------------------------------|--|--|--------|------------|--------------------|--------|------------|
| | | 10 pay | 20 pay | To age 100 | 10 pay | 20 pay | To age 100 |
| Dividend option | Enhanced insurance ⁵ (T1 and PUAs – guaranteed to age 100) | <ul style="list-style-type: none"> • Paid-up additions (PUAs) • Enhanced insurance (T1 and PUAs – Guaranteed 10 years or to age 100) • Annual premium reduction • Cash payment • Dividends on deposit | | | | | |
| Premium offset | Not available | Available, but non-contractual | | | | | |
| Cash surrender value | <ul style="list-style-type: none"> • Guaranteed on basic life insurance coverage • Available, but not guaranteed, on insurance purchased with PUAs | | | | | | |
| Reduced paid-up insurance | Not available | Guaranteed on basic life insurance coverage | | | | | |
| Rider | <ul style="list-style-type: none"> • Disability waiver of premiums • Accidental fracture • Accident • Accidental dismemberment or loss of use • Accidental death, dismemberment or loss of use • Guaranteed insurability benefit • Business insurability coverage • Children's life protection • Children's accidental fracture | | | | | | |

⁵ The enhanced insurance is the only option available at the time of sale. PUAs, cash payment and deposit dividend options may be available 10 years after contract issue, if the exempt test is met.

Advisor Guide

PARTICIPATING WHOLE LIFE INSURANCE
ESTATE ENHANCER | ACCELERATED GROWTH

1 ABOUT PARTICIPATING
WHOLE LIFE INSURANCE

2 TARGET MARKETS

3 FEATURES

4 DIVIDEND OPTIONS

5 USE OF ACCUMULATED
CASH SURRENDER VALUES

| | 5 Pay PAR | Estate Enhancer | | | Accelerated Growth | | |
|---|--|---|--------|------------|--------------------|--------|------------|
| | | 10 pay | 20 pay | To age 100 | 10 pay | 20 pay | To age 100 |
| Automatic non-forfeiture option | Automatic premium loan in the event of non-payment | | | | | | |
| Policy loan | Available | | | | | | |
| Insurability option on first death | 100% of the amount of permanent insurance if joint first-to-die coverage is included Within 90 days following first death | | | | | | |
| Eligibility of conversion | Enhanced insurance ⁶ | <ul style="list-style-type: none"> • Paid-up Additions⁶ • Enhanced insurance⁶ • Annual premium reduction • Cash payment • Dividends on deposit | | | | | |
| Tax treatment | Policy values accumulate tax-free under the <i>Income Tax Act</i> (Canada). A life insurance benefit paid upon the insured's death is not taxable. A policy loan, surrender (total or partial) or policy transfer can generate a taxable gain. Dividends paid in cash or on deposit become taxable when the dividend amount exceeds the policy adjusted cost basis (ACB). However, any dividends used immediately after being credited to pay a premium under the policy (including paid-up additions, enhanced insurance and annual premium reduction), pursuant to the terms of the policy, are not taxable. | | | | | | |

⁶ Not available for client with rating. Not available for group insurance conversions.

Premium payment period and issue age

Policyowners can pay premiums for **5 years, 10 years, 20 years** or **to age 100** depending on the product chosen.

| | 5 Pay PAR | | Estate Enhancer or Accelerated Growth | | | |
|-------------------------------------|--|----------|---|----------|--|----------|
| | | | 10 pay or 20 pay | | To age 100 | |
| Issue age (nearest birthday) | • Individual | 0 to 65 | • Individual • Joint first-to-die • Joint last-to-die | 0 to 75 | • Individual • Joint first-to-die • Joint last-to-die | 0 to 80 |
| | • Joint first-to-die • Joint last-to-die and Joint last-to-die, paid-up first death | 18 to 65 | • Joint last-to-die, paid-up first death | 18 to 75 | • Joint last-to-die, paid-up first death | 18 to 80 |
| Premiums | Level and guaranteed Payable for 5 years (Maximum eligible rating is + 200%) | | Level and guaranteed Payable for 10 years or 20 years | | Level and guaranteed Payable to age 100 or the equivalent age in the case of a joint life policy | |
| Paid-up policy | After 5 years | | After 10 or 20 years for basic life insurance coverage and additional coverages (except Children's life protection) | | At age 100 | |

Only one life insurance coverage is allowed per policy.

Advisor Guide

PARTICIPATING WHOLE LIFE INSURANCE
ESTATE ENHANCER | ACCELERATED GROWTH

1 ABOUT PARTICIPATING
WHOLE LIFE INSURANCE

2 TARGET MARKETS

3 FEATURES

4 DIVIDEND OPTIONS

5 USE OF ACCUMULATED
CASH SURRENDER VALUES

Rate class

Preferred non-smoker rates

Clients who have not consumed any tobacco products in the **12 months** prior to signing the application. Marijuana smokers may be considered non-smokers depending on their consumption level.⁷

Regular smoker rates

Clients who have consumed any tobacco products and their equivalents in the **12 months** prior to signing the application are assigned regular smoker rates.

⁷ The **0 to 17** age group is automatically assigned the regular rate but the premiums to pay are the same as preferred rates.

Policy fee and modal factor

A policy fee of \$40 per year or \$3.60 per month is **included** in the calculation of the premiums.

The modal factor used to calculate the monthly premium is 0.09. The monthly premium is determined by multiplying the annual premium by the modal factor.

Coverage type and number of insureds

Four coverage options are offered to meet the needs and goals of your clients:

Individual coverage

Number of insureds: **1**

Joint first-to-die coverage

Number of insureds: **2 to 5**

- The issue age is determined based on the equivalent age.

Insurability option on first death

- Following the first death, the policyowner may convert the joint first-to-die coverage to an individual coverage without having to provide any evidence of insurability for the surviving insured under age 65.
- The policyowner can select a permanent product that is eligible at the time of the conversion. The premium is calculated based on the attained age.
- The basic insurance amount of the newly converted coverage can be less than or equal to the amount of the basic insurance amount plus the enhanced insurance, if applicable.
- Must be exercised within **90 days** following the first death.

Automatic insurance benefit within 90 days following the first death:

- If the surviving insured is **under 65 years of age** and dies within 90 days of the first death, Desjardins Insurance pays the designated beneficiary an additional amount equal to the amount of basic insurance coverage plus the additional coverage, if applicable.

Joint last-to-die coverage

Number of insureds: **2**

- The issue age is determined based on the equivalent age.
- Premiums remain payable following the first death.

Joint last-to-die, paid-up first death

Number of insureds: **2**

- The issue age is determined based on the equivalent age.
- Following the first death, the premiums for the basic insurance coverage are no longer payable, while the premiums for the surviving insured's additional coverages remain payable.

