



What's the hype?

Building your business with Par Whole Life

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equimax

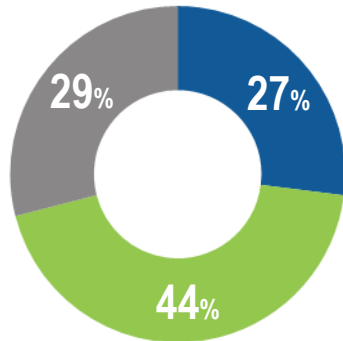
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Agenda

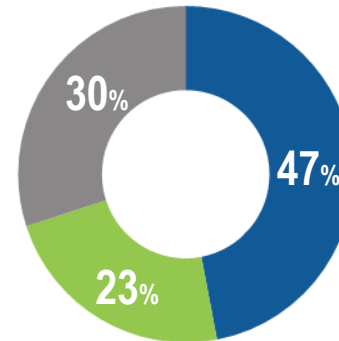
- Whole life unraveled
 - How dividends are determined
- Participating account experience components
- About Equitable Life's participating account
- Stock vs mutual
- Competitive analysis

Life sales mix evolution

2007 industry

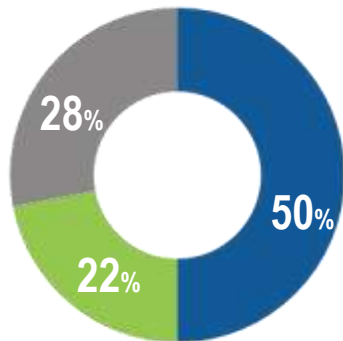


2013 industry



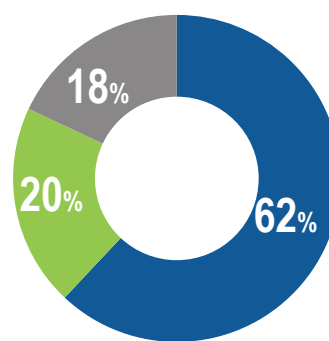
2014 industry

as at June 30



2014 Equitable

as at June 30



- Whole Life
- UL
- Term

Source: LIMRA's Canadian Individual Life Sales Survey ; sales by premium; 2007 and 2013 results are as at December 31

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What is par?

- A par policy is made up of two main components:
 - **The underlying guaranteed premiums and policy values** (basic permanent insurance amount and its cash value, reduced paid-up insurance)
 - **Non-guaranteed dividends**, which can be used to purchase additional insurance coverage and/or accumulate cash values (or paid in cash/reduce premiums)

Guarantees

- Par policy premiums and guaranteed values are based on long-term assumptions.
 - Assumptions include investment returns, mortality, and expenses

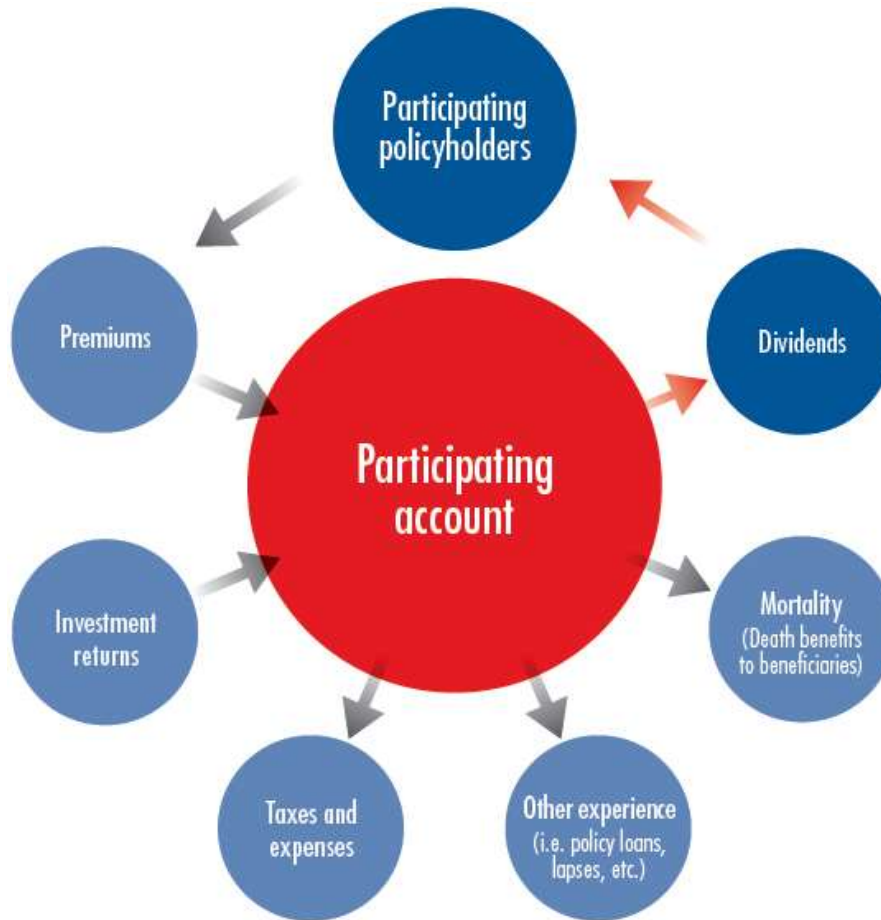
How are dividends calculated?

