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Advisor Guide

PARTICIPATING WHOLE LIFE INSURANCE

ESTATE ENHANCER | ACCELERATED GROWTH

Desjardins
Insurance
Life • Health • Retirement

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About participating whole life insurance

Overview

Desjardins Insurance's participating whole life insurance offers beneficial solutions for various types of clients, especially **mass-affluent** and **high-net-worth clients**, and **business owners**. It's designed to help them **grow their estate value** and benefit from **higher cash surrender values**.

Three products are offered:

- Estate Enhancer, to optimize the amount payable upon death.
- Accelerated Growth, to access higher cash surrender values in the short- and mid-term.
- 5 Pay PAR, to benefit from a paid-up policy after a 5-year payment period.

How it works?

Participating whole life insurance has basic cash surrender values, premiums and a basic death benefit that are all guaranteed.

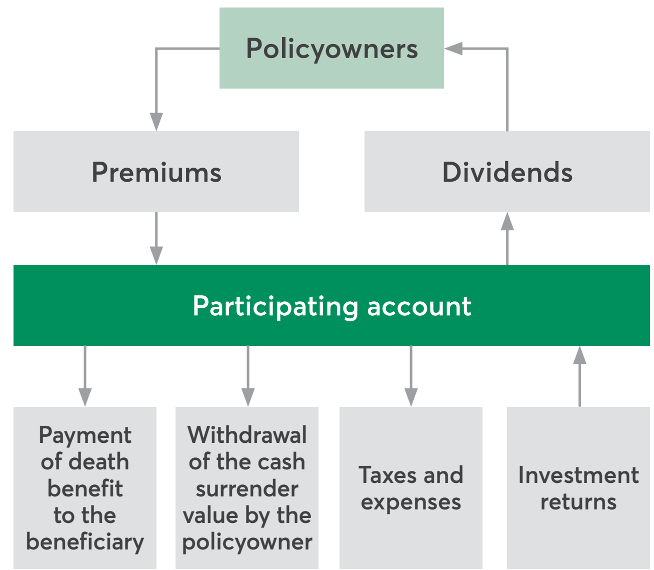
Participating whole life insurance policy premiums are consolidated into an account managed **separately** from all other Desjardins Insurance accounts.

The policyowner participates in the performance of this account by receiving dividends, which are determined based on the account's earnings, which depend on several factors, such as investment returns, mortality rates, and taxes and expenses paid by the insurer. Dividends may be credited annually, on the policy anniversary, when the results of the participating account are better than the assumptions used to determine the guaranteed values.

The dividends are distributed according to a formula established by the insurer to pay each policyowner their fair value of the amount available.

They are not guaranteed, but once credited, they are vested to the policyowner.

The dividends credited may differ from those indicated in the financial projections in the illustration report.



In June 2024, the sales of participating life insurance in Canada were representing:*

- 61% of total life insurance premiums
- An average annual premium of $10,943 per policy

* Source: LIMRA on life insurance, June 30, 2024

Dividend scale

For participating whole life insurance, the growth of the policy value is reflected in the ability to receive dividends, calculated based on the dividend scale.

Dividends may be credited to policyowners once a year, **starting on the first policy anniversary**.

- **Participating whole life insurance – Estate Enhancer**
  - Dividends increase steadily over time.
  - Accumulates higher value in the **long term**, depending on the dividend option selected.
- **Participating whole life insurance – Accelerated Growth**
  - Dividends accelerate in the first 10 to 15 years.
  - Accumulates higher value in the **medium term**, depending on the dividend option.
- **Participating whole life insurance – 5 Pay PAR**
  - Accumulates higher value in the **long term**.

Advantages of participating whole life insurance

- **Coverage for life**
  - Possibility of growing the amount payable upon death in a tax-efficient way.
- **Cash surrender value**
  - If the policy is cancelled, it's possible to recover a portion of the premiums paid and more,[1] in the form of cash surrender values.
  - The ability to borrow against the cash surrender values,[1] as needed.
  - Potential of getting a higher amount than with guaranteed whole life insurance.
  - Tax-efficient growth depending on the chosen dividend option.
- **Annual payment of dividends**
  - Up to 5 flexible dividend options that meet policyowners' needs and goals.
  - No management required by the policyowner, since the account is entirely managed by the insurer.
  - Relatively low investment risk since investments are diversified.
- **Premium payments**
  - The premiums are fixed, guaranteed and payable based on the payment period selected.
  - The policyowner can reduce or stop paying the premium by applying for reduced paid-up insurance.[2]
  - The additional deposit option (detailed in section 5) allows the policyowner to make deposits in addition to the payment of the guaranteed premium, providing additional flexibility. This option is available for the Estate Enhancer and Accelerated Growth products.

[1] There may be tax consequences.
[2] This option is offered under certain conditions and is not available with the 5 Pay PAR product.

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Target market

Estate Enhancer and Accelerated Growth offer 3 premium payment periods (10 years, 20 years or up to age 100). 5 Pay PAR offers the option of paying premiums over 5 years. Three products to recommend the best solution for the needs and goals of policyowners.

	Individuals		
	5 Pay PAR	**Estate Enhancer**	**Accelerated Growth**
Age of target clients	Child: 0 to 17 Adult: 18 to 65	Child: 0 to 17 Adult: 35 to 60	Adult: 45 to 65
Profile	Mass-affluent or high-net-worth clients, including parents, grandparents, professionals and business owners: • Who want permanent whole life insurance that can be paid quickly with guaranteed premiums payable over 5 years • Who have additional funds they don't need to maintain their lifestyle	Mass-affluent or high-net-worth clients, including parents, grandparents and professionals at the beginning of their careers: • Who want permanent whole life insurance with flexible and guaranteed options • Who have cash they don't need to maintain their lifestyle	Affluent or high-net-worth clients, including business owners: • Who want permanent whole life insurance with flexible and guaranteed options • Who have cash they don't need to maintain their lifestyle
Needs	• Grow their estate value • Plan their estate and cover their tax bill upon death • Build a solid financial foundation for their children or grandchildren and guarantee their insurability • Have access to liquidity during their lifetime for long-term needs through policy loans or withdrawals[3] • Plan a charitable donation • Benefit from growing coverage to keep up with inflation		• Have access to greater liquidity during the first 10 to 15 years of the policy to meet medium-term needs • Enhance their retirement income through policy loans or withdrawals[3] • Diversify their assets while fulfilling a life insurance need • Plan their estate and cover their tax bill at death • Benefit from growing coverage to keep up with inflation

[3] There may be tax consequences

	Businesses		
	5 Pay PAR	**Estate Enhancer**	**Accelerated Growth**
Profile	• Shareholder or key employee • Business with excess liquidity • Need for permanent whole life insurance • Business that wants to use their cash surrender values in the medium or long term for the departure of a key employee, to reinvest, etc.[3]		
Needs	• Finance a buy-sell agreement following the death of a shareholder • Transfer a family business to children with joint last-to-die insurance on the life of the parents • Access higher cash surrender values to meet the shareholder's long-term needs[3] • Plan for the departure of a shareholder[3] • Reward a key employee who leaves the company[3]		• Protect a business while providing access to high cash surrender values in the short term

[3] May lead to a taxable policy gain and/or benefit for the employee.

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Features

Summary of participating whole life insurance

	5 Pay PAR	Estate Enhancer			Accelerated Growth		
		10 years	20 years	To age 100	10 years	20 years	To age 100
Dividend scale	Dividends maximized over the long term				Increased dividends in the first 10 to 15 years		
Payment period	5 years	10 years	20 years	• To age 100, or the equivalent age 100 for a joint coverage	10 years	20 years	• To age 100, or the equivalent age 100 for a joint coverage
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	The maximum rating is +200%	Rating based on underwriter's decision					
Policy fee	$40 per year $3.60 per month						
Modal factor	Monthly: 0.09 Semi-annually: 0.52						

	5 Pay PAR	Estate Enhancer			Accelerated Growth		
		10 years	20 years	To age 100	10 years	20 years	To age 100
Basic insurance	Level and guaranteed insurance amount						
End of coverage	Upon cancellation by the policyowner, payment of the total cash surrender value or death of the insured person						
Coverage type	• Individual • Joint last-to-die (2 insured persons) • Joint first-to-die (2 to 5 insured persons) • Joint last-to-die, paid-up first death (2 insured persons)						
Insurance amount	Minimum: $10,000 (excluding enhanced insurance) Maximum: $10,000,000[4]	• Minimum: $10,000 • Maximum: $10,000,000[4]			• Minimum: $100,000 • Maximum: $10,000,000[4]		
Rate band	• $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				• $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 Desjardins Insurance.

