Canada Life™

Participating life insurance

Financial facts

Accountability

Strength

Performance

2012

This guide provides key financial facts about the management, performance and strength of the Canada Life™ participating account (Canada), for policies issued on or after Nov. 5, 1999, after demutualization.

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*The term “policyowner” is used throughout except in the appendix.

Throughout this document numbers may be rounded.

Performance data is provided for illustrative purposes only and represents past performance, which is not necessarily indicative of future performance.

Financial highlights 2012

for the Canada Life participating account

In this section, results include the Canada Life open and closed blocks, but do not include the former New York Life and former Crown Life closed blocks except where specifically indicated.

Accountability

- The participating policyowner portion of distributed surplus in 2012 was 96.93 per cent.[1]
- Canada Life is governed under the federal Insurance Companies Act (ICA) of Canada, which includes provisions for how participating accounts must be managed within a company with shareholders and includes the requirement for a participating account management policy and a policyowner dividend policy to be established and maintained.
- Participating policyowner dividends are determined in accordance with the policyowner dividend policy approved by the board of directors. The policy is intended to ensure reasonable equity among groupings of participating policyowners.
- In 2012, Canada Life participating policyowner death claims totaled $68.2 million.
- Detailed information on the investments held in the Canada Life participating account is updated quarterly and can be found at www.canadalife.com.

Strength

- The total participating account assets, including surplus, was $3.3 billion at Dec. 31, 2012.
- Canada Life has approximately 269,000 participating life insurance policies in force at Dec. 31, 2012 (including former New York Life and Crown Life policies).
- Canada Life's credit ratings were maintained in 2012. It continues to enjoy strong ratings relative to its North American peer group due to its conservative risk profile and stable earnings track record.[2]

Vesting

Once a dividend has been paid or credited to a policy, it is fully vested and cannot be reduced or used for any purpose other than as authorized by the policyowner or to pay premiums, as per the automatic premium loan non-forfeiture provisions of the policy.

Performance

- Canada Life has distributed dividends to its participating policyowners every year since 1848.
- In 2012, dividends distributed to open block participating policyowners were $31 million. Total policyowner dividends, including the closed block, were $130 million.
- Canada Life's long-term investment strategy – together with its strategy of smoothing the returns for the purpose of determining the dividend scale interest rate – helps reduce the impact of short-term volatility on participating life insurance policyowner dividends.
- On average, under the 2012 dividend scale, approximately 65 per cent of policyowner dividends was derived from investment experience. Approximately 35 per cent was derived from other factors such as positive mortality, expense and tax experience.[3]
- The 2012 dividend scale interest rate was 6.96 per cent, a decrease of 40 basis points.
- The 10 and 20-year average annual dividend scale interest rates to the end of 2012 were 7.6 and 8.5 per cent respectively.
- The 30-year average annual dividend scale interest rate was 9.5 per cent for the period 1983 to 2012.
- The 60-year average annual dividend scale interest rate was 8.9 per cent for the period 1953 to 2012.
- The one-year return on total participating account assets for 2012, after investment expenses were deducted, was 5.5 per cent.[4]
- In 2012, investment expenses for the Canada Life open block were 7.7 basis points.
- In 2012, the total participating account holdings in equity investments, including real estate, increased to 20.7 per cent of total invested participating account assets, from 19.4 per cent in 2011.
- In 2012, mortgage holdings decreased to 23.4 per cent of total invested participating account assets, from 23.8 per cent in 2011.
- In 2012, public bond holdings decreased to 46.5 per cent of total invested participating account assets, from 47.8 per cent in 2011.
- In 2012, private placement holdings decreased to 5.4 per cent of total invested participating account assets, from 5.6 per cent in 2011.

For 2013

- In November 2012, the board of directors approved a reduction to the dividend scale for all Canada Life individual participating life insurance policies effective Jan. 1, 2013.
- Although factors like mortality and taxes have improved, these have not been enough to offset the declines in investment experience on the assets backing liabilities in the participating account.[1]
- On average, based on the 2013 dividend scale, approximately 65 per cent of policyowner dividends is derived from investment experience. Approximately 35 per cent is derived from other factors such as positive mortality, expense and tax experience.[3]
- The 2013 dividend scale interest rate is 6.50 per cent, a decrease of 46 basis points from 2012.
- In 2013, dividends distributed to Canada Life participating policyowners are estimated to be $130 million.

NOTES

- The dividend scale interest rate is used to calculate the investment component of participating policyowner dividends and is based on the return on the assets backing participating account liabilities. It does not include the return on assets backing participating account surplus.
- The dividend scale interest rate is only one of many factors that contribute to an individual policy's performance. The actual cash value growth in any policy varies based on a number of factors such as type of product, product features, premium-paying period, issue age, rating, dividend option, the policyowner dividend scale and others.

1. Applies to open block policies only.
2. As last rated by A.M. Best Company, DBRS Limited, Fitch Ratings, Moody's Investors Service and Standard & Poor's Ratings Services at time of publication. For current information on Canada Life's ratings and financial strength see the corporate information section at www.canadalife.com.
3. Applies to current participating life insurance products only.
4. The participating account return is the return on the participating account assets backing liabilities and surplus after investment expenses are deducted. Investment expenses may vary from year to year due to changes in the asset mix of the total participating account, economies of scale and other factors. The participating account return is reported for the calendar year Jan. 1, 2012 to Dec. 31, 2012. The participating account return is a short-term indicator of investment performance. This return is based on international financial reporting standards (IFRS) as issued by the International Accounting Standards Board (IASB) effective Jan. 1, 2011, with the exception of unrealized gains and losses on bonds, which are excluded because bonds in the participating account are generally held until maturity. Common stock and real estate returns are valued on a marked-to-market basis, i.e. not smoothed, and realized gains and losses on bonds are recognized as incurred.