4

Dividend options

- ▶ Paid-up additions (PUAs)
- ▶ Enhanced insurance
- ▶ Annual premium reduction
- ▶ Cash payment
- ▶ Dividends on deposit
- ▶ Participating whole life insurance components at a glance
- ▶ Summary table of dividend options
- ▶ Dividend option changes
- ▶ Premium offset
- ▶ Tax treatment
- ▶ Tax implication according to the dividend option
- ▶ Determination of dividends



The policyowner can choose one of each product to have dividends credited at each policy **anniversary**. This choice significantly impacts how the policy values will grow.

| 5 Pay PAR | Enhanced Estate and Accelerated Growth |
|---|---|
| | 10 pay, 20 pay and to age 100 |
| <ol style="list-style-type: none"> Enhanced insurance (guaranteed to age 100) is the only option available at issue. The client could choose the other options, with the exception of the annual premium reduction, 10 years after the issue of the contract, if the exempt test is met. | <ol style="list-style-type: none"> Paid-up additions Enhanced insurance Annual premium reduction Cash payment Dividends on deposit |

Paid-up additions (PUAs)

- The dividends credited are used to buy PUAs (single premium permanent life insurance amounts on top of the amount of basic insurance coverage).
- PUAs generate additional dividends as soon as the second year, creating a **compounding** effect.
- The amount payable upon death and the cash surrender values grow.
- The total cash surrender values provide an attractive **tax advantage**. The cash surrender values grows tax-free, as long as it remains in the policy. ([See Tax treatment section](#))
- Upon death, the PUAs are paid tax-free.



Quick tip

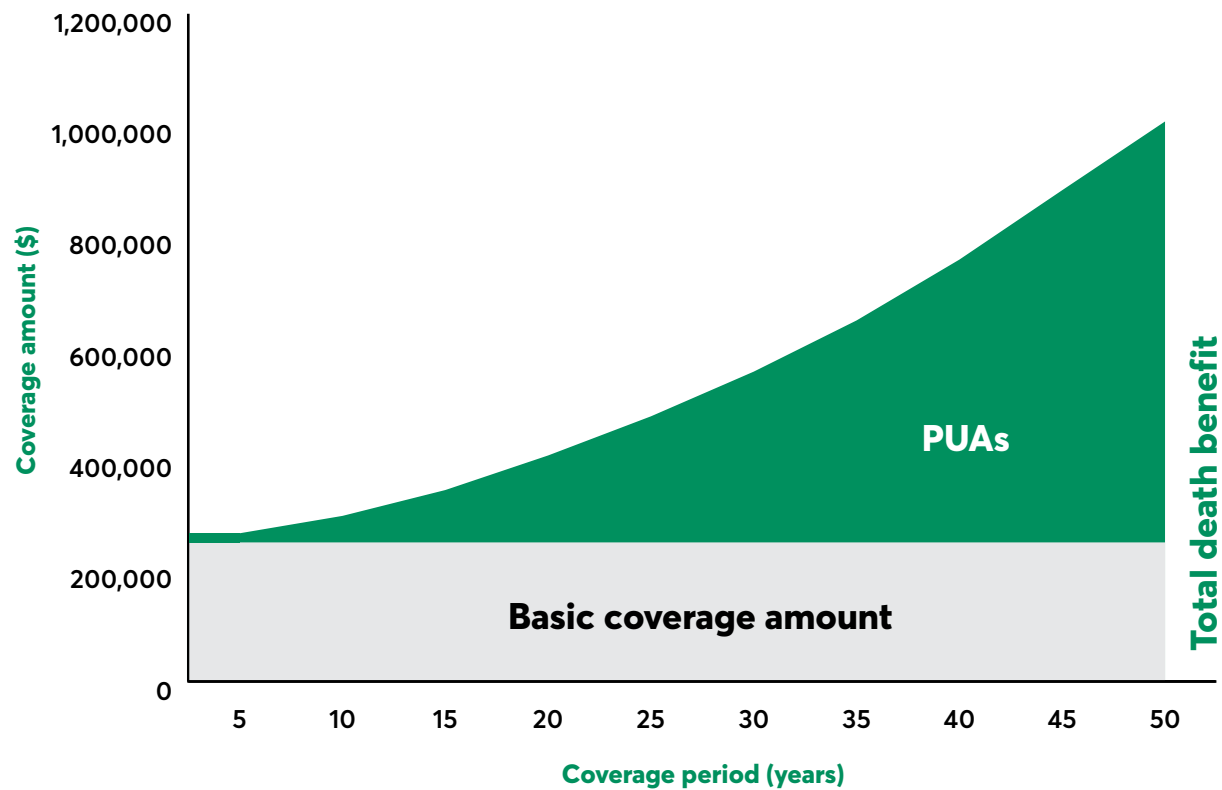
The PUAs option is the best strategy to maximize estate value and fulfill the client's estate planning needs in the long term while also having access to cash if they need it.



Paid-up additions option

Death benefit

Estate Enhancer MNS 50 – \$250,000 – 20 Pay



Enhanced insurance

- The contract is made up of a basic permanent insurance and a term insurance renewable annually.
- The amount of enhanced insurance you can illustrate depends on the amount of basic insurance coverage, the age, the gender, the rate class and the premium payment period.
- The dividends credited are used to purchase the one-year term insurance and the excess is used to purchase PUAs.
- Once the T1 purchase is no longer required to cover the enhanced insurance, a **crossover point** is reached. After this point all dividends are used to purchase PUAs that increase the amount payable upon death. In time, the enhanced insurance will be made up solely of PUAs.



Quick tip

With this option, clients will benefit from higher term insurance that will gradually be replaced by permanent insurance.

Even if the maximum amount of enhanced insurance illustrated in the software is affordable, a lower amount also offers many advantages:

- PUAs accumulate faster. This option provides a higher death benefit and higher cash surrender values.
- If the Premium offset option is selected, it takes effect more quickly. [\(See Premium offset section\)](#) This option is not available for the 5 Pay PAR product.

Conversion privilege* for the enhanced insurance's one-year term

The one-year term insurance (T1) can be converted into an eligible permanent life insurance product if the following conditions are met:

