Compensation guide for Advisors

September 2015

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Your advisor compensation guide

ivari offers one of the best compensation plans in the industry today.

This guide contains detailed information about compensation for:

- life products, including universal life and term
- critical illness products
- investment products and segregated funds, including Guaranteed Lifetime Withdrawal Benefit products, and guaranteed interest accounts, daily interest accounts and annuities

Please take the time to read and understand the information contained within this guide. At *ivari*, we offer you more than a top-notch compensation package. You can count on us for a comprehensive portfolio of great products, responsive advisor support and the backing of a strong financial company.

If you have questions about the information in this guide, please call your distributor office.

This compensation guide applies only to the plans noted in this guide. *ivari* has made reasonable efforts to ensure the accuracy of this guide and reserves the right to correct any errors or omissions contained in these materials. The information contained within this document is current to the date of publication and is subject to change.

LIFE AND CRITICAL ILLNESS INSURANCE PRODUCTS

Universal life insurance

For a listing of terminology used in the universal life commission information, please refer to “Definition of terms,” page 6.

First-year and renewal commission rates

Base plans	***Wealth*ADVANTAGE™**		***Estate*ADVANTAGE™**		
	FYC†	**Renewal Yrs 2–5**	**FYC**		**Renewal Yrs 2–10**
Tier 1 Commissionable minimum premium	65.0%	5%	60.0%		2.5%
Tier 2 Tier 1 to commissionable maximum premium	5.0%		10%*	7.5%**	5.0%
Tier 3 Tier 2 to maximum premium estimate	1.25%		1.25%		
Excess of maximum premium estimate	Side account: 0.25% annually, paid on calendar quarterly basis				
Asset-based commission	Begins in year 6, 1/12 of 0.25% of net fund value, paid monthly based on the policy effective date		N/A		
Service fee based on COI†† and policy fee	N/A		Begins in year 11, 1% of COI and policy fee paid monthly based on the policy effective date		

* Issue ages younger than 65 years old. ** Issue ages 65 years and older. † First-Year Commission. †† Cost of Insurance.

Universal Life Riders ‡	***Wealth*ADVANTAGE**		***Estate*ADVANTAGE**	
Level Cost Riders	**FYC**	**Renewal Yrs 2–5**	**FYC**	**Renewal Yrs 2–10**
COI	65%	5%	60%	2.5%
Service fee based on COI	N/A		Begins in year 11, 1% of COI paid policy monthly	

Universal Life Riders ‡	**Policy year**		
TERM*Select*™ Riders	**1**	**2–5**	**6+**
T10	40%	3%	3%
T20	50%		
T30	50%		
TERM*Select* 10 Exchange Program: T10 to T20*	25%	3%	3%
TERM*Select* 10 Exchange Program: T10 to T30*	25%	3%	3%

* Only available if the exchange occurs on or after the 1st policy anniversary and up to and including the 5th policy anniversary and in accordance with program rules. Term Exchange is done at attained age. At the time of the exchange, regular Term 20 and Term 30 maximum issue ages apply. Commission is based on the entire T20 or T30 annual premium.

‡ Commission for the Universal Life Riders is paid based on the sum of the annual cost of insurance, annual table extra ratings and permanent premium ratings applicable to the riders.

Universal Life Riders ‡	Policy year	
Critical Illness Protection Riders 25 conditions & 4 conditions	**1**	**2+**
T10	45%	2.5%
T20	45%	
T65	45%	
T100*	30%	

‡ Commission for the Universal Life Riders is paid based on the sum of the annual cost of insurance, annual table extra ratings and permanent premium ratings applicable to the riders.

