



2020 Financial facts

Canada Life combined
open participating account



Welcome

to the 2020 Canada Life
participating life insurance
Financial facts

It includes key details about the first-year performance, strength and management of our combined open Canada Life™ participating account.

Our five pillars



Experience

We've been in the participating life insurance market for **more than 170 years**.



Size

We have **the largest** open participating account **in Canada**.



Expertise

Our experienced teams and industry-leading partnerships help us make strategic decisions about the participating account.



Accountability

Our commitment to transparency has earned the trust of generations of Canadians.



Conviction

Our investment approach remains focused on **long-term performance and stability**.



Andrea Frossard
Senior Vice-President
Participating Insurance
Solutions

Thank you for your interest in Canada Life's participating life insurance. Our open participating account is the largest in Canada, with over \$45 billion in assets.

This edition of Financial facts is the first to feature performance results from the combined Canada Life open participating account. The combined account was formed on Jan. 1, 2020, when Great-West Life, London Life and Canada Life came together to form one company. We look forward to sharing these first-year facts with you.

2020 was not without its challenges. COVID-19 continues to affect the everyday lives of Canadians, and its full impact is still to be seen. Our participating account is built to withstand these challenges, as it has during so many economic events in our past. Canada Life will continue to give Canadians the support they need, when they need it most.

"Canadians can rely on our expertise, experience, and commitment to accountability. Your trust has helped us reach the size we are today."

Watch the full video message from Andrea Frossard at canadalife.com/insurance/life-insurance/permanent-life-insurance/participating-whole-life-insurance



We continue to provide historical performance reports

for our participating accounts prior to amalgamation that demonstrate our track record of strength and stability, and our commitment to transparency. You can get them from your advisor or at canadalife.com/insurance/life-insurance/permanent-life-insurance/participating-whole-life-insurance

i On Jan. 1, 2020, we combined the Great-West Life, London Life and Canada Life Canadian open participating accounts. This guide provides key financial facts about the performance, strength and management of the combined open Canada Life participating account for Jan. 1, 2020, to Dec. 31, 2020. The open account excludes the former New York Life, former Crown Life and Canada Life closed blocks of policies.

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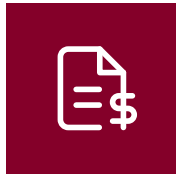
This document uses the term “policyowner”, except when referencing the dividend policy, which uses “policyholder”. This document uses the term “earnings”, except in the Insurance Companies Act (ICA) provisions and references section, which uses the term “profits”.

The 2020 Canada Life participating policyowner dividend scale reflects dividends credited on participating policy anniversaries beginning July 1, 2020 through June 30, 2021. References to the 2020 dividend scale or the 2020 dividend scale interest rate (DSIR) throughout this document reflect this timing.

Throughout this document, numbers may have been rounded.

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

Assets backing the Canada Life open liabilities are pooled with the assets backing Canada Life closed liabilities (all Canada Life policies issued prior to demutualization on Nov. 5, 1999) for the purpose of setting the dividend scale interest rate. The asset values provided are approximate splits and are provided for informational purposes only.



2020 Financial highlights

for the Canada Life participating account

In this section, results include the combined open Canada Life participating account for 2020, except where specifically indicated.




Performance

- Canada Life has distributed participating policyowner dividends since 1848.
 - Dividends distributed are divided among groups of policies that share common attributes. The amount attributed to each group will vary depending on the earnings that each group is considered to have contributed to the participating account earnings.
- In 2020, Canada Life distributed \$1.2 billion in combined open participating account policyowner dividends.

Investments

Canada Life's long-term investment strategy, together with its smoothing approach helps reduce the impact of short-term volatility on the investment component of participating policyowner dividends.

Where we are now

-  One-year return on total participating account assets for 2020, after investment expenses were deducted: 3.2%¹
-  Investment expenses charged to the participating account for the management of the assets in 2020: 8.2 basis points
-  Dividend scale interest rate for new Canada Life policies issued after Jan. 1, 2020: 5.1%²

Asset mix as at Dec. 31, 2020

(as a percentage of total assets backing liabilities)

Asset class	Dec. 31, 2020 (%)
Public bond holdings	36.0
Mortgage holdings	23.3
Private placement holdings	8.6
Cash and equivalents	2.2
Non-fixed income (real estate and equities)	21.9
Policy loans	6.2
Other assets	1.8
Total assets backing liabilities	100

Where we're going

- ✓ We regularly review the participating account investment strategy with a goal of providing stable, long-term returns. In 2021, we're making changes to our investment strategy intended to ensure long-term strength and stability.
- ✓ These changes are part of a gradual, ongoing evolution to ensure we can continue delivering on our promises to Canadians for generations.
- ✓ We're adjusting our target asset mix for assets backing liabilities to 70% fixed income investments and 30% non-fixed income investments.