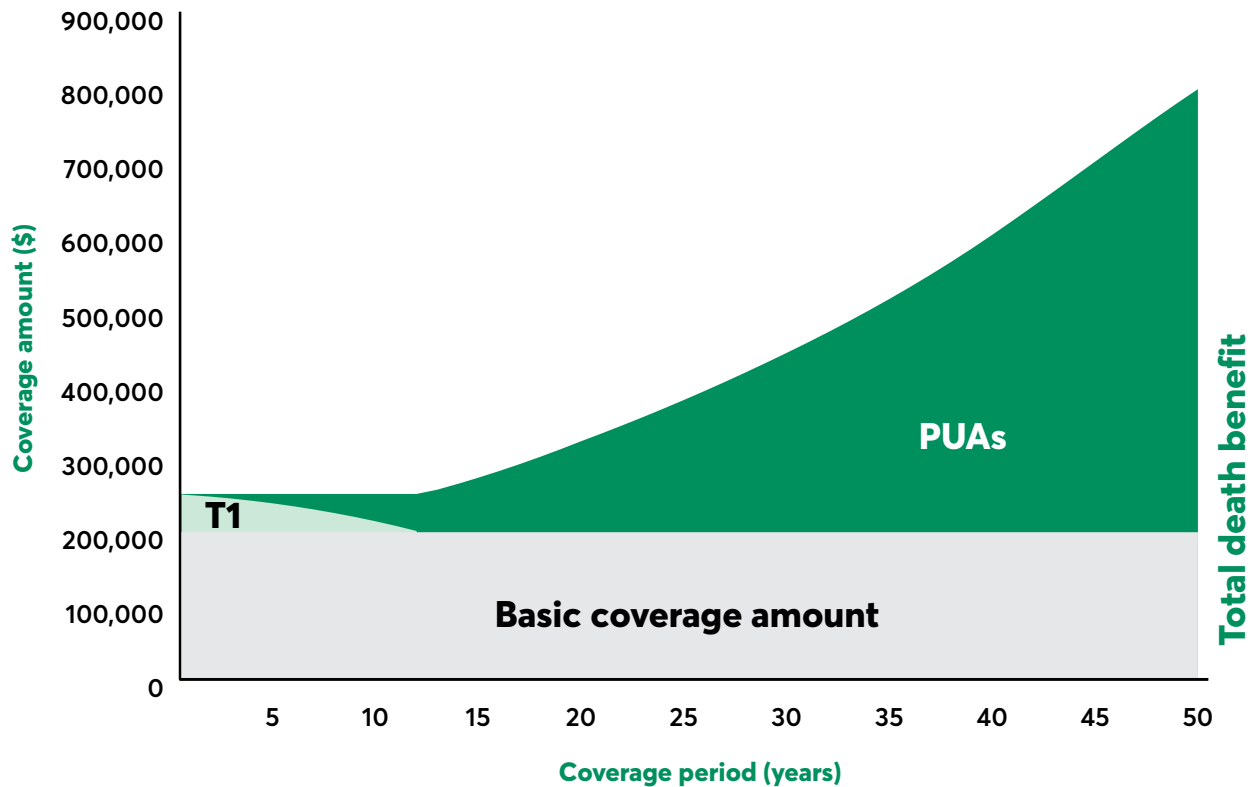
- The permanent coverage's amount cannot exceed the insurance amount of the T1 in force.
- The permanent coverage does not provide for any indexing of the insurance amount or a premium refund upon death.
- The insured is under age 70.
- The premium is calculated based on the rate in effect and at the age of the nearest birthday.
- The permanent coverage takes effect on the date the application is received at head office.
- The enhanced insurance is reduced by the T1 insurance amount converted into permanent coverage. Then, the dividend option is automatically changed to PUAs.

* For the 5 Pay PAR product, this option may be available 10 years after the contract is issued, if the exempt test is met.

Enhanced insurance option

Death benefit

Estate Enhancer MNS 50 – \$250,000 – 20 Pay



Enhanced insurance guarantee periods

The enhanced insurance amount is guaranteed for 10 years or for life for the Estate Enhancer and Accelerated Growth products. The guarantee period is chosen at the time of issuing the policy. Enhanced insurance in the 5 Pay PAR product is guaranteed for life.

| 10-year guarantee | Lifetime guarantee |
|---|---|
| Amount guaranteed for 10 years, even if the dividends credited are not high enough to cover the premium of the T1. | Amount guaranteed for life, even if the dividends credited are not high enough to cover the premium of the T1. |
| If the dividends are not high enough to purchase the required amount of T1 insurance, the PUAs from previous years are surrendered until the target amount is reached. | |
| <ul style="list-style-type: none"> As of the 11th year, if the dividends are not high enough, the T1 is reduced accordingly. The client has the option to pay an additional premium to maintain the original insurance amount. | <ul style="list-style-type: none"> At any time, if the dividends are not high enough, Desjardins Insurance assumes the cost. |
| <p>The 10-year or lifetime guarantee may be cancelled if the policyowner makes the following changes to the policy:</p> <ul style="list-style-type: none"> Surrenders PUAs Converts the policy into reduced paid-up insurance Changes the dividend option Changes smoker rate class (smoker to non-smoker) Activates the premium offset | |

Annual premium reduction

- The dividends credited are used to reduce the policy annual premium.
- If there are not enough dividends to pay the whole premium, the policyowner must cover the difference.
- If the dividends are higher than the premium, the excess is paid to the policyowner by cheque and may be taxable.
[\(See Tax treatment section\)](#)
- The amount payable upon death remains constant over the years.
- **This option is not available for the 5 Pay PAR product.**



Quick tip

With this option, the premium will go down, but the client will still have the same quality of coverage.

Cash payment

- The dividends credited annually are paid by cheque to the policyowner and may be taxable. [\(See Tax treatment section\)](#)
- The amount payable upon death remains constant over the years.

Dividends on deposit

- The dividends credited are deposited into a savings account managed by Desjardins Insurance.
- The dividends credited may be taxable.
[\(See Tax treatment section\)](#)
- This account generates taxable interest that is credited once a year.
- Withdrawals from this account are allowed at any time.
- This option increases the cash surrender values and the death benefit.
- Upon death, the dividends that have accumulated in the account are added to the amount payable and are paid tax-free.



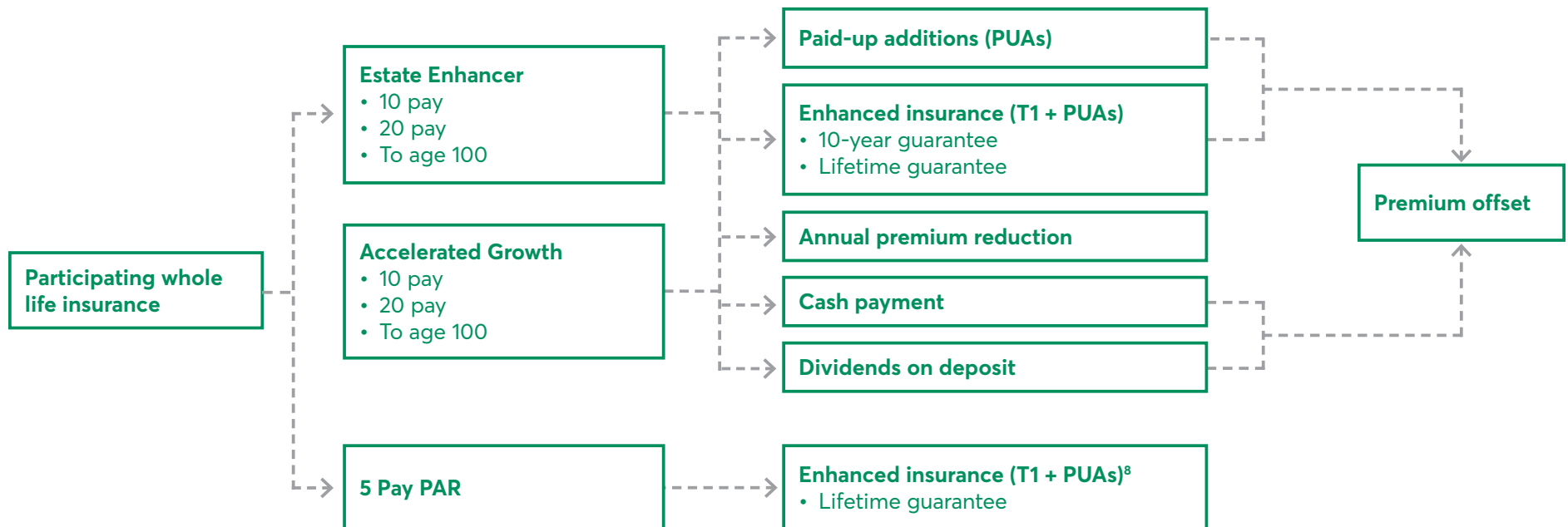
Quick tip

Dividends on deposit protect clients against unforeseen events and ensure they have cash at their disposal.