* Only available on conversion

Universal Life Optional Benefits	Policy year			
	1	**2–3**	**4–5**	**6+**
Accidental Death and Dismemberment	37.5%	15%	10%	0%
Children's Insurance Rider	37.5%	15%	10%	0%
Waiver and Payor Waiver – Waiver of Monthly Deductions – Waiver of Planned Premiums – Payor Waiver of Planned Premium – Payor Waiver of Monthly Deductions	37.5%	5%	5%	0%

How universal life commissions are paid

First-Year Commissions (FYC) – at issue

- When a policy is put in force, commissions are advanced for the total anticipated annualized Planned Periodic Premiums (PPP), up to and including Tier 3.
- Once the amount of advanced commissions equals the amount of earned commissions, *ivari* will pay additional FYC on an as-earned basis, up to and including Tier 3.
- If, by the end of the first policy year, *ivari* receives premiums that are less than the amount on which we advanced commission, an unearned chargeback will apply (see “First-year anniversary reconciliation chargeback of advanced commissions,” page 5).
- FYC may be eligible for a bonus.

Ratings

Ratings are classified in three ways.

- Table extra ratings (or multiple extra ratings): FYC is payable based on Tier 1 commission rates.
  A) Rated level COI policies: Tier 1 commissionable minimum premium ("Tier 1 premium") is increased by the amount of the rated level premium.
  B) Rated Annual Renewable Term (ART) COI policies: Tier 1 premium is increased by 150% of the rated ART premium.
- Flat extra ratings of duration greater than five years: FYC is payable based on Tier 1 commission rates.
- Flat extra ratings of duration less than or equal to five years: FYC is payable based on Tier 2 commission rates.

Commission premium sequencing

In situations where there is more than one insurance coverage on a policy, the allocation of commissionable premium is determined by the proportion of:

- Tier 1 premium for each UL coverage
- the rider/optional benefit premium for each applicable coverage in comparison with the total amount of commissionable minimum premium

FYC for coverages added after issue

First-year annualized commission is payable when a new coverage is added to an existing universal life policy. Commissions will be generated and advanced based on anticipated premiums. The commission is based on the sequencing and the allocation of commissionable premium. A first-year reconciliation chargeback will apply if sufficient premiums are not received within the first year after the increase in coverage.

Wealth*ADVANTAGE *example:

The following example illustrates how *ivari* will pay commissions when a coverage is added after issue. This example breaks down what portion of annualized premium receives FYC and what portion receives renewal commissions. For the purpose of this example, $6,000 of premium is received, the policy is in its third year when the new coverage is added, and the commissionable minimum premium is $1,000 for the existing coverage and $3,000 for the new coverage.

	Commissionable minimum premium*	Commissionable premium allocation %	How a $6,000 premium payment is allocated	Commission
UL existing coverage – in policy year 3	$1,000	25%	$1,500	$75 renewal ($1,500 x 0.05)
UL new coverage – at issue	$3,000	75%	$4,500	$2,025 FYC ($3,000 x 0.65) = $1,950 ($1,500 x 0.05) = $75
Total	$4,000	100%	$6,000	$2,100

* Tier 1 for universal life coverages or rider/optional benefit premium.

Renewal commissions

- Renewal commissions are paid when renewal premiums are received, and will be paid on an as-earned basis.
- Renewal commissions will be paid at the policy anniversary upon transfer of funds from the Side Account to an applicable universal life policy.

*Estate*ADVANTAGE service fees

Service fees are paid as a percentage of the COI and policy fee which have been deducted as part of the monthly deductions. Service fees are not contingent on a premium payment. They are paid monthly based on the policy effective date.

Universal life chargebacks and adjustments

First-year anniversary reconciliation chargeback of advanced commissions

- If the premiums paid in the first policy year are less than the anticipated PPP, 100% of the unearned FYC will be charged back at the first policy anniversary.
- Chargebacks will also apply to any bonuses paid.

Second-year anniversary commission chargeback

- The first-year anniversary reconciliation chargeback of advanced commissions is applied before the second-year anniversary commission chargeback calculation.
- On the second policy anniversary, if the average commissionable premium paid during the first two policy years is:
  - greater than or equal to the Tier 1 premium for the first policy year, no second-year commission chargeback will be applied; or
  - less than the Tier 1 premium and the premium on which FYC was paid, a chargeback will be applied.