	5 Pay PAR	Estate Enhancer			Accelerated Growth		
		10 years	20 years	To age 100	10 years	20 years	To age 100
Dividend option	Enhanced insurance[5] (T1 and PUAs – Guaranteed for lifetime)	• Paid-up additions (PUAs) • Enhanced insurance (Term 1 [T1] life insurance and PUAs – Guaranteed for 10 years or for lifetime) • Annual premium reduction • Cash payment • Dividends on deposit					
Additional deposit option	Not available	Available with PUAs and enhanced insurance dividend options					
Premium offset	Not available	Available; non-contractual					
Cash surrender value	• Guaranteed on basic life insurance coverage • Available, but not guaranteed, on insurance purchased through PUAs						
Reduced paid-up insurance	Not available	Available. Certain conditions may apply.					
Additional coverages	• 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] Enhanced insurance is the only option available at the time of sale. PUAs, cash payment and dividends on deposit options may be available 10 years after policy issue, if the exempt test is met.

	5 Pay PAR	Estate Enhancer			Accelerated Growth		
		10 years	20 years	To age 100	10 years	20 years	To age 100
Automatic non-forfeiture option	Automatic premium loan in the event of non-payment						
Policy loan	Yes						
Insurability option after first death	If joint first-to-die coverage is selected: • The policyowner has 90 days after the first death to purchase individual permanent life insurance for the surviving insured persons under age 65.						
Eligibility of conversion[6]	Enhanced insurance[7]	• PUAs[7] • Enhanced insurance[7] • Annual premium reduction • Cash payment • Dividends on deposit The additional deposit option (details in section 5) can be added to the policy when the conversion option is exercised, provided the eligibility conditions are met. Evidence of insurability may be required under the administrative rules in effect at the time of conversion.					
Taxation	Accumulated policy values are non-taxable under the *Income Tax Act* (Canada). A life insurance benefit paid upon the insured person's death is non-taxable. A policy loan, surrender (total or partial) or transfer of ownership can generate a taxable policy gain. Dividends paid in cash or on deposit become taxable when the dividend amount exceeds the policy's adjusted cost basis (ACB). However, any dividends used immediately after being credited to pay a premium (including PUAs, enhanced insurance and annual premium reduction), in accordance with the terms of the policy, are non-taxable.						

[6] Participating whole life insurance products are not available for group insurance conversion.

[7] Not available for client with rating.

Premium payment period and issue age

Policies can be paid in **5 years, 10 years**, **20 years** or **up to age 100** depending on the product selected.

	5 Pay PAR		Estate Enhancer or Accelerated Growth			
			Payable in 10 years or 20 years		**Payable to age 100**	
Issue age (age at nearest birthday)	• Joint first-to-die • Joint last-to-die	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 last-to-die, paid-up first death	Equivalent age 18 to 65	• Joint last-to-die, paid-up first death	Equivalent age 18 to 75	• Joint last-to-die, paid-up first death	Equivalent age 18 to 80
Premium	**Level and guaranteed** Payable for 5 years (Maximum rating of +200%)		**Level and guaranteed** Payable for 10 years or 20 years		**Level and guaranteed** Payable to age 100 or the equivalent age 100 for joint policy	
Paid-up policy	After 5 years		After 10 years or 20 years, depending on the option selected, for basic life insurance and additional coverages (except children's life protection)		• At age 100 • At the equivalent age 100 for a joint coverage	

Rate class

Preferred non-smoker rates	Standard smoker rates
The insured person has not used any tobacco products in the **12 months** prior to the date the application was signed	The insured person has used tobacco products or their equivalents in the **12 months** prior to the date the application was signed.

Policy fee and modal factor

Policy fee of $40 per year or $3.60 per month is included in the premium calculation.

The modal factor used to calculate the monthly premium is 0.09. This premium is obtained by multiplying the annual premium by this factor.

Coverage types

Individual coverage

- Number of insured persons: **1**

Joint first-to-die coverage

Number of insured persons: **2 to 5**

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

Insurability option after first death

- After the first death, the policyowner has 90 days to purchase new permanent individual life insurance for each of the surviving insured persons under the age of 65 without having to provide evidence of insurability.
- The policyowner can opt for a permanent product that is eligible at the time of application. The premium is calculated based on the attained age of the insured person.
- The basic insurance amount of the new coverage must be less than or equal to the basic insurance amount plus the enhanced insurance, if applicable.
- If the surviving insured person under age 65 dies within 90 days of the first death, or within 180 days following injuries sustained in the same accident that caused the first death, Desjardins Insurance will pay the beneficiary an amount equal to the basic insurance amount plus the enhanced insurance, if applicable.

Joint last-to-die coverage

Number of insured persons: **2**

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

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

Number of insured persons: **2**

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

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Dividend options

The policyowner can choose one of the **dividend options** available for each product to use the dividends credited on **each policy anniversary**. This choice greatly influences the growth of the policy value.

5 Pay PAR	**Estate Enhancer or Accelerated Growth** **Payable in 10 years, 20 years and to age 100**
1. Enhanced insurance (guaranteed for lifetime) is the only option available at the time of sale. The client can choose other options, except for the annual premium reduction, 10 years after the policy is issued, if the exempt test is met.	1. Paid-up additions 2. Enhanced insurance 3. Annual premium reduction 4. Cash payment 5. Dividends on deposit

Paid-up additions (PUAs)

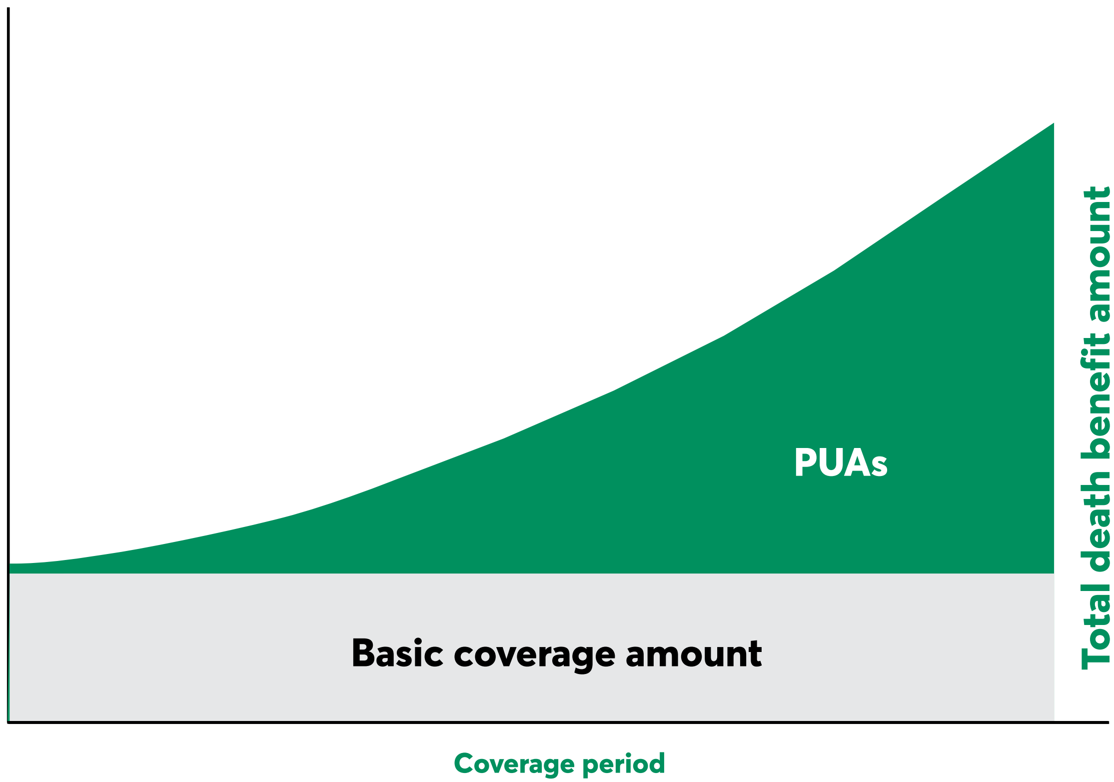
- The dividends credited are used to purchase PUAs, which are single-premium permanent life insurance amounts that are added to the basic insurance amount.
- PUAs generate additional dividends as of the second policy year, creating a **compounding** effect.
- The amount payable upon death and the cash surrender value increase.
- The total cash surrender value provides an attractive **tax advantage**. There is tax-sheltered growth as long as the cash surrender value remains in the policy. (See the Tax treatment section.)
- Upon death, the basic life insurance amount and PUAs are paid to the beneficiary, tax-free.

