Questions & Answers (Possible questions from clients)

FOR AGENTS ONLY

State Farm Back Book Universal Life T100 Cost Levelling Offer

1 **Why the premium/insurance cost change?**

The clients premium and cost of insurance will change if they take advantage of the cost levelling offer because we are guaranteeing the cost of insurance until age 100. In most cases this will result in a higher annual cost of insurance, but these costs will remain the same for the duration of the policy allowing for better certainty of premiums moving forward rather than an increasing cost each year.

However, at age 100 and older, the cost of insurance portion of the premium will stop but the premium (policyowner's recurring deposit) continues to be paid (without amount change) until any notification from the client/agent. Also, the policy is still considered a universal life policy and therefore will continue to grow cash values (as the interest rates are still being credited) and the ability to overcontribute will still be possible when clients go to T100 (partially or fully).

2 **Could the premium go up again in the coming years? What should be expected? Does the maximum contribution amount change?**

The cost of insurance for the duration of the policy will be fixed if the client takes advantage of the cost levelling offer however this does not mean that the annual premium may not change over time. There can be other factors that would impact the total premium paid on an annual basis such as the repayment of a policy loan with interest.

The maximum annual contribution amount does not change if the client chooses to level all or part of their coverage amount. This amount can be viewed in the Portfolio Details under Financial Value Details within Webi for the specific policy.

3 **What will happen to the accumulated fund?**

There will be no changes to the accumulated fund or the guaranteed rate of return as per the policy terms.

4 **Why is this offer happening now?**

Many of the policies in force within the State Farm Back Book Universal Life portfolio were offered during a higher interest rate environment and clients had more information available to monitor the performance of their policies with their Agents on an annual basis. The dynamic of a one-year renewable universal life policy requires continuous client interaction to best manage. It is important that our clients understand their life insurance and the ongoing evolution of their needs. This offer represents the commitment from Desjardins to ensure we exceed our client expectations, and we provide simple solutions.

5 **Does this offer apply retroactively?**

No, this offer will only be effective March 1, 2022, moving forward. Clients will be able to take advantage up until age 75, inclusively.

6 **Can all or part of the coverage be leveled? What about additional coverage purchased through GIO(s)?**

Clients will be able to level all or portions of their coverage including additional coverage purchased by Guaranteed Insurability Options (GIO). Moreover, to be able to exercise the GIO as a T100 coverage, all or some of the base policy/policies need to be previously leveled (T1 to T100).

7 **Who is eligible for the offer? Is it needed to fill out an insurability/medical questionnaire?**

All clients aged 75 or under are eligible. Moreover, no evidence of insurability, questionnaire or medical information is required. Clients will be rated based on the factors currently on their existing insurance such as age, sex, smoker status and any existing rating factors.

8 **How long will this offer be available? Until what age is the offer a good option?**

The offer will expire once the client reaches age 76, after which in most cases this offer is not advantageous to the client.

9	**Will the levelling be in the same contract? Will a new copy of the policy/contract be received?** Yes, the same policy will be leveraged for the offer and there will be no tax implications to the client. Once we have processed the request, we will send your agent the copy of the signed amendment and the new policy schedule that he/she will have to give you to attach to your initial contract. Also, the agent will find these documents in "Client documents'' on Webi.
10	**What are the main benefits?** Guaranteed cost of insurance, permanent life insurance and no evidence of insurability are the main advantages of the offer for our clients. There are also no tax implications for any clients who take advantage as we maintain the same policy in force.
11	**Is it possible an illustration is not available in "Client Documents'' for an eligible client in the current batch illustrations?** For eligible clients, please note it could be possible that no illustration in batch is produced given some exclusions. You can send a request to the illustrations team. For your information, here is a list of the situations for which the illustrations are not automatically produced: - The policy includes more than 10 life insurance coverage in force - The insurance costs are waived - The policy is currently underfunded and will lapse before the upcoming renewal date - The policy holds a transitory account - There is a loan on the policy - The policyowner has passed away - The benefit is payable on the second death and one of the insured has passed away - Policies on which a special offer has been made in the past
12	**How can I identify State Farm Universal Life back book policies in Documentum?** See the Life Book of Business reports available in Documentum to obtain a list of your policies by choosing **UL-Assurance Only** in the **E-Insurance Type** column. This report, produced with your agent code, is updated monthly. For universal life insurance policies: Use column "E–Insurance Type" and select "UL–Assurance Only". To better support your clients and ensure sound policy management, starting in September 2024, 3 new columns will be added to your report:

Column*	Title	Function
AG**	Illustration Date	Lets you know when the illustration was last produced
AH	Periodic deposit used for projection	Shows the client's most recent deposit on which the illustration is produced i.e. Even if the last deposit was made 3 years ago, this is the deposit that will be used in the illustration
AI***	Policy at Risk (Year)	Indicates the year in which the policy will lapse based on the current value and the periodic deposit used in the illustration

*The data in these columns are updated after each batch of illustrations, based on the information from the current T1 illustration scenario.
**If column AG is blank, that means no batch illustration were produced for this client. See note above about emailing the Actuarial Mailbox for your illustration needs.
***If column AI is blank, that means the policy is in an overfunded status.