The amount of the chargeback will be determined according to the following formula:

Chargeback = (A – B) x C

A = commissionable premium paid up to Tier 1 in the first year

B = average commissionable premium received in the first two policy years

C = applicable commission rate (e.g., 65% for *Wealth*ADVANTAGE Tier 1 commissions)

***Wealth*ADVANTAGE example:**

	First-year paid premium	Second-year paid premium
Tier 1	$4,000	$2,200
Tier 2	$200	$0
Tier 3	$0	$0

Average premium in first two years of coverage: ($6,400 ÷ 2) = $3,200

Chargeback = (A – B) x C ($4,000 – $3,200) = **$800** $800 x 65% = **$520**

- Chargebacks will also apply to any bonuses paid.

Chargebacks for surrenders, lapses and exchanges

See page 9.

Definition of terms

Bonus(es) – any amount paid to the advisor in excess of commissions payable pursuant to the "First-year and renewal commission rates" sections of this guide. The eligibility requirements and the amount of any bonus are determined by an agreement between the advisor and the distributor, to which *ivari* is not a party.

Commissionable minimum premium varies by cost of insurance (COI) option (ART versus level COI), smoker classification and by rate band and includes:

- the annual policy fee
- annual table extra rating deductions (level or Annual Renewable Term (ART) depending on COI option)
- annual flat extra deductions for a period greater than five years

Commissionable maximum premium varies by cost of insurance (COI) option (ART versus level COI), smoker classification and by rate band and is the maximum commissionable amount for Tier 2. This amount is lower than the maximum premium estimate.

Maximum premium estimate is calculated when the policy is issued, at the beginning of each policy year and when a material change is made to a policy. In addition to being the amount that is used to determine how much premium may be accepted into a universal life policy as premiums are received throughout the year, the maximum premium estimate is also the maximum commissionable amount for Tier 3. The maximum premium estimate is based on the then-current tax-exempt testing requirements, the policy status and the projected accumulation rate for the total fund value.

Tier(s) – the predetermined split of the maximum premium estimate used to allocate annualized policy premium for different commission rates.

Traditional life insurance

First-year and renewal commission rates

	Policy year	
	FYC	**Years 2+**
TERM*Select* (base & rider)	T10: 40% T20: 50% T30 with SelectOptions: 50%	3% 3% 3%
TERM*Select* 10 Exchange Program: T10 to T20**	25%	3%
TERM*Select* 10 Exchange Program: T10 to T30**	25%	3%

** Only available if the exchange occurs on or after the 1st policy anniversary and up to and including the 5th policy anniversary and in accordance with program rules. Term Exchange is done at attained age. At the time of the exchange, regular Term 20 and Term 30 maximum issue ages apply. Commission is based on the entire T20 or T30 annual premium.

Note: TERM*Select* 30 with SelectOptions is only available as a rider on a TERM*Select* 30 with SelectOptions base policy.

Traditional life insurance riders	Policy year	
Critical Illness Protection Riders 25 conditions & 4 conditions	**1**	**2+**
T10	45%	2.5%
T20	45%	

	Policy year				
Optional Benefits	**FYC**	**FYC TERM*Select* 10 Exchange Program***	**Renewal 2–3**	**Renewal 4–5**	**Renewal 6+**
Accidental Death and Dismemberment	37.5%	0.5%	15%	10%	0%
Children's Insurance Rider	37.5%	0.5%	15%	10%	0%
Payor Waiver of Premiums	37.5%	N/A	5%**	5%**	0%**
Waiver of Premiums	37.5%	N/A	5%**	5%**	0%**

* The issue date for any optional benefits included in the new coverage under the TERM***Select*** 10 exchange program resets to the date of exchange.

** Does not apply to TERM***Select*** 10 Exchange Program.

How traditional life insurance commissions are paid

First-Year Commissions (FYC)

- When a policy is put in force, commissions are advanced for the total annualized premium.
- If, by the end of the first policy year, *ivari* receives premiums that are less than the amount we advanced commissions on, an unearned chargeback will apply. (See page 9.)
- FYC may be eligible for a bonus.

Renewal commissions

- Renewal commissions are paid when renewal premiums are received, and will be paid on an as-earned basis.

Premium ratings

(also referred to as "Flat" or "Multiple Extras" or "Table Ratings")

- Permanent ratings that apply for greater than five years: full FYC is paid on these premiums.
- Temporary ratings that apply for less than or equal to five years: no commission is paid on these premiums.

