



RBC Insurance

# Your insurance policy

## Policy on the life of

RBC Life Insurance Company agrees to pay benefits in accordance with the terms and conditions of this policy for losses occurring while this policy is in force.

Rino D'Onofrio  
President and Chief Executive Officer

Laura A. Gaaney  
Senior Vice-President, Service and Operations

Dated at the company's office in Mississauga, Ontario on

### **You have a right to examine this policy for 10 days**

As the policy owner, you are allowed 10 days from the date you receive this policy to examine its provisions and to return it to an office of RBC Life Insurance Company if you do not find it satisfactory. If you return it to us within this ten day period, the policy will be deemed never to have been issued from the policy date and any premium paid will be refunded to you.

### **This policy contains a provision removing or restricting the right of the insured to designate persons to whom or for whose benefit insurance money is to be payable.**

Please see the "Provincial amendments" section of your policy contract to determine when this statement applies.

### **We want to help you make the most of your insurance plan**

If you have any questions about your insurance coverage or you require our assistance, you can:

**Call us toll free** at 1-800-461-1413

**Write to us** at RBC Life Insurance Company  
P.O. Box 515, Station A, Mississauga, ON L5A 4M3

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## A Terms used in this Policy

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**We, us, our and the Company** mean RBC Life Insurance Company.

**You and your** means the Policy Owner named in the Policy Schedule.

**Accumulation Value** means the sum of the value of your individual Interest Options and Collateral Interest Account at any given time, subject to the terms of provision **H 1**.

**Administrative rules** means the rules and procedures we establish to facilitate the administration of this Policy. We may amend our administrative rules from time to time. Any changes we make to our administrative rules will not alter any guarantee or benefit provided by this Policy.

**Appropriate physician's care** means the most appropriate treatment by a physician, according to existing standards of medical practice, for the injury or sickness which is the cause of the Life Insured's disability.

**Attained Age** means a Life Insured's Insurance Age plus the number of years from the Policy Date to the nearest Policy Anniversary.

**Beneficiary** means the person, persons or legal entity entitled to receive a Death Benefit, subject to the terms and provisions of this Policy.

**Business Day** means any day on which our head office is open for business.

**Class** means a grouping of individuals satisfying underwriting criteria related to specified aspects of health, lifestyle, tobacco usage, family history and other personal history. Based on these criteria, a Life Insured can be classified as either a Smoker or a Non-smoker, and in an Optimum, Preferred or Standard Class. If the Life Insured is less than 18 years of age, the applicable Class is Juvenile. We determine the Class applicable to each Life Insured and use it to establish his or her Cost of Insurance rates. It is specified in the Policy Schedule.

**Collateral Interest Account** means an interest account under this policy, to which we allocate as collateral any amount you borrow from your Accumulation Value as described in provision **H 5**.

**Cost of Insurance** means the amount you pay for the Insurance Amount. It is included in the Monthly Deduction and includes any applicable Extra Premium as specified in the Policy Schedule. The calculation of your Cost of Insurance is described in provision **F 2**.

**Cost of Insurance Option** means the Cost of Insurance rate structure you have chosen for this Policy. It is specified in the Policy Schedule.

**Cost of Insurance rate** means the rate we multiply by every thousand dollars of your Insurance Amount to determine your Monthly Deduction. It is based on your Coverage Amount, and the Insurance Age, sex and Class in effect for your Coverage. It is shown in the Policy Schedule, and is guaranteed unless you request changes to your Coverage, as described in provision **F 1**.

**Coverage** means insurance on the life of a single person or jointly on the lives of several persons, under this Policy or under the terms of a Rider included with this Policy. Additional Coverage means any requested increase to the Coverage Amount of this Policy that is approved after the Policy is issued, as described in provision **C 3**.

**Coverage Amount** means the portion of your Death Benefit that is guaranteed, subject to the terms and conditions of this Policy. Your initial Coverage Amount is the initial amount of life insurance Coverage applied for and approved by us. It may change in accordance with the terms of provisions **C 3**.

**Coverage Anniversary** means the same day and month as the Coverage Date in each subsequent calendar year.

**Coverage Date** means the first date Coverage is in force, as described in provision **C 1**.

**Coverage Option** means the option you elected for the payment of the Death Benefit. It is specified in the Policy Schedule. The Coverage Options that may be available under this Policy or any term Rider are Single Life, Joint First-to-die, and Joint Last-to-die.

**Day Received** means the Business Day we receive your Premium payment or written request for any transaction affecting the balance of an Interest Option, at our head office, before a closing time we specify in our administrative rules. If we receive your Premium payment or written request after that time, it will be processed on a best effort basis and may be deemed to have been received on the following Business Day. At the time this Policy is issued, the specified closing time for Premiums and transactions is 12 PM Eastern Time. We reserve the right to waive or extend the specified closing time at our discretion when circumstances warrant.

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## A Terms used in this Policy

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**Death Benefit** means the benefit that is payable when the Designated Life Insured dies, in accordance with your chosen Coverage Option and Death Benefit Option, and subject to the terms and provisions of this Policy. Your Coverage Option and Death Benefit Option are specified in the Policy Schedule.

A Supplementary Death Benefit or Early Death Benefit may be payable on the life of someone other than the Designated Life Insured, under the terms of provisions **D 2** or **D 3** respectively. An additional Death Benefit may also be payable on the life of a specified person under the terms of any Rider attached to this Policy.

We will reduce any settlement under this Policy by the amount of any indebtedness, and by the amount of any unpaid Premium if this Policy is in default as described in provision **F 10**.

**Designated Life Insured** means the Life Insured on whose death the Death Benefit is payable. Your Coverage Option is specified in the Policy Schedule.

<b>If your chosen Coverage Option is...</b>	<b>The Designated Life Insured is...</b>
Single life	The Life Insured
Joint First-to-die	The first Life Insured to die
Joint Last-to-die	The last Life Insured to die

**Evidence of insurability** means the information we use to determine if a person is eligible for insurance. It may include medical examinations, doctors' reports, blood and fluid tests, or any other evidence of the person's health, lifestyle, or financial circumstances.

**Extra Premium** means an additional Premium that is payable when a Life Insured is approved for Coverage under a particular Risk Classification. It is specified in the Policy Schedule.

**Gainful occupation** means any work for wage or profit that is generating, or could reasonably be generating, earnings equal to 60% or more of the Life Insured's pre-disability income.

**Indebtedness** means any unpaid Policy Loans and unpaid loan interest. We will reduce any settlement under this Policy, such as a Death Benefit or Surrender Value when it is payable, by the amount of any indebtedness. We will not reduce the benefit payable under the terms of any Rider.

**In force** means insurance under this Policy is in effect. This Policy must be in force for any benefits or privileges to be provided. This Policy will stay in force until the earliest of the dates listed in provision **C 2**.

**Injury** means bodily harm, loss or damage sustained as a direct result of an accident while this Policy is in force.

**Insurance Age** means the age of a Life Insured at his or her birthday nearest the Policy Date. If this Policy jointly insures two or more people, the Joint Insurance Age will be used in lieu of the Insurance Age. It is specified in the Policy Schedule.

**Insurance Amount** means the portion of your Death Benefit by which we determine the Monthly Deduction for Cost of Insurance. It is otherwise known as the net amount at risk. It will vary depending on which Death Benefit Option you selected, as described in provision **F 2**.

**Interest Option** means an account under this Policy to which you allocate all or a portion of your Premiums for the purpose of earning interest. Any net Premium amount you allocate to an Interest Option will be invested in the general funds of the Company, and we will credit interest to your Interest Options as specified in Section **G** of this Policy.

**Joint Insurance Age** means the one age that results from combining the Insurance Age, Class and Risk Classification of each of the Lives Insured under a Joint First-to-die or Joint Last-to-die Coverage Option, as determined by us. It is specified in the Policy Schedule.

**Level Target Premium** means an amount determined by us based on the Cost of Insurance rates applicable to this policy, including any applicable Extra Premium. It is included in the Minimum Premium to cover the cost of the life insurance provided under this Policy, as described in provision **F 10**.

**Life Insured** means a person whose life is insured under this Policy, or under a Rider attached to this Policy. Every Life Insured is named in the Policy Schedule.

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## A Terms used in this Policy

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**Manifests** means that a sign or symptom of an injury or sickness is first apparent to, or observed by, someone, whether or not that appearance or observation results in any awareness of an illness or condition, or in any medical consultation, investigation, diagnosis or treatment at that time.

**Market Value Adjustment** means a charge we will apply to any amount that is transferred or withdrawn from any Guaranteed Interest Option, as described in provision **G 6**.

**Maximum Insurance Amount** means the Insurance Amount beyond which Automatic Coverage Amount Increases will no longer be available under the terms of provision **I 2**. It is specified in the Policy Schedule.

**Minimum Premium** means the amount you pay to us to keep this Policy in force, as described in provision **F 10**. It is specified in the Policy Schedule.

**Monthly Deduction** means the amount we deduct from your Policy's Accumulation Value each month in consideration for the insurance provided under this Policy, as described in provision **F 3**.

**Monthly Processing Day** means the day in each calendar month when Monthly Deductions are made. The first Monthly Processing Day is on the Policy Date. Subsequent Monthly Processing Days are on the same day of the month as the Policy Date, or on a Business Day nearest to that day. Once set, the Monthly Processing Day cannot be changed.

**Net Accumulation Value** means the Accumulation Value reduced by any indebtedness.

**Net Premium** means any Premium reduced by the applicable Premium Load.

**Net Surrender Value** means an amount that is payable to you if you cancel your Coverage, subject to the terms and provisions of this Policy. It is equal to the Surrender Value reduced by any indebtedness.

**Owner** means the person, persons or legal entity entitled to exercise all the rights and privileges under this Policy while it is in force, as described in provision **B 2**.

**Physician** means an individual who is legally licensed to practice medicine or surgery in Canada or the United States, or other jurisdiction as we may approve and who is acting within the scope of his or her license. Physician is not you, the Life Insured or a relative or business associate of you or the Life Insured.

**Planned Premium** means the amount of monthly or annual Premiums you choose to schedule for deposit to your Policy, as described in provision **F 9**.

**Policy** means the written contract between you and us that describes the insurance Coverage on the Life Insured. Unless otherwise stated in writing, this Policy includes insurance Coverage under any Rider, amendment or endorsement that we attach to this document.

**Policy Anniversary** means the same day and month as the Policy Date in each subsequent calendar year.

**Policy Date** means the beginning of the first Policy Year. It is the date from which Policy Years, Policy anniversaries, Monthly Processing Days, and Planned Premium due dates are determined. It is specified in the Policy Schedule.

**Policy Fee** means a fee we charge to administer your Policy. It is part of the Monthly Deduction. The Policy Fee is specified in the Policy Schedule and is guaranteed not to increase.

**Policy Year** means a year that begins on the later of the Policy Date or a Policy Anniversary.

**Premium** means any payment you credit to this Policy. Premiums may also include any transfers from the Side Account to your Policy. Amounts paid to us as repayments of Policy Loans or payments of interest on Policy Loans are not Premiums.

**Premium frequency** means the schedule you elect to make your Planned Premiums. You may choose to pay your Premiums annually or monthly. You may also choose to change your Planned Premium frequency at any time, as described in provision **F 8**.

**Premium Load** means a percentage of any Premium payment, equal to the current provincial premium tax rate. It is specified in the Policy Schedule, and will not change unless your provincial government mandates a change to its premium tax rates or you move to a jurisdiction that mandates a different premium tax.

**Premium paying period** means the number of years you intend to pay premiums, as disclosed to us at the time of your application for this policy. You may change your Premium paying period at any time, subject to our administrative rules and the terms of this policy.

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## A Terms used in this Policy

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**Regular occupation** means the occupation or occupations in which the Life Insured was regularly engaged when he or she became disabled.

**Rider** means an optional Coverage that provides an additional life insurance benefit or some other insurance benefit, as specified in the Rider's provisions. Any Riders included with this Policy are specified in the Policy Schedule.

**Risk Classification** means a broad category of criteria we establish in order to determine the insurability of applicants and whether or not an offer of insurance coverage can be made and under what terms coverage is available. Such terms may include any combination of the following: the payment of an Extra Premium, a reduction in the amount of insurance applied for, a restriction in the type of benefits applied for, or a denial of particular benefits pertaining to specific risks.