Experience, expertise, conviction:

With more than 170 years in the participating life insurance market, Canada Life has built expert teams and proven investment strategies that provide the strength and stability to back our participating account.

 **Learn more** about our investment strategy on [page 15](#).

1. The participating account return is the return on the participating account assets that back the participating account liabilities and surplus, after investment expenses are deducted. Investment expenses may vary yearly due to changes in the total participating account asset mix, economies of scale and other factors. The participating account return is reported for the calendar year Jan. 1, 2020 to Dec. 31, 2020. The participating account return is a short-term indicator of investment performance. It is determined in accordance with 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. These 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 and realized and unrealized gains and losses are recognized as incurred. Realized gains and losses on bonds are recognized as incurred.

2. The dividend scale interest rate is used to calculate the investment component of participating policyowner dividends. It's based on the smoothed investment return on the assets backing participating account liabilities. It does not include the return on assets backing the participating account surplus.

The dividend scale interest rate is only one of many factors that contribute to an individual policy's performance. The actual growth in cash value for any specific policy varies based on a number of factors.

Experience related to insurance claims, expenses and taxes, policy terminations and other factors may also impact dividends.

Insurance claims

- Historically, we have seen life expectancy increase. This, along with the prudent selection of underwriting risks has contributed to participating account earnings.
- In 2020, Canada Life participating policyowner death claims totalled \$738 million.

Expenses

- Across the organization, Canada Life proudly serves more than 13 million customer relationships from coast to coast to coast. This provides opportunities for Canada Life to achieve expense efficiencies.

Policy terminations

- Policy terminations can also affect the performance of the participating account. For example, when the actual number of policy terminations is different from the assumptions used for pricing, this can affect the amount of distributable earnings.

Strength

- The total combined open Canada Life participating account assets, including surplus, were \$45.2 billion at Dec. 31, 2020.
- The Canada Life open block had approximately 1.6 million participating life insurance policies in force at Dec. 31, 2020.
- Canada Life continues to have strong credit ratings relative to its North American peer group due to its conservative risk profile and stable earnings track record.³

Accountability

- Following amalgamation, the total distribution of the participating account profits to the shareholders was 2.5%. The participating policyowner portion of distributed surplus in 2020 was 97.5%.
- Canada Life is regulated federally under the Insurance Companies Act (ICA) of Canada. The ICA provides requirements for how a company that has shareholders must manage its participating accounts. It also requires the establishment and maintenance of a participating account management policy and a participating policyowner dividend policy. You can view both of these policies at canadalife.com/insurance/life-insurance/permanent-life-insurance/participating-whole-life-insurance.
- Participating policyowner dividends are determined in accordance with the participating policyowner dividend policy approved by the board of directors. This policy is intended to ensure reasonable equity among groups of participating policyowners.
- You can find detailed information on the investments held in Canada Life's participating account at canadalife.com/insurance/life-insurance/permanent-life-insurance/participating-whole-life-insurance. This information is updated quarterly.

3. Based on the latest credit ratings 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 canadalife.com/insurance/life-insurance/permanent-life-insurance/participating-whole-life-insurance.

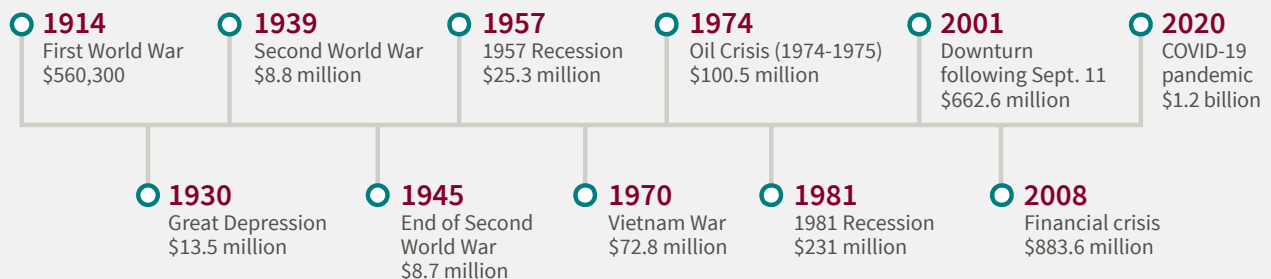


The participating account

Canada Life is committed to participating life insurance. We have more than 170 years of experience in the participating life insurance market. We have distributed participating policyowner dividends since 1848, even in difficult economic times.

