



INFORMATION CIRCULAR

DATE: May 28th, 2020
CATEGORY: INSURANCE

Nº 2020-16

TO: Managing General Agents, Associate General Agents, Advisors, General Agents, Independent Financial Advisors and National Accounts

SUBJECT: New Additional Deposit Option (ADO) for EstateMax® & Optimax Wealth® Participating Plans.

Effective May 28th 2020, we are pleased to announce that a new Additional Deposit Option will be available for *EstateMax & Optimax Wealth 10 Pay, 20 Pay and Life Pay plans that have Paid-Up Additions or Enhanced Coverage dividend options.*

The Additional Deposit Option rider can be added to an eligible EstateMax or Optimax Wealth life insurance policy. This will enable clients to make voluntary additional deposits to their participating life insurance plans in order to purchase Paid-Up Additions over and above the Paid-Up Additions purchased with their annual policy dividends¹, subject to annual and lifetime ADO deposit maximums.

Highlights and competitive features:

Availability

- Available on eligible EstateMax and Optimax Wealth 10 Pay, 20 Pay and Life Pay Plans with either the ***Paid-Up Additions or Enhanced Coverage dividend options.***
- Available for all issue ages 0 – 75 years (age nearest).

Underwriting Requirements

- As of May 28th 2020, the ADO rider can be added when applying for an EstateMax or Optimax Wealth 10 Pay, 20 Pay or Life Pay plan with either the Paid-Up Additions or Enhanced Coverage dividend options ***with no additional underwriting requirements in most cases***²
- The ADO rider can be added to an in-force EstateMax or Optimax Wealth 10 Pay, 20 Pay or Life Pay plan with either the Paid-Up Additions or Enhanced Coverage dividend option and a Policy Date³ of October 1st 2019 or later by completing the Application for Change, Addition or Reinstatement of Additional Deposit Option (ADO) (INS-2741) and confirming the life insured's health⁴ and smoking status has not changed since the Policy Date³.
- The ADO rider can be added to an in-force EstateMax or Optimax Wealth 10 Pay, 20 Pay or Life Pay plan with either the Paid-Up Additions or Enhanced Coverage dividend option issued

after May 28th 2020:

- a. If within 24 months of the participating plan Policy Date³, by completing the Application for Change, Addition or Reinstatement of Additional Deposit Option (ADO) (INS-2741) and confirming the life insured's health⁴ and smoking status has not changed since the Policy Date³.
- b. If after 24 months from the Policy Date³ of the participating plan by completing the Application for Policy Change (C-0048) and providing satisfactory evidence of insurability.

The ADO rider is available on substandard cases with ratings up to 200% without flat extras

Maximum ADO Deposit Limits

There are two ADO deposit maximums:

- **Maximum Annual ADO Deposit Amount** – this amount is based on the annual available exempt room for ADO deposits to the participating policy.
- **Maximum Lifetime ADO Deposit Limit** – this amount is based on the **Specified Annual ADO Deposit Amount** multiplied by the number of years the policy owner chooses to make ADO deposits, unless otherwise specified. Once total ADO deposits equal the **Maximum Lifetime ADO Deposit Limit**, no further ADO deposits are permitted. In order to increase the **Maximum Lifetime ADO Deposit Limit**, a completed Application for Policy Change (form C-0048), including satisfactory evidence of insurability, will be required.

The Envision Sales Illustration system will calculate the *Maximum Annual ADO Deposit Amount* and the *Maximum Lifetime ADO Deposit Limit*.

In all cases, Empire reserves the right to limit annual deposits to the ADO account to maintain the tax exempt status of the policy.

ADO Minimum Deposit Limits

- Juvenile 0 – 17 **\$25.00** per month / **\$300.00** per year
- Issue age 18 – 75 **\$100.00** per month / **\$1,000** per year

Flexibility

- Policy owners can specify an amount between the Minimum and Maximum Annual ADO Deposit Amounts to deposit into their ADO account on a monthly or annual basis.
- If policy owners stop making ADO deposits, they can apply to reinstate the ADO deposits within 36 months from the date the last Paid-Up Addition (PUA) was purchased with ADO deposits by completing the Application for Change, Addition or Reinstatement of Additional Deposit Option (ADO) (INS-2741)

and indicating the amount of the ADO deposits⁵ and confirming the life insured's health⁴ and smoking status has not changed since the date of the last PUA purchase with ADO deposits.

- Policy owners who have paid less than their **Maximum Annual ADO Deposit Amount** in any policy year, can apply to make a lump sum deposit⁵ up to 30 days prior to the policy anniversary for that year, equal to the difference between ADO deposits already made for that policy year and the **Maximum Annual ADO Deposit Amount**, by completing the Application for Change, Addition or Reinstatement of Additional Deposit Option (ADO (INS-2741) indicating the amount of the deposit and confirming the life insured's health⁴ and smoking status has not changed since the Policy Date³. ADO deposit room not used within a policy year cannot be carried forward.

Term Conversions

The ADO rider is also available on EstateMax and Optimax Wealth 10 Pay, 20 Pay and Life Pay plans with Paid-Up Additions or Enhanced Coverage dividend option resulting from conversions:

- **Without evidence of insurability**, the total coverage amount on the new EstateMax or Optimax Wealth plan can be up to 75% of the term policy face amount eligible for conversion and the Maximum Lifetime ADO Deposit Limit is limited to 10 times the Maximum Annual ADO Deposit Amount.
- **With satisfactory evidence of insurability**, the coverage amount on the new EstateMax or Optimax Wealth Plan can be up to 100% of the term policy face amount eligible for conversion. The Maximum Lifetime ADO Deposit Limit will be shown on the sales illustration. Term conversions with ADO rider can be applied for by completing the Life and Health Insurance Application (D-0082).

Take advantage of Tax Exempt Growth

Purchasing PUAs can increase the total cash surrender value and the total coverage amount of an EstateMax or Optimax Wealth participating life insurance policy. PUAs will be purchased using deposits to the ADO account on a frequent (usually daily) basis, which can almost immediately increase the total coverage amount and total cash values of the policy.

Transition Rules

For pending "in the mill" applications submitted before May 28, 2020, please submit the ADO Application Insert (D-0082C) prior to policy issue. Any policies issued before May 28, 2020 but not yet settled, must be returned for reissue with ADO Application Insert, so the ADO rider can be added prior to policy settle. After a policy is

settled, please submit the Application for Change, Addition or Reinstatement of Additional Deposit Option (ADO) (INS-2741).

Illustration Software:

Illustrations for the new Additional Deposit Option for EstateMax and Optimax Wealth 10 Pay, 20 Pay and Life Pay will be available in the **Envision 11.8** software release scheduled for May 28th, 2020. Our Envision Sales illustration software has been updated with an Auto Update Reminder function that will notify you when the new version of Envision software is ready to download and install.

Reference:

John Quirt, Retail Product Manager

¹ Dividends are not guaranteed and may be subject to taxation. Dividends will vary based on the actual performance of the participating account.

² Empire Life reserves the right to request additional underwriting requirements for all applications based on our assessment of risk. In addition, additional underwriting is required if seeking to increase the Maximum Annual ADO Deposit Amount.

³ The Policy Date appears at the top of the Data Page for EstateMax and Optimax Wealth Plans.

⁴ There has been no change in the health of any Life Insured and, in the last 12 months, no Life Insured has consulted or been treated by a physician or been refused life insurance coverage or approved for life insurance coverage with an extra premium

⁵ Increases or changes to ADO deposit amounts are subject to our administrative rules in effect at that time. Empire Life reserves the right to reduce or refuse an ADO deposit.

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