**Sickness** means any illness or disease that first manifests itself while this Policy is in force, or before this Policy is in force but only if we have been fully and accurately advised on the application or otherwise in writing, before this Policy becomes in force, of all information known or reasonably available to you regarding the Life Insured's sickness, including his or her symptoms.

**Surrender Value** means this Policy's Accumulation Value reduced by any applicable Surrender Charges as described in provision **H 6**.

**Valuation Day** means any Business Day that meets the requirements of the Variable Interest Option to which it is applicable, as described in provision **G 7**.

**Written request** or **written notice** means a request or notice signed by you and received by us, in a form that is satisfactory to us. A written request is not effective until we have recorded it at our office. Any Policy change you request is subject to any payments made or other action taken by us before your request was recorded at our office.

**Additional definitions are provided in the provisions of this Policy and attached Riders.**

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## **B Information about this Policy**

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### **B 1 This Policy is a contract between you and RBC Life Insurance Company**

This is a life insurance Policy within the meaning of the relevant provincial legislation in Canada, and forms the entire contract between you and us. It includes:

- a) This Policy;
- b) Your completed application for insurance;
- c) Any application we approve for reinstatement or to exercise an option under this Policy; and
- d) Any exclusion or other documents we attach to this Policy.

Any statement that is not part of this Policy does not bind us, and no agent or person other than an officer of RBC Life Insurance Company can modify this Policy. Any such modification must be clearly expressed in writing and signed by two of our officers.

If for any reason we fail to enforce a Policy provision at the relevant date, we reserve the right to enforce that provision at a later date.

This Policy is non-participating. It does not share in the distribution of our surplus or profits, nor does it pay any dividends.

### **B 2 Your rights and privileges as the Policy Owner**

As the Owner of this Policy, you may exercise all the rights and privileges the Policy provides while it is in force. These rights include:

- a) Naming and changing the Beneficiary, as described in provision **B 3**;
- b) Changing a Life Insured under this Policy, as described in provision **B 4**;
- c) Assigning this Policy as security for a loan or transferring ownership of this Policy, as described in provision **B 5**;
- d) Cancelling this Policy or any Rider attached to it, as described in provision **B 6**;
- e) Changing the Coverage Amount or the Death Benefit Option, as described in provisions **C 3** and **C 4**;
- f) Exercising the benefits and privileges for Joint Coverage options described in Section **D**;
- g) Claiming a Disability Benefit, as described in provision **E 1**;
- h) Changing your Cost of Insurance Option, as described in provision **F 6**;
- i) Changing the amount or frequency of Premium payments, as described in provisions **F 8** and **F 9**;
- j) Allocating money to and from this Policy's Interest Options, as described in Section **G**;
- k) Withdrawing or borrowing money from this Policy, as described in provisions **H 2** and **H 5**; and
- l) Choosing this Policy's Tax Exemption Maintenance Options, as described in provision **I 2**.

If there is more than one Policy Owner, all Owners must exercise their rights and privileges unanimously. Your rights and privileges may be limited by the terms and provisions of this Policy, by any applicable laws, or by the rights of any assignee or irrevocable Beneficiary.

If you are not a Life Insured and you die before any Life Insured, your estate will become the Owner unless you have made a written request naming a contingent Owner. You may name a contingent Owner at any time while this policy is in force by filing a written request with us.



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## **B Information about this Policy**

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### **B 3 Naming a Beneficiary**

We will pay the Death Benefit and any other amounts due to be paid to any Beneficiary named in the Policy Schedule, unless you have named a new Beneficiary. In that event, we will pay the amounts due to the Beneficiary named in your last Change of Beneficiary request.

You may name a new Beneficiary for this Policy or any Rider attached to it by filing a written Change of Beneficiary request with us at any time before the Designated Life Insured dies. The written consent of any irrevocable Beneficiary will be required. Once it is recorded at our office, the change will be effective as of the date you signed the request. A Change of Beneficiary request is not effective until we have recorded it at our office.

If no Beneficiary is living when a Designated Life Insured dies, and the Beneficiary designation then in effect does not state otherwise, any Death Benefit that becomes payable will be paid to you or your estate.

We will apply similar terms and conditions to any Beneficiary designation made under the terms of provision **D 3** or under the terms of any Rider attached to this Policy.

### **B 4 Substituting a Life Insured**

Upon written request, you may elect to substitute a different person for any Life Insured under this Policy, subject to tax legislation in effect at the time of the substitution and the following conditions:

1. The substitution must take place prior to the Policy Anniversary nearest the substitute Life Insured's eighty-fifth (85<sup>th</sup>) birthday.
2. We must receive evidence satisfactory to us of both the insurability of the proposed substitute Life Insured and your interest in that person's life. We reserve the right to request payment of a fee we set from time to time for underwriting expenses. We will advise you of the amount of this fee before we process your request.
3. Subject to our administrative rules, the substitution will take effect on the Monthly Processing Day on or following the date we have approved your request. We will simultaneously terminate any life insurance or Rider Coverage under this Policy on the life of the Life Insured for whom you are electing a substitute.
4. We will adjust your Monthly Deduction effective on the Monthly Processing Day on or following the date we have approved your written request. We will determine the Cost of Insurance rates applicable to this Policy based on:
  - a) The Coverage Amount in effect at the time of the substitution;
  - b) Every Life Insured's Attained Age at the time the substitution is exercised; if this Policy has a joint life Coverage Option, we will recalculate the Cost of Insurance based on the Attained Ages of both the substitute Life Insured and each remaining Life Insured;
  - c) Each Life Insured's applicable Class and Risk Classification used in calculating the Cost of Insurance for this Policy; and the Cost of Insurance rates in effect at the later of:
    - i) The Coverage Date;
    - ii) The date of your last reinstatement; and
    - iii) The date your Cost of Insurance Option was last changed.
5. We will reset the Minimum Premium, Monthly Deduction and applicable Surrender Charges in accordance with the new Cost of Insurance. If the Accumulation Value of the Policy then exceeds the maximum tax-exempt Accumulation Value, we will transfer the excess value to the Side Account. Such a transfer may be subject to taxation.
6. The period within which we may contest the validity of this Policy, and the exclusion from Coverage for suicide, will both apply to the substitute Life Insured from the date of substitution, as described in provisions **B 9** and **C 8**.

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## **B Information about this Policy**

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### **B 5 Assigning or transferring ownership of this Policy**

You may assign this Policy as security for a loan. This is known as a collateral assignment. You may also transfer ownership of this Policy to another person or entity, subject to our approval, and to legislation in effect at that time. This is known as an absolute assignment. We are not bound by an assignment until we receive written notice of it at our office and we approve it, nor are we responsible for its effect or validity.

You may name a new Owner at any time while this policy is in force by filing a written request with us. Once it is approved and recorded at our office, the change will be effective whether or not you or the Life Insured are alive when we record the change.

If you have named an irrevocable Beneficiary, you will need his or her written consent to assign this Policy except where otherwise prescribed by law. Under current income tax provisions, transferring ownership of your Policy constitutes a taxable disposition, as described in provision **I 4**.

### **B 6 Cancelling this Policy or any Rider attached to it**

You may cancel this Policy for its Surrender Value, or cancel any Rider attached to this Policy, at any time by written request.

The effective date of your cancellation of this Policy will be the date we process your request and calculate the Surrender Value in accordance with the terms of provision **G 2**. When it is payable, we will reduce the Net Surrender Value by any applicable Market Value Adjustment.

If you cancel any Rider attached to this Policy, we will reduce your Minimum Premium accordingly as of the effective date of your cancellation. The effective date of your cancellation will be the Monthly Processing Day following the date we receive your written request. A Surrender Charge will not apply.

### **B 7 Keeping you informed**

We will make available to you a Policy Statement following each Policy Anniversary. Subject to our administrative rules, Policy Statements may be issued more frequently than annually upon request.

### **B 8 Keeping us informed**

You must advise us of any change in your primary residence or mailing address so that we may continue to administer your Policy in compliance with the requirements of your province of residence, and so that we may communicate with you.

If your Coverage Option is Joint Last-to-die, you must advise us when the first Life Insured under this Policy dies.

### **B 9 When we will contest the validity of this Policy**

We have the right to contest the validity of this Policy, or the payment of the Death Benefit or any other Policy benefits, if you or any Life Insured under this Policy have incorrectly stated, misrepresented or failed to disclose a material fact in the application for insurance, or on any medical examination, or in any written or electronic statements or answers provided as evidence of insurability.

Except in the case of fraud, we will not contest this Policy for misrepresentation after it has been in force for two (2) years during the lifetime of every Life Insured, from the later of the Coverage Date or the last date of reinstatement. If any Life Insured under this Policy dies during this two (2) year period, we can contest at any time.

When there is an indication of fraud, we can declare this Policy void at any time. Fraud includes but is not limited to a material misrepresentation of the smoking habit of any Life Insured. If the Policy is declared void for fraud, we will not refund any Premium Load, Policy Fee or Cost of Insurance paid.

### **B 10 Currency**

All amounts payable under this Policy, either to us or by us, are payable in Canadian dollars.

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## C Your Life Insurance Coverage

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### C 1 When your insurance begins

Subject to any change in the insurability of any Life Insured, your insurance under this Policy begins on the Coverage Date. For Coverage included with this Policy when it is issued, the Coverage Date is the latest of:

- a) The Policy Date;
- b) The date you receive this contract; or, if you reside in Quebec, the date we approve your application without modification;
- c) The date we receive at our office all amendments, addendums and exclusions required for the Policy to take effect, signed by you; and
- d) The date your initial Premium is received at our office, subject to the terms and conditions of provision **F 9**. If your first Premium is not honoured, this Policy will not take effect.

For each additional Coverage or Rider added to the Policy after the Policy Date, the Coverage Date is the Monthly Processing Day on which the Coverage became effective subject to the terms and conditions of this Policy.

### C 2 When your insurance ends

Your insurance under this Policy ends on the earliest of the following dates:

- a) The date the Designated Life Insured dies;
- b) The effective date of your cancellation, as described in provision **B 6**;
- c) The end of the grace period, if your Premium is still unpaid, as described in provision **F 11**; and
- d) The date we terminate this Policy under the terms of provisions **B 9** or **D 5**.

When insurance under this Policy ends, Coverage under any Rider attached to this Policy will also terminate unless otherwise provided for within the terms and conditions of the Rider.

### C 3 Your Coverage Amount

Your initial Coverage Amount is specified in the Policy Schedule.

Unless you instruct us otherwise in your insurance application or by written request, we may automatically increase the Coverage Amount of this Policy by an amount we determine to maintain the tax exempt status of your Policy, subject to the terms of provision **I 2**.

We may reduce your Coverage Amount as a consequence of any requested withdrawal or Policy option that reduces your Policy's Accumulation Value under a Level Protection Death Benefit Option, as described in provision **H 4**.

#### C 3.1 Increasing your Coverage Amount

You may apply for an increase to your Coverage Amount at any time, subject to our administrative rules and the following conditions. These conditions do not apply to any Coverage Amount increase as a result of tax exemption maintenance, as described in provision **I 2**:

1. The minimum increase allowed is \$50,000, and you must submit evidence of insurability, satisfactory to us, for each increase.
2. The Coverage Amount increase will be effective on the Monthly Processing Day on or following the date we have approved your application, and we will adjust your Minimum Premium and your Monthly Deduction effective on that day.

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## C Your Life Insurance Coverage

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3. Each increase will consist of an additional Coverage with its own Coverage Date. We will determine new Cost of Insurance rates applicable to the additional Coverage based on:
  - a) The amount of the additional Coverage;
  - b) The Cost of Insurance rates we then offer for your chosen Cost of Insurance Option;
  - c) The Attained Age of the Life or Lives Insured at the time of the change; and
  - d) The applicable Class and Risk Classification used in calculating the Premiums for this additional Coverage, based on our determination of the insurability of each applicant at the time you applied for the increase.
4. The Surrender Charge Factors described in provision **H 6** will apply to the additional Coverage as of its Coverage Date. Surrender Charges applicable to any existing Coverage Amount will remain unchanged.
5. The period within which we may contest the validity of this Policy and the exclusion from Coverage for suicide, as described in provisions **B 9** and **C 8** respectively, will apply to the additional Coverage from its Coverage Date.