Tip

PUAs is the dividend option that optimizes the amounts to pass on in the long term, while providing access to liquidity if needed.

Paid-up additions

Death benefit



Enhanced insurance

- The enhanced insurance is a combination of one-year-term coverage and paid-up additions. It's added to the basic life insurance amount to reach the total amount of insurance applied for.
- The enhanced insurance amount provided by the illustration software depends on the basic insurance amount, age, sex, rate class, and premium payment period.
- Dividends credited are used to purchase the required combination of T1 and PUAs to cover the enhanced insurance each year.
- When the T1 insurance purchase is no longer required to cover the enhanced insurance, all dividends are used to purchase PUAs that increase the amount payable upon death.

Quick tip

This very attractive option provides access to a higher level of term insurance, which is gradually replaced by permanent coverage.

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

- PUAs accumulate faster and have higher cash surrender values and death benefits.
- If the premium offset option is selected, it could take effect more quickly. (See the Premium offset section.)

Conversion option[8] for the enhanced insurance's one-year term

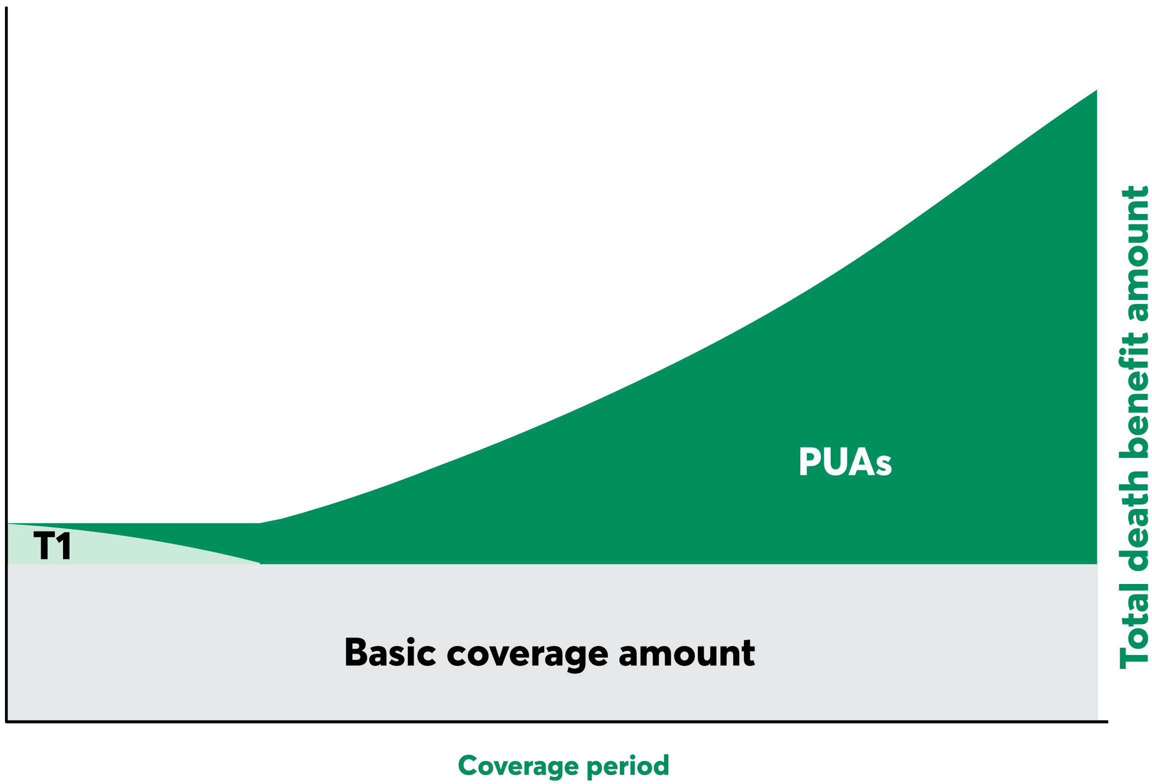
T1 insurance can be converted into eligible permanent life insurance if the following conditions are met:

- The permanent insurance amount cannot exceed the current T1 insurance amount.
- The permanent coverage does not provide for indexation of the insurance amount or premium refund upon death.
- The insured person is under age 70.
- The premium is calculated based on the current rate and the age at the nearest birthday.
- The permanent coverage takes effect on the date the application is received at head office.
- When the T1 of the enhanced insurance is converted in part or in full to permanent coverage, the dividend option is automatically changed to PUAs and the T1 is cancelled.

[8] For the 5 Pay PAR product, this option may be available after 10 years if the exempt test is met.

Enhanced insurance

Death benefit



Enhanced insurance guarantee period

The enhanced insurance amount is guaranteed for 10 years or lifetime for Estate Enhancer and Accelerated Growth products. The guarantee period is selected at the time of purchase. The enhanced insurance amount for 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 sufficient to cover the T1 insurance premium.	Amount guaranteed for lifetime even if the dividends credited are not sufficient to cover the T1 insurance premium.
If there are not enough dividends to purchase the T1 insurance amount needed, the PUAs from previous years are surrendered until the target amount is reached.	
Starting in the 11th year, if this amount is insufficient, the T1 insurance is reduced accordingly. The policyowner can might pay an additional premium to maintain the initial insurance amount.	At any time, if the amount is not sufficient, Desjardins Insurance assumes the costs.

The following changes made to the policy by the policyowner may result in **the cancellation of the 10-year or lifetime guarantee**:

- Surrender of PUAs
- Conversion of the policy into reduced paid-up insurance
- Change of dividend option
- Change of rate category (smoker to non-smoker)
- Activation of premium offset

Annual premium reduction

- The dividends credited are used to **reduce** the annual premium.
- If the dividends do not cover the full premium amount, the policyowner must pay the difference.
- If dividends are higher than the premium, the excess is paid by cheque to the policyowner and may be taxable. (See Tax treatment section.)
- The amount payable upon death remains the same over the years.
- **This option is only available when premiums are paid annually.**
- **This option is not available with the 5 Pay PAR product.**

Quick tip

The policyowner reduces their premium while keeping their coverage amount.

