

DATE: October 15, 2020 N° 2020-29
CATEGORY: INSURANCE
TO: Managing General Agents, Associate General Agents, Advisors, General Agents, Independent Financial Advisors and National Accounts
SUBJECT: **Policy Splits for Joint-Last-to-Die Coverages with No Underwriting**

Effective October 15, 2020, we are pleased to announce that we will now support the splitting of Joint-Last-to-Die (JLTD) policies in the case of marriage dissolution. A JLTD policy can now be split into two new single life policies with each retaining up to 50% of the face amount. No underwriting is required for this policy split process.

Policy Split Highlights

Eligible JLTD Policies	Policy Split Process
<ul style="list-style-type: none">JLTD Policies with two lives onlyNeither life is over the age of 70Within 60 days of marriage dissolution	<ul style="list-style-type: none">2 new policies, each up to 50% of original coverageCurrent Age, Current Date, Current Offered PlanNo underwritingOriginal policy will be terminated after the splitAny cash values will be treated as a disposition (with potential tax consequences)

Policy Split Criteria

Policy splits are only allowed for JLTD policies in the following situations:

- The policy coverage is on only two lives, and neither life is currently over the age of 70
- Must request within 60 days following the marriage dissolution, and proof of marital dissolution is required
- The owner(s) and life insured(s) must be residents of Canada at the time of the split
- None of the lives were rated or impaired when the original policy was issued
 - If any insured had an exclusion on the joint policy, the exclusion will be carried over to the new single life policy
- Each new single life policy will have a face amount no more than 50% of the original base plan
 - Maximum amount is \$1,000,000 for each new single life policy after the split
- No splitting is allowed if the premium is waived due to total disability waiver or pending claim
- The new single life policies must have the same plan as the original policy, with the following exception:
 - If the original plan is no longer available, e.g. Trilogy/Trilogy Plus or a Solution 30 where the attained age is 56, the only option is Solution 100 (with cash values)
- The new single life policies must meet the issue age and coverage amount requirement, and must be a currently available product
- A policy fee is payable on each new single life policy
- The original policy will be terminated after the split, and any cash values will be treated as a disposition (with potential tax consequences)
- No Power of Attorney can act on behalf of any insured to split the policy
- Suicide and incontestability provisions continue from the originating policy provided there is no new insurance
- Policy splits are non-contractual and always at the discretion of Empire Life, and Empire Life reserves the right to not allow a certain request after review

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Compensation

- No first year commissions are payable and no commissions will be charged back due to the policy split
- Renewal commissions are payable on each policy based on the duration of the policy

Administrative Fee

- A processing fee of \$200 is required for Trilogy/Trilogy Plus policies and \$50 for all other products.
- The payment is required prior to processing and cannot be drawn via pre-authorized debit (PAD).

Tax implications

- Splitting a policy with cash surrender value could be considered a taxable event
- We recommend consulting with a tax advisor and determining any tax consequences prior to submitting the split request

Sales support

If you have any questions, please contact your Empire Life Sales Representative or the Sales Centre at 1-866-894-6182 or by email at salescentre@empire.ca

Reference

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