We'll continue to manage the participating account for stability and strength. We've never left the participating life insurance market and our track record speaks for itself.

Participating policyowner dividends through history

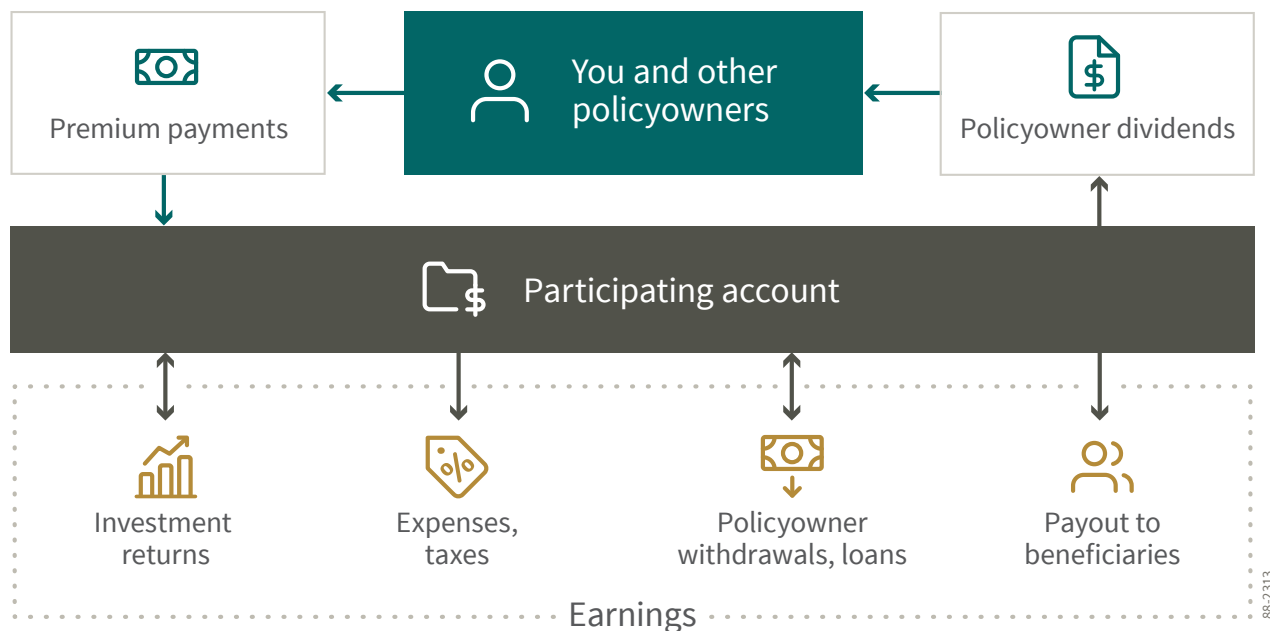


Amounts shown before Jan. 1, 2020 include the Canada Life, Great-West Life and London Life participating accounts prior to amalgamation. Amounts shown after Jan. 1, 2020, are from the combined Canada Life open participating account.

Numbers reflect the then-current dollar amount of declared policyholder dividends, as reported in company annual reports for the associated year. Numbers may be rounded. Amounts reported before 2001 may include dividends for policies issued outside Canada. The dividends shown in a particular year do not necessarily reflect the event shown for that year. For example, in 2020, COVID-19 wasn't reflected in the 2020 dividend scale. Past performance is not indicative of future performance

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How participating insurance works



1

Your premium payments, together with the payments from all other Canada Life participating policyowners, go into the participating account. We manage this account to meet the guarantees and commitments to all our participating life insurance policyowners, now and in the future.

2

If actual performance is better than our assumptions at the time of pricing, which may include but isn't limited to investments, expenses and taxes, policyowner withdrawals and loans, and insurance payouts, earnings are generated for the participating account.

3

When earnings exceed the amount needed to meet guarantees and commitments, policyowners might be able to share, or "participate," in these earnings. We might distribute some of these earnings as policyowner dividends, although this isn't guaranteed. The distributed amount is influenced by considerations such as the need to retain earnings as surplus and to reduce short-term volatility in dividends.

At least once a year, we determine whether the dividend scale is at an appropriate level and if it needs to change.