Cash payment[9]

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

Dividends on deposit[9]

- The dividends credited are deposited in a savings account managed by Desjardins Insurance.
- Dividends credited may be taxable. (See the Tax treatment section).
- This account generates taxable interest that is credited once a year. The interest rate is not guaranteed. It is determined and revised periodically by the insurer.
- Withdrawals from this account are allowed at any time.
- This option increases the cash surrender value 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

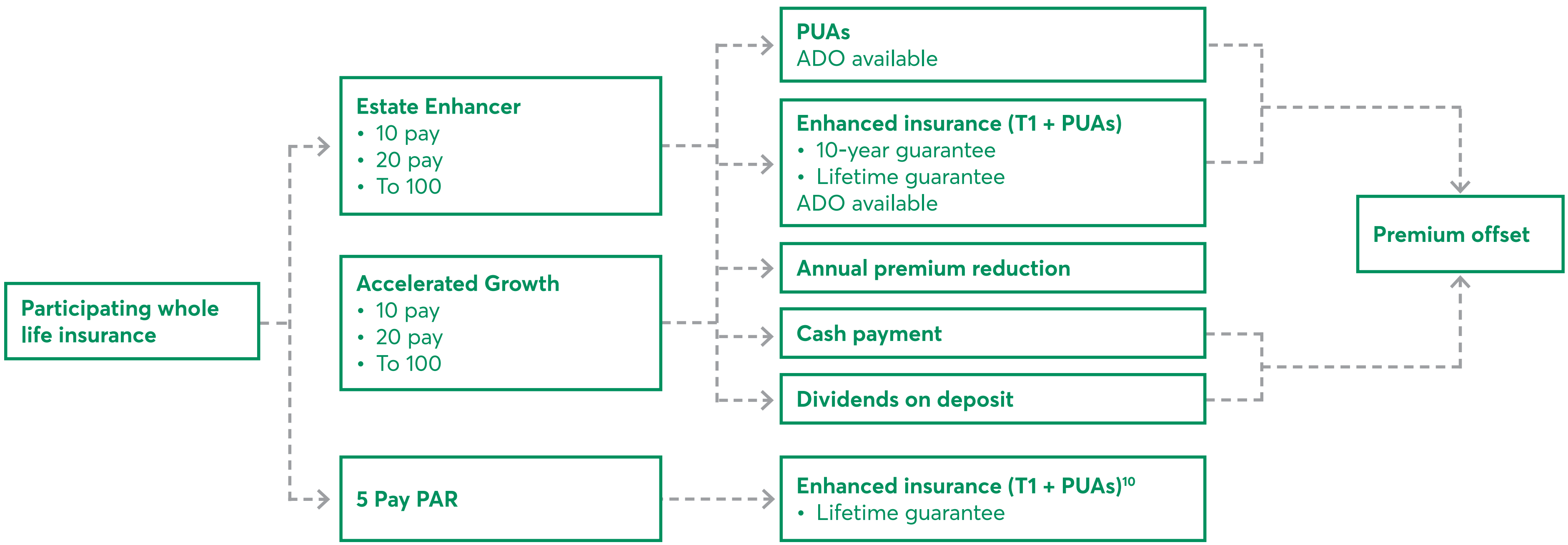
The policyowner is protected from unforeseen events while having access to liquidity.

[9] For the 5 Pay PAR product, this option may be available after 10 years if the exempt test is met.

The PUAs option is the **best option** to **increase** the amount payable upon death and the cash surrender value in the **long term**.

The enhanced insurance dividend option allows for the purchase of **permanent 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.

Summary of participating whole life insurance options



[10] Only dividend option available at the time of sale. PUAs, cash payment and dividends on deposit options may be available 10 years after policy issue, if the exempt test is met.

Summary of dividend options

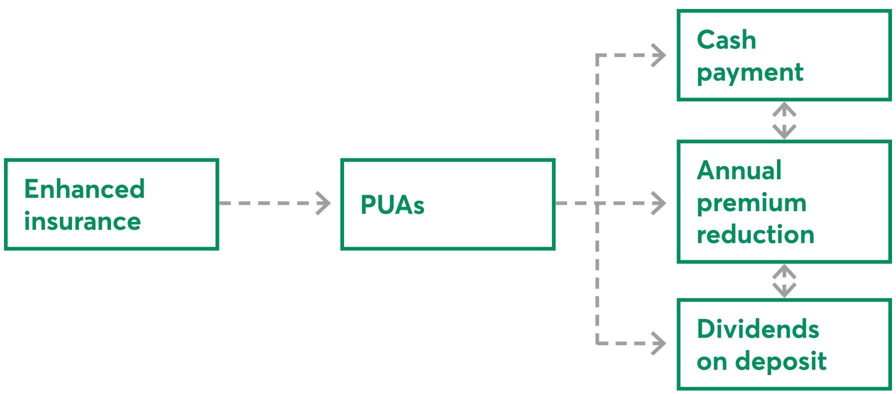
Option	Description	Cash surrender value and amount payable upon death	Details
PUAs	PUAs purchased every year	Significant growth	PUAs generate additional dividend amounts. They have a compounding effect.
Enhanced insurance (T1 + PUAs)	Purchase of T1 insurance gradually replaced by purchase of PUAs	Less growth than the PUAs option	• Allows for the purchase of insurance at a lower premium due to the T1 insurance. • Enhanced insurance guaranteed for 10 years or for life.
Annual premium reduction	Premium reduction	No impact	• If dividends are less than the annual premium, the policyowner must pay the difference. • If dividends exceed the annual premium, the difference is paid to the policyowner.
Cash payment	Payment by cheque to the policyowner	No impact	Amounts may be taxable.
Dividends on deposit	Deposit into a Desjardins Insurance savings account with interest	Annual increase due to interest and new dividends credited	• The policyowner can make withdrawals at any time. • Dividends may be taxable. • Interest is taxable annually.

Dividend option changes

The policyowner can change their option during the policy period.

Changes can only be made in the direction of the arrows.

For the 5 Pay PAR product, 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 policy issue, if the exempt test is met.



Premium offset

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

The policyowner must submit a **written request** to Desjardins Insurance for the premium offset to take effect.

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

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

- The illustration software's financial projections can indicate when the premium offset could take effect based on assumptions at the time the insurance policy was issued.
- **The premium offset reduces the increase in cash surrender value and the death benefit** since dividends are used to pay premiums. In some cases, paid-up additions may also be surrendered when the dividends are not sufficient to pay the premiums.
- The premium offset **is not guaranteed**. It depends on the dividends credited. A reduction in the dividend scale may:
  - **Delay the activation of the premium offset.** The policyowner must pay the premiums for a longer period than indicated in the illustration report.
  - **Force the policyowner to resume paying** premiums for a certain period if the premium offset was already in effect.
- Deposits made under the ADO, withdrawals, policy loans, a change in dividend option or a change in additional coverages may also affect the effective date of the premium offset.
- Since the premium offset depends on the available policy value and may differ from the original illustration, **the in-force illustration is required** to verify whether the value will be sufficient to cover future premiums. The policyowner must submit a **written request** to Desjardins Insurance for the premium offset to take effect.
- The total death benefit and the policy value will no longer increase as quickly than if the premiums continued to be paid. The value of the policy may even decrease due to the surrender of PUAs to pay the premiums.

> The ADO offers greater potential growth in policy values. This allows for starting the premium offset earlier. Regular deposits are suspended as soon as the premium offset period begins, but the policyowner can continue to make one-time deposits.

> If the enhanced insurance option is selected in the Estate Enhancer and Accelerated Growth products:
>
> - A smaller gap between the basic insurance amount and the enhanced insurance could accelerate the start of the premium offset.
> - The non-guaranteed cash surrender values of the PUAs can be used to pay future premiums. In this case, when the premium offset takes effect, the 10-year or lifetime guarantee period ends.

Tax treatment

The cash surrender values of the Estate Enhancer, Accelerated Growth and 5 Pay PAR products accumulate on a tax-sheltered basis. However, a policy loan or a surrender (total or partial) can generate a taxable policy gain. A taxable policy gain on investment income is fully taxable for the policyowner. It's not a capital gain.

The taxation of dividends depends in part on their use. Here are the basic principles:

- Dividends **paid in cash** to policyowners or **credited on deposit** reduce the policy's ACB. They can generate a taxable policy gain when the amount of dividends is higher than the policy's ACB. One or more tax slips will then be issued to policyowners. In addition, interest on dividends on deposit is taxable each year.
- The dividends that **accumulate** in the policy (PUAs, enhanced insurance, annual premium reduction) are not considered as a taxable policy gain. Some actions, such as a surrender or policy loan, may result in a taxable disposition.
- **In the event of the insured person's death**, the insurance amounts purchased with dividends in addition to those purchased with deposits made under the ADO can be paid in full, **tax-free**, to the designated beneficiary. Dividends on deposit are also paid on a taxe-free basis.

