

PARTICIPATING ACCOUNT MANAGEMENT POLICY

The Participating Account Management Policy applies to all participating policies of the Company which include Traditional Participating Life, Participating Universal Life and Participating Adjustable Premium Life policies.

Traditional Participating Life policies and Participating Adjustable Premium Life policies are backed by the Traditional Participating Account. Participating Universal Life policies are backed by the Universal Life Account. Each Participating Account records the assets, liabilities, transactions and earnings associated with the corresponding participating policies. The investment income, net of investment expenses, earned on the assets within each segment determines the investment return for the account. The Company follows the portfolio average approach rather than the investment generation approach for allocating investment income between classes within the Traditional Participating Account.

The Company has Board of Directors approved investment policies. These policies dictate the investment objectives and investment philosophy for the Company's assets. These policies also specify the required controls and monitoring of the assets. The Participating Accounts are managed within the guidelines and constraints established by these policies. The Participating Accounts are invested in a diversified portfolio of fixed income and non-fixed income assets.

Expenses that are directly attributable to a Participating Account are charged directly to the corresponding Participating Account. Indirect expenses are allocated to Accounts based on studies and Management's best estimate of the incidence of the cost by line of business or in some cases by standard indices.

Premium taxes are allocated directly to the appropriate Participating Account. Investment income taxes are allocated to the appropriate Participating Account in accordance with the Canada Revenue Agency tax formulae. Income tax is allocated based on the taxable income earned.

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.

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 clarifications of this Policy.