### C 3.2 Reducing your Coverage Amount

You may request that we reduce your Coverage Amount at any time, subject to our administrative rules and the following conditions. These conditions do not apply to any Coverage Amount decrease as a result of tax exemption maintenance, as described in provision **I 2**:

1. The reduced Coverage Amount will be effective on the Monthly Processing Day following the date we have received your written request. We will adjust your Minimum Premium and your Monthly Deduction effective on that day. If applicable, we may also reduce the Maximum Insurance Amount specified in the Policy Schedule.
2. The minimum decrease allowed is \$10,000, and the remaining Coverage Amount must not be less than the minimum specified in our administrative rules.
3. Your Cost of Insurance rate is guaranteed based in part on the initial Coverage Amount and the Class applicable to each Life Insured. If you reduce your Coverage Amount, we may increase your Cost of Insurance rate. If you reduce your Coverage Amount to less than \$250,000, the Class applicable to your Cost of Insurance rate will be the Standard Class applicable to the Life or Lives Insured.
4. We will reduce your Policy's Accumulation Value by the amount of a partial Surrender Charge, as described in provision **H 6**. After the Surrender Charge is collected, the Surrender Charges applicable to the new Coverage Amount will be reduced.
5. If we have previously processed Automatic Coverage Amount Increases for this policy, or any additional Coverage as described in provision **C 3.1**, we will reduce your Coverage Amount sequentially as prescribed in our administrative rules.
6. All decreases will be monitored to ensure that the tax-exempt status of the Policy is maintained, as described in provision **I 1**. We may also withdraw money from your Collateral Interest Account and apply that amount as a loan repayment without prior notice, as described in provision **H 5**.

## C 4 Your Death Benefit Options

The primary Death Benefit Options available under this Policy are Increasing Protection and Level Protection. The Level Protection option is not available in combination with the Level to 100 Cost of Insurance Option.

The **Increasing Protection** Death Benefit is the sum of the Coverage Amount and the Accumulation Value.

The **Level Protection** Death Benefit is the greater of the Coverage Amount and the Accumulation Value.

If your Death Benefit Option is Level Protection, any requested withdrawal or Policy option that reduces your Policy's Accumulation Value will be subject to the terms of provision **H 4**.

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## C Your Life Insurance Coverage

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### C 4.1 Changing your Death Benefit Option

You may change your Death Benefit Option once, at any time after the second (2<sup>nd</sup>) Policy Year, subject to our administrative rules and the following conditions:

1. The change will take effect on the Monthly Processing Day following the date we have approved your written request.
2. If the change will result in a reduction of your Coverage Amount, the remaining Coverage Amount must not be less than the minimum Coverage Amount specified in our administrative rules. If the change is processed during the Surrender Charge period, the Accumulation Value will be reduced by a partial Surrender Charge proportionate to the decrease in Coverage Amount, as described in provision **H 6**. After the Coverage Amount is reduced and the partial Surrender Charge is collected, the Minimum Premium and applicable Surrender Charges will be reduced accordingly.
3. If it will result in an increase to your Insurance Amount, the change will increase the Minimum Premium and Surrender Charges. This change must be approved by us and is subject to medical evidence of insurability satisfactory to us. We reserve the right to request payment of a fee we set from time to time for underwriting expenses. We will advise you of the amount of this fee before we process your request.
4. The change will be monitored to ensure that the tax-exempt status of the Policy is maintained, as described in provision **I 1**. We may also withdraw money from your Collateral Interest Account and apply that amount as a loan repayment without prior notice, as described in provision **H 5**.
5. A change to Level Protection is available only in combination with the Annually Increasing Cost of Insurance Option.

### C 5 When we will pay the Death Benefit

Upon the death of the Designated Life Insured, we will pay the Death Benefit to the Beneficiary subject to the terms and provisions of this Policy. We will calculate the amount of the Death Benefit as of the date we determine it is payable, in accordance with our administrative rules and the Death Benefit Option in effect on that date. We will pay the Death Benefit only after we receive any information we might reasonably request to evaluate the claim and evidence we consider sufficient to establish:

- a) That the Designated Life Insured died while this Policy was in force;
- b) The cause and circumstances of the death;
- c) The age of the Designated Life Insured;
- d) The smoking habit of the Designated Life Insured on the Coverage Date; and
- e) The right of the claimant to be paid.

We will apply similar terms and conditions to any Death Benefit that may be payable on the life of someone other than the Designated Life Insured, under the terms of provisions **D 2** or **D 3**, or under the terms of any Rider attached to this Policy.

### C 6 How we allocate the Death Benefit in cases of simultaneous death

If two or more Lives Insured die at the same time, or under circumstances that make it uncertain who died first, we will deem a younger Life Insured to have survived an older Life Insured unless you instruct us otherwise in your Beneficiary designation.

Accordingly, if your Coverage Option is Joint First-to-die, the oldest Life Insured will be deemed the Designated Life Insured. We will also pay to the Beneficiary an additional Death Benefit as described in provision **D 2**.

If your Coverage Option is Joint Last-to-die, the youngest Life Insured will be deemed the Designated Life Insured. The payment of the Death Benefit will take precedence over the payment of the Early Death Benefit described in provision **D 3**.

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## **C Your Life Insurance Coverage**

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### **C 7 When we will adjust the Death Benefit**

If any Monthly Deduction or indebtedness is outstanding at the time of death, we will deduct it from the Death Benefit.

If the date of birth or sex of any Life Insured has been stated incorrectly, we reserve the right to increase or decrease any Death Benefit payable to the amount that would have been provided by the Premium paid using the correct age or sex. We will calculate the correct amount payable at any time after the misstatement of age or sex is discovered.

### **C 8 When we will not pay a Death Benefit**

We will not pay a Death Benefit if the Policy is declared void due to a material omission, misrepresentation or fraud, as described in provision **B 9**.

If any Life Insured commits suicide, while sane or insane, within two (2) years of any Coverage Date or any reinstatement date, we will not pay the Death Benefit or any Rider benefit for that Coverage. We will refund to you or your estate the Cost of Insurance paid for the Coverage from the later of the Coverage Date or the date of the last reinstatement, without interest, as well as the Net Accumulation Value as of the day we are notified of the Life Insured's death. Coverage for any surviving Life Insured will then terminate as of the day the Life Insured died.

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## D Benefits and Privileges for Joint Coverage Options

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### D 1 The Survivor Privilege under a Joint First-to-die Coverage Option

If your Coverage Option is Joint First-to-die, as specified in the Policy Schedule, the surviving Life Insured may apply for a new Single Life Policy without evidence of insurability upon the death of the Designated Life Insured, subject to the following conditions:

1. This privilege must be exercised prior to the Policy Anniversary nearest the surviving Life Insured's seventieth (70<sup>th</sup>) birthday.
2. You must submit a written request to exercise this privilege to us within sixty (60) days of the death of the Designated Life Insured, together with the payment of the first Premium for the new Policy.

#### D 1.1 The new Policy issued under the Survivor Privilege

Any new Policy will be issued under the same insurance plan as this Policy, if available, or under an insurance plan we determine to be most similar to this one. It will be subject to the following conditions:

1. Policy Years under the new Policy will be calculated from the Policy Date of the new Policy.
2. The conditions and provisions of the new Policy will apply from the Coverage Date of the new Policy, including the two (2) year exclusion for suicide.
3. Any evidence of insurability as well as any exclusion that form a part of this Policy on or before the date of conversion will become part of the new Policy.
4. The initial Coverage Amount under the new Policy cannot exceed the Insurance Amount under this Policy at the time this privilege was exercised, excluding any Riders, and is subject to the minimum amount we allow for the new plan of insurance.
5. Any Riders included in this Policy may be included in the new Policy if we offer them on the new plan. You may also apply to include in the new Policy any Riders not included in this Policy, subject to evidence of insurability and our approval.
6. The Minimum Premium for the new Policy will include any Policy Fee applicable under the new plan of insurance. We will determine the Cost of Insurance applicable to the new Policy based on:
  - a) The initial Coverage Amount;
  - b) The Life Insured's Attained Age at the time this benefit is exercised;
  - c) The Cost of Insurance rates then in effect for the new insurance plan;
  - d) The Life Insured's applicable Class used in calculating the Cost of Insurance for the new Policy; and
  - e) The Life Insured's Risk Classification used in calculating the Cost of Insurance for this Policy.
7. A Life Insured's applicable Class will be the Standard Class that corresponds to the Life Insured's smoking habit if:
  - a) The new plan does not offer Preferred Classes; or
  - b) The Life Insured's applicable Class under this Policy is Standard; or
  - c) This privilege is exercised after the tenth (10<sup>th</sup>) Policy Anniversary.

If the new plan offers Preferred Classes and this Survivor Privilege is exercised before the tenth (10<sup>th</sup>) Policy Anniversary, the Life Insured's Cost of Insurance under the new Policy will be based on the Class for which the underwriting criteria are most similar to the Class applicable under this Policy, as determined by us.

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## D Benefits and Privileges for Joint Coverage Options

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### D 2 The Supplementary Death Benefit for a surviving Life Insured

If the surviving Life Insured under a Joint First-to-die Coverage Option dies within sixty (60) days of the death of the Designated Life Insured, we will pay to the Beneficiary a Supplementary Death Benefit subject to the following conditions:

1. The Supplementary Death Benefit will be equal to the Insurance Amount under this Policy on the day the Designated Life Insured died, excluding any Riders.
2. This provisional coverage is in effect for sixty (60) days from the day the Designated Life Insured died, or until a new Policy is issued under the Survivor Privilege if sooner. It is subject to the terms and conditions of this Policy, including provision **C 8**.

### D 3 The Early Death Benefit under a Joint Last-to-die Coverage Option

If your Coverage Option is Joint Last-to-die and this benefit is included in your Policy as specified in the Policy Schedule, you may elect a Beneficiary to receive an Early Death Benefit on the death of the first Life Insured to die, subject to the following conditions:

1. You must elect the Early Death Benefit, and a Beneficiary to receive this benefit, at the time of your application for insurance or at any time prior to the death of the first Life Insured to die under this Policy. Your election of this benefit is specified in the Policy Schedule.
2. You may change your election of this benefit at any time prior to the death of the first Life Insured to die by written request. The written consent of any irrevocable Beneficiary will be required. Once it is recorded at our office, the change will be effective as of the date you signed the request. Your change request is not effective until we have recorded it at our office.
3. You may change the Beneficiary for this benefit at any time prior to the death of the first Life Insured to die, subject to the terms of provision **B 3**.
4. We will reduce your Policy's Accumulation Value by the amount of any Early Death Benefit we pay to you, using the order of withdrawal described in provision **H 3**. If your Death Benefit Option is Level Protection, the payment and the amount of the Early Death Benefit will be subject to the terms and conditions set out in provision **H 4**, except that the amount of the benefit will not be reduced by a Surrender Charge.
5. We must receive your written notice of claim for the Early Death Benefit and all the evidence we require under the terms of provision **C 5**, within one (1) year following the date of death of the Life Insured. This benefit is subject to the terms of provision **C 8**.
6. The beneficiary may decline the payment of the Early Death Benefit after the death of the Life Insured, prior to the payment of the benefit and within thirty (30) days of the date we have been advised of the death of the first Life Insured to die.

#### D 3.1 How we calculate the Early Death Benefit amount

When it is payable, the amount of the Early Death Benefit is calculated as **the lesser of (A x B) and (A - C)**, where:

- A** is the Net Accumulation Value on the day we process your request for the Early Death Benefit
- B** is an allocation percentage chosen by you and specified in the Policy Schedule
- C** is the sum of three (3) Monthly Deductions

The amount of this benefit will not be reduced by any Surrender Charge or Market Value Adjustment.



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## D Benefits and Privileges for Joint Coverage Options

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### D 4 Changing your Joint Coverage Option

If your Coverage Option is Joint First-to-die, as specified in the Policy Schedule, you may change your Coverage Option to Joint Last-to-die, subject to our administrative rules and the following conditions:

1. You may exercise this privilege once, on or after the fifth (5<sup>th</sup>) Policy Anniversary and prior to the Policy Anniversary nearest the oldest Life Insured's seventieth (70<sup>th</sup>) birthday.
2. The change will take effect on the Coverage Date of the new Joint Last-to-die Coverage, on the Monthly Processing Day following the date we have approved your written request. We will adjust your Minimum Premium and your Monthly Deduction effective on that day.
3. We will determine the Cost of Insurance applicable to the new Joint Last-to-die Coverage using the Joint Insurance Age calculation method in effect on the date of the change, based on the age, Class and Risk Classification applicable to each Life Insured under this Policy at the latest of:
  - a) The Coverage Date of the Joint First-to-die Coverage;
  - b) The date your Cost of Insurance Option was last changed, as described in provision **F 6**; and
  - c) The effective date of any Substitution of Life, as described in provision **B 4**.

