

DIVIDEND POLICY

This Dividend Policy applies to all participating policies of the Company which includes Traditional Participating Life, Participating Universal Life and Participating Adjustable Premium Life policies.

Traditional Participating Life policies and Participating Adjustable Premium Life policies are eligible to receive annual experience dividends. Traditional Participating Life policies are reviewed and have their dividends declared at least annually. Participating Adjustable Premium Life policies are reviewed and have their dividends declared at least quinquennially. Participating Universal Life policies are not eligible for experience dividends.

Experience dividends are determined based on the distributable earnings of the Participating Account. The distributable earnings are earnings on the Participating Account adjusted to maintain consistency in distribution across periods. Earnings include all participating policyholder related sources of gains or losses relative to experience factors such as investment returns, mortality, expenses, policy surrenders, policy loan rate utilization, taxes and other policyholder experience. Earnings arise when the experience on these factors is collectively more favourable than the assumptions used in calculating the guaranteed policy values. Since dividends reflect actual experience, they cannot be known in advance and are not guaranteed. Dividends will fluctuate with actual experience over time. Experience may deteriorate over time and as a result, dividends may be reduced. No terminal dividends are paid on policies. The Company follows a permanent contribution to surplus philosophy. Income from all lines of business is used to support the Company's capital and surplus position. The Company's current and projected capital and surplus position is considered in the dividend scale setting process.

An objective of the dividend distribution is to maintain reasonable equity between classes and generations of policyholders. The Company follows the Contribution Principle in the calculation of individual policy dividends for classes of its participating policy owners. The Contribution Principle (Source of Earnings Method) is a generally accepted method of determining dividends in Canada. Under this principle, distributable earnings are to be distributed among policies over the long term in the same proportion as the policies are considered to have contributed to distributable earnings, subject to practical considerations and constraints. In order to determine the contribution, policies are grouped into classes with common experience factors. Dividend classes are established at issue. These classifications would not be expected to change. The effect of policy loan utilization, and the rates charged for such loans are reflected by the class of policyholder.

The method for determining dividends is based on objective quantifications, to the extent practicable. Actual dividends are to be consistent with policy contracts, this Policy and applicable law. This Policy would be applied consistently over time.

All participating policies are eligible for ownership dividends. These dividends may be paid based on the overall earnings of the Company and when the Company has a strong capital position at the time an ownership dividend is being considered and into the foreseeable future. Ownership dividends are paid at the discretion of the Board of Directors, based on the recommendation of Management, and may be credited in any manner deemed appropriate by the Company.

Dividends are declared at the discretion of the Board of Directors in accordance with this Policy and applicable law. This Policy has been established by the Board of Directors and is subject to amendment from time to time at the discretion of the Board of Directors. The principal factors that may cause the Board of Directors to review and amend this Policy include, corporate restructuring, regulatory or legislative changes, material unanticipated events, or clarification of this Policy.