PUAs are the **best strategy** for **maximizing** the amount payable upon death and the cash surrender values in the **long term**.

Enhanced insurance dividend option enables the purchase of permanent **life insurance** at a **lower cost**. For the 5 Pay PAR product, this option is used to generate the necessary tax room to pay the premiums in 5 years while remaining exempt.

Participating whole life insurance components at a glance



⁸ The only dividend option available at issue. PUAs, cash payment and dividends on deposit options could be available 10 years after the policy is issued, if the exempt test is met.

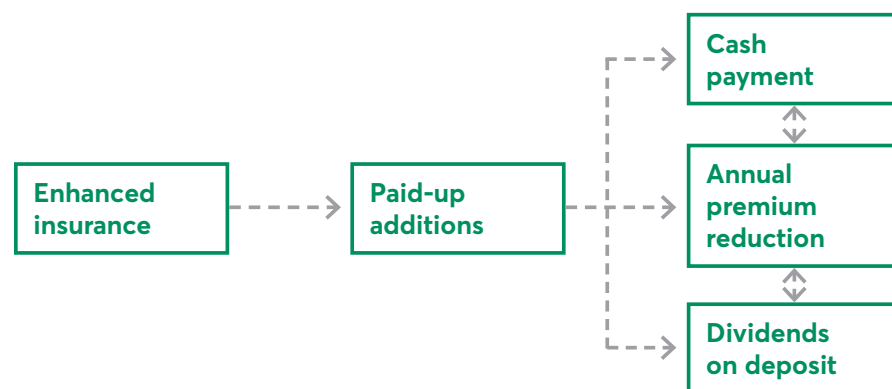
Summary table of dividend options

| Option | Description | Cash surrender values and amount payable upon death | Features |
|--|---|---|---|
| PUAs | PUAs purchased every year | Significant increase | The PUAs generate additional dividends, creating a compounding effect. |
| Enhanced insurance (T1 + PUAs) | Purchase of one-year term insurance (T1) that is gradually replaced by the purchase of PUAs | Significant increase but not as high as the increase with the PUAs option | <ul style="list-style-type: none"> Allows the purchase of additional insurance at a lower premium due to the T1. The enhanced insurance amount is guaranteed for 10 years or for life. |
| Annual premium reduction (available with the annual payment method only) | Reduction of the premium | No impact | <ul style="list-style-type: none"> If the dividends are lower than the annual premium, the policyowner must pay the difference. If the dividends are higher than the annual premium, the difference is paid to the policyowner. |
| Cash payment | Payment made to the policyowner by cheque | No impact | The amounts may be taxable. |
| Dividends on deposit | Deposited into a Desjardins Insurance interest-bearing savings account | Annual increase due to the interest and new dividends credited | <ul style="list-style-type: none"> The policyowner can make withdrawals at any time. Dividends may be taxable. The interest is taxable. |

Dividend option changes

Policyowners can change the option at any time during the life of the policy. Certain conditions apply.

For the 5 Pay PAR, the enhanced insurance is the only dividend option available at issue. PUAs, cash payment and dividends on deposit options could be available for modification 10 years after the policy is issued, if the exempt test is met. Changes can be made as per the order depicted above.



Premium offset

The premium offset allows premiums to be paid using the dividends credited annually.

The premium offset is available with all dividend options, **except the annual premium reduction**. Premium offset is not available for the 5 Pay PAR product.

Unlike the annual premium reduction option, the premium offset is available **when the annual dividends and the non-guaranteed cash surrender values are high enough to cover future premiums**.

- The illustration software's financial projections indicate when the premium offset can take effect based on assumptions at the insurance subscription date.
- **The premium offset reduces the cash surrender values and the amount payable upon death** since the dividends are used to pay the premiums.
- The premium offset is **not guaranteed** because it depends on the amount of dividends credited. A reduction in the dividend scale can:
 - **Delay the activation of the premium offset.** The policyowner will have to pay the premiums for longer than originally indicated in the illustration report.
 - **Force the policyowner to resume paying** the premiums for a certain period, if the premium offset had already taken effect.

The effects will be more significant for those who have chosen the enhanced insurance option than the paid-up additions option.

- Since the premium offset depends on the value available in the policy and may differ from the original illustration, **the inforce illustration is required** to verify whether the value will be sufficient to cover future premiums. The policyholder must submit a **written request** to Desjardins Insurance for the premium offset to start.
- The total death benefit and the total cash surrender value will not increase as much as if the premiums continued to be paid. The cash surrender value may even decrease due to the surrender of the paid-up additions to pay the premiums.

Making withdrawals, taking out policy loans, changing the dividend option or adding additional coverages can also affect the activation of the premium offset.

If the enhanced insurance option is selected in Estate Enhancer and Accelerated Growth products:

- The lesser the difference between the amount of basic insurance coverage and the enhanced insurance, the faster the premium offset can be activated.
- The non-guaranteed cash surrender values of the PUAs can be used to pay future premiums. If this is the case, when the premium offset takes effect, the 10-year or lifetime guarantee period ends.

Tax treatment

The participating life insurance coverages Estate Enhancer, Accelerated Growth and 5 Pay PAR including the policies, cash surrender values, grow tax-free in the policy and are paid tax-free upon the insured's death under the *Income Tax Act* (Canada). However, a surrender (total or partial) or a policy loan may generate a taxable gain. One or more tax slips will then be issued to policyowners.

The taxation of dividends depends in part on the way the dividends are used. Here are the basic principles:

- The dividends **paid** in cash to the policyowners or **credited** on deposit reduce the policy adjusted cost basis (ACB). They can generate a taxable gain when the amount of dividends credited is above the policy ACB. One or more tax slips will then be issued to policyowners. Furthermore, any interest generated by the dividends accumulating on deposit is taxable each year.
- The dividends **accumulating** in the policy (paid-up additions, enhanced insurance and annual premium reduction) are not considered taxable income, except in the case of a surrender, policy loan or other action that gives rise to a taxable disposition.
- **In the event of the insured's death**, the additional insurance amounts bought with dividends can be paid in full, **tax-free**, to the designated beneficiary.