However, each Life Insured's applicable Class will be the Standard Class that corresponds to the Life Insured's smoking habit if this benefit is exercised after the first ten (10) years of this Policy.

4. The change will be monitored to ensure that the tax-exempt status of the Policy is maintained, as described in provision **I 1**.

### D 5 Exchanging your Joint Coverage Policy for Single Life Policies

If your Coverage Option is Joint First-to-die or Joint Last-to-die, as specified in the Policy Schedule, you may exchange this Policy for one or more Single Life Policies with evidence of a compelling reason to do so that is satisfactory to us. This exchange is subject to our approval, our administrative rules and the following conditions:

1. You must exercise this privilege prior to the Policy Anniversary nearest the oldest Life Insured's seventieth (70<sup>th</sup>) birthday.
2. If your Coverage Option is Joint First-to-die, you may exchange this Policy for Single Life Policies without evidence of insurability. If your Coverage Option is Joint Last-to-die, you may exchange this Policy for Single Life Policies subject to evidence of insurability that is satisfactory to us. We reserve the right to request payment of a fee we set from time to time for underwriting expenses. We will advise you of the amount of this fee before we process your request.
3. The exchange will take effect on the Monthly Processing Day following the date we have approved your written request, and any life insurance or Rider Coverage under this Policy will simultaneously terminate.
4. This Policy's Accumulation Value will be allocated to each new Single Life Policy in accordance with our administrative rules, and will not incur Surrender Charges as a result of the exchange. We will inform you of any amount you are required to include in your income for tax purposes.

#### D 5.1 The new Single Life Policies issued under this exchange privilege

Any new Single Life Policy will be issued under the same insurance plan as this Policy, if available, or under an insurance plan we determine to be most similar to this one. It will be subject to the following conditions:

1. Policy Years under the new Policy will be calculated from the Policy Date of the new Policy.
2. The conditions and provisions of the new Policy will apply from its Coverage Date, on the Monthly Processing Day following the date we have approved your written request, except that our right to contest the validity of the Policy and the two (2) year exclusion for suicide, as described in provisions **B 9** and **C 8** respectively, will continue to apply from the later of the original Coverage Date or the last date of reinstatement of this Policy. Our right to contest the validity of the new Policy based on any new evidence of insurability submitted with this exchange request will apply from the Coverage Date of the new policy.
3. Any evidence of insurability as well as any exclusion that forms a part of this Policy on or before the date of exchange will become part of the new Policy.

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## D Benefits and Privileges for Joint Coverage Options

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4. The initial Coverage Amount under the new Policy cannot exceed the Insurance Amount under this Policy at the time this privilege was exercised, excluding any Riders, divided by the number of Lives Insured under this Policy. The initial Coverage Amount is subject to the minimum amount we allow for the new plan of insurance.
5. Any Riders included in this Policy may be included in the new Policy if we offer them on the new plan. You may also apply to include in the new Policy any Riders not included in this Policy, subject to evidence of insurability and our approval.
6. The Minimum Premium for the new Policy may include any Policy Fee applicable under the new insurance plan. We will determine the Cost of Insurance applicable to each new Policy based on:
  - a) The Coverage Amount;
  - b) The Life Insured's Attained Age at the time the exchange is exercised;
  - c) The Cost of Insurance rates then in effect for the new insurance plan;
  - d) The Life Insured's applicable Class used in calculating the Cost of Insurance for the new Policy; and
  - e) The Life Insured's applicable Risk Classification used in calculating the Cost of Insurance for this Policy.
7. If your Coverage Option under this policy is Joint First-to-die, the Life Insured's applicable Class under the new Policy will be the Standard Class that corresponds to the Life Insured's smoking habit if:
  - a) The new plan does not offer Preferred Classes; or
  - b) The Life Insured's applicable Class under this Policy is Standard; or
  - c) This benefit is exercised after the tenth (10<sup>th</sup>) Policy Anniversary of this Policy.

If the new plan offers Preferred Classes and this exchange is exercised before the tenth (10<sup>th</sup>) Policy Anniversary, the Life Insured's Cost of Insurance under the new Policy will be based on the Class for which the underwriting criteria are most similar to the Class applicable under this Policy, as determined by us.
8. If your Coverage Option under this policy is Joint Last-to-die, we will determine the Life Insured's applicable Class under the new Policy based on the evidence of insurability you provide to us.
9. The exchange will be monitored to ensure that the tax-exempt status of the new Policy is maintained, as described in provision I 1.

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## **E Your Disability Benefit**

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### **E 1 Claiming a Disability Benefit**

If this benefit is included in your Policy, as specified in the Policy Schedule, you may claim a Disability Benefit when a Life Insured under this Policy becomes disabled, subject to the terms of provisions **E 3** and **E 4**. The payment of the Disability Benefit will be subject to our administrative rules in effect at the time of your claim, and to the following conditions:

1. The Life Insured must be disabled as described under provision **E 2**. We will pay this Disability Benefit if:
  - a) each sign or symptom of the insured disability was first manifest while this Policy was in force; or
  - b) though first manifest while this Policy was not in force, all information about any such sign or symptom that was known or reasonably available to you or the Life Insured was fully and completely disclosed to us in the application for this Policy, or otherwise in writing, before the Coverage Date or before the last date of reinstatement of this Policy.
2. This benefit is payable to you only once in any twelve (12) month period, starting from the later of the onset of disability and the end of the waiting period if applicable, for every Life Insured who is eligible for a Disability Benefit under this Policy.
3. You must specify the amount of any Disability Benefit payment when you make your written request. The amount of each benefit payment must be at least \$500 and cannot exceed the Policy's Net Surrender Value on the day we process your claim, subject to the terms of provision **G 2**. The amount of the Disability Benefit will not be reduced by a Market Value Adjustment.
4. We will reduce your Policy's Accumulation Value by the amount of any Disability Benefit we pay to you using the order of withdrawal described in provision **H 3**. If your Disability Benefit payment is equal to the Net Surrender Value, and your Policy then fails to meet the Minimum Premium requirement described in provision **F 10**, your Policy is in default and your grace period begins.
5. If your Death Benefit Option is Level Protection, the payment of the Disability Benefit will be subject to the terms and conditions set out in provision **H 4**, except that the amount of the Disability Benefit will not be reduced by a Surrender Charge.

### **E 2 When we consider a Life Insured disabled**

Within the meaning of this Disability Benefit, we will consider a Life Insured to be disabled when he or she is occupationally disabled, presumptively disabled, functionally disabled or terminally ill, as described here. We will determine whether or not a Life Insured is disabled based on the evidence you provide us and the following criteria.

#### **E 2.1 Occupational disability**

We will consider a Life Insured occupationally disabled when, due directly to injury or sickness, the Life Insured is unable to perform the essential duties of his or her regular occupation, is not engaged in any other gainful occupation, and is receiving appropriate physician's care.

To be considered occupationally disabled, the Life Insured must be at least eighteen (18) years of age and engaged at least thirty (30) hours per week in his or her regular occupation at the onset of disability, and must be continuously and totally disabled for a waiting period lasting at least ninety (90) days.

#### **E 2.2 Presumptive disability**

We will consider a Life Insured presumptively disabled when, due directly to injury or sickness, the Life Insured has totally and irrecoverably lost one of the following, whether or not he or she is able to work or is receiving a physician's care:

- a) The power of speech;
- b) Hearing in both ears;
- c) Sight in both eyes;
- d) Use of both hands;
- e) Use of both feet; or
- f) Use of one hand and one foot.

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## E Your Disability Benefit

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### E 2.3 Functional disability

We will consider a Life Insured functionally disabled when the Life Insured is unable to care for him or herself, due to an inability to perform one or more Activities of Daily Living or due to Cognitive Impairment.

**Activities of Daily Living** are measures of a person's level of independence/dependence, including such individual tasks as:

- a) Bathing, meaning the ability to take a bath or shower or otherwise maintain adequate personal cleanliness, with or without the aid of special equipment;
- b) Dressing, meaning the ability to dress and undress, including putting on and taking off any medically necessary surgical appliance usually worn;
- c) Eating, meaning the ability to eat and drink, after food or drink has been prepared and made available;
- d) Maintaining continence, meaning the ability to voluntarily control bowel and bladder function, with or without the use of catheters, incontinence pads or other artificial aids;
- e) Toileting, meaning the ability to get to and from the toilet, get on and off the toilet and maintain an adequate level of personal hygiene;
- f) Transferring, meaning the ability to move without assistance in and out of a chair or wheelchair or bed, with or without the aid of equipment.

**Cognitive Impairment** means problems with attention, affect, memory, or other loss of intellectual capacity requiring supervision to help or protect the person so impaired.

### E 2.4 Terminal illness

We will consider a Life Insured terminally ill when he or she has been medically determined to have a life expectancy of twenty four (24) months or less. The prognosis will be reviewed and validated by our medical director.

## E 3 When we will pay a Disability Benefit

Subject to the terms and conditions of this Policy, we will pay a Disability Benefit only after we receive any information we might reasonably request to evaluate the claim, including:

- a) Any evidence we consider sufficient to establish the disability of the Life Insured;
- b) Any evidence we consider sufficient to establish the circumstances under which the disability occurred;
- c) Evidence of the age of the Life Insured; and
- d) Mental assessment by and/or certification from a physician confirming the necessity of care if you are claiming a Disability Benefit relating to the incapacity of executing Activities of Daily Living or Cognitive Impairment.

We must receive your written notice of claim within sixty (60) days from the onset of disability and while this Policy is in force, the Life Insured is still living, and the Life Insured is disabled. We must then receive evidence we consider sufficient to establish the disability within one hundred and fifty (150) days from the onset of disability.

Your failure to give notice of claim or to provide evidence to support your claim within the periods of time prescribed above does not necessarily invalidate your claim if you submit your notice and proof of claim within one (1) year of the onset of disability, and you can demonstrate to us that it was not reasonably possible for you to provide these within the prescribed periods.

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## **E Your Disability Benefit**

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### **E 4 When we will not pay a Disability Benefit**

We will not pay the Disability Benefit if the Life Insured's disability resulted directly or indirectly from any of the following:

- a) Intentional self-inflicted injury or attempted suicide, while sane or insane;
- b) The commission by the Life Insured or attempted commission of a criminal offence, whether charged or not, or provocation of an assault;
- c) Any event, illness or treatment related to the excessive use of alcohol, or related to the operation of heavy machinery, motor vehicle or other conveyance while under the influence of a concentration exceeding 80 milligrams of alcohol per 100 millilitres of blood;
- d) Any event, illness or treatment related to the chronic use of alcohol;
- e) Any event, illness or treatment related to the voluntary ingestion of illegal drugs, or to the misuse of prescribed or non-prescribed medication;
- f) Poisoning in any form, or inhalation of gas or fumes, whether voluntary or involuntary;
- g) Normal pregnancy or childbirth. Disabling complications of pregnancy or childbirth are not excluded from Coverage; or
- h) Any condition that we have excluded by name or specific description in an endorsement or amendment to this Policy.

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## F Your Premiums and Cost of Insurance

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### F 1 Our Cost of Insurance guarantee

The Cost of Insurance Option you elected and the rates applicable to every Coverage appear in the Policy Schedule. We guarantee these rates for the duration of your Coverage provided your Policy remains in force and you do not request any changes to your Coverage. We may offer you different guaranteed rates if you exercise any of the following Policy options:

1. You substitute a different person for any Life Insured under this Policy, as described in provision **B 4**.
2. You reduce your Coverage Amount, as described in provision **C 3**, or you reduce the Death Benefit of a term Rider for any Life Insured under this Policy at any time before the fifth (5th) Policy Anniversary.
3. You change your Joint Coverage Option, as described in provision **D 4**.
4. You change your Cost of Insurance Option, as described in provision **F 6**.
5. You change the Class applicable to the Life Insured, as described in provision **F 7**.
6. You reinstate your Policy, as described in provision **F 12**.
7. Your Death Benefit Option is Level Protection, and you make a withdrawal from your Policy's Accumulation Value or exercise a Policy option that results in a reduction of your Coverage Amount as described in provision **H 4**. This condition does not apply when we withdraw money from your Policy's Accumulation Value to maintain the tax exempt status of your Policy, as described in provision **I 1**.