This review may include items such as:

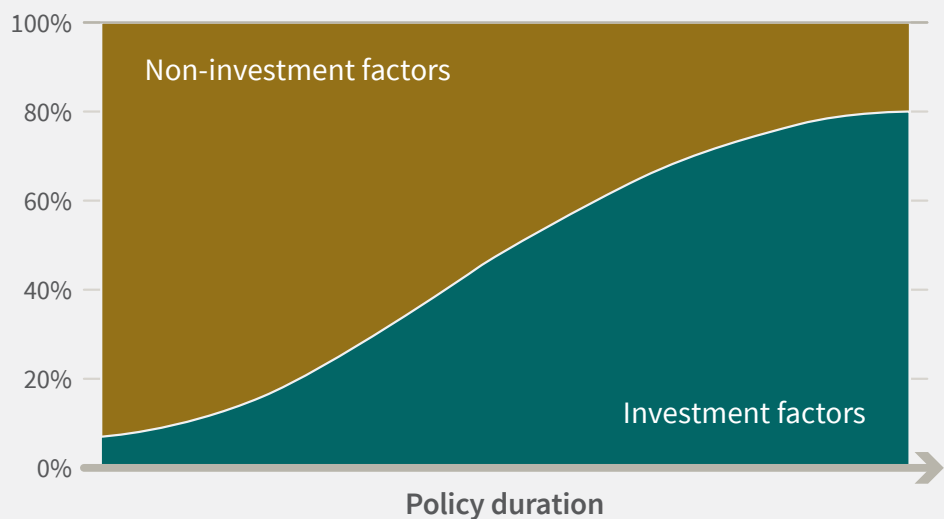
- One-year term life insurance rates
- Premium payments charged to purchase paid-up additional coverage
- Various crediting interest rates associated with the participating account

Surplus, and income generated by it, is used to help ensure the financial strength and stability of the company. It can also be used for other purposes, such as to:

- ✓ Finance new business growth and acquisitions that may benefit the participating account
- ✓ Provide for transitions during periods of major change
- ✓ Manage undue fluctuations in dividends

Example of changes in the composition of participating policyowner dividends over the life of the policy

In a new policy, insurance claims, expenses and other factors may affect dividends more than investment performance. As a policy matures, investment performance – and the dividend scale interest rate – generally start to play a larger role. Refer to the following chart for a visual example.



This example is for illustrative purposes only. Situations will vary according to specific circumstances.

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How we allocate participating policyowner dividends

Any amount distributed from the participating account as policyowner dividends is divided among groups of policies with common attributes. The amount, if any, credited to each policy within a dividend group varies depending on the earnings considered to have been contributed by that group. This is known as the contribution principle. A policy may not be credited a dividend, for example, if it's in a group of policies that made no contribution to participating account earnings.

Examples of how we determine groups include:

- The year a policy was issued
- Time periods in which premium payments, guarantees or pricing assumptions were similar
- Plan types
- Base risk classifications (for example, male or female, smoker or non-smoker)
- Issue ages

In following the contribution principle, several elements are considered in addition to dividend groups. For example:

- Generations of policies
- Legal and regulatory requirements
- Professional guidelines
- Industry practices

We distribute dividends according to the terms of each policy, the base coverage amount and coverage from paid-up additional coverage. The premium payment due on the first policy anniversary must be paid before we credit a dividend.

Canada has been experiencing historically low interest rates for an extended period. Whether or not a policy is credited a dividend, the guaranteed cash values will continue to grow as shown in the contract, and the basic payout is guaranteed. If a policy isn't credited a dividend in any year this won't reduce the cash or payout values that accumulated up to that point, as long as premiums are paid when due and policy values haven't been used for any purpose, as may be specified under the contract or elected by the policyowner.¹ Future increases in interest rates, as well as other factors, may increase dividends, which may have a positive impact on future policy values.

Before any participating policyowner dividends are declared, the appointed actuary must report to the board of directors on the fairness to participating policyowners of the proposed dividend scale and whether it's in accordance with the company's dividend policy.

1. For policies with enhanced coverage, when the enhanced coverage guarantee is no longer in effect, if the policy isn't credited a dividend or the amount of the dividend is not sufficient to support the enhanced coverage amount, the policyowner may choose to pay an additional cash premium to buy enough one-year term life insurance to maintain the enhanced coverage amount, otherwise, the enhanced coverage amount will be reduced.

