

Participating life insurance

# Canada Life My Par Gift

## Advisor guide

Available April 3, 2023

Information accurate as of April 2023

Not for use with clients

# Canada Life My Par Gift

## Advisor guide



### Introduction to planned giving using life insurance

Planned giving is used by individuals looking to support a registered Canadian charity by either making an immediate donation, or a donation made at time of their death. A donation tax receipt can be issued by a registered charity for the donation. Purchasing a life insurance policy is one of several ways in which individuals can donate to registered charities.

### Canada Life My Par Gift participating life insurance

Canada Life believes in building stronger communities together. Canada Life My Par Gift™ participating life insurance connects to these values, making it easier for your clients to give back and leave a greater impact using life insurance.

*Registered charities will always be referred to as policyowner throughout this document and clients will be referred to as donor. A registered charity refers to an organization that is registered as a charity with the Canada Revenue Agency. Donor refers to the individual who makes the single premium payment. The donor may or may not be the same party as the life insured(s).*

### Canada Life My Par Gift was designed for charitable giving.

This is an innovative, first-of-its-kind, single premium insurance product. A single premium payment by a donor can provide the potential for a legacy at the time of the insured's death. The policy can build value that charities may also access while the insured is alive. Canada Life My Par Gift is a non-exempt policy owned by a registered charity, where the premium paid by the donor qualifies as a charitable donation. Tax donation receipts will be issued by the registered charity and not Canada Life.

Canada Life can't guarantee that the calendar year the donor makes payment to Canada Life for a My Par Gift policy will be the calendar year the registered charity recognizes the donation for the purpose of issuing a charitable donation tax receipt. Rather, the calendar year in which the policy is placed in effect will be the calendar year the donation is recognized. This means that if the donor pays Canada Life in the current calendar year but due to underwriting and delivery processing, the policy is not in effect until next calendar year, the donor won't receive a charitable donation tax receipt recognizing the donation for the current calendar year.

If a donor needs certainty with respect to the tax year in which a charitable donation tax credit will be recognized by the registered charity, the donor should pay the registered charity directly during that tax year instead of paying Canada Life.

### Participating life insurance

Like traditional participating life insurance, Canada Life My Par Gift is built on a foundation of guarantees plus the opportunity to receive participating policyowner dividends.

This guide is designed to help you understand how Canada Life My Par Gift participating life insurance works and if it's right for your client.

# Canada Life My Par Gift

## Advisor guide



Whether or not a policy receives a dividend doesn't affect the guaranteed cash values and basic payout payable under the contract. If a policy doesn't receive a dividend in any year this won't reduce the cash or payout values that accumulated up to that point, as long as policy values haven't been used for any purpose as may be specified under the contract or elected by the policyowner.<sup>1</sup>

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

## Vesting

Starting at a policy's first anniversary, participating policyowners may receive dividends. Dividends credited to a policy have a cash value associated with them. This cash value, once credited to the policy, can't be reduced or used for any purpose other than as authorized by the registered charity.

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

## Canada Life My Par Gift product description

### **Owner (registered charity for Canadian tax purposes)**

The owner of the policy at time of issue must be a registered charity. If a transfer of ownership is requested, the new owner of the policy must be a registered charity. Registered charity refers to an organization that is registered as a charity with the Canada Revenue Agency.

### **Donor/insured**

The donor will generally be the same person(s) as the insured(s). In some circumstances, it's acceptable that the donor and insured are not the same. This includes, but is not limited to, spouses (when the donor is an uninsurable life) or corporations in which, generally, the controlling shareholder is one of the insureds. This is subject to financial underwriting approval on a case-by-case basis.

### **Beneficiary**

The beneficiary is generally the registered charity.

## Premium payment

A one-time premium payment is the only premium required for Canada Life My Par Gift base coverage.

---

<sup>1</sup> For policies with enhanced coverage, if the policy doesn't receive a dividend or the amount of the dividend is not sufficient to support the illustrated enhanced coverage amount, the policyowner may choose to pay an additional cash premium to buy sufficient one-year term insurance to maintain the enhanced coverage amount, otherwise, the enhanced coverage amount will be reduced.

# Canada Life My Par Gift

## Advisor guide



## Coverage options available

### Single life

The life of one individual is insured under the policy, with the payout on the death of the insured person.

### Joint first-to-die

- The lives of two individuals are insured jointly under the policy.