Participating life insurance overview

On Nov. 5, 1999, Canada Life converted from a mutual life insurance company, in which voting policyowners have ownership rights or interests, to a life insurance company owned by shareholders (a stock insurance company) through demutualization. At the time of demutualization, a closed block and an open block for the participating policies issued by Canada Life were established. Before demutualization Canada Life had previously established closed blocks for the former New York Life and former Crown Life policies it had assumed. The closed blocks include all participating policies issued or assumed by Canada Life before demutualization. The open block includes all participating policies issued or assumed on or after demutualization.

Except as otherwise indicated, this guide provides financial information specific to Canada Life's open block participating policies, which include policies currently available for purchase today. Financial information specific to Canada Life's closed block policies may differ.

How participating policies perform

Participating life insurance policies are built on a foundation of guaranteed values such as basic premium, basic life insurance coverage, guaranteed portion of cash values and guaranteed portion of reduced paid-up values. These guaranteed values are determined using long-term assumptions for factors such as investment returns, mortality, expenses, lapses and taxes.

If the actual results in the participating account are collectively more favourable than the long-term assumptions supporting the guaranteed values, earnings are generated and become part of the participating account surplus (retained earnings). Each year, Canada Life may distribute a portion of the earnings as approved by the board of directors. Any amount distributed in a given year will vary up or down depending on the actual and expected experience. The amount to be distributed is influenced by considerations such as the need to retain earnings as surplus and to reduce short-term volatility in dividends. Surplus is held in the participating account to maintain the strength and stability of the participating account.

Canada Life reviews the policyowner dividend scale and the participating account actuarial liabilities at least annually. This review involves analyzing factors such as investment returns, mortality experience, expenses, lapses and taxes. The process is intended to ensure the participating account actuarial liabilities are at an appropriate level and to determine whether a change needs to be made to the policyowner dividend scale.

How policyowner dividends are allocated

Each year, the board of directors declares what portion of the participating account earnings for that financial year will be distributed from the participating account. In 2012, 96.93 per cent of the distribution for open block policies was credited to participating policyowners and 3.07 per cent of the distribution for open block policies was distributed to the shareholder account under section 461 of the federal Insurance Companies Act (ICA). See the accountability section for more details.

Participating policyowner dividends are allocated to achieve reasonable equity among groupings of participating policyowners. Canada Life participating policies are grouped for the purpose of allocating policyowner dividends according to such factors as:

- Year the policy was issued and by eras where premiums or guarantees are similar
- Plan type
- Basic risk classification – male/female/smoker/ non-smoker
- Issue age

Dividends are allocated to each grouping following the contribution principle: earnings to be distributed are divided among participating policyowners over the long term in proportion to their policy's contribution to those earnings. 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.

Dividends are credited to policies based on the amount of basic coverage and the terms of each policy. Dividend options involving paid-up additional coverage also generate dividends based on this coverage and these dividends are allocated using the contribution principle.

Dividends credited to a policy have a cash value associated with them. This cash value, once credited to the policy, is vested and cannot be reduced or used in any way without the policyowner's authorization, other than to pay premiums, as per the automatic premium loan non-forfeiture provisions of the policy.

The premium due on the first policy anniversary must be paid before the first dividend will be credited.

A policy loan on a specific policy, including any premium loan, does not reduce the policy's dividend. The policy continues to receive dividends as though the policy loan did not exist. Any outstanding loan, including interest, is repaid from either the cash value in the event of a cash surrender of the policy, or the death benefit in the event of the death of the life insured.

How is a policyowner dividend different from a shareholder dividend?

Dividends paid to shareholders are based on the overall results of the company from all lines of business, such as non-participating life insurance, disability and critical illness insurance, and investment products.

Participating policyowner dividends are based solely on the experience from Canada Life's participating life insurance line of business.

Accountability

Participating life insurance policies are managed in the participating account. In Canada, in the case of shareholder-owned companies, the participating account must be maintained separately from the shareholder account. This facilitates the measurement of earnings attributable to the participating account. The philosophy behind participating policies is to provide participating policyowners with life insurance at a cost that takes into account the long-term performance of the participating account.

Canada Life's activities are regulated federally by the Office of the Superintendent of Financial Institutions (OSFI) and within each province by the relevant provincial insurance regulatory authorities.

In addition, the federal Insurance Companies Act (ICA) contains a number of provisions that govern how a participating account must be managed within a company with shareholders.

ICA provisions and references

Subject to the ICA, the directors of a company shall manage or supervise the management of the business affairs of the company, which includes establishing and maintaining a policy for dividends to be paid to participating policyowners, as well as a policy for the management of participating accounts. The ICA contains a number of provisions that include certain duties required of directors and reporting requirements regarding the use of fair and equitable actuarial practices.

1. Investment income and expenses are to be allocated to the participating account in accordance with a method that in the opinion of the company's actuary is fair and equitable to participating policyowners. Once this allocation method is approved by the board of directors, it is sent to OSFI (sections 457-460).
2. The board of directors is required to establish and maintain a policy for determining the dividends to be distributed to participating policyowners and to send a copy of the policy to OSFI (section 165 (2) (e).
3. The board of directors is required to establish and maintain a policy respecting the management of the participating account and send a copy of the policy to OSFI (section 165 (2) (e.1)).
4. At least annually, the company's actuary shall review the participating policyowner dividend policy and provide a written report to the board of directors on its continuing fairness to participating policyowners (section 165 (3.1) – Report of the Actuary).

5. Prior to the declaration of policyowner dividends by the board of directors, the company's actuary must provide his or her opinion to the board on the fairness to participating policyowners of the proposed policyowner dividends and on the company's compliance with the policyowner dividend policy (section 464).