### F 2 How we calculate your Cost of Insurance

On every Monthly Processing Day, we calculate the Cost of Insurance we will deduct for every Coverage as:

The monthly equivalent of the annual Cost of Insurance rate applicable to your Coverage, including any applicable Extra Premium, as specified in the Policy Schedule  
*multiplied by* the Insurance Amount in force on the Monthly Processing Day  
*divided by* one thousand (1,000)

If you elected the Level Protection Death Benefit Option, the Insurance Amount is equal to the Coverage Amount less the Accumulation Value. When the Accumulation Value decreases, except as described in provision **H 4**, the Insurance Amount increases to maintain your level Coverage Amount and we increase your Cost of Insurance accordingly. When the Accumulation Value increases, the Insurance Amount and associated Cost of Insurance both decrease. When the Accumulation Value equals or exceeds your Coverage Amount, the Insurance Amount and Cost of Insurance are equal to \$0.

If you elected the Increasing Protection Death Benefit Option, the Insurance Amount is equal to the Coverage Amount. It does not change when the Accumulation Value increases or decreases, and your Cost of Insurance remains unaffected.

### F 3 How we calculate your Monthly Deduction

Every Monthly Processing Day, we will deduct the Cost of Insurance from your Policy's Accumulation Value in consideration for the insurance provided under this Policy. Your Monthly Deduction is calculated as:

The Cost of Insurance for the Insurance Amount in force on the Monthly Processing Day, as described in provision F 2  
*plus* the monthly premium for any Riders in force on the Monthly Processing Day, as specified in the Policy Schedule  
*plus* the monthly Policy Fee, as specified in the Policy Schedule

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## **F Your Premiums and Cost of Insurance**

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### **F 4 How we process your Monthly Deduction**

We will process Monthly Deductions by reducing the balance of your Interest Options in the following order until the entire Monthly Deduction amount has been satisfied:

1. We will first reduce the balance of the Daily Interest Option.
2. We will then reduce the balance of any Guaranteed Interest Options sequentially, starting with the Term Option with the shortest term and ending with the Term Option with the longest term; we will then reduce the balance of the Mid Term Portfolio Option, and then the Long Term Portfolio Option. A Market Value Adjustment will not apply to any Cost of Insurance deduction.
3. We will then reduce the balance of any Variable Interest Options proportionately based on the balance in each option on the Monthly Processing Day.

### **F 5 When Monthly Deductions end**

Monthly Deductions will end on the Policy Anniversary nearest the Life Insured's Attained Age of one hundred (100) provided the Policy is in force and is not in a grace period. If the life Coverage Option you elected is Joint First-to-die or Joint Last-to-die, the Attained Age will be calculated from the Joint Insurance Age.

Monthly Deductions for Rider Premiums will end on the expiry date specified in the Policy Schedule.

You may continue allocating Premiums to your Interest Options after your Monthly Deductions end. The Premium Load will continue to apply to any new Premiums.

### **F 6 Changing your Cost of Insurance Option**

If your Death Benefit Option is Increasing Protection, you may change your Cost of Insurance Option from Annually increasing to Level to 100 once, at any time on or after the second (2<sup>nd</sup>) Policy Anniversary, subject to our administrative rules and our issue age limits in effect at that time.

Your new Level to 100 Cost of Insurance rates will be effective on the Monthly Processing Day following the day we receive your request. We will set your new Level to 100 Cost of Insurance rate based on:

- a) The Coverage Amount in effect at the time of the change;
- b) The rates we then offer for the Level to 100 Cost of Insurance Option;
- c) The sex and Attained Age of the Life Insured at the time of the change; if this Policy has a joint life Coverage Option, we will recalculate the Joint Insurance Age based on the Attained Age of every Life Insured; and
- d) The applicable Class used in calculating the Cost of Insurance prior to the change, if you change your Cost of Insurance Option on or before the tenth (10<sup>th</sup>) Policy Anniversary. The Class will remain unchanged providing you do not also change your Coverage Amount; or
- e) The Standard Class that corresponds to the smoking habit of the Life Insured if you change your Cost of Insurance Option after the tenth (10<sup>th</sup>) Policy Anniversary.

The Surrender Charges applicable under the Annually Increasing Cost of Insurance Option will continue to apply after the change.

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## **F Your Premiums and Cost of Insurance**

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### **F 7 Changing the Class applicable to the Life Insured**

You may submit a written request to change the Class applicable to a Life Insured. We will consider such a request no more than once per year. If we approve the change, it will take effect on the Monthly Processing Day following the date we have approved your request.

#### **F 7.1 Changing a Cost of Insurance rate Class**

You may request that we change the Class applicable to any Life Insured to a Non-Smoker Class. You may also request that we change the Class applicable to any Life Insured to a Preferred or Optimum Class. We will approve such requests subject to our administrative rules and the following conditions:

1. We offer Non-Smoker Premium rates at the time of your request.
2. You submit evidence we consider satisfactory as to the smoking habit of the Life Insured, including our then current Non-Smoking Declaration, and the Life Insured meets our definition of a Non-Smoker at that time.
3. You submit a completed non-medical declaration of health for the Life Insured in our standard form, as well as any other medical evidence we might request, and we approve it.
4. If your Coverage Option is Joint First-to-die or Joint Last-to-die, and you request that we change the Class applicable to any Life Insured to a Preferred or Optimum Class, we reserve the right to request evidence we consider satisfactory as to the health of each joint Life Insured.
5. We reserve the right to request payment of a fee we set from time to time for underwriting expenses. We will advise you of the amount of this fee before we process your request.

#### **F 7.2 Changing a Juvenile Cost of Insurance rate Class**

You may request that we change the Class applicable to the Life Insured from Juvenile to a Standard Non-Smoker Class at any time after the Policy Anniversary nearest the eighteenth (18<sup>th</sup>) birthday of the Life Insured. We will approve this request provided that the following conditions are met:

1. We offer Non-Smoker Premium rates at the time of your request.
2. You submit evidence we consider satisfactory as to the smoking habit of the Life Insured, including our then current Non-Smoking Declaration, and the Life Insured meets our definition of a Non-Smoker at that time.

If you do not submit a written request to change the Class applicable to the Life Insured from Juvenile to a Standard Non-Smoker Class, the Class applicable to the Life Insured will become the Smoker Class on the Policy Anniversary nearest the eighteenth (18<sup>th</sup>) birthday of the Life Insured.

If you would like to change the Class applicable to a Life Insured from Juvenile to an Optimum or Preferred Class, you must also submit a completed non-medical declaration of health for the Life Insured in our standard form, as well as any other medical evidence we might request, and we must approve it. To consider a request for a change to an Optimum or Preferred Class, we may charge a service fee we set from time to time for underwriting expenses in accordance with our administrative rules. We will advise you of the amount of this fee before we process your request.

### **F 8 When your Planned Premiums must be paid**

You can make Premium payments at any time, subject to our administrative rules and the following conditions:

1. The first Premium is due on the Policy Date. If we do not receive your first Premium, or if your first Premium is not honoured, this Policy will not take effect.
2. Planned Premium due dates are determined by your Policy Date and the Premium frequency you requested in your application. Each Planned Premium must be paid on, or before, its due date. The amount of your initial Planned Premium is specified in the Policy Schedule.
3. You may change your Premium frequency on any Premium due date by written request and with our consent. We will accept Premium payments annually, or monthly by pre-authorized withdrawal from a bank account, or by any other payment method we make available at our discretion. We reserve the right to charge an administrative fee when your Premium payment is returned from your bank.
4. If your Premium frequency is monthly, and the day of your monthly pre-authorized Premium withdrawal does not coincide with your Policy's Monthly Processing Day, we may require you to pay an additional Premium in advance of its due date to keep your Policy out of default.



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## F Your Premiums and Cost of Insurance

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### F 9 The amount of your Premium payments

You can make Premium payments in any amount, subject to the following conditions:

1. If the Premium frequency is monthly, the initial Premium must be sufficient to cover the Monthly Deductions for the number of complete or partial Policy months from the Policy Date to the date we receive the initial Premium. If the Premium frequency is annual, the initial Premium must be sufficient to cover the Monthly Deductions for the Policy Year. Subsequent Premiums must be sufficient to cover your Monthly Deductions and to keep your Policy in force, as described in provision **F 10**.
2. You can make additional lump-sum Premium payments in addition to your Planned Premium at any time, subject to a minimum amount of \$500.
3. We may refund all or part of any Premium payment, or allocate all or part of any Premium payment to your Side Account, if that amount would jeopardize the exempt status of your Policy as described in provision **I 1**.

### F 10 The Minimum Premium requirement

Your initial monthly Minimum Premium is specified in the Policy Schedule. Your annual Minimum Premium is the monthly Minimum Premium multiplied by 12. Your monthly Minimum Premium is calculated as:

The monthly Level Target Premium determined by us  
*plus* the monthly Premium for any Riders  
*plus* the monthly Policy Fee  
*divided by* (1 – the applicable Premium Load)

You are required to pay a sufficient number of monthly Minimum Premiums to cover your Monthly Deductions when they are due and to keep your Policy in force. You are not required to pay the monthly Minimum Premium if both of the following conditions are met on any Monthly Processing Day:

- a) The Net Accumulation Value is greater than the current Monthly Deduction; and
- b) The Net Surrender Value is greater than \$0, or the sum of the Premiums you have paid to date, less any indebtedness, withdrawals, and payments of claims under the Disability benefit and Early Death Benefit, is equal to or greater than the sum of the monthly Minimum Premiums due to date.

Your Policy's Accumulation Value varies every day, subject to the terms of provisions **G 2** and **H 1**. If your Policy does not meet either of the preceding conditions on any Monthly Processing Day, we will transfer any existing pre-paid Premium from your Side Account to your Policy up to the maximum allowed while maintaining the tax-exempt status of your Policy. If your Policy then fails to meet either of these conditions, your Policy is in default and your grace period begins. You will then be required to make an additional Premium payment or loan repayment to bring your Policy out of default, as described in provision **F 11**.

### F 11 The grace period for paying your Premiums

If your Policy is in default, we allow a grace period of thirty one (31) days after the last Premium due date for the payment of an amount sufficient to satisfy the conditions described in provision **F 10**. If the amount of any indebtedness exceeds the current Surrender Value or your Premium remains unpaid at the end of the grace period, this Policy automatically terminates.

If and when this Policy terminates due to Premium insufficiency, we will determine the Net Accumulation Value on the day your Policy goes into default. If it is negative, then this amount will be your indebtedness for the purposes of reinstatement as described in provision **F 12**. In any other event, this Policy will lapse without value.

If any Life Insured dies during the grace period, before the Premium is paid, we will deduct the outstanding Premium and any indebtedness from the Death Benefit.

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## **F Your Premiums and Cost of Insurance**

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### **F 12 Reinstating your Policy after it has ended due to non-payment of Premium**

A Policy that has been surrendered for its Surrender Value will not be reinstated. If this Policy terminates due to non-payment of Premium, you may reinstate it subject to the following conditions:

1. You must make a written request for reinstatement and submit it to our office within two (2) years after the end of the grace period.
2. If you are not the Life Insured, every Life Insured who has attained the age of sixteen (16) on the reinstatement date must also sign the written request for reinstatement.
3. At the time you make your written request for reinstatement, every Life Insured must be insurable by our standards. You must submit evidence of insurability and a service fee we set from time to time in accordance with our current administrative rules.
4. You must pay each Minimum Premium from the due date of the first unpaid Minimum Premium to the reinstatement date, plus three (3) additional Minimum Premiums, with interest at a rate we will determine. We reserve the right to change the Class and Risk Classification applicable to each Life Insured to establish his or her future Premiums.
5. You must repay any indebtedness that existed on the day the Policy went into default, as described in provision **F 11**, with interest compounded annually at a rate we will determine.
6. The Coverage Amount, and the benefits provided by any Riders attached to this Policy, will be in the same amount as they were on the date your Policy terminated.
7. If this Policy is reinstated, the two (2) year period for contesting the validity of this Policy and for the suicide exclusion begin anew from the date of reinstatement, as described in provision **B 9** and **C 8**.