- Actual experience is compared to the long-term assumptions
- Experience that is better in total than the long-term assumptions creates earnings that are available to be distributed as dividends
 - If experience worsens, these earnings decrease
 - If experience improves, these earnings increase

How are dividends calculated?

- Dividends will never be negative
- Once credited to the policy they are VESTED
- A portion of the par earnings will be held in the company to maintain the surplus position

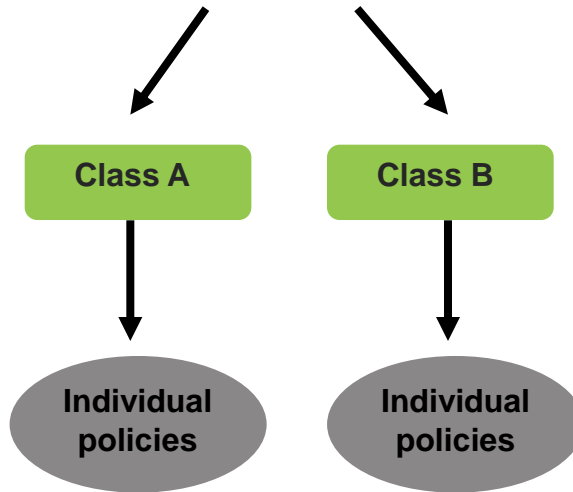
How are dividends calculated?



How are they distributed?

Contribution principle

Dividends available for distribution



At the policy level, dividends will vary by gender, smoking status, issue age, policy duration, and policy size (face amount).

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Par account experience components

- The main components:
 - Expenses
 - Mortality and lapse
 - Investment performance
- Other components:
 - Policy loans

Expenses

- Expenses tend to be a fairly small part of the total dividend
- This component looks at the difference between estimated and actual administration expenses

Mortality and lapse

- Mortality experience tends to be relatively stable
 - Has generally improved over time
 - About 30 - 40% of the total dividend, depending on age and duration
 - This component will vary by gender, smoking status, issue age and policy duration
- Lapse experience also tends to be fairly stable

Investment performance

- The interest portion of the dividend is typically the largest portion of the dividend
 - About 40 - 65% of the total dividend, depending on age and duration
- Based on the rate of return earned on the par account assets
- Will increase by policy duration as the guaranteed cash value increases

About our par account

- Top-down management approach
- \$355,200,000 in assets (as at 31 Dec 2014)
- The “Goldilocks advantage”
 - **Ideal transaction size** – big enough to garner the attention of the institutional dealer desks, small enough that we don’t move the market to transact
 - **Allows us to be selective** – can pick the issuers that are most likely to outperform, ie Preferred Shares
- No conflicting priorities in a mutual company

