

Life Assurance Premium Levy Update

5th August 2009

Overview

The Minister for Finance announced the introduction of a 1% levy on life assurance premiums as part of his budget speech in April. Under the Finance Act 2009, life assurance premiums including pensions, investments and savings premiums paid into both new and existing policies on or after 1st August 2009 will be subject to the levy. Despite lobbying by the life assurance industry, the levy was passed into law and will be effective on all premiums with the exception of certain group pensions received on or after 1st August 2009.

What products does the levy apply to?

The 1% Government levy applies to the following products;

- Protection
- Savings and Investments
- Pensions
- PRSA's

How will Canada Life apply the 1% levy to customers?

Canada Life will apply the 1% levy to all protection policies from 1st August 2009. This means we will collect an additional 1% from protection policies with effect from 1st August on the following policy types;

- Life cover policies;
- Mortgage protection policies;
- Policies which pay an amount on disability or the diagnosis of a specified illness.

Canada Life, along with other life offices, is not in a position to collect the 1% levy starting in August and as a result, Canada Life will collect the outstanding levy from premiums in arrears. The reason for this is because time is required to programme and document the 1% levy changes into life office systems.

Letters explaining the levy have been sent to Canada Life policyholders who hold protection policies.

Is there any further information?

Copies of the client letter and FAQs are available from our financial advisor extranet, the *eCentre* <https://advisorportal.canadalife.ie>

What is Canada Life's position on policies other than protection policies?

Canada Life will defer applying the levy on pension, investment and savings policies pending the conclusion of discussions with the Department of Finance on possible alternatives to the 1% levy as enacted.

Customers with a Canada Life pension, investment or savings policy will be contacted when the outcome of the discussions is known.

| Product | Implementation |
|---|---|
| Protection Business | The levy will be applied with effect from 1st August 2009 |
| Pensions & Investments (New policies and s.p. top ups) | The levy will not be applied to new business pending the outcome of discussions with the Department of Finance or the Budget announcement if earlier. If the levy remains it will only be collected from this date forward. There will be no retrospective collection. |
| Pensions & Investments* (Existing policies) | The levy will not be applied to existing business pending the outcome of discussions with the Department of Finance or the Budget announcement if earlier. Canada Life reserves the right to deduct outstanding levies in arrears. |

*The levy will be applied from 1st August 2009 for some corporate investments, not to any individual savings policies.

Do customers need to take any action regarding this new levy?

No, there is no need for customers to take any action at this time.



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