The payout is on the first death of an insured person.

### Joint last-to-die

- The lives of two individuals are insured jointly under the policy.
- The payout is on the last death of an insured person.

### Issue age limits

- Minimum issue age is 18
- Maximum issue age is 75

## Coverage limits

There will be no minimum base coverage amount. The base coverage will be calculated based on the single premium payment amount. The policy minimum premium payment must be \$10,000.

## Premium bands

Band	Minimum coverage	Maximum coverage amount*
1	\$**	\$99,999
2	\$100,000	\$249,999
3	\$250,000	\$999,999
4	\$1 million	No limit

\* Subject to underwriting, including capacity limits

\*\*Coverage is calculated based on the premium amount. The minimum premium amount is \$10,000

## Dividend options

Canada Life offers participating policyowners a choice of three dividend options.

Dividend options can be changed at the registered charity's written request, subject to administrative rules in effect at the time. A change in dividend option may require underwriting and the insured person's permission. Only one dividend option can be chosen at any given time.

# Canada Life My Par Gift

## Advisor guide



### Cash payment

Dividends may be credited to the registered charity 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 payout remains level (less any policy indebtedness).

Any annual dividend paid in cash will result in a tax slip being issued to the registered charity in any applicable year.

### Paid-up additional coverage

When this dividend option is in effect, we'll use dividends to buy paid-up additional coverage at the single premium payment rate then in effect. Rates are subject to change.

Paid-up additional coverage premium payments vary by:

- Sex
- Smoking status
- Substandard rating
- Attained age

Key paid-up additional coverage features:

- For the same premium payments, it provides higher early cash value and lower initial payout when the insured person dies than the enhanced coverage. It also provides higher payout growth over the long term.
- Coverage increases annually without evidence of insurability. Dividends are immediately applied to purchase paid-up additional life insurance coverage.  
Paid-up additional coverage is considered in determining any dividend to be credited to the policy.
- Once paid-up additional coverage is purchased, its value is guaranteed. Note that the associated payout and cash value can be reduced if the registered charity requests to cancel any of their coverage in exchange for its cash value.

### Enhanced coverage

The enhanced coverage is provided through a combination of one-year term insurance and paid-up additional coverage. We first use a policy's dividend to buy one-year term life insurance. If there's any dividend amount remaining, Canada Life buys paid-up additional coverage. Paid-up additional coverage provides permanent coverage. So, if, over time, the total coverage from paid-up additional coverage increases, then less term coverage is needed to provide the enhanced coverage amount. Eventually, if no term coverage is needed, your dividend option becomes paid-up additional coverage.

**Any unused one-year term insurance that is part of the enhanced coverage dividend option is not eligible for conversion to any new, permanent policy.**

The enhanced coverage insurance amount is shown on the policy details pages, or in other documentation provided by Canada Life.

- Enhanced coverage offers these key advantages: Enhanced coverage provides a higher initial payout for the same cost as the paid-up additional coverage dividend option. Within limits, the enhanced coverage can be used to strike a balance between affordability and future growth in cash value and payout.
- Premium payments for the one-year term coverage is paid by dividends, if any.

# Canada Life My Par Gift

## Advisor guide



The enhanced coverage rates for one-year term vary by:

- Sex
- Smoking status
- Substandard rating
- Issue age and policy duration

One-year term and paid-up additional coverage premium payment rates aren't 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 additional coverage.

### Guarantee options

There's only one guarantee option available with Canada Life My Par Gift – the lifetime guarantee.

During the guarantee period, if dividends can't buy the full amount of term life insurance coverage needed to provide the enhanced coverage amount, then we'll provide enough additional term insurance ourselves, at no cost to clients, so that their policy provides the full enhanced coverage amount.

If enhanced coverage is selected on the policy application, the guarantee period begins on their policy date. Otherwise, it begins on the date specified in the amendment that adds enhanced coverage to the contract.

The guarantee period will end on the earliest of the following:

- The policy anniversary at which paid-up additional coverage equals or exceeds the enhanced coverage amount
- The cancellation date for some or all of the paid-up additional coverage.

### Cross-over

Over time, the term portion amount of the enhanced coverage may be completely replaced by paid-up additional coverage, at which time the payout at death will increase. This is commonly referred to as cross-over. When a policy crosses over, the dividend option is changed to paid-up additional coverage. The amount of dividends credited to a policy each year isn't 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.