13	**Which type of UL coverages are eligible (e.g., Term to 95, Term to 85)?** For the Term to 95 years old coverages (which are older series), they are available to the UL T100 offer and the costs would have to be paid until 100 years old. This is a big advantage since the current coverage expires at 95 years old, where only the accumulated fund would be paid out. Moreover, for the coverages for additional insureds, they are not available for the UL T100 offer because those are temporary products until 85 years old.
14	**Can the client take advantage of this offer any time?** The offer can be exercised after the first policy anniversary following March 1, 2022 any time until the client reaches age 76.

15	**What happens to the Account Values when the cost leveling is applied?** The Account Values remain within the policy and can continue to be leveraged at the client's discretion based on the provisions of the contract. The cost leveling offer will not limit how Account Values can accumulate, be loaned or taken out. In the batch illustrations provided, the Account Values is being used to offset cost of insurance until age 100.
16	**Now a smoker or a non-smoker, what happens to the policy and what does it change when accepting this offer (who is eligible, etc.)?** Evidence of insurability is not required to take advantage of the cost leveling offer with the current policy rates. If the client is now a non-smoker you can request this to be changed separately. Should the client's health, behaviours and/or occupation changed for the worse since the original application we will not adjust the current rating so long as when they originally applied for insurance, they did not misrepresent their situation.
17	**Can Waiver of Cost for Disability be removed to reduce the premium?** Yes, this will need to be reviewed with the client and they will need to understand the differences.
18	**If the insured is currently disabled and the policy is being paid by Waiver of Premium for Disability (WPD), are they able to take advantage of the cost leveling offer?** Yes, in this scenario the WPD rider would cover all the increased costs for the cost leveling. If the client's health changes in the future, they will need to begin paying at that time.
19	**Why is an increasing death benefit the only option available when leveling the cost? Why does the total death benefit decreases when switching to an increasing death benefit option? How can I explain this to a client?** Among the product features of the T100, only the Increasing Death Benefit Option is offered. This is consistent with all other T100 products that we offer. When we change the Death Benefit from Level to Increasing, we lock-in the coverage amount based on the Total Death Benefit minus Account Value. This represents the amount of risk we are insuring at the time of the change. The Total Death Benefit will still be maintained however as the Account Values change so will the Total Death Benefit as it is always added to this now fixed coverage amount. If the expectation is to continue to have a specific Total Death Benefit (above or similar to the Level option), a different scenario will need to be requested as the current batch scenarios utilize all of the Account Values to reach age 100, which will slowly decrease the Total Death Benefit.
20	**Why is the batch illustration not available for my client? Are they not eligible for the cost leveling offer? What if there is an existing policy loan?** All clients under age 76 are eligible for the offer and it only expires when they reach this age. Batch illustrations were able to be produced automatically by the system for a majority of situations however some illustration situations could not be automatically produced. This does not mean the client cannot take advantage of the offer. If this is the situation, please reach out to the illustrations mailbox (Expertise_Portefeuille_Backbook@dsf.ca) to request illustrations that will meet your needs. The majority of situations for which batch illustrations are produced are: 1. If the client makes no changes and does not take advantage of this offer (T1). 2. If the policy stays in T1 (current policy status), the minimum deposit required to keep the policy in force until the age 100 or 95 depending on the policy type, without the T100 conversion. 3. Levelling of costs (to T100) at the insured next birthday using the Account Value to offset premiums. Policies with policy loans are eligible for the cost leveling offer however batch illustrations were not possible for these situations, a manual illustration(s) will need to be requested. A loan repayment is not required to take advantage of the offer either.

21	**What documents are required to complete the offer, and is it possible to leverage remote signature options (e.g. OneSpan)?** You are required to complete a signed Request for Change Without Evidence – 09219E (for a UL T100 only, sections A, B, C, H, I, J and L have to be filled), Pre-Autorized Debit (PAD) Agreement – 09312E and contract amendment form. If the requested deposit does not match the illustrations provided, you will need to request an updated copy and also include it within your email for change request (using DFS email template and make sure to indicate the policy number and attach the required documents). OneSpan remote signature can be used to complete all of these required forms with the client.
22	**Can Universal Life policy be converted to another policy type? How about GIO(s)?** The State Farm Back Book Universal Life policies are not eligible for policy conversion however GIOs are eligible to be exercised to any type of permanent product available for conversion.
23	**Do we still have flexibility of deposit amounts, loans and GIOs?** Of course! The policy is still considered a Universal Life policy and the client can continue to take advantage of their Account Value within the policy provisions outlined in the contract. This also means that the client can overcontribute tax-free up to an annual maximum if they wish to more rapidly grow Account Values and/or take out a policy loan.
24	**What happens when the client reaches age 100 when the cost of insurance is leveled?** When a client reaches age 100 the cost of insurance will be adjusted to $0 however there likely will remain nominal policy and deposit fees that will need to be maintained. We will continue to take the regular policy deposit and a majority of the amount will accumulate within the Account Value and generate interest. Should the client wish to decrease or stop paying for the policy they can do so however we will not make a change unless we receive a request authorized by the client.