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## **G Your Interest Options**

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### **G 1 How we process your Premium payments**

We will deduct the applicable Premium Load from any Premium payment. We will then credit the net Premium amount to your Policy's Accumulation Value in accordance with most recent Premium allocation instructions. You may elect to allocate your net Premiums to one or more of the Interest Options available with this Policy, subject to our administrative rules and the following conditions:

1. You must elect the percentage amount of your future net Premiums that you wish to automatically allocate to your chosen Interest Options, by written request. If you do not specify an Interest Option allocation, we will allocate all your net Premiums to the Daily Interest Option.
2. If you choose to pay a lump-sum Premium in addition to your scheduled Premium payments, you may specify in writing a different Interest Option allocation for that additional Premium. If you do not specify a different Interest Option allocation, we will allocate your net Premiums in accordance with your most recent Premium allocation instructions.
3. The percentage amount allocated to each option cannot be less than 5% of each Premium. We also reserve the right to set a minimum contribution requirement for any Interest Option we make available with this Policy.

### **G 2 How we process transactions affecting the balance of your Interest Options**

We will calculate the daily interest applicable to every Interest Option by multiplying that Option's balance at the end of the previous day by the daily interest rate we determine, subject to the terms of this policy. If the daily interest applicable to any Interest Option is negative, the balance of that account will decrease, resulting in an equivalent reduction in Accumulation Value.

The balance of each Interest Option at any time will be calculated in a manner consistent with the calculation of your Policy's Accumulation Value as described in provision **H 1**, subject to our administrative rules and the following conditions:

1. We will credit any portion of a net Premium payment you have allocated to an Interest Option effective on the Day Received.
2. We will process your request for the Disability Benefit or Early Death Benefit effective on the day we approve your written request for that benefit, or on the following Business Day.
3. We will process your written request to cancel this Policy for its Surrender Value within ten (10) Business Days of the Day Received. We will calculate your Surrender Value effective on the day we process your request.
4. We will process your written request for any other transactions affecting the balance of your Interest Options effective on the Day Received or on the following Business Day, in accordance with our administrative rules. Such transactions may include transferring money from one Interest Option to another, withdrawing money from your Policy's Accumulation Value, or exercising a Policy Loan.
5. We reserve the right to delay the effective date or processing of any Premium payment or transaction affecting the balance of any Interest Option by up to ten (10) Business Days at our discretion. We reserve the right to delay the effective date or processing of any such Premium payment or transaction by more than ten (10) Business Days in the event of an unforeseen closure of financial markets. This right will take precedence over any provision to the contrary in this Policy.

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## **G Your Interest Options**

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### **G 3 The Interest Options available with this Policy**

When you elect an Interest Option under this Policy, you do not acquire an ownership interest in any security, nor are you entitled to any of the rights and privileges enjoyed by the owner of the assets underlying your Interest Options. Any net Premium amount you allocate to an Interest Option under this Policy will be invested in the general funds of RBC Insurance.

The Interest Options available to you at the time this Policy is issued are described in the pages that follow. We may add new Interest Options, or change or discontinue any Interest Option at any time, with the following exceptions:

1. We will make the Daily Interest Option available for the duration of this Policy.
2. We will make the Guaranteed Interest 10-Year Term Option available for the duration of this Policy.
3. We will make available at least three (3) Variable Interest Options: one will be linked to a Canadian equity market, one to a Canadian bond market, and one to an American equity market. The daily management fee for each of these options will not exceed 0.0146%, subject to the terms of provision **G 7**.

However, we reserve the right to discontinue any of the above if any regulation or legislation is enacted which, in our opinion, would cause any of these Interest Options to conflict with the intent of this Policy. In that event, we will advise you of any alternative options we may choose to make available to you.

In the event that we discontinue any Interest Option, we will automatically transfer its balance to the Daily Interest Option, or to another Interest Option we deem an appropriate substitute for the one we discontinued. We will give you written notice of any such transfer. Should we make any fundamental changes to your Interest Options, we will give you an opportunity to elect a transfer of funds to other Interest Options we offer at that time, free of charge. If we make new Interest Options available to you under this Policy, we will notify you of their availability in your annual Policy Statement or by any other means we deem appropriate.

### **G 4 The Daily Interest Option**

We will credit interest to any amount held in the Daily Interest Option, earned and compounded daily at a rate we determine at least once a week. We guarantee that the effective annual interest rate will never be less than the greater of:

- a) 90% of the yield on 1 Month Government of Canada Treasury Bills minus 2.25%, and
- b) 0%.

If the yield on 1 Month Government of Canada Treasury Bills becomes unavailable, we may calculate the interest applicable to the Daily Interest Option using a different basis and guarantee. We may correct the amount of interest credited to the Daily Interest Option if it was based on inaccurate information, at our discretion.

### **G 5 The Guaranteed Interest Options**

At the time this Policy is issued, the following Guaranteed Interest Options are available:

- a) Mid Term Portfolio Option
- b) Long Term Portfolio Option
- c) Guaranteed Interest 1-Year Term Option
- d) Guaranteed Interest 3-Year Term Option
- e) Guaranteed Interest 5-Year Term Option
- f) Guaranteed Interest 10-Year Term Option

We may add new Guaranteed Interest Options, or change or discontinue any Guaranteed Interest Option at any time, subject to the terms of provision **G 3**. If the yield on any of the applicable Government of Canada Bonds becomes unavailable, we may calculate the interest applicable to any Guaranteed Interest Option using a different basis and guarantee. We may correct the amount of interest credited to any Guaranteed Interest Option if it was based on inaccurate information, at our discretion.

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## G Your Interest Options

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### G 5.1 Guaranteed Interest Portfolio Options

We will credit interest to any amount allocated to a Guaranteed Interest Portfolio Option, earned and compounded daily at a rate we determine at least once a week.

For the **Mid Term Portfolio Option**, we guarantee that the effective annual interest rate will never be less than the greater of:

- a) 90% of the weighted average yield-to-maturity of a portfolio of current coupon Government of Canada Bonds with terms to maturity of five years, minus 2.25%, and
- a) 0.00%.

We determine the weighted average yield-to-maturity based on the net cash flows of the applicable Mid Term Portfolio Option from all RBC Universal Life policies over the previous sixty (60) months or since the inception of the Mid Term Portfolio Option, whichever time period is shorter.

For the **Long Term Portfolio Option**, we guarantee that the effective annual interest rate will never be less than the greater of:

- a) 90% of the weighted average yield-to-maturity of a portfolio of current coupon Government of Canada Bonds with terms to maturity of ten years or more, minus 2.25%, and
- a) 0.25%.

We determine the weighted average yield-to-maturity based on the net cash flows of the applicable Long Term Portfolio Option from all RBC Universal Life policies over the previous one hundred and eighty (180) months or since the inception of the Long Term Portfolio Option, whichever time period is shorter.

### G 5.2 Guaranteed Interest Term Options

We will credit interest to any amount allocated to a Guaranteed Interest Term Option, earned and compounded daily at a rate we determine. We will establish the effective annual interest rate applicable to any Premium or transfer amount on the date that amount is credited to this Guaranteed Interest Term Option. On the date it is set for the applicable term, we guarantee that the effective annual interest rate will not be less than the greater of:

- a) 90% of the yield on current coupon Government of Canada Bonds for the corresponding term, minus 2%, and
- b) 0.00% for the 1-Year Term Option, or  
0.00% for the 3-Year Term Option, or  
0.00% for the 5-Year Term Option, or  
0.50% for the 10-Year Term Option.

### G 5.3 Ending or renewing a Guaranteed Interest Term Option

When you elect a Guaranteed Interest Term Option, you may elect to reallocate the balance of such an Option at the end of the guaranteed term, without a transaction fee, to:

- a) Your other Interest Options, in accordance with your most recent Premium allocation instructions; or
- b) A new Guaranteed Interest Term Option of the same duration as the one that just ended. If such an option is not then available, we will allocate the entire balance to a new Guaranteed Interest Option with the next shortest available guaranteed term period.

If you do not provide us with instructions for any such option, we will reallocate its balance at the end of the guaranteed term in accordance with the second option described above.

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## G Your Interest Options

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### G 6 When money is withdrawn from a Guaranteed Interest Option

We may reduce your Policy's Accumulation Value by a Market Value Adjustment if any amount is transferred or withdrawn from any Guaranteed Interest Option. The Market Value Adjustment will not apply to Monthly Deductions or to any benefit payable under this Policy.

The Market Value Adjustment applicable to the Mid Term and Long Term Portfolio Options is an amount not less than \$0, calculated as  $A \times B \times (C - D)$ , where:

- A** is the amount being withdrawn from the Guaranteed Interest Portfolio Option.
- B** is a factor of **2.5** if you are withdrawing money from the Mid Term Portfolio Option, or a factor of **7** if you are withdrawing money from the Long Term Portfolio Option.
- C** is the then current annual yield on current coupon Government of Canada Bonds with terms to maturity equal to the original interest rate guarantee period for the amount being withdrawn.

For the **Mid Term Portfolio Option**, this is deemed to be the Government of Canada benchmark yield for five (5) year bonds.

For the **Long Term Portfolio Option**, this is deemed to be the benchmark yield for Government of Canada Bonds with terms to maturity of ten (10) years or more.

- D** is the annual yield, at the time the interest rate was set, on current coupon Government of Canada Bonds with terms to maturity equal to the original interest rate guarantee period for the amount to be withdrawn.

For the **Mid Term Portfolio Option**, this is deemed to be the average yield on five (5) year Government of Canada Bonds over the previous sixty (60) months or since the inception of the Mid Term Portfolio Option, whichever time period is shorter.

For the **Long Term Portfolio Option**, this is deemed to be the average yield for Government of Canada Bonds with terms to maturity of ten (10) years or more, over the previous one hundred and eighty (180) months or since the inception of the Long Term Portfolio Option, whichever time period is shorter.

The Market Value Adjustment applicable to the Guaranteed Interest Term Options is an amount not less than \$0, calculated as  $A \times B \times (C - D)$ , where:

- A** is the amount being withdrawn from the Guaranteed Interest Term Option.
- B** is the number of complete months remaining at the time the adjustment is made until the end of the term of the Guaranteed Interest Term Option, divided by 12.
- C** is the interest rate we then guarantee for a new Guaranteed Interest Term Option with a term equal to the complete number of months remaining at the time the adjustment is made as calculated in **B** above. If we do not then offer an option with a term equal to the complete number of months remaining at the time the adjustment is made, we will use the interest rate applicable to the Guaranteed Interest Term Option with the next highest term we then offer, or the interest rate applicable to the Guaranteed Interest Term Option with the highest term we then offer if there is no higher term.
- D** is the effective annual interest rate we established for the amount being withdrawn at the time that amount was credited to the Guaranteed Interest Term Option.

Should we make any other Guaranteed Interest Options available to you in the future, they will also be subject to a Market Value Adjustment, the calculation of which we will determine at that time.

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## G Your Interest Options

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### G 7 Your Variable Interest Options

We will credit interest to any amount held in any Variable Interest Option, earned and compounded daily at a rate we determine every Valuation Day. We determine the interest rate applicable to any Variable Interest Option based on the performance of one or several recognized indices or investment funds we have designated as appropriate for that option.

For the purposes of a Variable Interest Index Option, the Valuation Day is any Business Day when a closing value for that option's designated index has been published.

For the purposes of a Variable Interest Fund Option, the Valuation Day is any Business Day when the principal office of the fund manager and the primary exchange for the major investments of that fund are open for business, and a closing value for that option's designated fund has been published.

The providers of the designated indices and funds underlying any Variable Interest Option under this Policy do not sponsor, endorse, or promote this life insurance plan. We make no warranty or representation regarding the performance of any such designated index or fund, nor do we warrant the accuracy of the information we have obtained regarding the current value of any designated index or fund. We may correct the amount of interest credited to any Variable Interest Option if it was based on inaccurate information, at our discretion.

#### G 7.1 How we calculate the interest rate applicable to a Variable Interest Option

The interest rate applicable to any Variable Interest Option is not guaranteed. It will increase or decrease based on the Canadian dollar value of its designated index or fund. If any Variable Interest Option is based on a designated index or fund with a foreign component, the interest rate applicable to that option may also increase or decrease based on the value of the Canadian dollar relative to the value of any applicable foreign currency.

