



# FYI

To:  
All RBC Insurance  
Representatives

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For more information,  
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RBC Life Insurance  
Company

## MAX software now illustrates a Taxable Interest Annuity (TXIA) on universal life policies

The new MAX release (version 4.0) allows you to illustrate premium payment(s) that are in excess of the maximum premium (the amount that would keep the policy exempt from accrual taxation). This is now possible because the software illustrates a Taxable Interest Annuity (TXIA) when necessary. Given the current interest rate environment, the TXIA is presently earning less than half a percent. As a result, you should not illustrate the TXIA at greater than one per cent.

### What is a TXIA?

A TXIA is a taxable daily interest annuity that is separate from the base universal life policy. It will have the same policy anniversary as the UL policy and will be reported as a separate item on the universal life annual statement. A TXIA will be created automatically if a review of the policy indicates that payments are in excess of the amount that would keep the policy exempt from accrual taxation. We will review the policy:

1. at the time of new business,
2. when a deposit is made, either planned or additional,
3. and at policy anniversary.

**Note: A Policyowner Identification Form must be completed upon the creation of a TXIA** (if it has not already been provided). This form can be found on the MAX software.

### New Business

Once the application has been settled, the maximum premium allowed will be deposited into the universal life policy. Any excess will then be deposited into the TXIA. The client will receive a deposit confirmation letter at settlement, advising them of the amount in the TXIA. As with any deposit, normal anti-money laundering guidelines will be followed.

To complete the new business process you will be required to submit:

1. a completed application,
2. a signed illustration,
3. a completed Policyowner Identification form which can be found in the New Business forms section of MAX.

### Planned or Additional Deposits

A TXIA will be created if a lump sum deposit is received or at the point in time where a regularly scheduled premium payment (or portion of it) would cause the policy to become non-exempt. The client will receive a deposit confirmation for the amount credited to the TXIA.

### Policy Anniversary

On every policy anniversary, each universal life policy will be reviewed to ensure that it remains exempt from accrual taxation. If the review indicates that it will become non-exempt, we may increase the policy face amount up to a maximum of 8%. If the increase is not sufficient to retain the exempt status of the policy, we will also withdraw an additional amount of money from the policy and deposit it into a TXIA. (This withdrawal is a disposition and may result in tax reporting.)

If, immediately following the policy anniversary, it is determined that an additional premium payment can be made while maintaining the exempt status of the policy, we will withdraw money from the TXIA and deposit it into the universal life policy. As with any premium payment, premium tax will be deducted. Should the increase, or a portion of the increase, no longer be required we will automatically decrease the sum insured.

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### **Funds in the TXIA**

- The client may withdraw money from the TXIA with no penalties or charges.
- A beneficiary different from the universal life policy may be designated for the TXIA by completing and submitting a Change of Beneficiary form, which can be found on the MAX software.
- If the universal life policy is terminated, any money in the TXIA will be paid out at the same time.

### **Credited Interest Rate on TXIA**

The guaranteed minimum return is equal to 90% of the one month Government of Canada Treasury Bill, less 2% with a guaranteed minimum rate of return of 0%. This interest is compounded daily.

### **Commission**

On each policy anniversary following the first deposit into the TXIA, 0.25% fund value compensation will be paid on the average daily value in the TXIA. This amount will be pro-rated to allow for any fraction of the year between the date of the deposit and the anniversary date. If money is withdrawn from the UL policy and moved to the TXIA, chargeback/reversal will occur.