

EMPIRE LIFE INFORMATION CIRCULAR

DATE: June 18, 2013

N° 2013-14

CATEGORY: INVESTMENTS

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

SUBJECT: **Class Plus Deposit Changes**

Announcement Empire Life is closing Class Plus to lump-sum deposits on Friday, June 28th at 4:00 pm ET. There are also changes to Pre-Authorized Deposit Plans (PADs). **This change does not apply to Class Plus 2.**

Background Class Plus (Fund Classes G and H) was closed to new policies on December 31, 2012, and deposits to existing contracts were limited to \$25,000 per policy for 2013. The prolonged low interest rate environment, continued market volatility and increased capital reserve requirements have proven challenging for insurers. As these conditions have continued, we are making changes to Class Plus deposit rules:

**Class Plus
Deposit
Changes**

- After June 28, 2013 at 4:00 pm, no further lump-sum deposits may be made to Class Plus. This includes new deposits, transfers from other institutions, and switches from other Fund Classes.
- Existing PADs will continue. The PAD amount may be increased until June 28, 2013. At any time, the PAD amount may be decreased or cancelled.
- No new PADs may be set up after June 28, 2013.
- Cumulative PAD and lump-sum deposits may not exceed \$25,000 per policy in 2013.

Class Plus 2 Empire Life is committed to offering guaranteed income solutions. As a reminder, we launched **Class Plus 2**, our GWB solution, in January 2013. Class Plus 2 offers flexible income starting as early as age 55, a 5% income base bonus, single and joint life tiered income options, and an Automatic Income Reset.

Customer Notification An announcement regarding the Class Plus deposit changes will be posted on our website on June 21, 2013. Existing Class Plus customers will be advised in their June 30, 2013 statements.

Information Folder As this change does not affect the guarantees or features of Class Plus, there is no change to the Empire Class Segregated Funds Information Folder or contract provisions.

Attachments FAQ and a copy of the customer message included in their statements

Reference **Julie Yoshikuni**, Vice-President, Retail Investment Products and Marketing



CLASS PLUS DEPOSIT CHANGES

FREQUENTLY ASKED QUESTIONS (FAQ)

For advisor use only



1. What is happening?

Empire Life is closing Class Plus (Fund Classes G and H) to lump-sum deposits on Friday, June 28th at 4:00 pm ET. There are also changes to Pre-Authorized Deposit Plans (PADs). As Class Plus was closed to new customers this year, the following deposit changes only apply to customers who are currently invested in Class Plus.

There is no impact to the other Fund Classes of the Empire Class Segregated Funds contract (Fund Classes B to E). There is no impact to Class Plus 2.

Please note that all contributions to Class Plus are subject to the \$25,000 deposit limit per policy in effect for 2013. Both lump-sum deposits and PADs are included in the \$25,000 limit.

- a) Empire Life is closing Class Plus to lump-sum deposits. This includes new deposits, transfers from other institutions, and switches into Class Plus from other Fund Classes.
 - a. *Lump-sum deposits:* Class Plus customers may make lump-sum contributions until 4:00 pm ET, Friday, June 28, 2013. After that date, new lump-sum deposits will not be accepted.
 - b. *Transfers:* The T2033 (or equivalent transfer form) must be received in good order at Empire Life c/o Citi (Mississauga, Ontario) by 4:00 pm ET, Friday, June 28, 2013, for the transfer to be accepted. The proceeds from the transfers must be received by 4:00 pm ET, Friday, August 9, 2013. Funds received after the deadline must be directed to Fund Classes other than G and H.
- b) Existing PADs will be honoured. PADs may be decreased or cancelled, but they may not be increased. Cumulative PAD and lump-sum deposits may not exceed \$25,000 per policy in 2013.
 - a. *New PADs:* Class Plus customers who have not yet set up a PAD may do so until 4:00 pm ET, Friday, June 28, 2013. After that date, no new PADs may be set up.
 - b. *Existing PADs:* Customers who wish to increase their PAD amounts have until 4:00 pm ET, Friday, June 28, 2013 to do so. After that date, PAD amounts may not be increased.

Summary of Timelines

Deadline	Transaction
Friday, June 28, 2013, 4:00 pm ET	<ul style="list-style-type: none"> • Cut-off to make lump-sum deposits to Class Plus • Cut-off to establish a new Class Plus PAD • Cut-off to increase deposit amounts to existing PADs • Cut-off to receive T2033 for transfers into Class Plus
Friday, August 9, 2013, 4:00 pm ET	<ul style="list-style-type: none"> • T2033 proceeds must be received at Empire Life c/o Citi

Please note that these changes DO NOT apply to Class Plus 2 or to the other Fund Classes of Empire Class Segregated Fund contract (Fund Classes B to E).