Year	Net Par Account Rate of Return	S&P/TSX Composite Index	5 Year GIC	Consumer Price Index
1994	9.6	-2.5	7.4	0.2
1995	9.4	11.9	7.1	1.8
1996	9.1	25.7	5.6	2.2
1997	8.5	13.0	4.7	0.8
1998	8.3	-3.2	4.4	1.0
1999	8.2	29.7	4.8	2.6
2000	8.2	6.2	5.3	3.2
2001	7.7	-13.9	4.0	0.7
2002	8.0	-14.0	3.9	3.8
2003	7.7	24.3	3.1	2.1
2004	7.6	12.5	2.9	2.1
2005	7.5	21.9	2.7	2.1
2006	7.6	14.5	3.2	1.7
2007	7.3	7.2	3.3	2.4
2008	4.9	-35.0	3.0	1.2
2009	8.6	30.7	2.0	1.3
2010	7.8	14.4	2.0	2.4
2011	6.0	-11.1	1.9	2.3
2012	7.3	4.0	1.7	0.8
2013	8.5	9.6	1.6	1.2
Average Annualized Returns				
1	8.5	9.6	1.6	1.2
3	7.3	0.8	1.7	1.4
5	7.7	9.5	1.8	1.6
10	7.3	6.9	2.4	1.8
20	7.9	7.3	3.7	1.8
Standard deviation since 1994	1.1	16.7	1.7	0.9

**Par account
vs
dividend scale**

Year	Dividend scale interest rate
1995	10.2%
1996	9.6%
1997	10.0%
1998	9.1%
1999	8.8%
2000	8.8%
2001	8.8%
2002	8.8%
2003	8.4%
2004	8.2%
2005	8.2%
2006	7.9%
2007	7.9%
2008	7.9%
2009	7.4%
2010	7.1%
2011	7.1%
2012	6.8%
2013	6.8%
2014	6.8%

Policy loans

- Policy loans form part of the assets within the par account
- If the policy loan interest rate is significantly lower than the returns earned on other assets, high policy loan activity will have a negative impact on policy dividends
- Under the contribution principle, policy loan activity is reflected in the dividends by class
 - The actions of a subset of policyholders will impact the dividends of an entire class

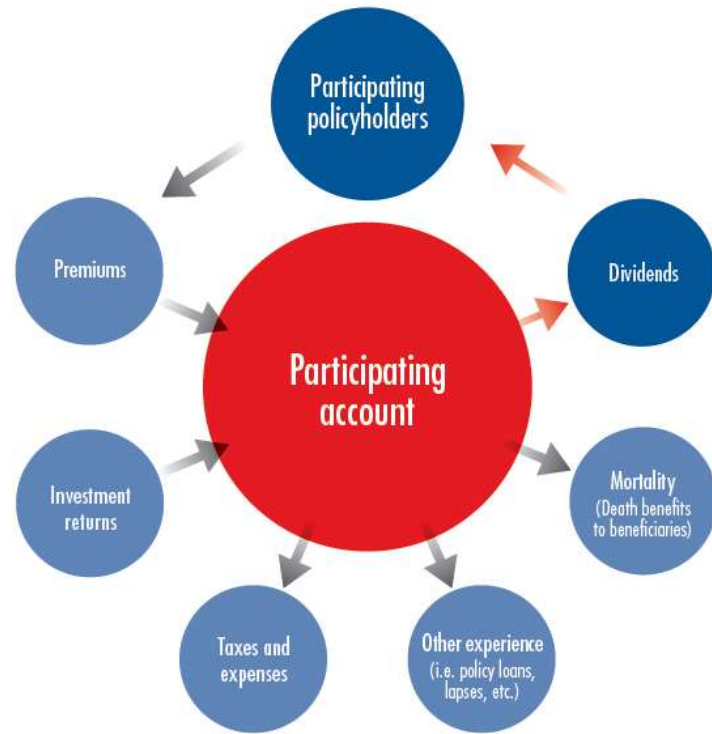
Important terminology

- Par account rate of return
 - The rate of return earned on the par account assets in a given calendar year.
 - Also called the Par Yield
- Dividend scale interest rate
 - The rate used in setting the dividend scale.
 - Based on recent investment experience in the par account
 - In setting this rate, actual experience will be smoothed to reduce volatility
(e.g. equity returns)
- Dividend interest component
 - A calculated factor based roughly on the guaranteed cash value and the difference between:
 - dividend scale interest rate, less investment-related expenses, and
 - the interest rate assumed in setting the guaranteed values

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Stock vs. mutual company dividends

Can you spot the difference??