The interest rate applicable to a Variable Interest Option on any Valuation Day is calculated as  $[(A - B) / B] - C$ , where:

- A** is the Canadian dollar value of the designated index or investment fund on that Valuation Day
- B** is the Canadian dollar value of the designated index or investment fund on the preceding Valuation Day
- C** is the applicable daily management fee

#### G 7.2 Variable Interest Index Options

At the time this Policy is issued, the following Variable Interest Index Options are available. We reserve the right to change or discontinue any Variable Interest Index Option at any time without prior notice, subject to the terms of provision **G 3**. If we change the designated index underlying any Variable Interest Index Option, we may also change the daily management fee associated with that option.

Variable Interest Index Option	Current designated index	Daily management fee
Canadian Equity	S&P/TX 60 Total Return Index	0.0125%
Canadian Financial	S&P/TSX Capped Financials Index	0.0142%
Canadian Energy	S&P/TSX Capped Energy Index	0.0152%
American Equity	Standard and Poor's 500 Total Return Index	0.0146%
European Equity	Standard and Poor's Europe 350 Total Return Index	0.0152%

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## **G Your Interest Options**

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### **G 7.3 Variable Interest Fund Options**

You may obtain current information concerning the availability, composition and historical returns of the designated funds underlying your Variable Interest Fund Options by contacting us or your Insurance Advisor. Contact information is listed on the front page of this Policy and in your annual Policy Statement. We reserve the right to change any designated fund at any time without prior notice, subject to the terms of provision **G 3**.

In addition to our daily management fees, the designated funds underlying your Variable Interest Fund Options may also charge investment expenses, commonly known as the Management Expense Ratio (MER). You do not pay these expenses directly, as they are already reflected in the designated funds' net asset value. We may change our daily management fee for any Variable Interest Managed Fund Option without notice, once per calendar year, if the investment expenses associated with any designated fund change.

### **G 8 Changing your Interest Option allocation**

You may elect any of the following transactions by written request. These transactions will be processed on the Day Received or on the following Business Day, subject to the terms of provision **G 2**:

- a) You may change the Interest Options to which your future net Premiums will be automatically allocated.
- b) You may change the percentage amount of your future net Premiums that will be automatically allocated to the Interest Options you have elected.
- c) You may transfer all or part of the balance of an existing Interest Option to other Interest Options we make available under this Policy.

Your election of any of these transactions will be subject to our administrative rules and to the following conditions:

1. You may request any combination of these transactions up to four (4) times per Policy Year, free of charge. If the number of requests for any such combination of transactions would exceed the four (4) requests allowed in any Policy Year, we may deduct a fee from your Policy's Accumulation Value, and may also limit the number and amounts of such transactions within any time period. We reserve the right to change the amount of our transaction fee without notice.
2. Any amount transferred from a Guaranteed Interest Option during a guarantee period, may be reduced by a Market Value Adjustment as described in provision **G 6**.
3. We reserve the right to transfer all or part of the balance of any Interest Option to your Collateral Interest Account when necessary to satisfy the requirements of provision **H 5**.

### **G 9 Bonus Interest**

We will credit bonus interest to your Policy's Accumulation Value so long as this Policy is in force. Subject to our administrative rules, bonus interest is calculated at an effective annual rate of 1.5% of the policy's Accumulation Value. It is earned and credited on every Monthly Processing Day to each of your Interest Options and your Collateral Interest Account.



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# H Your Policy's Accumulation Value

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## H 1 How we calculate the Accumulation Value

The Accumulation Value is the sum of the value of your individual Interest Options and Collateral Interest Account at any given time. As the value of your Interest Options varies every day, so will your Policy's Accumulation Value, subject to the terms of provision **G 2**.

On every Monthly Processing Day, we will calculate your Policy's Accumulation Value as described here, minus your Monthly Deduction as described in provision **F 3**. On every day other than the Monthly Processing Day, we will calculate the Accumulation Value as:

	The Accumulation Value on the previous Monthly Processing Day
<i>plus</i>	any net Premiums since paid into your Policy
<i>plus</i>	positive or negative interest since applied to your Interest Options
<i>plus</i>	interest since applied to your Collateral Interest Account
<i>minus</i>	any withdrawals since made from your Policy
<i>minus</i>	any Market Value Adjustment since applied
<i>minus</i>	any partial Surrender Charge since applied
<i>minus</i>	any Disability Benefit or Early Death Benefit since paid

## H 2 Withdrawing money from the Accumulation Value

You may withdraw money from your Policy's Accumulation Value at any time, by written request, subject to the following conditions and our administrative rules:

1. We will process your request in accordance with the terms of provisions **H 3** and **G 2**.
2. The minimum withdrawal allowed is \$500. The maximum withdrawal amount is calculated as **A – (B + C)** where:
  - A** is the Net Surrender Value
  - B** is equal to any applicable Market Value Adjustments
  - C** is the sum of three (3) Monthly Deductions
3. If your Death Benefit Option is Level Protection, your requested withdrawal will be subject to the terms and conditions set out in provision **H 4**.

## H 3 The order of withdrawal

Unless you direct us otherwise in your written request for a withdrawal, we will process any withdrawal from your Interest Options in the following order until the required amount has been withdrawn:

1. We will first reduce the balance of the Daily Interest Option.
2. We will then reduce the balance of any Variable Interest Options proportionately based on the balance in each Option.
3. We will then reduce the balance of any Guaranteed Interest Options sequentially, starting with the Term Option with the shortest remaining term and ending with the Term Option with the longest remaining term. We will then reduce the balance of the Mid Term Portfolio Option, and then the Long Term Portfolio Option. We may apply a Market Value Adjustment to any withdrawal from a Guaranteed Interest Option, as described in provision **G 6**.

We reserve the right to change the order of withdrawal at any time, in accordance with our administrative rules.

You may not choose a different order of withdrawal than the one we specify in our administrative rules, for the payment of the Disability Benefit, the Early Death Benefit, or under any other circumstance where we choose to waive the applicable Market Value Adjustment.

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## H Your Policy's Accumulation Value

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### H 4 Reducing the Accumulation Value under the Level Protection option

If your Death Benefit Option is Level Protection, your Death Benefit is equal to the greater of the Coverage Amount and the Accumulation Value as described in provision **C 4**. Consequently, any requested withdrawal or Policy option that reduces your Policy's Accumulation Value under a Level Protection Death Benefit Option will be subject to the following conditions. Such Policy options include the Disability Benefit and the Early Death Benefit described in provisions **D 3** and **E 1** respectively.

1. We will reduce your Coverage Amount by the amount of your requested withdrawal or Policy option, effective on the same day. We will adjust your Minimum Premium and your Monthly Deduction accordingly. If applicable, we may also reduce the Maximum Insurance Amount specified in the Policy Schedule.
2. We may reduce the amount of your withdrawal or Policy option by the amount of a partial Surrender Charge, as described in provision **H 6**. After the Surrender Charge is collected, the Surrender Charges applicable to the new Coverage Amount will be reduced.
3. We may limit the amount of any withdrawal or Policy option to ensure that the remaining Coverage Amount is not less than the minimum specified in our administrative rules.
4. Your Cost of Insurance rate is guaranteed based in part on the Coverage Amount and the Class applicable to the Life or Lives Insured. When we decrease your Coverage Amount, we may increase your Cost of Insurance rate as described in provision **F 1**. If your Coverage Amount decreases to less than \$250,000, the Class applicable to your Cost of Insurance rate will be the Standard Class applicable to every Life Insured. We will not increase your Cost of Insurance rate if we withdraw money from your Policy's Accumulation Value to maintain the tax exempt status of your Policy, as described in provision **I 1**.
5. The Coverage Amount decrease will be monitored to ensure that the tax-exempt status of the Policy is maintained. We may also withdraw money from your Collateral Interest Account and apply that amount as a loan repayment without prior notice, as described in provision **H 5**.

### H 5 Borrowing money from the Accumulation Value

You may request a Policy Loan against your Policy's Accumulation Value at any time, subject to our administrative rules and the following conditions:

1. The loan amount will be transferred from your Interest Options to a Collateral Interest Account in accordance with the terms of provision **G 2**. We reserve the right to automatically transfer amounts from your Interest Options to the Collateral Interest Account at any time the balance of that account is insufficient to cover any loan indebtedness. We may also process a loan repayment from your Collateral Interest Account without prior notice to maintain the tax-exempt status of your policy. If your Death Benefit Option is Level Protection, such a repayment will be subject to the terms and conditions set out in provision **H 4**.
2. We will process any transfer from your Interest Options to the Collateral Interest Account in accordance with the terms of provision **H 3**. Transfer fees will not be charged on any amounts automatically transferred, but a Market Value Adjustment may apply as described in provision **G 6**.
3. Monthly Deductions will not be processed from the Collateral Interest Account, and any amount held in the Collateral Interest Account cannot be transferred, surrendered, or otherwise paid out to you or any Beneficiary until the loan is repaid. However, you may, by written request, allocate any amount held in the Collateral Interest Account as a loan repayment. If your Death Benefit Option is Level Protection, such a repayment will be subject to the terms and conditions set out in provision **H 4**.
4. You can make loan repayments at any time while this Policy is in force, subject to a minimum repayment amount under our administrative rules. To avoid any such payment being treated as an additional Premium, you must identify every loan repayment to us. If you have multiple loans, we will apply your loan repayment to the loan with the highest interest rate first, and then to the most recent loan taken, unless you direct us otherwise.
5. We will transfer from your Collateral Interest Account to your Policy's Accumulation Value an amount equal to any loan repayment less the difference between the accrued loan interest amount and the interest credited to the Collateral Interest Account in that Policy Year. We will process this transfer in accordance with your most recent Premium allocation instructions.

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## H Your Policy's Accumulation Value

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6. On every Policy Anniversary, you are required to pay the loan interest accrued since the last Policy Anniversary. If you do not pay loan interest when it is due, we will process a new Policy Loan on the same terms and conditions as the existing Policy Loan, and use the proceeds to pay the outstanding loan interest.
7. If your Policy's Net Accumulation Value becomes insufficient to pay your Monthly Deduction on any Monthly Processing Day, your Policy is in default and your grace period begins as described in provision **F 10**.
8. We reserve the right to limit the maximum loan amount described under provision **H 5.1**, at our discretion, if that amount would jeopardize the Policy's tax exempt status.

### H 5.1 The Variable Interest Policy Loan

You may request a Variable Interest Policy Loan subject to the following conditions:

1. The minimum Variable Interest Loan amount is \$500.
2. The maximum Variable Interest Loan amount is calculated as  $A - (B + C + D)$  where:
  - A** is 90 % of the Surrender Value
  - B** is equal to any outstanding indebtedness immediately prior to the request
  - C** is equal to any applicable Market Value Adjustments
  - D** is the sum of three (3) Monthly Deductions
3. We will establish the applicable variable loan interest rate from time to time.
4. We will credit interest to the Collateral Interest Account. The annual interest credited for a Variable Interest Policy Loan will be at a rate that is 3.5% lower than the applicable loan interest rate.

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# H Your Policy's Accumulation Value

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## H 6 Charges we may apply to the Accumulation Value

### H 6.1 When you cancel your Policy

If you cancel your Policy during the period specified in the following table of Surrender Charge Factors, your Policy's Net Accumulation Value will be reduced by a Surrender Charge equal to the lesser of:

- a) The Net Accumulation Value; and
- b) Your annual Minimum Premium, excluding the Premium for any Riders, multiplied by the applicable Surrender Charge Factor:

Coverage Year	Surrender Charge Factor if your Cost of Insurance Option is	
	Annually Increasing	Level to 100
1	2.5	2.25
2	4.5	2.25
3, 4 and 5	5	2.25
6	4	2.25
7	1.5	2.25
8 and 9	0	2.25

The dollar amount of applicable Surrender Charges is specified in the Policy Schedule. If you request an increase to your Coverage Amount and we approve it, the Surrender Charge Factors shown here will apply to the additional Coverage as of its Coverage Date.

Applicable Surrender Charges will be recalculated if you request a Policy change that results in a change to your Minimum Premium, excluding:

- a) The addition or cancellation of any Riders;
- b) A Coverage Amount decrease under the terms of provision **I 2**; and
- c) A change to your Cost of Insurance Option as described in provision **F 6**. The Surrender Charges applicable under the Annually Increasing Cost of Insurance Option will continue to apply after the change.

