

Bulletin

DISTRIBUTOR INFORMATION

Agent-02-22
Living Benefits

To: All Financial Advisors
From: Sue Simone, Product Manager, Living Benefits
Subject: T10 Premium Refund Rider on Critical Needs
Date: October 8, 2002

Over the past 2 years, our Critical Needs product has emerged as the leading brokerage CI product in Canada. The product offers your customers top-quality critical illness protection at competitive rates, along with innovative features such as coverage for Non-Life Threatening Cancers and Insulin-Dependent Diabetes Mellitus.

The T10 Premium Refund Rider (T10 PRR) has also been a unique selling feature that many of you have used successfully when promoting the sale of Critical Needs. Recently, our reinsurers conducted a pricing review and concluded that they could no longer provide support for the price structure of this rider. With the loss of reinsurance support, we cannot continue to offer the T10 PRR at a reasonable cost to your clients. As a result, we have decided to withdraw the T10 PRR from our Critical Needs product by January of 2003. This change does not apply to any inforce policies, nor does it affect our base Critical Needs T10 and T75 products which comprise the bulk of our sales.

We recognize that many of you have been actively promoting Critical Needs with the T10 PRR to your clients throughout 2002 and that the timing of this decision may cause you some inconvenience. To give you some extra time to complete these efforts, we will subsidize the continuation of new T10 PRR business on a modified compensation structure until January 2003. Here's how it will work:

- Regular first year commission (FYC) will apply to T10 PRR for any applications received by Living Benefits New Business up to and including November 22, 2002 and settled by January 31, 2003. After January 31, 2003 these files will be closed but we will continue to process the applications with a modified T10 PRR first year commission (FYC) of 5%.
- Critical Needs applications with the T10 PRR received by us after November 22, 2002 will attract a modified T10 PRR first year commission (FYC) of 5%. Again, the modified FYC only applies to the T10 PRR, and regular first year commission will be paid for the base policy and any other riders.
- The T10 PRR will not be available for new sales after January 2003. The final date for submitting any new Critical Needs application with the T10 PRR will coincide with the announcement in January of some leading-edge product enhancements.

We understand many of you will be disappointed with our decision to withdraw the T10 PRR. However, our long-term commitment to the Living Benefits market requires the sound financial management of all our products. Critical Needs continues to offer your clients innovative product features and exceptional critical illness protection. The enhancements we have planned for 2003 will continue to demonstrate our leadership in the CI market. We believe that with your support, Critical Needs can best serve your clients now and in the future. Watch for exciting news about Critical Needs early in January!