Tax implications depending on the dividend option

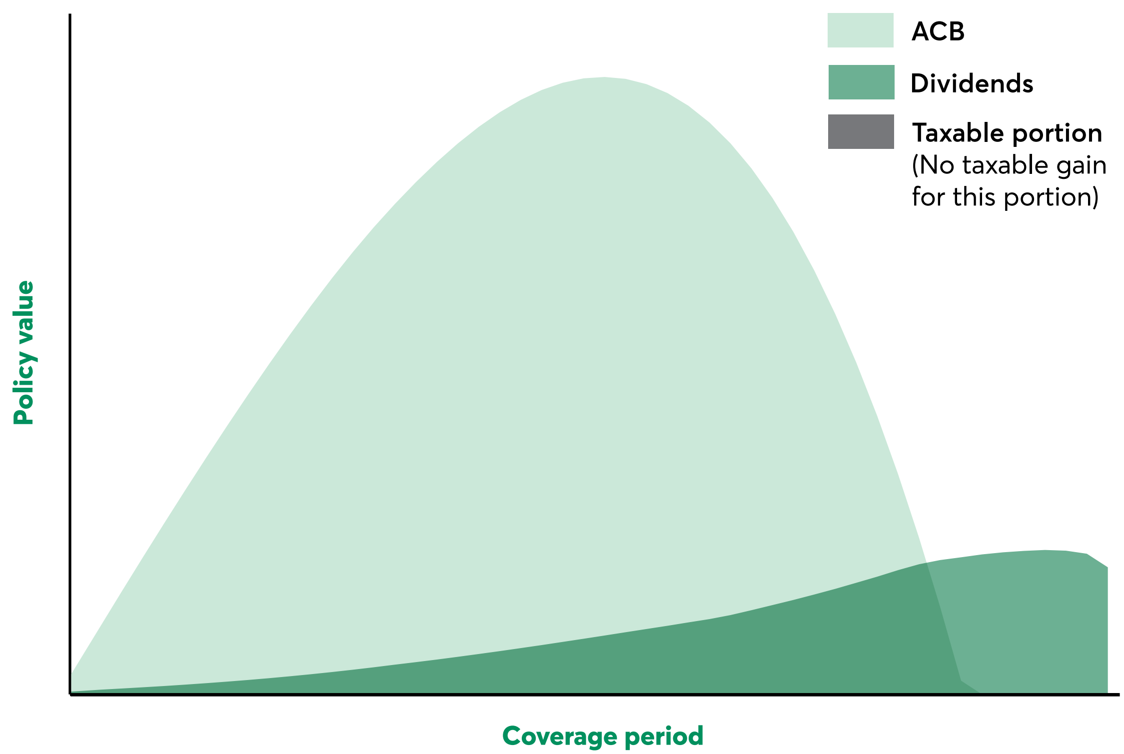
Paid-up additions option

The dividends are used to purchase additional, paid-up participating life insurance, meaning there are no premiums to pay.

- Non-taxable policy gains, unless a transaction results in a taxable disposition (surrender, policy loan, etc.).
- This option has no impact on the policy's adjusted cost basis (ACB).

Paid-up additions

Taxable portion of dividends



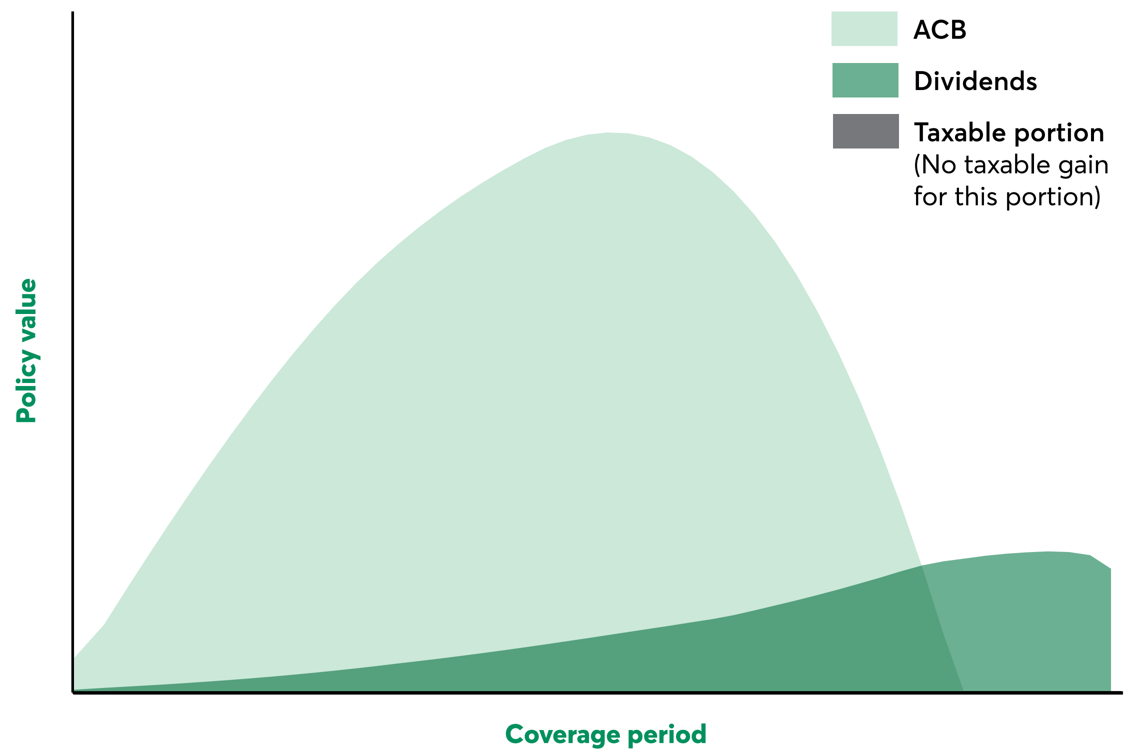
Enhanced insurance option

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

- No taxable policy gains, unless it results in a taxable disposition (surrender, policy loan, etc.).
- This option has no impact on the policy ACB.

Annual premium reduction

Taxable portion of dividends



Annual premium reduction option

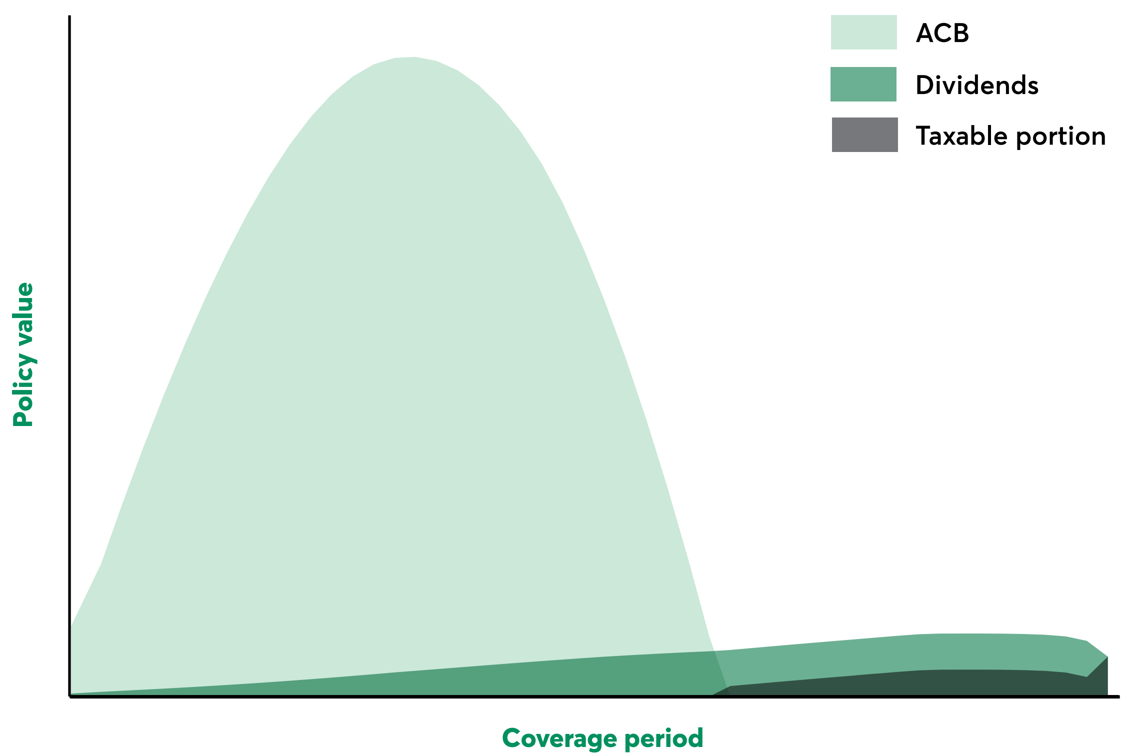
Annual dividends are applied to the next annual premium.