2. Why is this happening?

The prolonged low interest rate environment, continued market volatility and increased capital reserve requirements have proven challenging for insurers. Class Plus was closed to new policies on December 31, 2012, and lump-sum deposits and PADs to existing contracts were limited to \$25,000 per policy for 2013. As these market conditions have continued, we are making changes to Class Plus deposit rules.

3. Are there any other changes being made to Class Plus?

No. Aside from the changes to the deposit rules, there are no other changes to Class Plus.

4. Are other insurance companies making changes like this?

Yes, most of our competitors have made changes, including deposit restrictions to their Guaranteed Withdrawal Benefit (GWB) products. Many insurance companies no longer offer GWB products to new customers at all.

5. Is Empire Life still committed to GWB products? Are there any changes to Class Plus 2?

Yes. Empire Life remains committed to offering guaranteed income solutions. As a reminder, Class Plus 2, our new GWB solution was launched in January 2013 and provides guaranteed income as early as age 55. There are no changes to Class Plus 2.

6. Can Empire Life limit deposits to Class Plus?

Yes. Class Plus (Fund Classes G and H) are Fund Classes offered under the Empire Class Segregated Funds contract and we have the right to refuse or limit the amount of deposits to the Empire Class Segregated Funds contracts at any time. Please refer to the Information Folder for more details.

CLASS PLUS FUND SWITCHES AND TRANSFERS

7. Can customers switch from one Class Plus fund to another?

Yes, fund switches from one Class Plus fund to another Class Plus fund within the same Fund Classes (G to G and/or H to H) will be allowed, provided they have the same purchase fee options. Please note that any fund switches may have tax implications.

8. My client wants to transfer funds from Elite to Class Plus. Where do I send the transfer form?

The T2033 (or equivalent transfer form) must be received in good order at Empire Life c/o Citi (Mississauga, Ontario) by 4:00 pm ET, Friday, June 28, 2013, for the transfer to be accepted. The proceeds from the transfers must be received by 4:00 pm ET, Friday, August 9, 2013. Transfers are subject to the \$25,000 per policy deposit limit for 2013. Funds received after the deadline must be directed to Fund Classes other than G and H.

CLASS PLUS PADs

9. Can the PAD amount be changed at a later date?

PAD amounts may be decreased or cancelled, but they may not be increased. All deposits, including PADs, are subject to the \$25,000 deposit limit for 2013.

10. Can a PAD be re-started after it has been stopped?

No. After June 28, 2013, once a PAD has been stopped, it cannot be resumed.

11. On existing PADs, can instructions for choice of funds be changed? For example, my client may want to change the PAD from Income Fund to Dividend Balanced Fund.

Yes. Fund instructions in a PAD may be changed. Fund switches are allowed as long as they are within the same Fund Classes and within the same purchase fee options.

12. On existing PADs, can banking information or payor information be changed?

Yes. Banking or payor information may be changed at any time.

13. Will the deposit limit of \$25,000 to Class Plus per policy for existing PADs be changed for 2014?

At this time, we are not planning on making any changes to the deposit limit in 2014. However, Empire Life has the right to refuse or limit the amount of deposits to the Empire Class Segregated Funds contract at any time.

CLASS PLUS COMMUNICATIONS

14. How are you communicating the deposit changes to Class Plus customers?

All Class Plus (Fund Classes G and H) customers will receive a message on their semi-annual statements notifying them of the changes to the deposits rules to Class Plus. Customers will receive their statements starting in late July 2013.

A notification will also be posted on our public website on June 21, 2013: www.empire.ca

15. Are amendments required to contracts of customers currently invested in Class Plus?

As this is not a contractual change, no amendments are required.

16. Who can I contact to find out more about the deposit changes to Class Plus?

Please contact your regional sales representative or call our customer services representatives at 1-800-561-1268.

IMPORTANT NOTICE ABOUT EMPIRE LIFE CLASS PLUS (Fund Classes G and H)

We are notifying you of changes to Class Plus deposits. You can be assured that these changes do not affect the important benefit guarantees of Class Plus, including your guaranteed income for life. These changes are necessary to address the impact of prolonged low interest rates, increased market volatility and regulatory changes that have affected all insurance companies.

On January 2, 2013, deposits to Class Plus for 2013 were limited to \$25,000 per policy. We are now notifying you that Empire Life is no longer accepting lump-sum deposits to Class Plus after June 28, 2013. If you have a Pre-Authorized Deposit Plan (PAD), it will be continued. Your PAD amount may be decreased or cancelled, but the amount may not be increased. New PADs may not be set up.

For your additional guaranteed income needs you may want to talk to your financial advisor about Class Plus 2, our new guaranteed income solution that offers flexible income for life starting as early as age 55.

Please contact your financial advisor or the Empire Life Customer Service Team at 1-800-561-1268 if you have questions.

GLOSSARY