Tax implication according to the dividend option

Paid-up additions

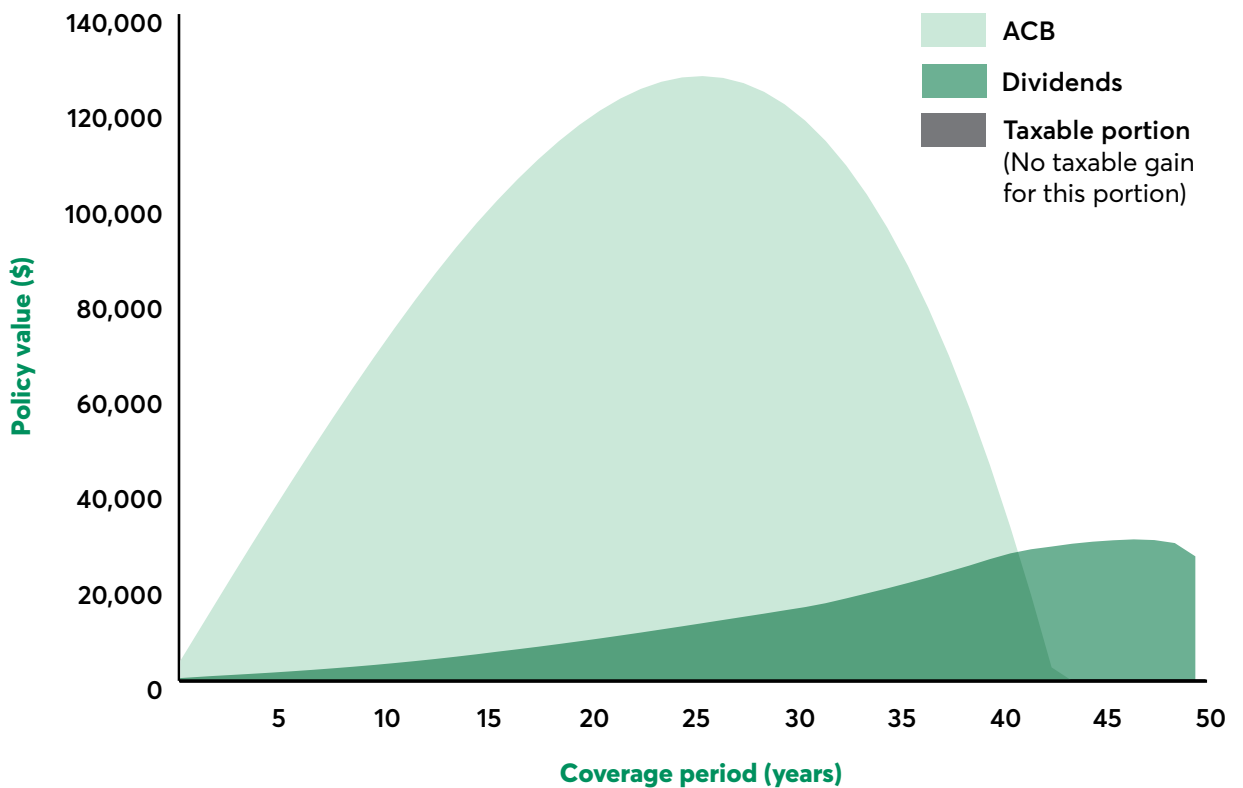
Dividends are used to purchase additional participating life insurance that is paid-up and therefore no longer requires any future premium payments.

- No taxable income unless there is a surrender, policy loan or other action that gives rise to a taxable disposition.
- This option does not impact the policy ACB.

Paid-up additions option

Taxable portion of dividends

Estate Enhancer MNS 50 – \$250,000



Enhanced insurance

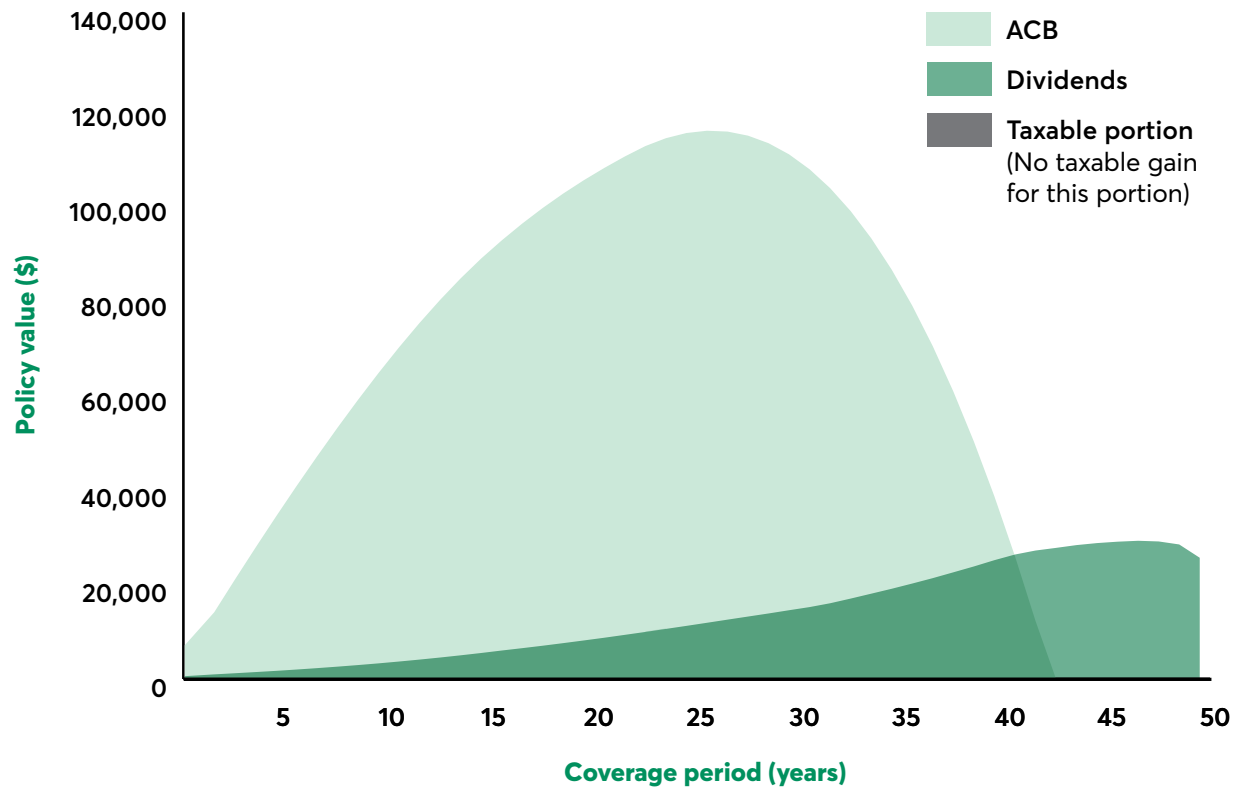
The dividends credited are used to purchase a combination of T1 and PUAs.

- No taxable income unless there is a surrender, policy loan or other action that gives rise to a taxable disposition.
- This option does not impact the policy ACB.