A competitive analysis

25-year dividend scale comparison

Average returns			
	Equitable	Company A	Company B
1 year	6.8%	6.5%	7.2%
3 years	6.9%	6.9%	7.2%
5 years	7.0%	7.2%	7.5%
10 years	7.5%	7.4%	7.7%
20 years	8.4%	8.3%	8.2%
25 years	8.9%	9.0%	8.7%
Standard deviation since 1989	1.45%	1.69%	1.26%

Average returns assume a geometric mean Source: Equitable Life of Canada; Canada Life; Sun Life historical performance publications
Information based on materials available as of October 31, 2014

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Par account experience comparison

Average returns			
	Equitable	Company A	Company B
1 year	8.5%	6.9%	n/a
3 years	7.3%	5.4%	n/a
5 years	7.7%	6.7%	n/a
10 years	7.3%	n/a	n/a
20 years	7.9%	n/a	n/a
Standard deviation since 1994	1.1%	n/a	n/a

Source: Equitable Life of Canada; Canada Life; Sun Life historical performance publications Information based on materials available as of October 31, 2014

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Commission comparison

Company	Plan type	FYC	Year 2	Year 3	Year 4-5	Year 6-10	Year 11+	Age cap
Equitable	Estate	50%*	10%	10%	2%	2%	1%	No
	Wealth	50%*	10%	10%	2%	2%	1%	No
Company A	Estate	50%	10%	10%	2%	2%	1%	80
	Wealth	50%	10%	10%	2%	2%	1%	80
Company B Estate/ Wealth	Life Pay	50%	5%	5%	2%	2%	2%	No
	20 Pay	45%	5%	5%	2%	2%	2%	No
	Pay to 65	47.5%	5%	5%	2%	2%	2%	No

*Additional FYC of 5% available for qualifying advisors: \$90K WL FYC & 15 policies for 2015

Optional deposits for all carriers: 4% Level

Source: Equitable Life, Canada Life, Sun Life commission schedules
Information based on materials available as of October 31, 2014

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20 pay estate plans - comparison

male, age 45, non-smoker, \$500,000

Age	Equitable Life (Premium \$15,115)		Company A (Premium \$15,415)		Company B (Premium \$17,270)	
	Cash value	Death benefit	Cash value	Death benefit	Cash value	Death benefit
55	\$ 58,940	\$ 573,856	\$ 56,560	\$ 562,667	\$ 74,834	\$ 599,877
65	\$ 494,348	\$ 891,393	\$ 486,005	\$ 845,080	\$ 517,576	\$ 961,059
75	\$ 905,359	\$1,312,091	\$ 847,054	\$1,223,585	\$ 907,455	\$1,361,302
85	\$1,454,943	\$1,790,130	\$1,350,092	\$1,668,890	\$1,437,118	\$1,808,071

Values as of December 1, 2014, assuming annual premium and current dividend scale.
 Values illustrated include guaranteed and non-guaranteed cash values and death benefit.
 Source: Equitable Life, Canada Life and Sun Life illustration system software

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20 pay estate plans - comparison

male, age 45, non-smoker, \$500,000
 (match annual premium of \$17,270 using overfunding)

	Equitable (\$15,115+2,155=\$17,270)		Company A (\$15,415+\$1,855=\$17,270)		Company B (\$17,270)	
Age	Cash value	Death benefit	Cash value	Death benefit	Cash value	Death benefit
55	\$ 85,692	\$ 648,580	\$ 79,480	\$ 626,332	\$ 74,834	\$ 599,877
65	\$ 564,695	\$1,033,795	\$ 546,503	\$ 966,807	\$ 517,576	\$ 961,059
75	\$1,016,180	\$1,482,584	\$ 942,836	\$1,370,716	\$ 907,455	\$1,361,302
85	\$1,622,217	\$2,000,272	\$1,493,512	\$1,850,204	\$1,437,118	\$1,808,071

Values as of December 1, 2014, assuming annual premium and current dividend scale.
 Values illustrated include guaranteed and non-guaranteed cash values and death benefit.
 Source: Equitable Life, Canada Life and Sun Life illustration system software

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20 pay estate plans - comparison

male, age 45, non-smoker, \$500,000+
 (match annual premiums of \$17,270 by increasing face amount (FA))