6. The ICA limits the amount that may be distributed to the shareholder account from any annual distribution of the profits of the participating account for a financial year (section 461). This annual limit is set as a maximum percentage of the amount determined by the board of directors to be distributed from the profits of the participating account for that financial year. This total amount is distributed between the shareholders and participating policyowners. The maximum percentage of this total distribution that can be distributed to the shareholder account depends on the size of the participating account, including any closed blocks resulting from demutualization. The maximum percentage decreases from 10 per cent, for a small participating account, to just over 2.5 per cent as the size of the participating account increases. In 2012, Canada Life distributed 3.07 per cent of the total amount distributed to the shareholder account. In 2012, this distribution to the shareholder account was $1 million, representing approximately 0.3 per cent of open participating account assets.

7. Each participating policyowner and shareholder is entitled to receive notice to attend the annual meeting of policyowners and shareholders, receive copies of documents (for example, the annual statement) and has certain voting rights (sections 331 and 334).

For more information on Canada Life's participating account management policy and the policyowner dividend policy, see the appendix.

Strength

A Canada Life participating life insurance policy provides a foundation of guaranteed values. It also offers the opportunity for growth based on participation in a pool with other participating policies. A Canada Life participating life insurance policy offers both stability and flexibility in a permanent life insurance solution.

Canada Life's open participating account has $441 million in assets, including $63 million in surplus (at Dec. 31, 2012).

Canada Life has distributed policyowner dividends yearly since 1848.

Canada Life's participating account's surplus helps provide stability and strength to the participating account and can help smooth the impact of fluctuations in experience on dividends.

Canada Life's credit ratings were maintained in 2012. It continues to enjoy strong ratings relative to its North American peer group due to its conservative risk profile and stable earnings track record.*

*As last rated by A.M. Best Company, DBRS Limited, Fitch Ratings, Moody's Investors Service and Standard & Poor's Ratings Services at time of publication. For current information on Canada Life's ratings and financial strength see the corporate information section at www.canadalife.com.

Open block participating account ($ millions)

Summary of participating account operations in 2012	
Participating policyowner premium	$366
+ Investment income	23
– Benefits paid	23
– Change in actuarial liabilities	122
– Expenses and taxes	187
– Distribution to policyowners and shareholders	38
Policyowner dividends	31
Change in dividend liability	5
Shareholder portion	
Cash payment	1
Accrual	1
= Participating account net income	$19

Participating account balance sheet	
Open block assets	$441
– Open block liabilities	378
= Closing balance for participating account surplus	63
Participating account surplus	
Opening balance Dec. 31, 2011	$44
+ Participating account net income	19
= Closing balance for participating account surplus	$63

NOTES

- Investment income is based on international financial reporting standards (IFRS) as issued by the International Accounting Standards Board (IASB) effective Jan. 1, 2011. Certain assets such as public bonds, common stocks and real estate are marked to market (not smoothed). Investment income is reported for the calendar year Jan. 1, 2012 to Dec. 31, 2012 and includes assets backing participating account liabilities and surplus.
- Changes in actuarial liabilities are based on IFRS as issued by the IASB effective Jan. 1, 2011. A change in actuarial liabilities is made to ensure the total amount of actuarial liabilities is sufficient to meet all policyowner obligations.
- The dividend liability represents dividends earned but not paid at the calendar year-end.
- Asset values are based on IFRS as issued by the IASB effective Jan. 1, 2011.
- The accrual account represents a portion of shareholder surplus, held within the participating account, that has been recognized but not paid and is dependent on future payment of dividends to participating policyowners. In 2012 the accrual account balance increased by $0.7 million.

Canada Life – providing life insurance protection to Canadians since 1847

Founded in 1847, The Canada Life Assurance Company was Canada's first domestic life insurance company. In Canada, Canada Life offers insurance and wealth management products and services for individuals, families and business owners. Canada Life's investments, savings and retirement income, annuities, and life, disability and critical illness insurance products are available through independent advisors associated with managing general agencies as well as national accounts, including Investors Group.

Canada Life is a subsidiary of The Great-West Life Assurance Company. Together, Great-West Life and its subsidiaries, London Life and Canada Life, serve the financial security needs of more than 12 million people across Canada, and have $218 billion in consolidated assets under administration (at Dec. 31, 2012). Great-West Life and its subsidiaries reported a minimum continuing capital and surplus requirements ratio of 207 per cent at Dec. 31, 2012.*

Together, Great-West Life, London Life and Canada Life have three million individual life insurance policies and are a leading provider of individual life insurance in Canada (at Dec. 31, 2012).

Great-West Life, London Life and Canada Life are members of the Power Financial Corporation group of companies.

*In Canada, the Office of the Superintendent of Financial Institutions (OSFI) has established a capital adequacy measurement for life insurance companies incorporated under the Insurance Companies Act and their subsidiaries, known as the minimum continuing capital and surplus requirements (MCCSR) ratio. For Canadian regulatory purposes, capital is defined by OSFI in its MCCSR guideline. The company's practice is to maintain the capitalization of its regulated operating subsidiaries at a level that will exceed the relevant minimum regulatory capital requirements in the jurisdictions in which they operate.

Performance for the long term

Performance for the long term

The investment performance of the Canada Life participating account is an important component in determining the long-term value of participating policies.

The participating account assets are managed by Canada Life's investment division. The company's asset/liability management group monitors the overall asset mix and guides investment activity within the parameters of the investment policy, which is approved by the board of directors. The managers of the specific asset classes, such as bonds, mortgages and equities (including real estate), manage the buying and selling of the actual assets in the portfolio within the parameters specified.

Participating account return

The participating account return is the return on the total participating account assets backing liabilities and surplus after investment expenses are deducted. The participating account return is reported for the calendar year Jan. 1 to Dec. 31. In 2012, investment expenses were 7.7 basis points for the Canada Life open account. Investment expenses may vary year to year due to changes in the asset mix of the total participating account, economies of scale and other factors. The participating account return is a short-term indicator of investment performance.