If they are not sufficient to pay the entire premium, the policyowner must pay the difference. Any dividends in excess of the premium are remitted to the policyowner by cheque.

- The dividends used to pay the premium do not affect the policy ACB and are not taxable.
- The portion of dividends that is not used to pay the premium reduces the policy ACB. A taxable policy gain is generated when the portion of dividends not used to pay the premium exceeds the policy ACB.

Annual premium reduction

Taxable portion of dividends



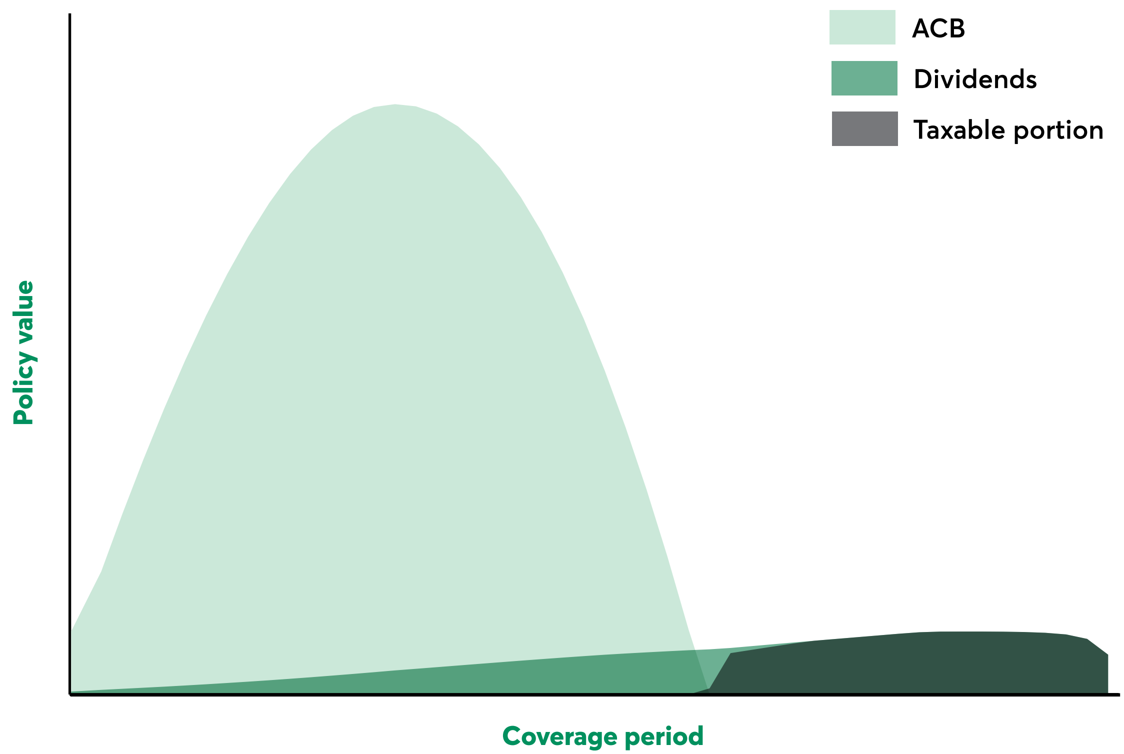
Cash payment option

Desjardins Insurance sends a cheque to the policyowner to use as they see fit.

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

Cash payment

Taxable portion of dividends



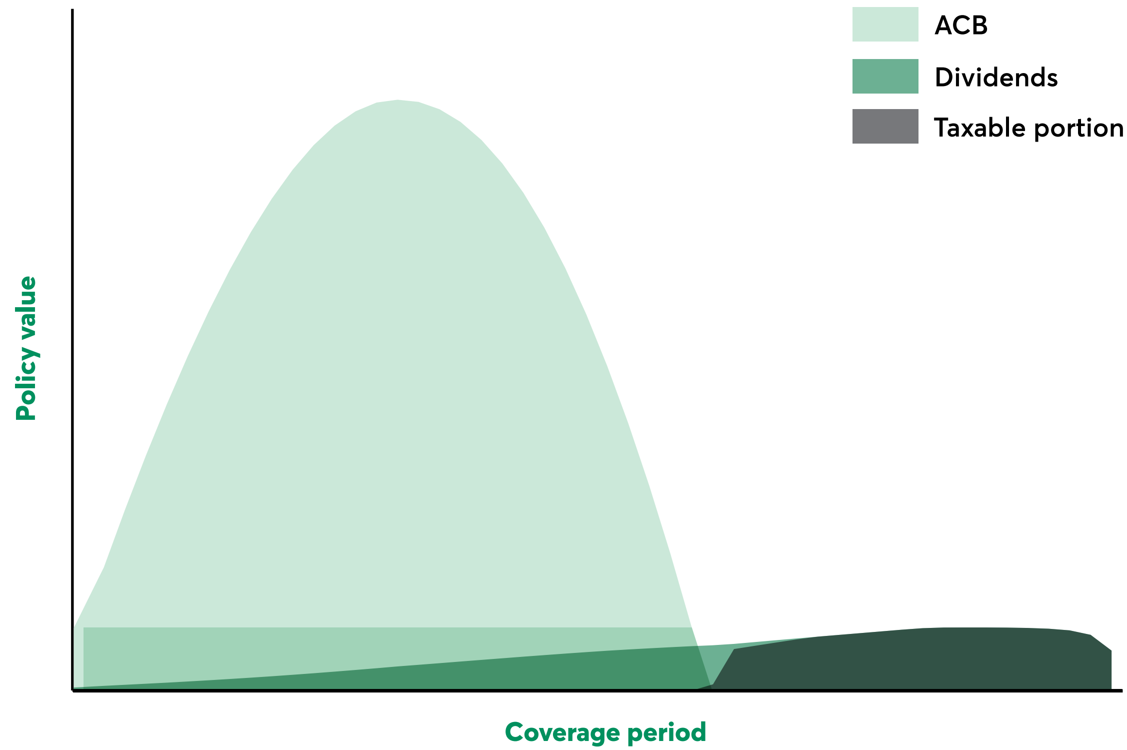
Dividends on deposit option

Deposit into a Desjardins Insurance savings account with interest

- The dividends credited reduce the policy ACB.
- The amount of dividends credited that exceeds the policy ACB is a taxable policy gain.
- Any interest generated on the accumulated dividends is taxable each year.

Dividends on deposit

Taxable portion of dividends



Tax implications summary

		When dividends are credited	
	Annual dividends	**Tax trigger**	**Taxable amount**
PUAs	Used to purchase additional participating life insurance	Tax-free	None
Enhanced insurance	Used to purchase a combination of T1 life insurance and PUAs	Tax-free	None
Annual premium reduction	Used to pay the annual premium	• Dividend amount 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 by cheque to the policyowner	Dividend amount is greater than the ACB	Amount that exceeds the ACB
Dividends on deposit	Deposited into a Desjardins Insurance savings account with interest	• Dividend amount is greater than the ACB • Accumulated interest	• Amount that exceeds the ACB • Amount of interest generated each year in the dividends on deposit account

Dividend calculations

The dividend policy requires an equitable management process for distribution to policyowners' participating accounts. Each year, the Desjardins Insurance Board of Directors determines the amount of dividends to be paid in accordance with the guidelines of this policy.

The calculation of dividends is based on:

Investment returns

- The financial results of investments are usually the most important factor in determining annual dividends.
- Funds not used to pay benefits, withdrawals, dividends, expenses and taxes are invested to increase the account value and meet future contractual obligations.
- The investment return component is the difference between the actual net returns of the invested funds and the product assumptions.
- The participating account include investments in various asset classes based on a long-term investment strategy.