Age	Equitable (FA=\$571,523)		Company A (FA=\$560,305)		Company B (FA=\$500,000)	
	Cash value	Death benefit	Cash value	Death benefit	Cash value	Death benefit
55	\$ 67,372	\$ 655,944	\$ 63,382	\$ 630,530	\$ 74,834	\$ 599,877
65	\$ 565,063	\$1,018,903	\$ 544,622	\$ 947,005	\$ 517,576	\$ 961,059
75	\$1,034,867	\$1,499,780	\$ 949,217	\$1,371,162	\$ 907,455	\$1,361,302
85	\$1,663,068	\$2,046,202	\$1,512,926	\$1,870,174	\$1,437,118	\$1,808,071

Values as of December 1, 2014, assuming annual premium and current dividend scale.
 Values illustrated include guaranteed and non-guaranteed cash values and death benefit.
 Source: Equitable Life, Canada Life and Sun Life illustration system software

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Life pay estate plans - comparison

male, age 45, non-smoker, \$100,000

	Equitable Life (\$2,920)		Company A (\$2,908)		Company B (\$2,995)	
Age	Cash value	Death benefit	Cash value	Death benefit	Cash value	Death benefit
55	\$ 9,184	\$ 112,524	\$ 9,179	\$ 111,885	\$ 13,085	\$ 119,310
65	\$ 86,036	\$ 192,381	\$ 82,597	\$ 184,703	\$ 87,459	\$ 192,621
75	\$ 184,904	\$ 291,698	\$ 177,295	\$ 280,483	\$ 179,216	\$ 285,364
85	\$ 321,595	\$ 409,039	\$ 309,414	\$ 395,846	\$ 306,565	\$ 393,846

Values as of December 1, 2014, assuming annual premium and current dividend scale.
 Values illustrated include guaranteed and non-guaranteed cash values and death benefit.
 Source: Equitable Life, Canada Life and Sun Life illustration system software

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20 pay wealth plans - comparison

male, age 45, non-smoker, \$500,000

Age	Equitable Life (Premium \$17,530)		Company A (Premium \$17,875)		Company B (Premium \$18,965)	
	Cash value	Death benefit	Cash value	Death benefit	Cash value	Death benefit
55	\$ 174,899	\$ 633,795	\$ 174,194	\$ 635,261	\$ 203,773	\$ 758,893
65	\$ 473,964	\$ 913,895	\$ 469,391	\$ 893,141	\$ 539,750	\$1,043,533
75	\$ 804,221	\$1,255,725	\$ 791,806	\$1,226,277	\$ 885,893	\$1,344,677
85	\$1,288,737	\$1,662,986	\$1,261,396	\$1,629,451	\$1,347,865	\$1,692,881

Values as of December 1, 2014, assuming annual premium and current dividend scale.
 Values illustrated include guaranteed and non-guaranteed cash values and death benefit.
 Source: Equitable Life, Canada Life and Sun Life illustration system software

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20 pay wealth plans - comparison

male, age 45, non-smoker, \$500,000
 (match annual premium of \$18,965 using overfunding)

Age	Equitable Life (\$17,530+\$1,435)		Company A (\$17,875+\$1,090)		Company B (\$18,965)	
	Cash value	Death benefit	Cash value	Death benefit	Cash value	Death benefit
55	\$ 192,712	\$ 683,553	\$ 187,662	\$ 672,671	\$ 203,773	\$ 758,893
65	\$ 520,808	\$1,008,721	\$ 504,940	\$ 964,667	\$ 539,750	\$1,043,533
75	\$ 878,017	\$1,369,257	\$ 848,088	\$1,312,731	\$ 885,893	\$1,344,677
85	\$1,400,124	\$1,802,919	\$1,345,670	\$1,735,992	\$1,347,865	\$1,692,881

Values as of December 1, 2014, assuming annual premium and current dividend scale.
 Values illustrated include guaranteed and non-guaranteed cash values and death benefit.
 Source: Equitable Life, Canada Life and Sun Life illustration system software

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20 pay wealth plans - comparison

male, age 45, non-smoker, \$500,000+
 (match premium of \$18,965 by increasing face amount (FA))