The return on participating account assets after investment expenses affects asset growth.

The participating account return cannot be directly tied to the cash value growth in a particular policy. The actual cash value growth in any policy varies based on a number of factors such as type of product, product features, premium-paying period, issue age, rating, dividend option, the policyowner dividend scale and others.

Surplus, and income generated by it, is used to help ensure financial strength and stability. It can also be used for other purposes such as financing new business growth within the participating account, providing for transitions during periods of major change, or smoothing the impact of fluctuations in experience on dividends related to investment volatility, mortality and expenses.

Participating account historical average returns (at Dec. 31, 2012)

Participating account asset class	**1-year** (2012)	**2-year** (2011 – 2012)	**3-year** (2010 – 2012)	**4-year** (2009 – 2012)	**5-year** (2008 – 2012)
Public bonds and private placements	4.3%	4.5%	4.7%	4.8%	5.1%
Mortgages	4.8%	4.9%	5.1%	5.3%	5.4%
Equities	10.2%	4.1%	8.3%	15.1%	5.1%
Total participating account return (after investment expenses)[1]	5.5%	4.6%	5.5%	6.7%	5.3%

NOTES

1. Total participating account return includes returns on assets such as policy loans and cash and equivalents.

- With the exception of unrealized gains and losses on bonds, which are excluded because bonds in the participating account are generally held until maturity, the participating account return is calculated in accordance with the following:
  - From 2008 – 2010, the Canadian Institute of Chartered Accountants (CICA) handbook.
  - Effective Jan. 1, 2011, international financial reporting standards (IFRS) as issued by the International Accounting Standards Board (IASB).

As with any financial product, over the long term, a change in investment returns can have a significant impact upon dividend values and related features in a policy. To better understand this sensitivity for a specific policy, clients and policyowners should refer to the reduced dividend example in the policy illustration. It may be useful to periodically ask your advisor for an updated copy of the illustration.

Dividend scale interest rate

The dividend scale interest rate is the interest rate used in determining the investment component of the dividend scale. This rate incorporates the smoothed investment experience of assets backing participating account liabilities for the most recent 12-month period from July 1 to June 30, and also includes the smoothed gains and losses from prior periods and other factors. It does not include the return on assets backing participating account surplus. Canada Life's long-term investment strategy – together with its strategy of smoothing – helps reduce the impact of short-term volatility on the investment component of dividends received by participating life insurance policyowners. Smoothing works by bringing gains and losses into the dividend scale interest rate over a period of time.

The dividend scale interest rate is only one factor that contributes to an individual policy's performance. It cannot be directly tied to the cash value growth in a particular policy. The actual cash value growth in any policy varies based on a number of factors such as type of product, product features, premium-paying period, issue age, rating, dividend option, the policyowner dividend scale and others.

Past results should not be considered indicative of the participating account's future performance.

Historical average returns (at Dec. 31, 2012)

Number of years	1	5	10	20	30	60	30-year standard deviation
	(2012)	**(2008 – 2012)**	**(2003 – 2012)**	**(1993 – 2012)**	**(1983 – 2012)**	**(1953 – 2012)**	**(since 1983)**
Canada Life dividend scale interest rate (%)	7.0	7.4	7.6	8.5	9.5	8.9	1.8
S&P/TSX composite total return index (%)	7.2	0.8	9.2	9.1	9.2	9.8	16.6
Five-year GIC return (%)	1.6	2.1	2.6	3.9	5.9	n/a	3.3
Government of Canada 5 to 10-year bonds (%)	1.6	2.6	3.4	4.9	6.6	6.7	3.0
Consumer price index (%)	0.8	1.6	1.8	1.8	2.6	3.7	1.4

All historical average annual returns are geometric means.

A low standard deviation means the range of performance has been narrow, indicating there has been less volatility.