Enhanced insurance option

Taxable portion of dividends

Estate Enhancer MNS 50 – \$250,000



Annual premium reduction

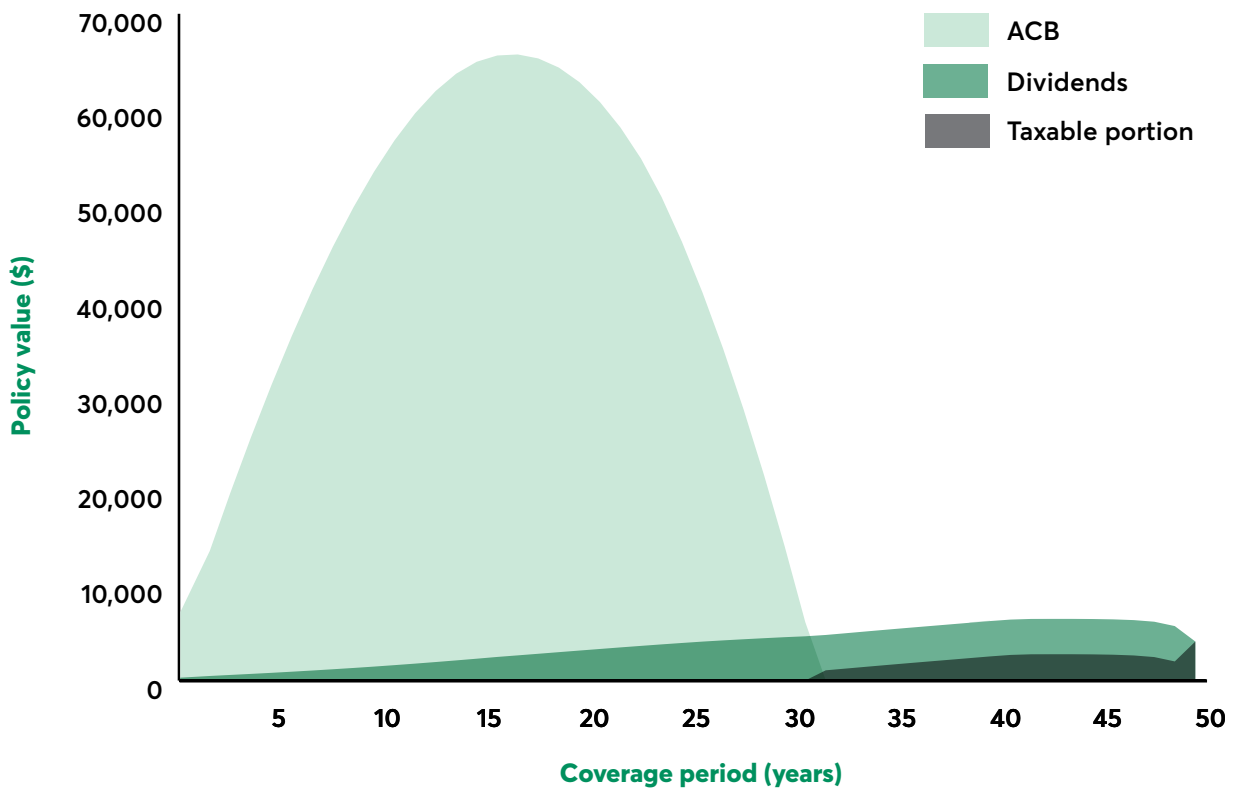
The annual dividends credited are applied to the next annual premium. If there are not enough dividends to pay the whole premium, the policyowner must cover the difference. If the amount of dividends is higher than the premium, the difference will be paid to the policyowner by cheque.

- The dividends credited which are used to pay the premiums, are not taxable and they do not impact the policy ACB.
- The portion of dividends credited not used to pay premiums reduces the policy ACB. The portion that exceeds the policy ACB is considered a taxable gain.

Annual premium reduction option

Taxable portion of dividends

Estate Enhancer MNS 50 – \$250,000



Cash payment

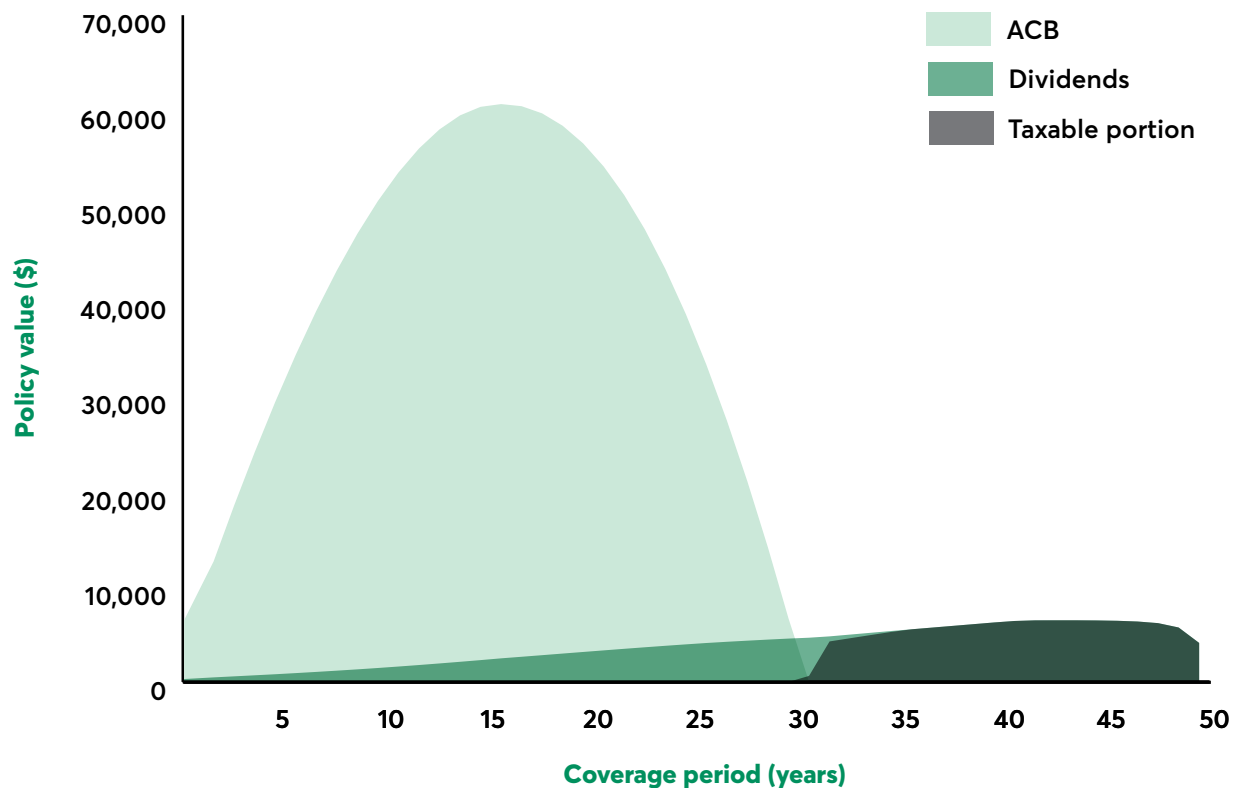
Desjardins Insurance sends a cheque to the policyowner, who can use the money as they see fit.

