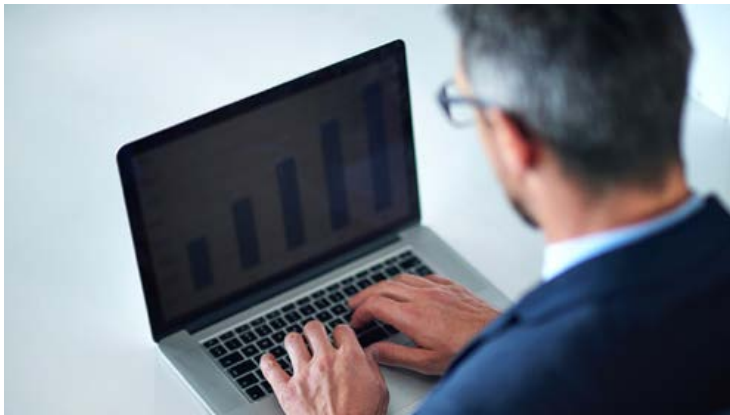




2017 TAX CHANGES

Administrative rules



Effective January 1, 2017, a number of changes will be made to tax rules affecting life insurance contracts following a series of measures adopted in the 2012 federal budget.

Generally, in order for a contract to be governed under the current tax rules, meaning the rules in place prior to January 1, 2017, the date that the policy is approved by underwriting as well as the policy date (or coverage effective date) must be on or before December 31, 2016.

To ensure that a policy is governed under the tax rules in place prior to January 1, 2017, the file must be complete¹ no later than December 15, 2016. Otherwise, the contract may be governed under the tax rules in place as of January 1, 2017.

Following the technical interpretation of the Canada Revenue Agency published on October 13, 2016, we will consider that a new life insurance policy (other than an annuity contract) may also be governed by the tax rules in place prior to January 1, 2017 if the following conditions are met:

- we receive the insurance application in 2016, signed by all parties in 2016 and containing all the information required for us to start the underwriting process;
- the policy date is in 2016;
- the completion of the medical underwriting in 2016 is the only condition that is not met;
- the face amount requested for all life insurance coverage does not exceed \$500,000 by proposed insured(s);
- each proposed insured is covered by the temporary insurance agreement;
- it is not a request for an internal replacement;
- the policy is delivered by March 31, 2017.

However, if the life insurance policy includes a critical illness coverage, the underwriting must be complete by January 31, 2017 in order to have access to a contract governed under the tax rules in place before January 1, 2017.

For each of the files meeting the above conditions, we will contact your agency via email upon acceptance by underwriting, just before we issue the contract. We will then ask whether or not we should backdate the contract in 2016 so that the contract is governed by the tax rules in place before January 1, 2017.

On the back of this document you will find more details about how we handle requests received by the end of 2016.

PROCESSING OF APPLICATIONS RECEIVED IN OUR OFFICE UNTIL DECEMBER 31, 2016

Reminder of changes effective September 15, 2016:

- Multi-life Universal Life insurance is no longer offered;
- In force Universal Life contracts: some changes are no longer allowed.

CLIENT REQUEST	RULE	ADDITIONAL INFORMATION
APPLICATION FOR A NEW UNIVERSAL LIFE CONTRACT		
Multi-life application (accompanied by an illustration from software version 5.0)	Since the multi-life option is no longer available, instead of returning the application to the MGA, the request will be handled as separate contracts , each including an individual universal life coverage. The MGA will be informed by email.	New individual universal life illustrations will be required upon policy delivery. Each of these illustrations will include a policy fee. In addition, if the contracts are governed under the tax rules in effect on January 1, 2017, new illustrations based on version 6.0 or higher of the illustration software will be required.
Individual or Joint application	The application is accepted and processed.	If the contract is governed under the tax rules in effect on January 1, 2017, a new illustration based on version 6.0 or higher of the illustration software will be required upon policy delivery.
POLICY CHANGE TO A UNIVERSAL LIFE CONTRACT IN FORCE		
Addition of a coverage or of an insured person	Applications for requests to add an additional benefit will be returned to the MGA. For other requests, instead of returning the application to the MGA, the request will be handled as a new contract. The MGA will be informed by email.	For additions of a universal life insurance coverage, the request will be handled as a new contract and an individual universal life insurance illustration will be required upon policy delivery. In addition, if the contract is governed under the tax rules in effect on January 1, 2017, a new universal life insurance illustration based on version 6.0 or higher of the illustration software will be required.
Conversion or exchange of a term rider to be done on the same contract	Instead of returning the policy change form to the MGA, the request will be handled as a new contract. The MGA will be informed by email.	N/A
APPLICATION FOR A NEW TRADITIONAL LIFE CONTRACT²		
Traditional life application	The application is accepted and processed.	If the contract is governed under the tax rules in effect on January 1, 2017 and the policyowner is a corporation , an insert will be included with the policy informing them of their new tax status.
POLICY CHANGE TO A TRADITIONAL LIFE CONTRACT IN FORCE		
Addition of a coverage or of an insured person	The application is accepted and processed.	If the contract is governed under the tax rules in effect on January 1, 2017 and the policyowner is a corporation , an insert will be included with the policy informing them of their new tax status.
Conversion of a term life insurance to a permanent life insurance³ (including universal life, provided that the change requested is processed as a new contract)	The policy change form is accepted and processed.	If the contract is governed under the tax rules in effect on January 1, 2017 and the policyowner is a corporation , an insert will be included with the policy informing them of their new tax status.
Exchange of a term life insurance to another term life insurance	The policy change form is accepted and processed.	N/A

1 Complete file: no pending underwriting or issuing requirements. The contract may be issued.

2 Traditional life contract refers to all life insurance contracts other than universal life insurance contracts.

3 Term 100 is considered permanent life insurance.

If you have questions for other types of requests, do not hesitate to contact us!

Other rules concerning the next version of the insurance application, the policy change form and the illustration software will be communicated soon.