### H 6.2 When you reduce your Coverage Amount

We will reduce your Policy's Accumulation Value by the amount of a partial Surrender Charge if you exercise any of the following Policy options while Surrender Charges are applicable to this Policy:

1. You reduce your Coverage Amount, as described in provision **C 3**. A partial Surrender Charge does not apply to any Coverage Amount decrease as a result of tax exemption maintenance, as described in provision **I 2**.
2. Your Death Benefit Option is Level Protection and you make a withdrawal from your Policy's Accumulation Value, as described under provision **H 4**.

When it is applicable, the partial Surrender Charge is calculated as **A x (B / C)** where:

- A** is the full Surrender Charge amount applicable to the Coverage being reduced, as described in provision **H 6.1 b)**
- B** is the amount of your Coverage Amount decrease
- C** is your Coverage Amount prior to the decrease

We will not apply a partial Surrender Charge to any payment of the Early Death Benefit or Disability Benefit described in provisions **D 3** and **E 1** respectively, or any transfer of funds from your Policy to your Side Account under the terms of provision **I 1**.

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# **I Maintaining the tax exempt status of your Policy**

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## **I 1 How we maintain the tax exempt status of your Policy**

So long as the provisions and regulations of the Income Tax Act allow this Policy to remain exempt from accrual taxation, we may make adjustments to your Policy to maintain its exempt status subject to the terms and provisions of this Policy and our administrative rules. We reserve the right to refuse any requested transaction that would jeopardize the Policy's exempt status unless we can also make an appropriate adjustment to maintain its status.

We will review the status of your Policy at every Policy Anniversary. If we determine that your Policy would otherwise fail to maintain its exempt status on any Policy Anniversary, we will make one or more of the following adjustments without prior notice:

1. We may increase the Coverage Amount by an amount we will determine, subject to the terms of provision **I 2**.
2. We may transfer funds from your Policy's Accumulation Value to your Side Account, subject to the terms and conditions of Appendix A. Any transfer of funds from your Policy will be made in accordance with the terms of provision **H 3**.
3. We may withdraw money from your Collateral Interest Account and apply that amount as a loan repayment, as described in provision **H 5**.

## **I 2 Your Tax Exemption Maintenance Options**

You have elected one of the following tax-exemption maintenance options, as specified in the Policy Schedule. Your chosen tax-exemption maintenance option is effective on the Policy Date.

### **I 2.1 No Coverage Amount Increases**

If you have elected this option, we will not increase your Coverage Amount to maintain your Policy's exempt status. We may make other adjustments to maintain your Policy's exempt status as described in provision **I 1**.

### **I 2.2 Automatic Coverage Amount Increases**

If you have elected this option, we will increase your Coverage Amount by an amount we determine to maintain your Policy's exempt status, if and when necessary at any Policy Anniversary, subject to our administrative rules and the following conditions:

1. The Automatic Increase does not require evidence of insurability or any action on your part. By electing this option you consent to any Automatic Increase we make in accordance with the terms and conditions of this provision.
2. The amount of every Automatic Increase is determined by us, subject to the provisions of the Income Tax Act and our administrative rules.
3. Your Coverage Amount plus the accumulated Automatic Increases to your Coverage Amount under this provision cannot exceed the Maximum Insurance Amount specified in the Policy Schedule.
4. When we automatically increase your Coverage Amount, your Monthly Deduction will increase in accordance with the increase in Insurance Amount. The Cost of Insurance rate structure applicable to the amount of the increase will be Annually Increasing, regardless of your chosen Cost of Insurance Option, and will be calculated based on the Attained Age and Class of the Life or Lives Insured. Your Minimum Premium will not increase, and no Surrender Charges are applicable to the amount of the Automatic Increase.
5. If at any Policy Anniversary we determine that the amount of a previous Automatic Increase is no longer required to maintain the exempt status of your Policy, we will automatically reduce your Coverage Amount by an amount determined by us in accordance with our administrative rules. Your Monthly Deduction will decrease accordingly.
6. We will advise you of the amount of any Automatic Increase we make to your Coverage Amount in your annual Policy Statement, or by any other means we deem appropriate. You may decline this Automatic Increase by written request within thirty (30) days of the date your Policy Statement. If you decline any Automatic Increase, we will change your Tax Exemption Maintenance Option to the No Automatic Increases option.

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# I Maintaining the tax exempt status of your Policy

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## I 2.3 Wealth Accumulation

This option is only available in combination with an Annually Increasing Cost of Insurance Option. Its purpose is to ultimately decrease the Coverage Amount of your Policy below the initial Coverage Amount in order to reduce your Cost of Insurance deductions and promote the growth of your Policy's Accumulation Value while maintaining the exempt status of your Policy.

If you have elected this option, we will increase and decrease your Coverage Amount by an amount we will determine to maintain your Policy's exempt status, if and when necessary at any Policy Anniversary, subject to our administrative rules and the following conditions:

1. By electing this option you consent to Automatic Coverage Amount Increases, subject to the terms of provision **I 2.2**.
2. While this option is in effect, we will determine if and when it is possible to decrease your Coverage Amount below the initial Coverage Amount on each successive Policy Anniversary, starting no sooner than the later of:
  - a) The fifth (5<sup>th</sup>) Policy Anniversary; and
  - b) The end of the Policy Year you specify, which should coincide with or be later than the end of your chosen Premium paying period.
3. The maximum annual decrease is calculated as a percentage of the Death Benefit on the previous Policy Anniversary. We will not decrease your Coverage Amount by more than the maximum annual decrease percentage (%) you have specified in your application, unless you direct us otherwise by written request. If you do not specify a maximum annual decrease percentage (%), we will decrease your Coverage Amount by the maximum annual decrease available on each successive Policy Anniversary.
4. We will not decrease your Coverage Amount below the minimum Coverage Amount specified in the Policy Schedule unless you direct us otherwise by written request.
5. When we decrease your Coverage Amount below the initial Coverage Amount, your Monthly Deduction and Minimum Premium will decrease in accordance with the decrease in Insurance Amount. However, any applicable Surrender Charges will continue to be calculated based on the Minimum Premium in effect prior to the decrease.
6. Once we have decreased your Coverage Amount under the terms of this Wealth Accumulation option we will not increase your Coverage Amount except as provided under the terms of provisions **C 3.1** and **I 2.2**.

## I 3 Changing your Tax Exemption Maintenance Option

You may change your tax-exemption maintenance option by written request at any time, subject to our approval, our administrative rules and the following conditions:

1. Any change you request to your Tax Exemption Maintenance Option will not terminate any Coverage Amount increase or decrease we have previously made, except as provided under the terms and conditions of this Policy.
2. If your Tax Exemption Maintenance Option is No Automatic Increases, you may change your option upon written request subject to evidence of insurability satisfactory to us.

## I 4 Income tax reporting

Any transaction processed under the terms of this Policy is subject to tax legislation in effect at that time. While we make every effort to maintain this Policy as a Policy exempt from accrual taxation, we will inform you of any amount you are required to include in your income for tax purposes. Under current income tax provisions this may occur as a result of a partial or total disposition of your Policy, including but not limited to:

- a) A change of ownership of your Policy, as described in provision **B 5**;
- b) A full or partial surrender of your Policy, as described in provision **B 6**;
- c) Exchanging this Policy for one or several other Policies, as described in provision **D 5**;
- d) A withdrawal from your Policy's Accumulation Value, as described in provision **H 2**; and
- e) A transfer of an amount from your Policy's Accumulation Value to your Side Account to maintain the exempt status of your Policy, as described in provision **I 1**.

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## Appendix A – The Side Account

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### AA 1 Your Side Account is separate from your Policy

Your Side Account provisionally holds funds that cannot be held within your Policy while maintaining its status as a Policy exempt from accrual taxation. It is not considered an Interest Option under your Policy and does not form part of the Policy's Death Benefit, Accumulation Value or Surrender Value.

We will credit interest to any amount held in the Side Account, earned and compounded daily at a rate we determine from time to time. As the Side Account is held outside your Policy, any interest earned on monies held in the Side Account is taxable. We will inform you of any amount you are required to include in your income for tax purposes.

If you transfer ownership of your Policy or assign your Policy as a security for a loan, we will consider that assignment to exclude your Side Account unless the assignment documents explicitly include it in the assignment. However, you may not collaterally or absolutely assign the Side Account without assigning your Policy.

We reserve the right to make changes to your Side Account to comply with any applicable legislative or regulatory requirements. No agent or person other than an officer of RBC Life Insurance Company can modify the terms and conditions governing the Side Account. Any such modification must be clearly expressed in writing and signed by two of our officers.

### AA 2 When we allocate money to the Side Account

Subject to the terms and conditions of Policy **Section I**, we will automatically allocate money to your Side Account, without your prior consent, under the following circumstances:

1. We may allocate all or part of any Premium payment to your Side Account if that amount would jeopardize the exempt status of your Policy. The Premium Load does not apply to any amount credited to your Side Account.
2. We may withdraw money from your Policy's Accumulation Value, using the order of withdrawal described in Policy provision **H 3**, and deposit that amount to the Side Account if we determine that your Policy would otherwise fail to maintain its exempt status on any Policy Anniversary.

### AA 3 When we allocate money from the Side Account to your Policy

We will automatically withdraw money from your Side Account and deposit that amount to your Policy, without your prior consent, under the following circumstances:

1. If at any Policy Anniversary we determine that you can contribute additional Premium to your Policy while maintaining its exempt status.
2. If your Policy does not meet its Minimum Premium requirement on any Monthly Processing Day, as described in Policy provision **F 10**.

Any such deposit will be treated as a Premium payment, as described in Policy provision **G 1**.

### AA 4 Withdrawing money from your Side Account

You may withdraw money from your Side Account at any time, by written request, subject to our administrative rules and the following conditions:

1. The minimum withdrawal allowed is the lesser of the balance of the Side Account and \$500. The maximum withdrawal allowed is the balance of the Side Account.
2. We will process one withdrawal from your Side Account per Policy Year, free of charge. For any additional withdrawals in any Policy Year, we may charge a transaction fee, set by us from time to time.

### AA 5 Termination of your Side Account

Your Side Account terminates when your insurance under your Policy ends, as described in Policy provision **C 2**. On termination, we will pay the balance of the Side Account to you, or to your estate, or to any assignee as applicable.

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## Provincial amendments

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This policy contract is amended by adding the following provisions:

### **Limitation of Actions:**

Every action or proceeding against an insurer for the recovery of insurance money payable under the contract is absolutely barred unless commenced within the time set out in the Insurance Act (for actions or proceedings governed by the laws of Alberta and British Columbia), The Insurance Act (for actions or proceedings governed by the laws of Manitoba), the *Limitations Act*, 2002 (for actions or proceedings governed by the laws of Ontario), or in other applicable legislation in your province of residence. For those actions or proceedings governed by the laws of Quebec, the prescriptive period is set out in the Quebec Civil Code.

### **Beneficiary restrictions:**

Your policy contains a provision restricting or removing your right to designate a beneficiary to receive any insurance money payable under the contract if,

- this coverage was purchased over the telephone\*;
- this coverage was purchased on-line\*;
- a Child Term Rider was or will be added to the policy contract;
- this coverage is a Critical Illness policy which contains a Return of Premium rider;
- this coverage is a Disability Buy/Sell Insurance policy;
- this coverage is a Key Person Disability Insurance policy;
- this coverage is a Retirement Protector Insurance policy; or
- this coverage includes a Retirement Protector Rider.

*\*You can designate a beneficiary or beneficiaries of your choice without restriction once your policy has been delivered to you by completing a Beneficiary Change form.*

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## Policy Package Contents

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Date: 2016-04-22

Time: 09:06:12.085069

Policy No.: TRF-2D Requestor I.D.: 853957983

Plan Code: U110YU Version Date: 05.2013  
RBC Universal Life with Bonus  
Interest

### Forms Inventory

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CLI_F_CB_COVERPAGE_E	Contract Cover Page
CLI_F_PS_POLSCHUL_E	Policy Schedule
CLI_F_CB_ULBONUS_E	RBC UL with Bonus Interest Contract body
CLI_F_AM_PROVLEGIS_E	PROVINCIAL AMENDMENT
Policy Package Contents	Policy Package Contents

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