Age	Equitable Life (FA=\$541,047)		Company A (FA=\$530,549)		Company B (FA=\$500,000)	
	Cash value	Death benefit	Cash value	Death benefit	Cash value	Death benefit
55	\$ 189,257	\$ 685,826	\$ 184,837	\$ 674,075	\$ 203,773	\$ 758,893
65	\$ 512,874	\$ 988,921	\$ 498,070	\$ 947,710	\$ 539,750	\$1,043,533
75	\$ 870,244	\$1,358,814	\$ 840,184	\$1,301,200	\$ 885,893	\$1,344,677
85	\$1,394,536	\$1,799,509	\$1,338,465	\$1,729,008	\$1,347,865	\$1,692,881

Values as of December 1, 2014, assuming annual premium and current dividend scale.
 Values illustrated include guaranteed and non-guaranteed cash values and death benefit.
 Source: Equitable Life, Canada Life and Sun Life illustration system software

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Estate plans with enhancement

male, age 35, non-smoker, \$150/month premium
Initial face amount and death benefit (DB) comparison

20 pay – maximum lifetime enhancement guarantee

Equitable Life		Company A		Company B	
Total face	DB age 85	Total face	DB age 85	Total face	DB age 85
\$120,321	\$301,632	\$135,228	\$279,170	\$90,360	\$258,518

Life pay – maximum lifetime enhancement guarantee

Equitable Life		Company A		Company B	
Total face	DB age 85	Total face	DB age 85	Total face	DB age 85
\$149,569	\$407,189	\$176,805	\$380,047	\$123,456	\$369,952

Values as of December 1, 2014, assuming monthly premium and current dividend scale.
Death benefit values illustrated include guaranteed and non-guaranteed death benefit.
Source: Equitable Life, Canada Life and Sun Life illustration system software

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Competitive summary

- Higher mortality component
- “Goldilocks” par account
- Target ages 30-55 and children
- Excellent value in the estate plan 20 pay market
- Strong face amounts on enhanced coverage options with great long term value
- Mutual company

Juvenile Whole Life

- Why the gift of par whole life insurance for a child?
 - Easy to insure someone when they're young and healthy
 - Lock in low premiums for life of the policy
 - Starting early allows a lifetime to build value for their future
 - Nest egg that's accessible to them as an adult
 - Can transfer ownership to adult child in future

Juvenile Whole Life

- The #1 objection
 - “I don’t want to financially gain from the death of my child”
- The best answer...
 - Reiterate whole life as an INVESTMENT, do not focus on the death benefit
 - However, if the worst happens, the death benefit is there as income replacement for the parents to ensure enough time off work to grieve the child

Juvenile Whole Life

- Positioning
 - Best to lead with a monthly PAC budget
 - (i.e. \$100 per month, etc.)
 - Use Estate products
 - 20 Pay is usually preferable
 - Use Paid-Up Additions
 - NOT a replacement for RESP's, it's a compliment
 - The longer inforce, the better it looks!

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The outcome...

**\$100/month PAC, Female, Age 2, initial face \$95,773
BUT...\$105/month will get you initial face of \$105,054**

	Total Cash Value	Total Death Benefit
School (18)	\$14,691	\$188,124
Marriage (30)	\$56,860	\$367,887
House (34)	\$73,828	\$425,015
Retire (67)	\$477,384	\$966,137
Life Exp. (85)	\$1,111,081	\$1,439,897

Total investment of \$25,200 equals total cash value by policy year 19.

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* Values & Death Benefit based on Current Dividend Scale E&O.E.

It's good for your business...

- Security for your clients
- Security for you
 - Lapse/Replacement Resistant
- Back to basics approach with a sustainable product
- Expand your client base, increase your income

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Dividends are not guaranteed. They are subject to change and will vary based on the actual investment returns in the Participating Account as well as mortality, expense, lapse, claims experience, taxes and other experience of the participating block of policies. Decreases in the dividend scale do not affect the guaranteed premium, guaranteed cash values, or guaranteed death benefit amount. A copy of Equitable Life's Dividend Policy and Participating Account Management Policy can be found on our website at www.equitable.ca

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*We hope you found today beneficial
to your business!*

Please contact us for more information pertaining to
today's topics and more...

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