

The Canada Life Assurance Company

Participating policyholder dividend policy

This policyholder dividend policy has been established by the Board of Directors and applies to all participating insurance policies issued or assumed by Canada Life. The Board of Directors may amend this policy from time to time at its discretion. The factors most likely to be considered in deciding whether to amend this policy include changes in applicable legal or regulatory requirements, professional guidelines, industry practices or significant business changes.

Earnings are generated in the participating account when the experience in the participating account for factors such as investment income, asset defaults, mortality, lapses, expenses and taxes is collectively more favourable than the assumptions for these factors used when establishing the guaranteed values associated with participating insurance policies. Canada Life may distribute a portion of the earnings as declared at the discretion of the Board of Directors in accordance with this policy.

Participating insurance policies are eligible for periodic policyholder dividends. The amount to be distributed from the participating account as policyholder dividends is determined at least annually following a review of the actual and expected experience of the participating account, taking into account significant changes in factors such as investment income, asset defaults, mortality, lapses, expenses and taxes. The amount distributed in any year will vary up or down depending on the actual and expected experience. The amount distributed is also influenced by considerations such as the need to retain earnings as surplus and reducing short-term volatility in dividends.

The amount distributed as policyholder dividends is divided among classes of policies by setting the policyholder dividend scale. These dividend classes are groupings of participating policies with certain product and policy attributes in common.

Canada Life follows the contribution principle when setting the policyholder dividend scale. This means the amount distributed as policyholder dividends is divided among dividend classes over the long term in proportion to their contribution to earnings. A contribution to earnings will be made from a particular dividend class to the extent the experience for that particular class is different from the assumptions used when establishing the guaranteed values for that class. When applying the contribution principle, attention is paid to achieving reasonable equity between dividend classes and between generations of policies, taking into account practical considerations and limits, legal and regulatory requirements, professional guidelines and industry practices.

For certain blocks of policies, the policyholder dividend scale may be determined using methods designed to approximate the contribution to earnings of those blocks.

The policyholder dividends are credited according to the terms of each policy. A change made by a policyholder to a policy after it is issued may, in some cases, result in a change to the policy's dividend class and thus a change to the amount of policyholder dividends credited thereafter.

In addition to periodic policyholder dividends, dividends may be payable on some policies when terminated through death, surrender or maturity. The amount of any such dividends may take into consideration such factors as the type of policy, the length of time the policy has been in force and when the policy was issued.

Canada Life maintains separate sub-accounts for certain specific closed blocks of participating life insurance policies in many of the jurisdictions in which it operates. The closed block sub-accounts are within Canada Life's participating account and managed according to the operating rules established for the closed blocks. Each closed block sub-account is managed separately to distribute over time the full amount of its earnings to the participating policyholders of that closed block through policyholder dividends.

Prior to the declaration of policyholder dividends by the Board, the Appointed Actuary reports to the Board of Directors with his opinion on the fairness to participating policyholders of the proposed policyholder dividends and on their compliance with this policy, applicable legislative and regulatory requirements and applicable professional practice standards. Policy illustrations will reflect changes to the policyholder dividend scale as soon as practical.

Approved by The Canada Life Assurance Company Board of Directors on May 5, 2011 and effective that day.