



INFORMATION CIRCULAR

DATE: APRIL 17, 2023

No. 2023-11

CATEGORY: INVESTMENTS

TO: Managing General Agents, Associate General Agents, Brokers, General Agents, Financial Advisors and National Accounts

SUBJECT: Empire Life Product Changes

Announcement

To align with upcoming regulatory changes, deferred sales charge (DSC) and the low load (LL) purchase fee options will be closed to additional deposits effective on or about May 29, 2023. These changes will apply to all Empire Life segregated fund contracts, with the exception of the Elite and Concordia Investment Funds contracts (where DSC is the only available purchase option). If your clients have existing Pre-Authorized Deposits (PADs) into a LL or DSC fund, these will be automatically switched to the front-end load (FE) option of the same fund, in the same guarantee fund class, with a sales charge of 0%.

Additional details of changes

Effective May 29, 2023, the low load (LL) and deferred sales charge (DSC) purchase fee options will be closed to deposits

The following products which currently offer DSC/LL and additional purchase fee options are impacted and will be closed to any DSC/LL deposits:

- Guaranteed Investment Funds (GIF)
- Class Plus 3.0 (CP3)
- CI Empire Life Concentric GIF
- Class Segregated Funds (Class)
- Class Plus (CP)
- Class Plus 2.1 (CP 2.1)
- Class Plus 2 (CP 2)

Effective May 23, 2023, clients with existing Pre-Authorized Deposits (PADs) into a LL or DSC fund will be automatically switched to the front-end load (FE) option for the impacted products listed above

- The FE rate will be set to 0%

- Switch will be to the FE for the same fund
- The switch to FE is automatic; no client action is necessary

Based on current proposals, regulators are making an allowance for DSC to be able to continue in contracts where it is the only purchase option available, provided customers are provided with some additional disclosure about sales charge options available and are reminded that the DSC charges will continue to apply

Therefore, there will be no changes to the purchase fee options, PADs, or advisor compensation, for the following products:

- Elite
- Concordia Investment Funds

Reference

Please refer to the attached FAQ for further details.

Geoff Gibson, Vice-President, Investment Product and Marketing

Empire Life Product Changes

Advisor FAQ



1. What is happening?

To align with upcoming regulatory changes, deferred sales charge (DSC) and the low load (LL) purchase fee options will be closed to additional deposits effective on or about May 29, 2023. These changes will apply to all Empire Life segregated fund contracts, with the exception of the Elite and Concordia Investment Funds contracts (where DSC is the only available purchase option).

If your clients have existing Pre-Authorized Deposits (PADs) into a LL or DSC fund, these will be automatically switched to the front-end load (FE) option of the same fund, in the same guarantee fund class.

2. Why is Empire Life making these changes?

The changes are mandatory and in accordance with the Canadian Council of Insurance Regulators and Canadian Insurance Services Regulatory Organizations' announcement in early 2022.

The changes are not specific to Empire Life, and the entire Canadian segregated fund industry will also be affected by these changes.

3. What are the changes?

The low load (LL) and deferred sales charge (DSC) purchase fee options will be closed to any deposits for most products.

Effective May 29, 2023, the low load (LL) and deferred sales charge (DSC) purchase fee options will be closed to deposits.

No new initial or subsequent deposits will be allowed after 4 p.m., May 26, 2023 (last day), and instructions for deposits into the DSC/LLs must be received by May 19, 2023, 4 p.m.

a. The following products which currently offer DSC/LL and additional purchase fee options are impacted and will be closed to any DSC/LL deposits:

- Guaranteed Investment Funds (GIF)
- Class Plus 3.0 (CP3)
- CI Empire Life Concentric GIF
- Class Segregated Funds (Class)
- Class Plus (CP)
- Class Plus 2.1 (CP 2.1)
- Class Plus 2 (CP 2)

b. Regulators are making an allowance for DSC to be able to continue in contracts where it is the only purchase option available, provided customers are provided with some additional disclosure about sales charge options available and reminding the clients that the DSC charges will continue to apply

Therefore, the following products are NOT impacted by the changes

- Elite
- Concordia Investment Funds

There will be no changes to the existing purchase fee options and PAD options, and existing advisor compensation will continue.