FYC for coverages added after issue

- First-year annualized commission is payable when a new coverage is added to an existing TERM*Select* policy. This commission is payable when a new premium payment is received.

Premium Accelerator Fund (PAF "pre-payment account") commissions

- The PAF option is available on TERM*Select*.
- 1.25% of each deposit to the PAF in any policy year.
- This commission is not eligible for bonus.
- Renewal commissions will be payable upon transfer of premiums from the PAF at anniversary to the base policy.

Critical Illness Protection Standalone

First-year and renewal commission rates

	Policy year	
	FYC	**Years 2+**
Critical Illness Protection 25 conditions & 4 conditions (base & additional coverages)	CIP T10: 45% CIP T20: 45% CIP T65: 45% CIP T100*: 30%	2.5% 2.5% 2.5% 2.5%

* Only available on conversion.

	Policy year			
Optional Benefits	**FYC**	**Renewal 2–3**	**Renewal 4–5**	**Renewal 6+**
Payor Waiver of Premiums	37.5%	5%	5%	0%
Waiver of Premiums	37.5%	5%	5%	0%

How critical illness protection commissions are paid

First-Year Commissions (FYC)) – at issue

- When a policy is put in force, commissions are advanced for the total annualized premium.
- If, by the end of the first policy year, *ivari* receives premiums that are less than the amount we advanced commissions on, an unearned chargeback will apply. (See page 9.)
- FYC may be eligible for a bonus.

Renewal commissions

- Renewal commissions are paid when renewal premiums are received, and will be paid on an as-earned basis.

Premium ratings
(also referred to as "Flat" or "Multiple Extras" or "Table Ratings")

- Permanent ratings that apply for greater than five years: full FYC is paid on these premiums.
- Temporary ratings that apply for less than or equal to five years: no commission is paid on these premiums.

FYC for coverages added after issue

- First-year annualized commission is payable when a new coverage is added to an existing Critical Illness Protection policy. This commission is payable when a new premium payment is received.

General information for all life and critical illness plans

Chargebacks for surrenders, lapses and exchanges

- A chargeback of FYC will apply to all coverages that are surrendered, exchanged and/or lapsed within the first 24 months of the effective date of the applicable coverage. For any policies exchanged under the TERM*Select* 10 exchange program, there is no chargeback of T10 compensation that was paid.
- Within the first 12 months from issuance of the coverage, the chargeback is 100% of the unearned annualized FYC and a percentage of the first-year earned commission at the rate specified below in the Earned Commission Chargeback Schedule.
- Between the 13th and 24th months from issuance of the coverage, the chargeback is a percentage of the first-year earned commission at the rate specified below in the Earned Commission Chargeback Schedule.
- Chargebacks will also apply to any bonuses paid.

Earned Commission Chargeback Schedule All life and critical illness plans			
Months (in force) premium paid	**Chargeback as a percentage of first-year earned commission**	**Months (in force) premium paid**	**Chargeback as a percentage of first-year earned commission**
1 to 5	100%	15	50%
6	95%	16	45%
7	90%	17	40%
8	85%	18	35%
9	80%	19	30%
10	75%	20	25%
11	70%	21	25%
12	65%	22	25%
13	60%	23	25%
14	55%	24	0%

Adjustments and policy changes

Commission adjustments for decreased face amount/benefit

- Commission adjustments will be carried out when a reduction in face amount/benefit takes place within the first 24 months following the effective date of the applicable coverage.
- The adjustment is equal to the difference between the FYC paid and FYC that would have been paid had the reduced face amount/benefit been issued originally, multiplied by the applicable rates as specified in the preceding Earned Commission Chargeback Schedule.

Conversions and replacements

Commissions will be adjusted per the below table.

Conversion from term to permanent plans		
Old policy months in force	**Percentage of FYC and bonus chargeback on old policy**	**FYC paid on new policy**
0 to 25 months*	Per chargeback schedule under which the policy was sold	Full commission
> 25 months	N/A	Full commission

* Critical Illness Protection Riders may be converted to a new standalone policy of eligible critical illness insurance commencing on the 2nd coverage anniversary.