NOTES

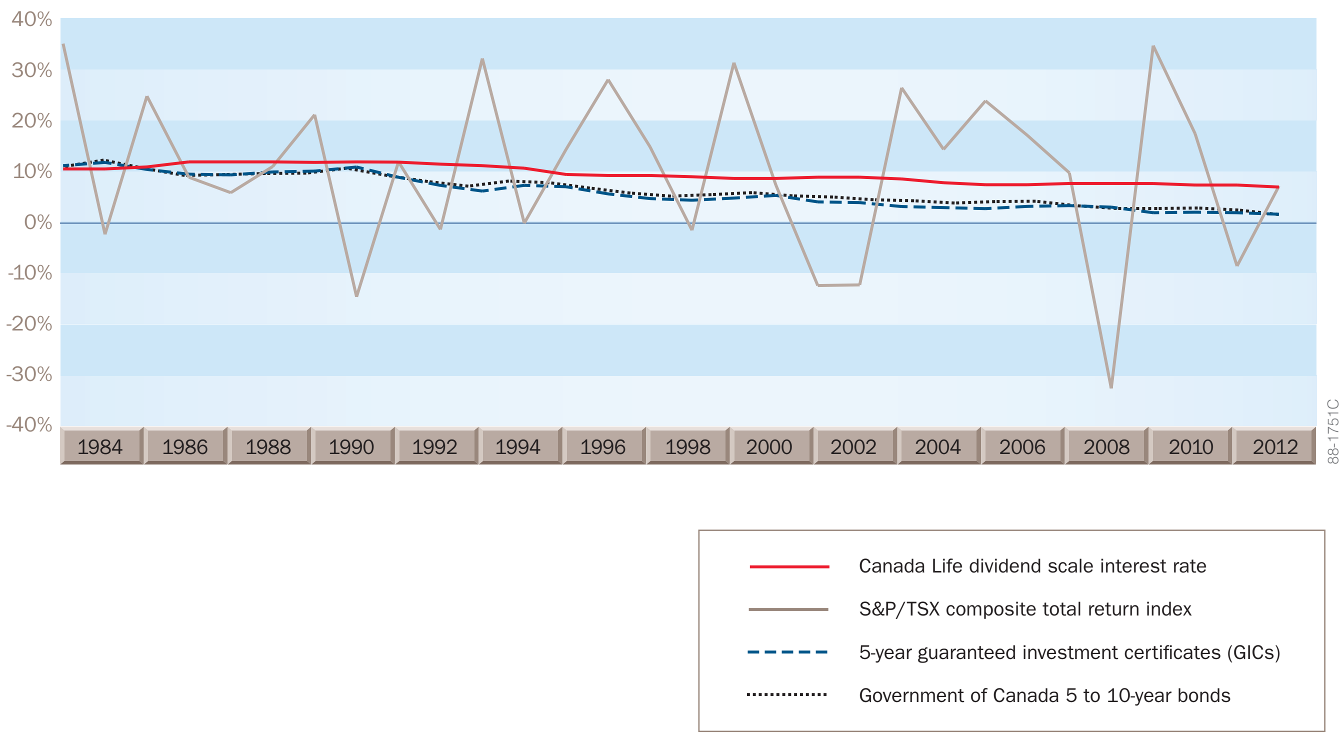
- The dividend scale interest rate is used to calculate the investment component of participating policyowner dividends and is based on assets backing participating account liabilities. It does not include the returns on assets backing participating account surplus. Dividend scale interest rates shown are for the Canada Life open and closed blocks. The dividend scale interest rate for 2013 is 6.50 per cent.
- S&P/TSX composite total return index includes the reinvestment of dividends. TSX © Copyright 2013 TSX Inc. All rights reserved.
- Five-year guaranteed investment certificate (GIC) returns are based on the nominal yields to maturity taken from Statistics Canada, CANSIM table 176-0043, series V122526 (Statistics Canada website), Jan. 2, 2013. For each calendar year, the average of the monthly GIC rates was used.
- Government of Canada five to 10-year bond returns are taken from Statistics Canada, CANSIM table 176-0043, series V122486 (Statistics Canada website), Jan. 2, 2013. For each calendar year, the average of the monthly values was used.
- Consumer price index inflation rates are based on the change from December to December, taken from Statistics Canada, CANSIM table 326-0020, series V41690973 (Statistics Canada website), Jan. 24, 2013.

Stability

Canada Life's participating account's surplus helps provide stability and strength to the participating account and can help smooth the impact of fluctuations in experience on dividends.

During times of economic change, the Canada Life dividend scale interest rate has been relatively stable compared to returns on many financial investments. The graph below shows how the longer-term focus for participating account investments and smoothing of returns has had a stabilizing effect on the Canada Life dividend scale interest rate.

Returns (at Dec. 31, 2012)



NOTES

- The dividend scale interest rate is used to calculate the investment component of participating policyowner dividends and is based on assets backing participating account liabilities. It does not include the returns on assets backing participating account surplus. Dividend scale interest rates shown are for the Canada Life open and closed blocks.
- The S&P/TSX composite total return index includes the reinvestment of dividends.
- Five-year guaranteed investment certificate (GIC) returns are based on the nominal yields to maturity taken from Statistics Canada, CANSIM table 176-0043 series, V122526 (Statistics Canada website), Jan. 2, 2013. For each calendar year, the average of the monthly GIC rates was used.
- Government of Canada five to 10-year bond returns are taken from Statistics Canada, CANSIM table 176-0043, series V122486 (Statistics Canada website), Jan. 2, 2013. For each calendar year, the average of the monthly values was used.

Asset mix

The Canada Life participating account assets are invested for the long term. The account is broadly diversified and is generally managed as a fixed-income account with a goal to have approximately 80 per cent of invested assets in fixed-income investments and 20 per cent of invested assets in common stock and real estate investments.

Canada Life participating account assets at 2011 and 2012 year-ends ($ millions)

(combined assets for the open and closed blocks)

	Dec. 31, 2011	Total invested assets	Dec. 31, 2012	Total invested assets	Investment guidelines	Total participating account assets
	$	%	$	%	%	%
Short term						
Cash and equivalents	$92.9	3.4%	$118.1	4.0%		3.6%
Total short term	92.9	3.4	118.1	4.0	0% to 5%	3.6%
Fixed income						
Bonds and private placements						
Public bonds						
Government	592.1	21.6	645.9	21.6		19.7
Corporate	718.9	26.2	742.9	24.9		22.6
Private placements	153.0	5.6	161.7	5.4		4.9
Sub-total of bonds and private placements	1,464.0	53.4	1,550.5	51.9	40% to 75%	47.2
Mortgages						
Residential	168.2	6.1	168.4	5.6		5.1
Commercial	487.2	17.7	531.2	17.8		16.2
Sub-total of mortgages	655.4	23.8	699.6	23.4	10% to 40%	21.3
Total fixed income	**2,119.4**	**77.2**	**2,250.1**	**75.3**		**68.5**
Equity						
Real estate and common stock						
Real estate	87.8	3.2	179.8	6.0		5.5
Common stock	444.4	16.2	438.2	14.7		13.3
Sub-total of real estate and common stock	532.2	19.4	618.0	20.7	0% to 20%	18.8
Preferred stock	0.6	0.0	0.5	0.0	0% to 5%	0.0
Total equities	**532.8**	**19.4**	**618.5**	**20.7**		**18.8**
Total invested assets	2,745.1	100.0	2,986.7	100.0		90.9
Policy loans	278.0		282.5			8.6
Other assets*	35.6		15.8			0.5
Total participating assets	**$3,058.7**		**$3,285.0**			**100.0%**

*Other assets are composed primarily of investment income due and accrued, outstanding premiums (receivables), future income tax assets and reinsurance assets.