A higher- or lower-than-expected dividend scale interest rate will increase or decrease the dividends, respectively. The interest rate is only one factor used to calculate the dividends credited. A high interest rate doesn't necessarily mean that the policy values (dividends, cash surrender values and amount payable at death) will be higher. It's important to refer to the illustrations to see the changes in the policy's projected values.

Mortality rate

- The mortality rate refers to the number of deaths normally expected for a given group, at a given age.
- The mortality rate component is the difference between the actual deaths and the product assumptions.
- The effects of mortality rate fluctuations on dividends are gradual also thanks to our claims experience smoothing techniques..

Taxes and fees

- Fees are costs related to the development, marketing, distribution and administration of policies.
- Taxes and fees have a smaller impact on dividends than investment returns and mortality rates.
- Fees are very likely to increase when the inflation rate is high.
- The fee component represents the company's ability to control and reduce its expenses compared to the product assumptions.
- The tax component is closely related to government tax policies. It doesn't depend on Desjardins Insurance.

Dividend payout

Dividends **are not guaranteed.** They vary based on the participating account's results.

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

5

Additional deposit option (ADO)

The additional deposit option (ADO) is a flexible, tax-efficient solution that allows the policyowner to make deposits in addition to the guaranteed premium payments. The deposits are voluntary and are used to purchase paid-up additions, which are added to those acquired with the dividends that could be credited each year. As a result, the policy's paid-up additions will increase more quickly, as well as the cash surrender value and the death benefit.

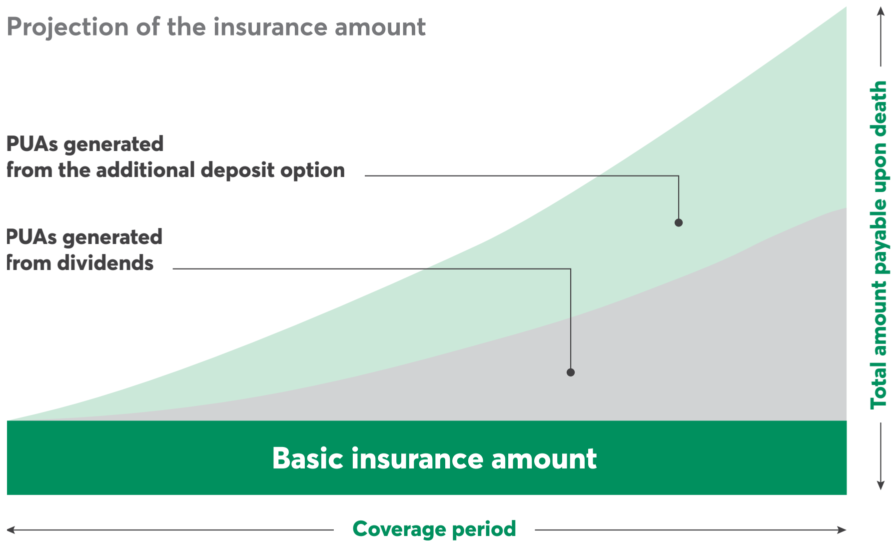
The ADO offers the policyowner the flexibility to adjust their deposits to meet their constantly evolving insurance needs The policyowner can increase, decrease or stop and restart deposits at any time without affecting the basic coverage. This allows them to proactively manage the financial needs of their family or business while benefiting from the tax advantages of participating life insurance.

Advantages of the ADO

- Access short-term liquidity to finance special plans.[11]
- Use the dividends and accumulated cash surrender values to benefit from premium offset earlier.
- Enhance retirement income[11]
- Increase estate value.

[11] There may be tax consequences.

Projection of the insurance amount



ADO eligibility

The ADO can be added to the policy at the time of purchase or later to participating whole life insurance policies:

Features	Eligibility criteria
Products	• Accelerated Growth (10 Pay, 20 Pay, or to 100) • Estate Enhancer (10 Pay, 20 Pay or to 100)
Dividend options	• Paid-up additions • Enhanced insurance
Issue age	• 10 Pay: 0 to 75 • 20 Pay: 0 to 75 • To 100: 0 to 80
Rating	The maximum rating is +200%. Above this limit, ADO cannot be added to the policy.

Deposits

1. Deposit amount

- Minimum deposit: $10 per month or $100 per year
- Permitted annual deposit: The maximum amount of deposits that the policyowner may make during a policy year.[12]

Definition of permitted annual deposit:

For the first policy year, the permitted annual deposit is the amount indicated on the Policy Schedule page. The sum of deposits made by the policyowner may be less than or equal to this amount.

However, for each subsequent policy year, the permitted annual deposit will be limited to the sum of the deposits actually made by the policyowner in the first policy year. This amount is shown on the annual statement. The policyowner must therefore make at least one deposit during the first policy year following the option start date to retain the right to make deposits in subsequent years.

The policyowner may ask to increase the amount of their deposits beyond the permitted annual deposit, but they may have to provide evidence of insurability in accordance with current administrative rules.

Desjardins Insurance reserves the right to limit the permitted annual deposit at the time the additional deposit option is issued, based on available insurance and reinsurance capacity.

2. Deposit frequency and duration

The policyowner can make one-time deposits, regular deposits, or a combination of both, up until the insured person's attained age is 100. For joint coverage, this limit applies until the equivalent age 100.

- One-time deposits: The policyowner can make one or multiple one-time deposits during the same policy year. A one-time deposit is not part of a series of regular deposits. It can be made at any time during the year.
- Regular deposits: The policyowner can make regular deposits using the payment method selected for their policy and at the same frequency as they pay the premiums.

Deposits can also be made even if the policy is paid up after 10 or 20 years.

[12] The policy year refers to any one-year period that folllows the option's start date.

3. Flexibility of deposits

Once the first policy year's deposits have been made, the policyowner may, without having to provide evidence of insurability:

- Stop and restart deposits at their convenience.
- Reduce and subsequently increase the amount of their deposits.

Deposits must comply with the minimum deposit set by Desjardins Insurance and the permitted annual deposit. Missed deposits in a given year cannot be carried forward to the following year.

4. More details about deposits

Regular deposits are suspended in these situations:

- Waiver of premiums: In the event of total disability, if the policyowner purchased this additional coverage when the policy was issued and if the disability definition is met.
- Premium offset period: For the duration of this period.
- Automatic premium loan: When the guaranteed policy premiums are advanced under this clause

One-time deposits remain permitted.

5. Loss of right to make deposits

The policyowner will lose the right to make deposits if either of the following occurs:

- They make a policy change to obtain reduced paid-up insurance.
- They change the dividend option to cash payment, annual premium reduction or dividends on deposit.

6. Deposit processing

The deposit net of fees is allocated to the purchase of the paid-up additions as soon as the payment is received through pre-authorized payments. This is done if the permitted annual deposit is respected and the policy's exempt status under the *Income Tax Act* (Canada) is maintained. If deposits are made by cheque, they will be processed in the days following the payment. If a regular deposit made exceeds the permitted annual deposit, paid-up additions will be purchased on the next policy anniversary.

7. Deposit illustration

The illustration assumes that deposits are used to purchase the paid-up additions at the beginning of the year if the premium frequency is annual. If the frequency is monthly, the paid-up additions in the illustration are purchased at the end of the year, before dividends are paid out.

8. Amendments to the policy

Desjardins Insurance may adjust the amount of the permitted annual deposit if certain changes are made to the policy, such as a reduction in the insurance amount.

Management fees

Fees of 10% that are related to the purchase of the paid-up additions are deducted from each deposit to cover, among other expenses, the tax on insurance premiums. The fees are determined by Desjardins Insurance and are not guaranteed.

For policies with a rating, additional fees will be added to the 10%.

The deposit net of fees will be used to purchase paid-up additions.

Adding the ADO to an in-force policy or resulting from an option being exercised

The ADO can be added to in-force policies issued on or after January 1, 2017, on the policy anniversary, or when an option is exercised.[13] The policy must meet the eligibility requirements for the ADO and evidence of insurability may be required under the administrative rules in effect at the time of application.

The permitted annual deposit is determined based on the insured person's age, or the equivalent age for joint coverage, when the policy participating whole life insurance was issued.