Replacements	
Old policy month in force	**FYC paid on new policy**
0 to 36 months	Difference between full FYC on new policy and FYC earned on old policy*
37 to 48 months	Reduction of FYC on new policy by 66.7%
49 to 60 months	Reduction of FYC on new policy by 33.3%
> 60 months	Full commission

* If a TERM*Select* 10 exchange occurred prior to the replacement, the "FYC earned on old policy" will consist of the original Term 10 policy FYC plus the exchanged Term 20 or Term 30 policy FYC. If the difference between the full FYC on the new policy and the FYC earned on the old policy is negative, no commission will be charged back.

Vesting

- Please note that compensation for life and critical illness products is vested. Upon receipt of an authorized client request for a new servicing advisor, *ivari* will process the requested change, and future compensation will continue to be paid to the original writing advisor. A change for servicing only will be processed for the new advisor.
- Subject to the advisor's contract, renewal commissions are at the rates indicated in this compensation guide will continue to be paid to the advisor after termination of the advisor's contract.
- To reassign commissions, the signature of both the original advisor and the new advisors are required to ensure acceptance of responsibility.

Note: Subject to the advisor's contract, changes to compensation rates may be made with written notification.

Split of the Critical Illness Protection Rider and Additional Coverage from the base insurance policy

- Please note that no first year compensation will be paid upon the split of the Critical Illness Protection Rider from the base life product or the split of a Critical Illness Protection Additional Coverage from the base critical illness standalone product.

TERM*Select* 10 Exchange Program

- If the exchange is done within the chargeback period of the Term 10 coverage, there is no chargeback of Term 10 compensation that was paid.
- The subsequent Term 20 or Term 30 coverage is subject to the chargeback period. Regular chargeback rules apply if the Term 20 or Term 30 coverage is terminated within 24 months of the exchange.

INVESTMENT PRODUCTS

Segregated funds

ivari Guaranteed Investment Funds

	Deferred Sales Charge (DSC)	Initial Sales Charge (ISC)
Deposit commissions	3.75% of the value of each deposit	75% of negotiated ISC,* based on deposit amount
Trailer (service fee) commissions		
	Deferred Sales Charge (DSC)	**Initial Sales Charge (ISC)**
Money market	N/A	0.375% of the unit value, per year, while the contract is in force; paid on calendar quarter basis, pro-rated daily
Bond	0.1875% of the unit value, per year, while the contract is in force; paid on calendar quarter basis, pro-rated daily	0.5625% of the unit value, per year, while the contract is in force; paid on calendar quarter basis, pro-rated daily
All other funds	0.375% of the unit value, per year, while the contract is in force; paid on calendar quarter basis, pro-rated daily	0.75% of the unit value, per year, while the contract is in force; paid on calendar quarter basis, pro-rated daily

* ISC is negotiated between advisor and client to a maximum of 5%.

Note: The above commission rates apply to ivari Guaranteed Investment Funds, not to imaxxGIF, GROW*Safe*[3] (GS3), Five *for* Life and alliance segregated fund contracts.

Five *for* Life

	Deferred Sales Charge (DSC)	Initial Sales Charge (ISC)
Deposit commissions	3.75% of the value of each deposit	75% of negotiated ISC,* based on deposit amount
Trailer (service fee) commissions		
	Deferred Sales Charge (DSC)	**Initial Sales Charge (ISC)**
Money market	N/A	0.375% of the unit value, per year, while the contract is in force; paid on calendar quarter basis, pro-rated daily
Bond	0.1875% of the unit value, per year, while the contract is in force; paid on calendar quarter basis, pro-rated daily	0.5625% of the unit value, per year, while the contract is in force; paid on calendar quarter basis, pro-rated daily
All other funds	0.375% of the unit value, per year, while the contract is in force; paid on calendar quarter basis, pro-rated daily	0.75% of the unit value, per year, while the contract is in force; paid on calendar quarter basis, pro-rated daily

* ISC is negotiated between advisor and client to a maximum of 5%.

Note: The above commission rates only apply to Five *for* Life, not to GS3 or stand-alone alliance segregated fund contracts.