NOTES

- Canada Life has guidelines in place to manage the level of invested assets by asset class. These ranges do not include policy loans or other assets. Any change to the investment guidelines must be approved by the board of directors.
- Asset values are based on international financial reporting standards (IFRS) as issued by the International Accounting Standards Board (IASB) effective Jan. 1, 2011.
- At Dec. 31, 2012, the classification of real estate investment trusts changed to better reflect the underlying risk category of the asset. This resulted in certain assets previously categorized as common stock being re-classified as real estate. 2011 numbers have not been restated to reflect this change.

Investment guidelines

The investment guidelines for each asset category recognize the business objectives, liability characteristics, liquidity requirements, tax considerations and interest rate risk tolerance unique to that category. Any change to investment guidelines must be approved by Canada Life's board of directors.

A large portion of the total participating account assets is invested in bonds and mortgages to support long-term stable growth and core guarantees within the participating policies.

Canada Life's investment strategy helps stabilize the variation in investment returns used to determine dividends.

Years to maturity by fixed-income asset type

Based on values at Dec. 31, 2012

Years to maturity	0 to 5 years	Over 5 years
Public bonds	11.6%	88.4%
Private placements	3.2%	96.8%
Residential mortgages	99.7%	0.3%
Commercial mortgages	16.5%	83.5%
Total fixed income	18.8%	81.2%

The asset returns available in the marketplace in January and February 2013 for new participating account investments in bonds and mortgages were about 3.8 per cent, which is approximately 70 basis points below the average return for similar participating account assets maturing throughout 2013.

Asset quality is very important

At Dec. 31, 2012

Asset quality	Public bonds	Private placements
AAA	49.3%	10.3%
AA	14.8%	11.0%
A	29.7%	46.5%
BBB	6.3%	32.2%
BB or less	0.0%	0.0%
Total	100.0%	100.0%

100.0 per cent of total bonds held are investment grade or higher, i.e., BBB or higher – an investment industry measure of bond quality.

Private placements are internally rated.

Private placements

Private placements are bond investments made through private agreements with various borrowers. They are grouped into three main categories:

- Lease finance
- Mid-market and other corporate credit
- Infrastructure

These investments have the potential to provide higher returns in the participating account than can be found in other types of fixed-income investments. All private placements go through a disciplined credit process. Each arrangement undergoes due diligence and is thoroughly researched, underwritten and actively managed by the specialized private placement investment management team.

In today's market, private placements can provide 1.5 to three per cent higher yields than federal government bonds.*

*Performance data is provided for illustrative purposes only and represents past performance, which is not necessarily indicative of future performance.

Mortgages (commercial and residential)

Insured	31.3%
Uninsured	68.7%
Total	100.0%

- Principal and interest to the date of default are guaranteed for insured mortgages.
- At 0.06 per cent, residential and commercial mortgage arrears (90+ days) are below the 0.11 per cent average for the industry at Dec. 31, 2012.

Prudent management

The historical performance of Canada Life's participating account is due not only to strong investment results, but also to prudent selection of underwriting risks and favourable mortality and expense management results.

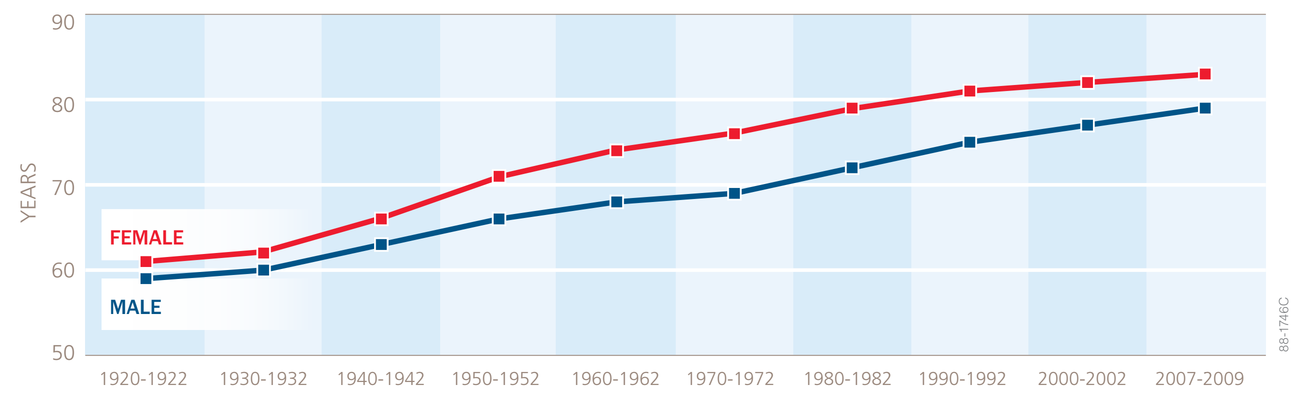
For current products, on average, under the 2012 dividend scale, approximately 65 per cent of policyowner dividends were derived from investment experience. Approximately 35 per cent was derived from other factors such as positive mortality, expense and tax experience.

