

DATE: November 1, 2022
CATEGORY: **Investments**
TO: Managing General Agents, Associate General Agents, Advisors, General Agents and National Accounts
SUBJECT: **Launch of an expanded External ERC Recovery Credit Program and a new Internal ERC Recovery Credit Program**

Announcement

Effective Tuesday, November 1, 2022, we are pleased to announce the expansion of our existing Early Redemption Charge (ERC) Recovery Credit Program (“External ERC Program”) to include the No Load (NL) purchase fee option on the new Empire Life contract to support customers who wish to transfer assets to Empire Life and have a NL option but will incur Eligible ERC (defined below)* at other financial institutions on the transfer.

The purpose of the External ERC Program is to compensate customers for Eligible ERCs they would incur if they were to redeem investments from another institution, and advisors see the eligible ERCs as a barrier to clients transferring investments over to certain currently sold Empire Life products (see “Eligible Products” below) suitable to the client’s needs.

We are also launching a new ERC Recovery Credit Program for current Empire Life customers (“Internal ERC Program”) who wish to transfer assets from their existing Empire Life investment to other eligible Empire Life products with a NL option but will incur Eligible ERCs on the transfer.

The purpose of the Internal ERC Program is to compensate customers for Eligible ERCs they would incur if they were to redeem investments from an existing Empire Life product and advisors see the Eligible ERCs as a barrier to clients investing in other more suitable, eligible Empire Life products.

Managing General Agents (MGAs) must provide authorization for their advisors to sell the No Load (NL) option to their clients as part of either ERC Credit Recovery Program. See “Key Facts” and “MGA Authorization Process” below for more details.

* “Eligible ERC” means the deferred sales charge a financial institution imposes when a client withdraws a Low Load (LL) or Deferred Sales Charge (DSC) fund prior to the maturity of its sales charge schedule (in the case of a segregated fund or mutual fund) or charges directly related to redeeming a GIC before its maturity (in the case of a GIC). Administrative fees and costs imposed by the financial institution related to transfers out, closing of an account and other related costs are not covered under this program

Key Facts

- Recovery credits will only be processed if all requirements (as per the “Program Process” section below) are received in good order within 30 days of the transfer being received at Empire Life.
- Clients using the program will only be eligible to recover the amount of the Eligible ERCs as stated on the transaction confirmation from the external financial institution or Empire Life.
- MGAs must provide approval in advance of their advisors selling the NL option as part of the External and Internal ERC Programs by completing the MGA AUTHORIZATION FOR EARLY REDEMPTION CHARGE (ERC) RECOVERY CREDIT REQUEST TO THE NO LOAD (NL) PURCHASE FEE OPTION form and submitting it to Empire Life Distribution Services. See “MGA Authorization Process” below.

- The External ERC Program only applies to purchases into DSC, LL and NL purchase fee options of certain currently sold Empire Life products and cannot be split between multiple accounts.
- The Internal ERC Program only applies to redemptions from an existing Empire Life contract or mutual fund used to purchase into the NL purchase fee option of GIF (75/75, 75/100 and 100/100) and Class Plus 3.0 contracts. A redemption from and deposit to the same product (e.g. redemption from a Guaranteed Investment Fund contract into a Guaranteed Investment Fund contract) does not qualify for an ERC recovery credit.
- To use the Internal ERC Program, the market value of the existing Empire Life contract must be greater than the current death benefit guarantee, so the client's guarantees are not reduced on the transfer.

Eligible Products

External ERC Program

Transfers from:

- All external financial institutions
- All product types (Mutual Funds, Segregated Funds & GICs)
Note: only Eligible ERCs directly associated with the transfer to the new Empire Life contract will be compensated

Transfers to:

- Empire Life GIF, Class Plus 3.0, CI Empire Life Concentric, and Canoe EL Protection Portfolios
- DSC, LL and NL purchase fee options only
Note: NL only available with MGA authorization

Internal ERC Program

Transfers from:

- Existing Empire Life contracts
 - o Note: Transfers from CI Empire Life Concentric GIF contracts or Canoe EL Protection Portfolios do not qualify for ERC recovery credits
- All product types (Mutual Funds, Segregated Funds & GICs)
Note:
 - Redemptions from and into the same product will not be allowed (for example, GIF to GIF)
 - Only Eligible ERCs directly associated with the transfer to the new Empire Life contract will be compensated
 - The market value of the contract being redeemed must be greater than the current death benefit guarantee

Transfers to:

- Empire Life GIF and Class Plus 3.0 contracts
 - o Note: Transfers to CI Empire Life Concentric GIF contracts or Canoe EL Protection Portfolios do not qualify for ERC recovery credits
- Note: NL purchase fee option only and only with MGA authorization

Program Process

- I. Decision to Transfer: After consultation with the advisor, the policy owner(s) decide to move investments from another financial institution or from an existing Empire Life investment to an eligible Empire Life investment contract, which will result in Eligible ERCs being charged, and the applicable *Empire Life Early Redemption Charge Recovery Credit Request* form is completed to request that an amount equal to the Eligible ERCs charged on the transfer are credited to the new Empire Life contract.
- II. NL Authorization: A completed MGA Authorization for Early Redemption Charge (ERC) Recovery Credit Request to the No Load (NL) Purchase Fee Option must be submitted to

- Empire Life prior to deposits being made to funds with the NL option in the new Empire Life contract
- III. Fund Transfer to Eligible Empire Life Contracts: The funds are transferred over to the new Empire Life contract and deposited into LL, DSC or NL funds within certain currently sold products (External ERC Program) or NL funds within eligible Empire Life products (Internal ERC Program).
 - IV. Required Documentation and Timeline: The advisor submits the following required documentation to Empire Life within 30 days of the transaction
 - o The signed and completed applicable *Empire Life Early Redemption Charge Recovery Credit Request* form
 - o A transaction confirmation showing the transaction as well as the Eligible ERC charged by the other financial institution/Empire Life on the transfer
 - o A cheque paid by the advisor or MGA made payable to Empire Life in an amount equal to the full or partial Eligible ERCs charged
 - V. Recovery Credits: Once all requirements are received and processed by Empire Life, an amount equal to the Eligible ERCs charged on the transfer is credited to the policy owner's new Empire Life contract, and the advisor will receive a commission on the new Empire Life contract.

MGA Authorization Process

- As the NL option could result in a situation where the advisor earns a negative commission amount on the transaction (if the client redeems before the chargeback schedule expires), MGAs must provide authorization for their advisors to sell the NL option on the new Empire Life contract in both External and Internal ERC Programs. If authorization is not received and the client selects the NL option, the sale is not eligible for either ERC Credit Recovery Program.
- A completed MGA AUTHORIZATION FOR EARLY REDEMPTION CHARGE (ERC) RECOVERY CREDIT REQUEST TO THE NO LOAD (NL) PURCHASE FEE OPTION form must be submitted to Empire Life for any submitted NL ERC recovery requests to be considered "In Good Order"
- The MGA authorization is a blanket authorization that applies to all of its advisors. MGAs may not select only certain advisors who are eligible to sell the NL option under the ERC Credit Redemption Programs
- After authorization for its advisors to sell the NL option has been received, it will remain in effect until it is revoked by the MGA. To revoke authorization for sell the NL option in the ERC Recovery Credit Program, the MGA must immediately notify Empire Life Distribution Services in writing. Any ERC Recovery Forms dated prior to the date of the notification of withdrawal of authorization will be accepted by Empire Life in good order, subject to the other ERC Recovery Credit Program requirements.

Reference

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