

2017 TAX CHANGES FOR LIFE INSURANCE

How G2 and G3 tax status will impact new business and changes to inforce policies

The 2017 tax changes on life insurance are just around the corner.

- Life insurance policies issued under current tax rules will have a **G2** tax status
- Life insurance policies issued under the new rules effective January 1, 2017 will have a **G3** tax status. [Find out more](#) about G3 policies and the impact on your clients.

ISSUE RULES FOR G2 POLICIES

If medical underwriting of the application is the only item that is not completed in 2016, but all of the conditions set out below have been met, a policy for a maximum of \$1 million of coverage may still be able to retain a G2 tax status even if the policy is printed after December 31, 2016:

- We receive the policy application at our Waterloo Head Office in 2016, signed by the applicant(s) in 2016 and containing all information necessary to start underwriting the application; for example, the application must be in good order; **and**
- A Temporary Insurance Agreement (TIA) is issued by Equitable Life in 2016 on the application for a matching face amount of coverage (must not exceed \$1,000,000); **and**
- If a policy is issued, the effective date shown on the first page of the policy contract must not be later than December 31, 2016; **and**
- All premiums due from the 2016 effective date are required at the time the policy settles; **and**
- The policy is delivered to the applicant(s) before April 1, 2017.

GRANDFATHERING OF G2 POLICIES

G2 policies will be grandfathered, meaning that the same tax rules that apply today will continue to apply. However, after December 31, 2016, certain policy changes could result in loss of grandfathering and will impact how some change requests will be handled in the future. Some change requests will no longer be available.

The following chart outlines how some of the most common changes to G2 policies will be handled after December 31, 2016.

Changes to G2 policies after December 31, 2016

- Adding coverage
 - additional coverage on the same life
 - or a different life
- Adding term rider coverage
 - on the same life
 - or a different life
- Increases to coverage

Will be handled as ...

G3

- The original policy will remain unchanged and retain its G2 status.
- A separate G3 policy will be issued for the additional coverage. A policy fee will be charged.

GRANDFATHERING OF G2 POLICIES *continued*

Changes to G2 policies after December 31, 2016	Will be handled as ...
<ul style="list-style-type: none"> Increases to Equimax policies within the first policy year 	<p>The client has the following options:</p> <ul style="list-style-type: none"> The original policy will remain unchanged and retain its G2 status. A separate G3 policy will be issued for the additional coverage. A policy fee will be charged. <p>OR</p> <ul style="list-style-type: none"> A new G3 policy will be issued for the full coverage amount. The original policy will be canceled.
<ul style="list-style-type: none"> Change the death benefit options requiring underwriting (universal life policies) Increases to Excelerator Deposit Option Adding Excelerator Deposit Option after issue Adding Children's Protection Rider after issue 	<p></p> <ul style="list-style-type: none"> Not permitted on G2 policies.
<ul style="list-style-type: none"> Term conversions 	<p></p> <ul style="list-style-type: none"> A new G3 policy will be issued.
<ul style="list-style-type: none"> Changes from smoker to non-smoker status Medical underwriting to reduce a rating Exchange option to change a term 10 to term 20 Policy reinstatement Addition of non-life insurance riders that do not increase the amount paid at death Switching dividend options (on participating whole life policies) Change in cost of insurance options (universal life policies) 	<p></p> <ul style="list-style-type: none"> Changes will be made within existing G2 policy.

GET YOUR APPLICATIONS IN AS SOON AS POSSIBLE

We will make every effort to process 2016 applications as G2 policies; however, as we approach the end of the year, the number that can be issued in time will decrease. As a guideline, give yourself 3 months or more, if it is important that the policy be issued before year-end.

Act now!

Applications submitted early and with no missing information have a better chance of being issued as G2 policies.

BACKDATING

New applications or policy changes can be backdated to save age only. To be issued as a G2 policy, both the date the application is received at our Waterloo head office and the issue date of the policy must be in 2016.

WHAT ELSE IS CHANGING?

Equitable Life will be introducing changes to our life insurance products later this year. These changes will allow us to continue to offer competitive products while complying with the new 2017 tax legislation.

WHO CAN YOU CONTACT FOR MORE INFORMATION?

For information on how other changes will be handled or other questions about this communication, contact your Regional Sales Manager or your Equitable Life Advisor Service Team.

- By Phone: 1-800-668-4095
- By email: western-service@equitable.ca (BC, AB, SK, MB) eastern-service@equitable.ca (ON, QC, NB, NS, PE, NF)

FOR ADVISOR USE ONLY

® denotes a trademark of The Equitable Life Insurance Company of Canada