### Shortfall

A shortfall occurs when the declared dividend is insufficient to purchase the one-year term coverage amount needed to provide the full enhanced coverage amount, which is combination of the term portion plus paid-up additional coverage. This results in a term cost shortfall.

**If the shortfall happens during the enhanced coverage guarantee period** - we'll provide enough additional term insurance ourselves, at no cost to the registered charity, so their policy provides the full enhanced coverage amount.

**If the shortfall happens after the enhanced coverage guarantee period ends** - we'll send a billing notice to the registered charity for the amount required to pay to buy the additional term insurance. The additional premium payment will be due on the policy anniversary.

# Canada Life My Par Gift

## Advisor guide



We will keep the full enhanced coverage amount in effect for a grace period that ends 31 calendar days after the due date, or when the policy ends, whichever is earlier. If the registered charity doesn't make the additional premium payment by the end of its grace period, we will reduce the enhanced coverage amount to the amount supported by the dividend, if any. We will not use automatic policy loans to cover the shortfall amount.

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

For more details, see *Guarantee period for enhanced coverage* under section 5 in the Canada Life My Par Gift contract.

## Product features

### Cash values

The policy can build up cash value over time which the registered charity can access in several ways, including a policy loan or by cancelling some or all their coverage in exchange for its cash value.

The policy's cash value consists of:

- Its guaranteed cash value, described below
- The cash value of any paid-up additional coverage bought with dividends, if applicable

The amount of cash value we'll pay the registered charity if they cancel their policy is its net cash value, described below.

#### Guaranteed cash value

Over time, the policy will build up a guaranteed cash value. The policy's guaranteed cash value is the cash value of the base coverage. It will grow as shown in the table of guaranteed values in the contract. Changes made to the policy after it's issued (for example, an improvement in health class) may change its guaranteed cash value.

#### Net cash value

The policy's net cash value is the amount of cash value we would pay the registered charity if they cancelled their policy. This is sometimes called the "cash surrender value." The net cash value equals:

- The policy's cash value
- Minus any amount owed on the policy, including unpaid loan or unpaid interest

For more information, see *What can you do with your policy's cash value* under section 6 in the Canada Life My Par Gift contract.

### What registered charities can do with cash value

#### Policy loan: Borrow against their policy

The registered charity can borrow against the policy's cash value and pay it back over time with interest. This doesn't affect the coverage, cash value growth or any dividends the policy may receive. If the loan isn't repaid, we deduct the balance, including interest, from the payout or any cash value. If the total amount owed on the policy exceeds the policy's cash value, the policy will lapse, meaning it will no longer be in effect and so will no longer provide coverage.

## Canada Life My Par Gift Advisor guide



If a loan is issued on a policy, it may need to be reported as taxable income and will result in a tax slip being issued to the registered charity in any applicable year.

### **Cancel some or all their coverage**

The registered charity might cancel some or all the coverage in exchange for any cash value associated with the cancelled coverage, adjusted for any amount owed on the policy.

A withdrawal by the registered charity will result in a tax slip being issued to the registered charity in any applicable year.

### **Collateral loan: Use their policy as collateral for a third-party loan or line of credit**

Banks and other third-party lenders might lend against the policy's cash value. Interest charges may apply to any loan taken. This isn't a contractual option and is subject to third-party approval.

For more information, see *Using your policy as collateral for a loan* under section 8 of the Canada Life My Par Gift contract.

## Exchange from joint Canada Life My Par Gift policies to single life Canada Life My Par Gift policy.

The registered charity may exchange a Canada Life My Par Gift joint policy to one or two new single-life Canada Life My Par Gift policies, without having to provide evidence of insurability, including health, as described below. The insured person(s) must sign the application for the new policies, which acknowledges their consent for the new policies to be issued on their separate lives. The new policies issued need to be Canada Life My Par Gift policies and will be owned by the registered charity.

They may only exchange to a new policy on an insured person if their rate class under this policy is Standard. Once a registered charity exchanges their policy, it ends. This may result in us issuing a tax slip.

For more information, see *Exchanging this policy for one or two new policies* in both the joint-first-to-die and joint-last-to-die My Par Gift contracts.

