

## Examples of how premium offset works

In these fictitious scenarios, the client:

- Bought a 20-pay policy 15 years ago
- Has made 15 of their 20 annual premium payments
- Has five more annual premium payments to make
- Accumulated paid-up additional coverage cash value - \$60

The client's policy year 16 payment is due. Future year dividend values are illustrated for policy years 17 to 20.

Examples are for illustrative purposes only.

### With paid-up additional coverage dividend option where premium offset is supported

| Policy year  | 16           | 17           | 18           | 19           | 20           |
|--|--------------|--------------|--------------|--------------|--------------|
| <b>Premium owing</b>   | <b>\$100</b> | <b>\$100</b> | <b>\$100</b> | <b>\$100</b> | <b>\$100</b> |
| Dividend (using the current dividend scale)                    | \$90         | \$100        | \$110        | \$115        | \$130        |
| Cash value needed from accumulated paid-up additional coverage | \$10         | \$0          | \$0          | \$0          | \$0          |
| Leftover dividend to purchase paid-up additional coverage      | \$0          | \$0          | \$10         | \$15         | \$30         |
| Accumulated paid-up additional coverage cash value             | \$50         | \$50         | \$60         | \$75         | \$105        |

### With paid-up additional coverage dividend option where premium offset is not supported

| Policy year  | 16           | 17           | 18           | 19           | 20           |
|--|--------------|--------------|--------------|--------------|--------------|
| <b>Premium owing</b>   | <b>\$100</b> | <b>\$100</b> | <b>\$100</b> | <b>\$100</b> | <b>\$100</b> |
| Dividend (using the current dividend scale)                    | \$70         | \$75         | \$80         | \$85         | \$100        |
| Cash value needed from accumulated paid-up additional coverage | \$30         | \$25         | <b>\$20*</b> | -            | -            |
| Leftover dividend to purchase paid-up additional coverage      | \$0          | \$0          | -            | -            | -            |
| Accumulated paid-up additional coverage cash value             | \$30         | <b>\$5</b>   | -            | -            | -            |

\*Client will have \$5 in accumulated dividend left at the end of policy year 17 which isn't enough (with the dividend) to pay the \$100 premium due for policy year 18, so premium offset is no longer supportable.