Amount of insurance payable upon death

If the dividend option is PUAs

The insurance amount payable for the ADO corresponds to the amount of the paid-up additions that were purchased with deposits before the date of death.

If the dividend option is enhanced insurance

On each policy anniversary, Desjardins Insurance uses both paid-up additions purchased with deposits and paid-up additions purchased with dividends to make up enhanced insurance, until it is entirely made up of paid-up additions.

The insurance amount payable for ADO corresponds to the amount of the paid-up additions that were purchased with deposits before the date of death, but not used to make up the enhanced insurance.

[13] Examples of options: conversion, insurability option, association option, guaranteed insurability benefit.

Taxation

The death benefit under the life insurance policy is generally non-taxable for the beneficiary (under Canada's *Income Tax Act*).

A test is conducted every year to make sure the policy maintains its tax-exempt status. Desjardins Insurance reserves the right to take the necessary measures, such as surrendering paid-up additions, refusing or adjusting the amount of deposits, or denying changes requested by the policyowner. Once these measures are no longer needed, deposits and/or the purchase of paid-up additions can resume based on the scheduled or eligible amount.

6

Using accumulated cash surrender values

- Partial surrender of basic insurance
- Total surrender of the policy
- Policy loan (guaranteed cash surrender value)
- Reduced paid-up insurance

The policyowner can use the policy's accumulated cash surrender , whether guaranteed or not, in one of the following ways:

a) Withdrawing the non-guaranteed cash surrender value generated by PUAs.
b) Applying for a policy loan.
c) Partially surrendering the basic insurance.
d) Surrendering the policy in full.
e) Asking for premium payments to stop and getting reduced paid-up insurance.

Withdrawal of the non-guaranteed cash surrender value

Depending on the dividend option selected, there are several ways to access liquidity from the policy. If the policyowner selects a dividend option other than cash payment or annual premium reduction, they can use the non-guaranteed cash surrender value. The amount of the withdrawal reduces this cash surrender value accordingly. The death benefit generated by the paid-up additions is reduced in the same proportion as the requested withdrawal.

Tip

With these cash surrender values, the policyowner can benefit from their policy during their lifetime to meet special needs, whether personal or business-related.

Withdrawal may be subject to a taxable policy gain.

<table>
<tr><th>Dividend option</th><th>Access to the non-guaranteed cash surrender</th></tr>
<tr><td>PUAs</td><td rowspan="2">The policyowner can access liquidity by surrendering the accumulated PUAs:
• This amount is different from the guaranteed cash surrender value of the basic insurance.
• The total cash surrender values and the total amount payable upon death are then reduced.
• The taxable policy gain is calculated as follows:
= amount received at surrender of accumulated PUAs
$- \text{ACB} \times \dfrac{\text{amount obtained at surrender}}{\text{total cash surrender value of the policy}}$</td></tr>
<tr><td>Enhanced insurance</td></tr>
<tr><td>Annual premium reduction</td><td>N/A</td></tr>
<tr><td>Cash payment</td><td>N/A</td></tr>
<tr><td>Dividends on deposit</td><td>Accumulated dividends and interest can be withdrawn at any time.</td></tr>
</table>

Partial surrender of basic insurance

The policyowner can request a reduction of the death benefit to obtain the proportion of the guaranteed cash surrender value corresponding to the decrease.

The taxable amount is determined based on the amount obtained at surrender compared to the total cash surrender value of the policy.

If the policy includes the ADO, Desjardins Insurance may have to reduce the amount of the permitted annual deposit.

The taxable gain is calculated as follows:

= amount received at surrender

$$- \text{ACB} \times \frac{\text{amount obtained at surrender}}{\text{total cash surrender value of the policy}}$$

Total surrender of the policy

A total surrender of the policy is allowed. Regardless of the balance of the dividend on deposit account, if the amount paid on surrender exceeds the policy's ACB, the excess is considered a taxable policy gain.

Insurance coverage ends on the date the total surrender request is received at head office.

The amount paid on surrender corresponds to the result of the following calculation:

= guaranteed surrender value of basic insurance amount

+ non-guaranteed cash surrender value*

+ account balance of dividends on deposit**

- advances and accrued interest

* Cash surrender values of PUAs
** The balance of the dividend account is excluded from the calculation of taxable policy gains.

Policy loan

The policyowner may make a policy loan request in writing at any time.

- The amount of the loan may not exceed the sum of the cash value of the basic life insurance, the cash surrender value of existing paid-up additions and dividends on deposit, if applicable, minus the following loans and interest:
  - Outstanding loans
  - Interest[14] on outstanding loans and on new loans accumulated over a period of one year.
- Policy loans may not be authorized when the policy is in premium offset payment period.
- In the event of a policy loan, regular and one-time deposits from the ADO can continue to be made.
- **Repayment** can be made at any time. All outstanding policy loans **reduce** the amount payable upon death or the payment on surrender.
- If the total policy loans exceed the total cash surrender value, the policy is **cancelled**.

Policy loans are considered tax dispositions of the policy.

The taxable gain is calculated as follows:

= amount received in the loan - ACB

However, repayment of the loan may result in a tax deduction for the year of repayment if part of the loan resulted in a taxable gain.

[14] This is a variable rate.

Reduced paid-up insurance

The policyowner can use the guaranteed cash surrender value to purchase insurance for an amount that is less than the initial coverage, so that they can stay insured for the rest of their life without having to pay additional premiums. When the ADO is in effect, the policyowner loses the right to make deposits when they amend the policy to a reduced paid-up coverage.

The reduced paid-up insurance amounts are shown in the policy.

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

This option is offered under certain conditions and is not available with the 5 Pay PAR product.

Additional coverages

Guaranteed insurability benefit	• Allows the policyowner to purchase additional insurance amounts on the life of the insured person without having to provide evidence of insurability, when the insured person's attained age is 25, 30, 35, 40 and 45. Each of these periods extends from the 31st day before the policy anniversary to the 31st day that follows it. Additionally, an option period may be brought forward in some events, such as marriage, birth, adoption of a child or purchase of a family property. • Guaranteed insurability benefit amount: Minimum: $10,000 Maximum: The lesser of $100,000 or 200% of the sum of the insurance amounts for the same insured person. • Choice of eligible **permanent** products.
Children's life protection	• Pays a term life insurance amount upon the death of the insured's child. • Covers all current and future children from their 15th day of life to age 25 with the option to convert the coverage to a permanent life insurance policy when the child reaches age 25 for up to 5 times the selected basic amount without evidence of insurability. • Available amounts: $5,000, $10,000 and $20,000.
Accidental fracture	• Pays a lump-sum amount if the insured person is the victim of an accident and sustains a fracture to any bone. • The amount varies depending on which bone is fractured.
Business insurability coverage	• Allows the owners of a growing business to purchase an additional insurance amount based on the increase in the fair market value (FMV) of their company, without having to provide evidence of insurability. However, financial justification is required. • Provides the option to purchase additional life insurance up to 3 times the business insurability coverage amount during the first 10 years of the policy. • When this option is exercised, the maximum permitted amount is the lesser of the insured person's share of the increase in FMV or three times the business insurability coverage amount. Any previously issued amounts must be deducted from this maximum. • Business insurability coverage amount at issue: Minimum: $100,000 Maximum: The insured person's share of the FMV of the business, without exceeding the lesser of $3,333,333 or 200% of the total life insurance amount. • Choice of eligible **term and permanent** products.

Additional coverages (continued)

Disability waiver of premiums for the policyowner or insured person	• Waives the premiums stipulated in the policy if the insured person or policyowner becomes totally disabled for more than 6 months. • The disability must occur before age 60.
Accidental dismemberment or loss of use	• Pays a percentage of the insurance amount if the insured person is dismembered in an accident. • The percentage varies based on the loss.
Accidental death, dismemberment or loss of use	• Pays a percentage of the insurance amount if the insured person dies or is dismembered in an accident. • The percentage varies based on the loss. 100% is payable in the event of accidental death.
Children's accidental fracture	• Pays a benefit if one of the insured person's children sustains a fracture due to an accident. • Current and future children are covered from their 15th day of life to age 25.
Accident	• Pays a benefit if the insured person dies or suffers a fracture, dismemberment or loss of use due to an accident.