- The dividends credited reduce the policy ACB.
- The amount of dividends credited that exceed the policy ACB is considered a taxable gain.

Cash payment option

Taxable portion of dividends

Estate Enhancer MNS 50 – \$250,000



Dividends on deposit

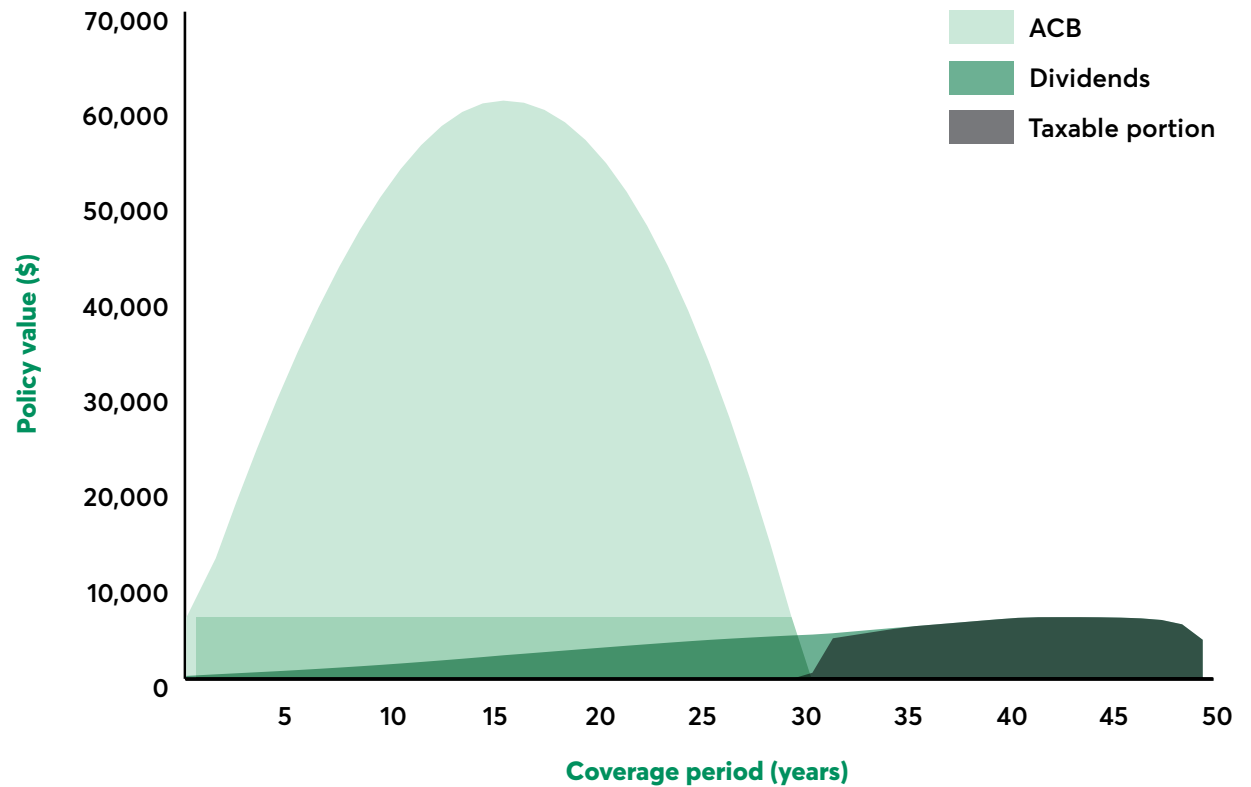
Dividends are deposited into a Desjardins Insurance interest-bearing savings account.

- The dividends credited reduce the policy ACB.
- The amount of dividends credited that exceed the policy ACB is considered a taxable gain.
- Any interest generated by the dividends accumulating in the account is taxable each year.

Dividends on deposit option

Taxable portion of dividends

Estate Enhancer MNS 50 – \$250,000



Tax trigger according to the dividend option

| | | When dividends are credited: | |
|---------------------------------|--|--|---|
| | Annual dividends | Tax trigger | Taxable amount |
| Paid-up additions | Used to purchase additional participating life insurance | Tax-free | None |
| Enhanced insurance | Used to purchase a combination of T1 and PUAs | Tax-free | None |
| Annual premium reduction | Used to pay the annual premium | <ul style="list-style-type: none"> Amount of dividends is greater than the premium Excess paid in cash is greater than the ACB | Portion of amount paid in cash that exceeds the ACB |
| Cash payment | Paid to the policyowner by cheque | Amount of dividends is greater than the ACB | Amount that exceeds the ACB |
| Dividends on deposit | Deposited into a Desjardins Insurance interest-bearing savings account | <ul style="list-style-type: none"> Amount of dividends deposited is greater than the ACB Accrued interest | <ul style="list-style-type: none"> Amount that exceeds the ACB Amount of interest generated each year |

Determination of dividends

The dividend policy requires that the distribution of dividends to participating policyowners be managed in an equitable way. Each year, the Desjardins Insurance Board of Directors determines the amount of dividends that will be credited, in compliance with the guidelines of Desjardins Insurance's dividend policy.

An improvement in some factors taken into account in the dividend scale calculation can offset deterioration in other factors. For example, improvements in terms of mortality can help alleviate the impact of a drop in interest rates on investment performance.

The calculation of dividends is based, among other things, on:

Investment returns

- The investments' financial results are usually the most important factor in determining annual dividends.
- The funds that are not used to cover benefits, withdrawals, dividends, expenses and taxes are invested in order to generate future dividends.
- The factor associated with the investment returns is the difference between the invested funds' net actual returns, and the assumptions for the product.
- The participating account is invested in a variety of asset classes based on a long-term investment strategy.

A higher or lower-than-expected rate of return on the participating account will positively or negatively influence the dividends. A higher interest rate does not necessarily mean that the policy values (dividends, cash surrender values and amount payable at death) will be higher. Refer to illustration for projected progression of the policy values.

Mortality rate

- The mortality rate refers to the number of deaths normally expected in a given population, at a given age.
- The factor associated with the mortality rate is the difference between the total of actual deaths and the assumptions for the product.
- The effects of mortality rate fluctuations on the dividends are gradual since trends evolve slowly.

Taxes and expenses

- The expenses include the costs related to development, marketing, distribution and policy administration.
- Taxes and expenses have less of an impact on dividends than the financial results and the mortality rate.
- There is a strong chance that expenses will rise when the rate of inflation is high.
- The factor associated with expenses represents the company's ability to control and reduce its costs in relation to the dividend scale assumptions.
- The factor associated with taxes is closely related to government tax policies. It therefore does not depend on Desjardins Insurance.

Financial results of the participating account

Dividends **are not guaranteed**. They vary based on the performance results of the participating account.

However, once credited, dividends are vested and cannot be taken away by the insurer due to future poor results in the participating account.