Mortality

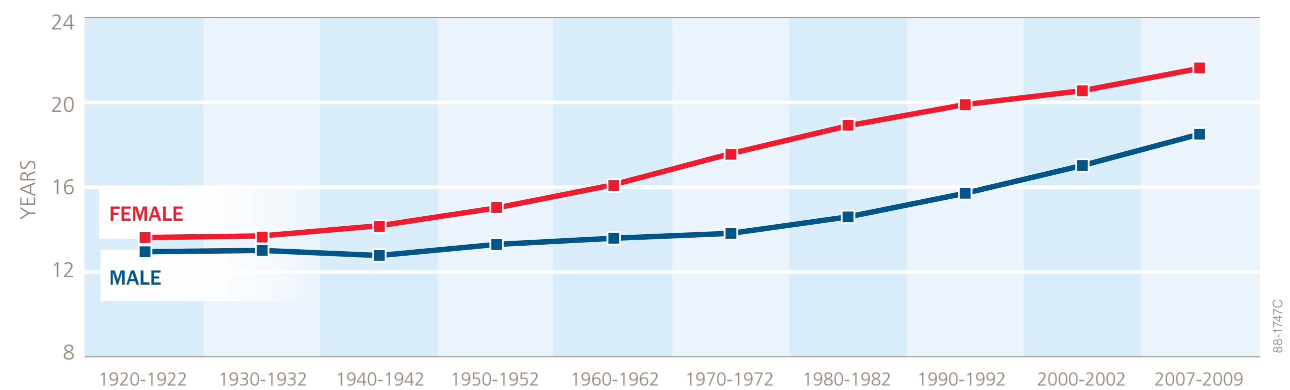
People are living longer and participating policyowners have benefited.

Every decade of the last century has shown continuous mortality improvement. As people live longer, this positive mortality experience is passed to policyowners through dividends. This is a unique feature of participating life insurance.

Statistics Canada remaining life expectancy for males and females at birth



Statistics Canada remaining life expectancy for males and females at age 65



SOURCE OF INFORMATION

- 1920 – 1922 to 1980 – 1982 tables: Statistics Canada Longevity and Historical Life Tables: 1921-1981 (Abridged) Canada and the Provinces. Catalogue no. 89-506.
- 1990 – 1992 table: Statistics Canada Life Tables, Canada, Provinces and Territories, Catalogue no. 84-537.
- 2000 – 2002 to 2007 – 2009 tables: Statistics Canada, CANSIM table 102-0512.

The protective value of underwriting

These mortality statistics reflect life expectancy for the entire population. Individuals who have been underwritten and approved for life insurance on average have even longer life expectancies. People considered a higher risk because of health, lifestyle or occupational concerns may pay more for life insurance coverage or may be declined coverage.

Mortality results for Canada Life open block policies

Mortality experience is reviewed annually and changes are taken into account in the review of dividends. Mortality improvements can help to partially offset the impact of declining interest rates. The 2013 dividend scale change reflects the benefit of additional mortality improvement experienced by Canada Life participating policyowners since the last dividend scale change in 2012. The reduction in the 2013 dividend scale would have been, on average, 0.3 per cent more had there been no mortality improvement.

Even if mortality improvements slow over time, current mortality levels are still better than those used in pricing participating life insurance products. This is due to the level of conservatism built into Canada Life's long-term pricing assumptions used when developing the guarantees associated with its participating life insurance products, and Canada Life's process for selection of risk.

Expenses

Canada Life has $441 million in assets in the open participating account, which provides considerable opportunities when it comes to achieving expense efficiencies.

Expenses and taxes incurred by Canada Life are allocated to the participating account in accordance with a method that in the opinion of the company's actuary is fair and equitable to participating policyowners, and has been approved by the board of directors after considering the actuary's opinion. Each year the actuary reviews the method used by the company for allocating expenses and taxes to the participating account and reports to the board of directors on its continuing fairness and equitableness. Expense-management policies focus on controlling expenses for the benefit of participating policyowners and shareholders.

Historically, expense experience has been a relatively small component of the total dividend compared to the investment and mortality components.

Need more information?

For more information about how participating life insurance policies work, ask your advisor for a copy of:

- *Canada Life's participating life insurance client guide*
- *Smoothed returns help reduce volatility*
- *Canada Life participating life insurance historical performance*
- *Canada Life's participating policyowner dividend scale announcement (Canada)*
- *Canada Life's participating account investment reports*
- *Balancing to reduce risk*
- *Insights into private placements and the participating account*

You can find out more about participating life insurance and Canada Life's other products and services by calling your advisor. Each year on the policy's anniversary, you will receive an annual statement updating you on the current status of your policy. It is often useful to ask your advisor for an updated policy illustration.

Visit our website at www.canadalife.com or call 1-888-252-1847 if you have a question about a specific policy.

Your policy contains important definitions of certain terms used in this guide.

This guide should be kept with your Canada Life illustration and policy contract.

The information provided is based on current laws, regulations and other rules applicable to the company and to Canadian residents. Every reasonable effort has been made to ensure its accuracy as of the date of publication. Rules and their interpretation may change, affecting the accuracy of the information. The information provided is general in nature, and should not be relied on as a substitute for advice in any specific situation. For specific situations, advice should be obtained from the appropriate professional advisors.

Canada Life is a member of Assuris, formerly known as the Canadian Life and Health Insurance Compensation Corporation (CompCorp), which administers the Consumer Protection Plan for policyowners of member companies.

Appendix

The Canada Life Assurance Company (the Company) Participating account management policy

This participating account management policy has been established by the Board of Directors and may be amended by the Board 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.

As required by the Insurance Companies Act, the Company maintains accounts for its participating insurance policies separately from those maintained in respect of other policies. This facilitates the measurement of the earnings attributable to the participating account.

The participating account is maintained in respect of participating life insurance policies and small blocks of participating annuities and disability insurance policies that have been issued or assumed by the Company. The participating account is comprised of three main types of sub-accounts. The closed block sub-accounts were established for participating insurance policies issued or assumed by the Company prior to demutualization and are comprised of the best-estimate liabilities associated with these policies. The ancillary sub-accounts are comprised of the liabilities for provisions for adverse deviation in respect of the policies contained in the closed block sub-accounts. The open sub-accounts are comprised of the total liabilities for participating insurance policies issued or assumed on or after demutualization.