## Continuing coverage for survivor for Canada Life My Par Gift policies

The survivor benefit is a provision in joint first-to-die policies that provides temporary coverage and an option to purchase permanent coverage on the life of the surviving insured person, after the first insured person dies. The new policy must be a Canada life My Par Gift policy as well. No evidence of insurability, including health are required. The insured person must sign the application for the new policy, which acknowledges their consent for the new policy to be issued on their life.

The survivor's insurance age must be less than 71 to qualify for continuing coverage.

## Tax-exempt status

Canada Life My Par Gift will be issued as a non-tax-exempt policy and will remain non-exempt. This means under the Income Tax Act Canada this policy is subject to accrual taxation. Canada Life will issue a tax slip to the registered charity



# Canada Life My Par Gift

## Advisor guide



for any applicable year. The policy is subject to the provisions and regulations of the Income Tax Act Canada and the administrative rules of the Canada Revenue Agency.

### Taxable disposition

A partial or complete disposition of the policy may result in Canada Life issuing a tax slip to the registered charity. Examples of taxable dispositions, which may be complete or partial:

- Taking a policy loan
- Cancelling the policy for its net cash value
- Reducing policy's coverage in exchange for its cash value
  - cancellation of paid-up additional coverage
- Transferring policy ownership

### Back-dating

The policy date may be backdated up to 11 months from the date of underwriting approval if required to save age (subject to current administrative rules, not available on conversions). The premium amount owing for the coverage provided for a Canada Life My Par Gift policy will be applied in alignment with the back-dated policy date. The donation receipt will be effective the date the policy is put in force. The backdated policy date won't be considered the date for donation purposes. No other transactions can be backdated.

### Substandard ratings

Clients with substandard ratings may be accepted, and the substandard extra premium payments may be eligible for commissions. See Canada Life's commission schedule for details.

### Automatic substandard table reduction agreement (ASTRA)

To help ensure eligible clients receive the best offer on permanent life insurance, Canada Life may reduce their rating. This doesn't 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, ASTRA may apply. ASTRA isn't part of the underwriting process, nor is it provided as part of any contract. It's a separate pricing program to help clients get appropriate life insurance protection that's also cost-effective. The availability and application of this program aren't guaranteed, and ASTRA is subject to change by Canada Life at any time.

# Canada Life My Par Gift

## Advisor guide



This chart shows how ASTRA could be 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% 150% 175%	25%	Standard 125% 150%
200% 225%	50%	150% 175%
250% 275%	75%	175% 200%
300% 325%	100%	200% 225%
350% 375%	125%	225% 250%
400% 425%	150%	250% 275%
450% 475%	175%	275% 300%
500%	200%	300%

ASTRA is available on both the base coverage and enhanced coverage option.

## Non-smoker rates

Non-smoker rates are available for insured people aged 18 or older at the policy date provided they meet the then current underwriting requirements of a non-smoker.

## Policy fees

There are no policy fees for newly issued Canada Life My Par Gift participating life insurance policies.

## When we may determine the policy is invalid

We may determine that all or part of the policy is invalid if there is a misstatement or omission of a material fact. If the misstatement or omission is deliberate, it's fraudulent.

For more information about situations when a client's policy may be invalid, see *When we may determine your policy is invalid* under section 8 of the Canada Life My Par Gift contract.

## Sales illustration

Although Canada Life My Par Gift is a non-tax-exempt product, sales illustrations are available for this product. While an illustration is a valuable tool for understanding how a policy will work given a certain set of assumptions, it is not an

# Canada Life My Par Gift

## Advisor guide



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.

Canada Life's participating life insurance illustrations provide a reduced scenario to show the sensitivity of the non-guaranteed values to changes in the dividend scale. The reduced scenario illustrates the effect of decreasing the current dividend scale interest rate by 1%. The reduced scenario is intended to demonstrate the sensitivity of values to a change in the dividend scale.

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 in-force illustration

At each policy anniversary, registered charities will receive a detailed annual statement. The statement contains a summary of the payout on death and cash value, as well as the current dividend amount and how it was used.

The in-force illustrations are available for this non-exempt product only. This 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 investment component.

### Assuris

The Canada 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](http://www.assuris.ca) or in its brochure, which can be obtained from Assuris by emailing [info@assuris.ca](mailto:info@assuris.ca) or by calling 1-800-268-8099.

### For more information

For more information on how the Canada Life My Par Gift can help your clients realize their charitable giving goals, contact the life insurance sales team.

For more information about our products,  
contact your insurance sales partner.