5

Use of accumulated cash surrender values

- ▶ Partial withdrawal of the basic insurance coverage
- ▶ Total surrender of the policy
- ▶ Policy loan (guaranteed cash surrender values)
- ▶ Reduced paid-up insurance
- ▶ Additional coverages



The policyowner can use their contract's accumulated cash surrender values (guaranteed or not guaranteed) to do one of the following:

- a) Withdraw the non-guaranteed cash surrender values generated by the paid-up additions
- b) Apply for a policy loan
- c) Request a partial surrender of the basic insurance coverage
- d) Request the total surrender of the policy
- e) Ask for premium payments to stop and get reduced paid-up insurance

Withdrawing the non-guaranteed cash surrender values (surrender of PUAs)

Depending on the dividend option selected, there are a number of ways to access the policy cash value. If the policyowner selects a dividend option other than cash payment or annual premium reduction, they can receive the non-guaranteed cash surrender values. The amount surrendered will then be deducted from the total cash surrender values and the amount payable upon death.



Quick tip

With their cash surrender values, clients can benefit from their policy during their lifetime to meet unexpected financial obligations.

The policyowner may be subject to a taxable gain.

This is a particularly attractive advantage for business people.



Advisor Guide

PARTICIPATING WHOLE LIFE INSURANCE
ESTATE ENHANCER | ACCELERATED GROWTH

1 ABOUT PARTICIPATING
WHOLE LIFE INSURANCE

2 TARGET MARKETS

3 FEATURES

4 DIVIDEND OPTIONS

5 USE OF ACCUMULATED
CASH SURRENDER VALUES

| Dividend option | Access to the non-guaranteed cash surrender values |
|---------------------------------|---|
| Paid-up additions | <p>Policyowners can access their policy cash value by surrendering the accumulated PUAs:</p> <ul style="list-style-type: none"> • This amount is different from the guaranteed cash surrender values of the basic insurance coverage. • The total cash surrender values and the total amount payable upon death are then reduced. • The taxable gain corresponds to: |
| Enhanced insurance | <p>= amount received at surrender of the accumulated PUAs – ACB × amount received at surrender of the accumulated PUAs ÷ total cash surrender values of policy</p> |
| Annual premium reduction | N/A |
| Cash payment | N/A |
| Dividends on deposit | The accumulated dividends and the interest can be withdrawn at any time. |

Partial withdrawal of the basic insurance coverage

A partial surrender of the basic insurance coverage is allowed. The amount payable upon death is then reduced by the withdrawal.

The taxable amount is determined in proportion to the withdrawn amount.

The taxable gain corresponds to:

= amount received at surrender

- ACB

× amount received at surrender

÷ total cash surrender values of the policy

Total surrender of the policy

A total surrender of the policy is allowed. The excess amount of the surrender value of the policy ACB is a taxable gain.

The insurance coverage ends when the head office receives the total surrender request. The amount paid may be taxable.

Amount paid on surrender:

= guaranteed cash surrender values of the basic insurance coverage

+ non-guaranteed cash surrender values (insurance purchased with PUAs)

+ balance in the account of dividends on deposit

- loans and accrued interest

Policy loan (guaranteed cash surrender values)

The available cash surrender values include all the guaranteed cash surrender values, less any outstanding loan balance. Policyowners can apply for a policy loan, in writing, at any time.

- The amount of the loan cannot exceed 100% of the available cash surrender values, less the interest payable the following year. Desjardins Insurance determines the interest rate for the policy loan and it is subject to change. It is capitalized at each policy anniversary.
- Policy loans are not allowed when the policy is on the premium offset.

Loan repayments can be made at any time. All outstanding policy loans **reduce** the amount payable upon death or the payment in the event of a surrender.

If the total policy loans exceed the total cash surrender values, the policy is **cancelled**. Policy loans are considered taxable dispositions of the policy.

The taxable gain corresponds to:

= amount of the policy loan

- ACB

A policy loan refund could give rise to a tax deduction, for the year of repayment, when part of the loan has generated a taxable gain.

Reduced paid-up insurance

If the policyowner wants to stop paying the premiums, they could use the cash surrender value to purchase a reduced paid-up insurance policy that would allow them to keep coverage for life for a lower amount than the initial coverage. The cash surrender values are then used as a single premium for this new insurance amount. The reduced paid-up insurance amounts are shown in the contract.

The policyowner may be entitled to dividends under the reduced paid-up insurance. The dividends are credited based on the dividend scale in effect at the time. The amounts of reduced paid-up insurance associated with the basic insurance coverage are guaranteed and vary by product.

When reduced paid-up insurance is purchased:

- The enhanced insurance option is replaced by the PUAs option.
- The annual premium reduction option is replaced by the dividends on deposit option.

Additional coverages

| | |
|---|---|
| <p>Guaranteed insurability benefit</p> | <ul style="list-style-type: none"> • Allows the policyowner to purchase additional amounts of insurance on the life of the insured without having to provide evidence of insurability on each option date (up to a maximum of 5 times). • Choice of eligible term and permanent products. |
| <p>Children's life protection</p> | <ul style="list-style-type: none"> • Term life insurance amount paid upon the death of the insured's child. • Covers all children up to age 25. • Available amounts: \$5,000, \$10,000 and \$20,000. • Conversion privilege: Up to five times the basic amount. |
| <p>Accidental fracture</p> | <ul style="list-style-type: none"> • Pays a lump-sum amount if the insured is the victim of an accident and suffers a fracture, regardless of the bone fractured. • The amount varies depending on which bone is fractured. |
| <p>Business insurability coverage</p> | <ul style="list-style-type: none"> • Allows business owners of a growing business to purchase an additional life insurance coverage based on the increase in the fair market value (FMV) of their company, without having to provide new evidence of insurability. Financial justification is required. • Possibility of purchasing additional life insurance during the first 10 years, up to 3 times the business insurability amount selected at issue. • When the option is exercised, the maximum amount allowed is the lesser of the increase in FMV or 3 times the business insurability amount selected at issue. • Insurance amount at issue: Minimum: \$100,000 Maximum – the lesser of: \$3.3 million The insured's portion of the fair market value of the business The amount of the business insurability can't exceed 200% of the total life insurance amount. • Choice of eligible term and permanent products. |

Additional coverages (continued)

| | |
|---|---|
| Disability waiver of premiums (policyowner or insured) | <ul style="list-style-type: none">• Waives the policy premiums if the policyowner or insured is diagnosed with a total disability.• The disability must occur prior to age 60. |
| Accidental dismemberment or loss of use | <ul style="list-style-type: none">• Pays a percentage of the coverage amount if the insured is dismembered in an accident.• The percentage varies based on the loss suffered by the insured. |
| Accidental death, dismemberment or loss of use | <ul style="list-style-type: none">• Pays a percentage of the coverage amount if the insured dies or is dismembered in an accident.• The percentage varies based on the loss suffered by the insured. 100% is payable in the event of accidental death. |
| Children's accidental fracture | <ul style="list-style-type: none">• Pays a benefit if one of the insured's children suffers a fracture as a result of an accident.• Current and future children are covered from their 15th day to age 25. |
| Accident | <ul style="list-style-type: none">• Pays a benefit if the insured suffers a fracture, a dismemberment, a loss of use, or dies due to an accident. |