

# TRANSITIONAL MEASURES

New tax rules effective as of  
January 1, 2017

To help ease the shift over to the new tax rules coming into effect on January 1, 2017, the federal government has introduced a relief measure for life insurance applications received by the insurer no later than December 31, 2016.

We remind you that the PACE line of universal life insurance products will cease to be available after January 1, 2017. An overhauled version of the product that reflects the new tax rules will become available in Q2 2017.

Here are the conditions that must be met for 2016 tax rules to apply to a contract, as well as the measures that will be put in place to help with the transition.

## NEW APPLICATIONS SUBMITTED IN 2016

Type of transaction	Conditions to fulfill for the 2016 tax rules to apply <sup>1</sup>	Transitional measures
<ul style="list-style-type: none"> <li>New PACE universal life contract with or without additional benefits</li> </ul>	<ul style="list-style-type: none"> <li>The first cost of insurance must be paid no later than December 31, 2016.</li> <li>The Temporary Insurance Agreement (TIA) in case of Death must be in effect and given to the client.</li> <li>The amount of the life insurance must not exceed the TIA amount in case of Death (now \$1,000,000 for Desjardins Insurance)<sup>2</sup>.</li> <li>When the contract is issued, all costs of insurance must be paid retroactively, from the date the application was signed in 2016.</li> </ul>	<p><b>If one of these conditions is not met</b>, the contract will have to be issued and delivered to the client no later than December 22, 2016.</p> <p><b>If all conditions are met</b>, the underwriting process must be completed and the life insurance contract delivered no later than March 31, 2017.</p> <p><b>If the contract isn't issued and delivered by the correct dates</b>, New Business and Major Changes will ask the representative to suggest a new traditional product to their client.</p>

<sup>1</sup> This is not an exhaustive list of conditions.

<sup>2</sup> Desjardins Insurance increased the maximum amount payable in case of death to \$1,000,000 for the *Temporary Insurance Agreement (TIA)*. However, the *TIA in Case of Death* in the Insurance Application still indicates a limit of \$500,000. We've therefore modified the **ADDENDUM TO THE ELECTRONIC APPLICATION** so that you can offer your clients a TIA with a higher insurance amount (between \$500,001 and \$1,000,000). This appendix form is [now available on Webi](#) and should be used with both electronic and paper applications.

## NEW APPLICATIONS SUBMITTED IN 2016 (cont'd)

Type of transaction	Conditions to fulfill for the 2016 tax rules to apply <sup>1</sup>	Transitional measures
<ul style="list-style-type: none"> <li>New traditional life insurance with or without additional benefits</li> <li>New traditional life insurance with Child's Protection Benefit</li> <li>New traditional life insurance with Critical Illness Coverage</li> </ul>	<ul style="list-style-type: none"> <li>The first premium must be paid no later than December 31, 2016.</li> <li>The TIA in case of Death must be in effect and provided to the client.</li> <li>The amount of the life insurance must not exceed the TIA amount in case of Death.</li> <li>When the contract is issued, all premiums must be paid retroactively, from the date the application was signed in 2016.</li> </ul>	<p><b>If all conditions are met</b>, the underwriting process must be completed and the life insurance contract delivered no later than March 31, 2017.</p> <p><b>If one of these conditions is not met</b>, the contract will have to be issued and delivered to the client no later than December 22, 2016.</p> <p><b>If the contract isn't issued and delivered by the correct date</b>, New Business and Major Changes will issue a new contract that is subject to the new 2017 tax rules.</p>
<ul style="list-style-type: none"> <li>New Critical Illness contract</li> <li>New Independent Living contract</li> <li>New SOLO contract</li> </ul>	N/A	<p>The contract will be issued in 2017 <b>with no changes</b>.</p>

## REQUESTS FOR MAJOR CHANGES

Type of transaction	Conditions to fulfill for the 2016 tax rules to apply <sup>1</sup>	Transitional measures
<ul style="list-style-type: none"> <li>Addition of life coverage to a universal life contract</li> <li>Replacement of coverage with universal life insurance coverage in a UL contract</li> <li>Adding a Child's Protection Benefit to a traditional or universal life insurance contract</li> </ul>	<ul style="list-style-type: none"> <li>The first cost of insurance must be paid no later than December 22, 2016.</li> <li>The contract must be issued and delivered to the client no later than December 22, 2016.</li> </ul>	<p><b>If these conditions are not met,</b> New Business and Major Changes will ask the representative to suggest a new traditional product to their client.</p>
<ul style="list-style-type: none"> <li>Addition of life coverage to a traditional contract</li> <li>Replacement of coverage with life insurance coverage in a traditional contract</li> </ul>	<ul style="list-style-type: none"> <li>The first premium must be paid no later than December 22, 2016.</li> <li>The contract must be issued and delivered to the client no later than December 22, 2016.</li> </ul>	<p><b>If these conditions are not met,</b> New Business and Major Changes will issue a new contract instead of modifying the original one.</p> <p>The new contract will then be issued under the new tax rules.</p>
<ul style="list-style-type: none"> <li>Addition of an additional benefit (ADD, ADis, AF, DWP, DisWP, GIB, BIO) to a traditional contract</li> <li>Addition of an additional benefit (ADD, ADis, AF, DisWD, GIB, BIO) to a universal life contract</li> <li>Addition of Critical Illness coverage to a traditional or universal life contract</li> </ul>	N/A	<p>The contract will be issued in 2017 <b>with no changes.</b></p>

### ADDITIONAL BENEFITS:

- CPB: Child's protection benefit
- DWP: Death waiver of premiums
- DisWP: Disability waiver of premiums
- AF: Accidental fracture
- GIB: Guaranteed Insurability Benefit
- BIO: Business insurability option
- ADD: Accidental death or dismemberment
- ADis: Accidental dismemberment
- DisWD: Disability waiver of deposit

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