The closed block sub-accounts are maintained in accordance with the operating rules established by the Company for the closed blocks and approved by the Office of the Superintendent of Financial Institutions. The closed block operating rules govern the management of the various closed block sub-accounts, including things such as investment income allocation, mortality costs, expense charges and taxes. The Appointed Actuary is required to provide the Superintendent and the relevant non-Canadian insurance regulators with reports and opinions about the operation of the closed block sub-accounts and ongoing compliance with the closed block operating rules as may be required.

Assets of the Company held within its general funds are allocated to the participating account and non-participating account segments for the purpose of determining investment income for each account. Assets are allocated to each segment according to the investment guidelines established for the segments. These guidelines outline criteria for asset mix, liquidity, currency risk and interest rate risk. These guidelines are intended to recognize considerations such as the business objectives, liability characteristics, liquidity requirements, tax considerations and interest rate risk tolerance of each segment. Assets allocated to a segment may from time to time be reallocated to another segment within the same account or another account provided the assets exchanged comply with the investment policy of the respective segments. Any such exchanges are effected at fair value.

On an annual basis the Board of Directors reviews and approves investment policies and guidelines which govern investment activities. The investment policies outline a number of principles for investing in assets, including risk tolerance and the approach to managing investment risk. Investment risk is managed through underwriting standards, exposure limits and specific guidelines governing asset classes and investment operations. The investment policies establish limits for the concentration of assets in single geographic areas, industries, companies and types of businesses as part of the risk management process.

A large portion of the participating account assets are invested in fixed-income assets to support long-term stable growth and the core guarantees within participating policies. The Company employs cash-flow-matching techniques so that asset cash flows are sufficient to meet obligations and to help control exposure to interest rate fluctuations. In addition, a portion of the portfolio is reinvested each year so returns reflect the trend in interest rates. The Company may use derivative products as risk management instruments to hedge asset and liability positions, or as substitutes for cash instruments within specified guideline limits.

Investment income is allocated to the participating account in accordance with the Company's investment income allocation policy. Generally, investment income results are allocated directly to a segment based on the assets allocated to the segment. Each year the Appointed Actuary reviews the method used for allocating investment income to the participating account and reports to the Board of Directors on its fairness and equitableness.

Expenses and taxes incurred by the Company are allocated to the participating account in accordance with the Company's expense allocation and tax allocation policies.

Expenses are allocated by the area incurring the expense to the appropriate company and line of business. As a general principle, expenses are allocated to a line of business in accordance with its business activities. In addition, from time to time Great-West Life and/or its subsidiaries make significant expenditures/investments outside of regular business activities which may include but are not limited to transactions such as acquisitions, restructurings, and capital expenditures (e.g. major IT systems), the intent and effect of which is to reduce future expenses. The governing principle for fair and equitable treatment of such expenditures/investments is that expenses will be allocated to the lines of business recognizing both the benefit derived by the line of business from that expenditure/investment and the contribution made by the line of business to that expenditure/investment.

For the open sub-accounts, in general, expenses that are exclusively related to participating business are allocated directly to the participating account. Expenses related to both participating and non-participating business are allocated based on business statistics when the expenses vary based on those statistics, based on managers' estimates supported by time studies or other assessments, or in proportion to the total expenses allocated using all of the methods previously mentioned.

Expenses are charged to the closed block sub-accounts based on pre-determined formulas in accordance with the closed block operating rules.

For unusual items, management will determine and report to the Appointed Actuary the resulting allocation of expenses to each line of business, including the basis and justification for it.

Taxes are allocated to the participating account using the characteristics of the participating and non-participating accounts that are determinative of the relevant tax costs. In accordance with the closed block operating rules, no taxes on profits are allocated to the closed block sub-accounts since it is expected that closed block earnings will cumulatively be zero over the lifetime of the closed block.

Each year the Appointed Actuary reviews the method used for allocating expenses and taxes to the participating account and reports to the Board of Directors on its fairness and equitableness.

The participating account surplus associated with the open sub-accounts is managed in accordance with the Company's capital management policy and participating account surplus policy and with regard to regulatory requirements. The surplus position is reviewed annually to assess its continuing appropriateness, having regard for the specific circumstances of the participating account. Surplus may be used for a number of purposes including to help ensure the Company can meet its obligations to participating policyholders, help ensure financial strength and stability, finance new business growth and acquisitions which may benefit the participating account, provide for transitions during periods of major change, and smooth the reflection of experience fluctuations in dividends; subject to items such as practical considerations and limits, legal and regulatory requirements, and industry practices.

As permitted by the Insurance Companies Act, the Company may distribute to the shareholders a percentage of the amount distributed to policyholders in respect of a financial year. Prior to any such distribution, the Appointed Actuary will confirm to the Board of Directors that the proposed distribution is permitted under the terms of the Insurance Companies Act. The proportion distributed to the shareholders will not exceed the prescribed amount as determined under section 461 of the Insurance Companies Act. Any distribution made to the shareholders will be published in the Company's annual report.

Under the terms of the closed block operating rules, no distribution to the shareholders may be made from the closed block sub-accounts. In accordance with the demutualization agreement, the amount by which the assets exceed the liabilities in the ancillary sub-accounts is transferred to the shareholders each quarter.

Approved by The Canada Life Assurance Company Board of Directors on Nov. 8, 2012 and effective that day.

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.

Canada Life™

The Canada Life Assurance Company, a subsidiary of The Great-West Life Assurance Company and a member of the Power Financial Corporation group of companies, provides insurance and wealth management products and services. Founded in 1847, Canada Life is the country's first domestic life insurance company.

In Quebec, advisor refers to a financial security advisor for individual insurance and segregated fund policies and to an advisor in group insurance/annuity plans for group products.

Helping people achieve more™

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