4. Are any other purchase options impacted?

The other existing purchase fee options as currently available for each product under paragraph 3a (above) will continue to be offered, including Front End (FE), No Load (NL), F-Class (Nominee Name)

5. Existing Pre-Authorized Deposits (PADs) changes

Effective May 23, 2023, clients with existing Pre-Authorized Deposits (PADs) into a LL or DSC fund will be automatically switched to the front-end load (FE) option for products listed under 3a

- The FE rate will be set to 0%
- Switch will be to the FE for the same fund
- The switch to FE is automatic; no client action is necessary

6. Can I specify an alternative purchase fee option (where available) for my client's PAD if it would be appropriate for them?

Changes to an alternative purchase option (where available) will follow the current administrative procedures, which require the customer or an advisor with Limited Trading Authority (LTA) to submit a signed form INP125 or a letter of direction. To ensure processing by May 23, please submit by May 15, 2023. Subsequent to this date, PAD changes will continue to be processed for the next applicable PAD date.

7. How will my existing clients be notified of the changes?

Clients will be notified of the applicable changes to their segregated fund contracts in their June 30th, 2023, semi-annual statement. Copies of these notifications will be available at a later date.

8. What will happen with existing DSC/LL deposits?

Existing deposits will maintain their DSC/LL redemption fee schedule until matured. Redemption fees continue to apply as per the schedule beyond May 26.

9. Will switches between funds with the DSC/LL option still be allowed?

Yes, this will continue to be allowed. DSC to DSC (or LL to LL) switch to a different fund is allowed as it does not lead to a new redemption fee schedule

10. How will transfers from another external institution to Empire Life be impacted?

All paperwork and funds for external transfers from another institution into DSC/LL must be received by May 19, 2023, 4 p.m. to enable processing by May 26.

Any transfers received after May 26 will not be able to be deposited into DSC/LL, the client will be asked to select an eligible purchase fee option. For products where the only purchase fee option is FE, this option will automatically be selected, and you will be informed.

11. How will the external Early Redemption Charge (ERC) Recovery Credit Request program for redemptions from external institutions be impacted?

For transfers into the DSC/LL purchase options using the ERC program, the required documentation, funds from the external institution, and the cheque for the recovery credits must be received by 4 p.m. May 19 to enable processing by May 26. After May 26 the program will be revised with only the NL option being available. Please confirm with your MGA head office if the NL ERC recovery credit request program is available for your clients and if the MGA has agreed to participate in the NL early redemption recovery program.

12. How will the internal Early Redemption Charge (ERC) Recovery Credit Request program for redemptions from and deposits into Empire Life products be impacted?

There is no change as this program as the NL purchase option is the only option available. Please confirm with your MGA head office if the NL ERC recovery credit request program is available for your clients, if the MGA has agreed to participate in the NL early redemption recovery program.

13. What do I need to do now and before May 26?

There is no action required if you do not require any new initial or subsequent deposits into the DSC and LL purchase options or if no PAD changes are needed. For DSC/LL deposits as explained above, please ensure that all completed paperwork, instructions and funds for any deposits for new and existing contracts into the DSC/LL purchase options for the impacted products are submitted by May 19, 2023, to enable processing by May 26. For Fundserv, trades must be submitted by May 26, 4 p.m. Any trades submitted after this date will be rejected.

14. What will happen after May 26?

After May 26 the client will be asked to select only eligible purchase fee options. For products where the only purchase fee option is FE, this will be applied, and you will be informed. Any pending or incomplete applications, instructions or funds received after May 26 will not be accepted for the DSC/LL purchase options. For PAD-related changes, to ensure processing by May 23, please submit by May 15, 2023, as per question 6. Subsequent to this date, PAD changes will continue to be processed for the next applicable PAD date.

15. When will all materials and websites be updated?

Between now and May 26, point of sale material, including the information folder and fund facts, marketing documents, forms, Fast and Full, and the customer and advisor websites will be updated. Any printed materials which include the DSC/LL option should not be used after May 26.

16. I have additional questions about these new changes. Who should I contact?

Please contact Empire Life customer service with additional questions you may have.

FOR ADVISOR USE ONLY

Segregated Fund contracts are issued by The Empire Life Insurance Company ("Empire Life"). A description of the key features of the individual variable insurance contract is contained in the Information Folder for the product being considered. **Any amount that is allocated to a segregated fund is invested at the risk of the contract owner and may increase or decrease in value.** All returns are calculated after taking expenses, management and administration fees into account.

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The Empire Life Insurance Company

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