Commissions paid via a dealership will be subject to that dealer's commission payment grid and may not be the same as the above plan.

imaxxGIF

imaxx Guaranteed Investment Funds (GIFs)		
	Deferred Sales Charge (DSC)	**Initial Sales Charge (ISC)**
Deposit commissions	3.75% of the value of each deposit	75% of negotiated ISC,* based on deposit amount
Trailer (service fee) commissions	0.375% of the unit value, per year, while the contract is in force; paid on calendar quarter basis; pro-rated daily	0.75% of the unit value, per year, while the contract is in force; paid on calendar quarter basis; pro-rated daily

ivari CI Guaranteed Investment Portfolios (GIPs)		
	Deferred Sales Charge (DSC)	**Initial Sales Charge (ISC)**
Deposit commissions	4.50% of the value of each deposit	75% of negotiated ISC,* based on deposit amount
Trailer (service fee) commissions	0.375% of the unit value, per year, while the contract is in force; paid on calendar quarter basis; pro-rated daily	0.75% of the unit value, per year, while the contract is in force; paid on calendar quarter basis; pro-rated daily

* ISC is negotiated between advisor and client to a maximum of 5%.

Note: The above commission rates only apply to imaxxGIF, not to GS3 or stand-alone alliance segregated fund contracts.

Commissions paid via a dealership will be subject to that dealer’s commission payment grid and may not be the same as the above plan.

For more information on your compensation, please contact your compensation administrator.

Compensation Reversals

- If the client exercises the right to rescind the purchase of a segregated fund contract, a 100% reversal of associated first year compensation will apply.
- If the client exercises the right to rescind a particular allocation or investment decision, a 100% reversal of the compensation for that allocation will apply.
- This process may also apply to other deposit reversals.

Guaranteed Interest Accounts and Daily Interest Accounts[1]

- Guaranteed Interest Account (GIA) commission is paid on each new deposit.
- Daily Interest Account (DIA) commission is paid at the end of each calendar year.

	Interest Accumulation contract			Harvest contract	
	Commission rate of the value of deposit			Commission rate of the value of deposit	
	Investment term	Redeemable	Non-redeemable	Investment term	Redeemable[2]
Guaranteed Interest Account	6 month Years 1–5 Years 6–10 Years 11–25	0.2% 0.4% 0.1% 0.033%	0.1% 0.2% 0.05% 0.0165%	Years 1–5 Years 6–10	0.4% 0.2%
Daily Interest Account	N/A	0.4%	0.2%	N/A	N/A

[1] Commission on DIA paid once per year at calendar year end only.

[2] The Harvest contract is only available as a non-registered and redeemable plan.

The total commission on a Guaranteed Interest Account is the sum of the rates relating to the applicable investment period. (See example below.)

Examples:

Interest Accumulation GIA (redeemable) for 10 years: (5 x 0.4%) + (5 x 0.1%) = 2.5%

Interest Accumulation GIA (non-redeemable) for 10 years: (5 x 0.2%) + (5 x 0.05%) = 1.25%

Interest Accumulation GIA (redeemable) for 20 years: (5 x 0.4%) + (5 x 0.1%) + (10 x 0.033%) = 2.83%

Harvest contract for 7 years: (5 x 0.4%) + (2 x 0.2%) = 2.4%

Single Premium Immediate Annuity (SPIA)

Premium	Commission rate
On first $100,000	3% of premium
On next $100,000	2% of premium
Thereafter	1% of premium

General information for all investment products

Funds sold via dealerships

Commissions paid via dealership will be subject to that dealer's commission payment grid and may not be the same as the above plan.

Investment product compensation is non-vested. Compensation is payable to the distributor/advisor servicing the client's accounts as of the date of compensation disbursement.

Registered and non-registered plans

The investment commission rates apply to GIAs, DIAs, SPIAs and segregated funds, whether held in registered or non-registered plans.

Vesting

Please note that investment products are not vested for compensation purposes. Upon receipt of an authorized client request for a new servicing advisor, *ivari* will process the requested change, and future compensation, including deposit commissions, and service fees, will become payable to the new designated advisor, either directly or via a dealership.

Note: Subject to the advisor's contract, changes to compensation rates may be made with written notification.