Participating policyowner dividends are different than shareholder dividends

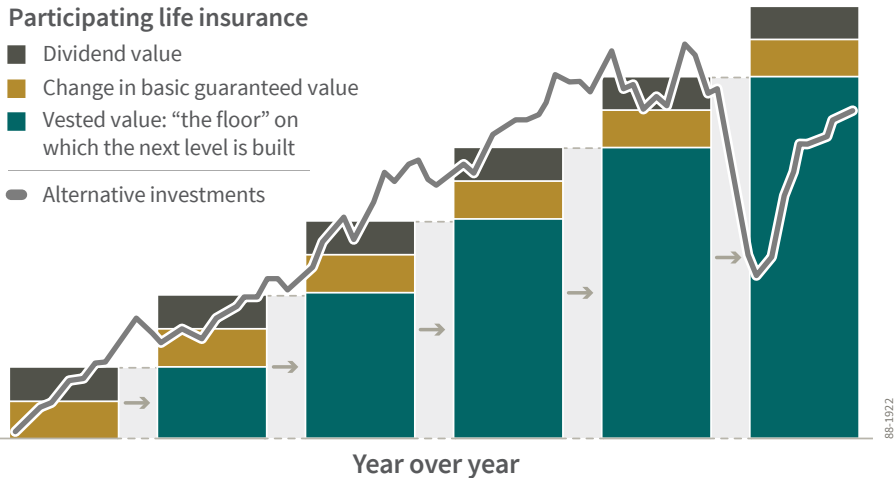
Shareholder dividends are paid based on the overall results of the company from all lines of business. These include non-participating insurance and investment products.

Participating policyowner dividends are based solely on the earnings generated within the participating account associated with that policy. These earnings are generated by the participating account experience and are not influenced by company results on products that are held outside of the participating account.

Starting at a policy’s first anniversary, participating policyowners may receive dividends. Dividends can be used to purchase additional insurance, which may have an associated cash value. This cash value, once credited to the policy, is vested and can’t be reduced or used for any purpose other than as authorized by the policyowner, to pay premiums, or to preserve the policy’s tax-exempt status.

Vesting is a key advantage of participating life insurance because policyowner dividends, once credited, aren’t negatively affected by future experience.

Visual example of vesting



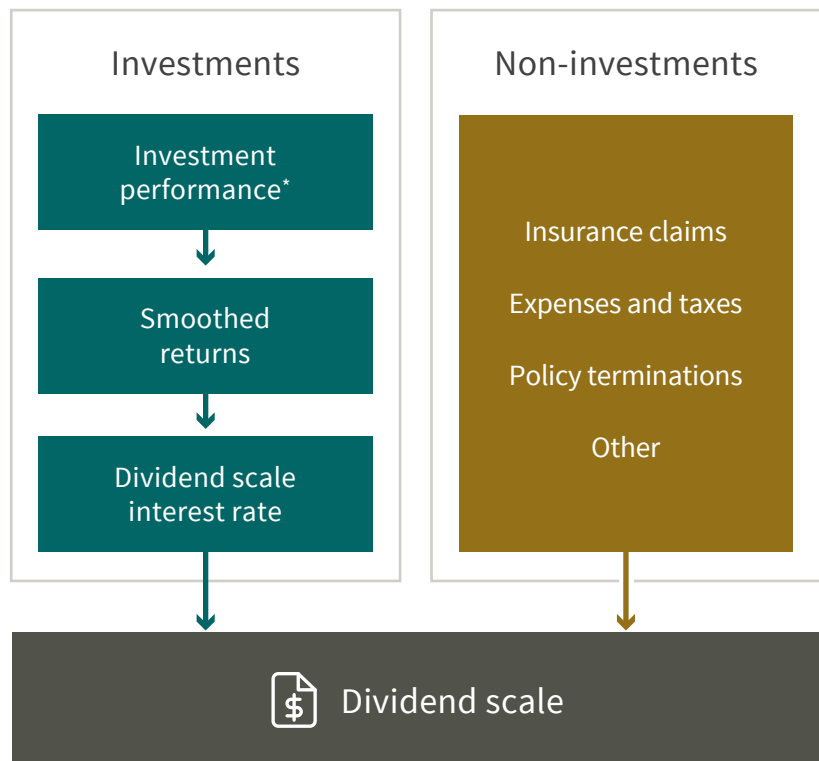
Dividends are not guaranteed



What influences the dividend scale

The dividend scale interest rate is used to determine the amount of participating policyowner dividends that come from the participating account investments; however insurance claims, expenses and taxes, policy terminations, and other factors also play a role in calculating in dividend scale.

Participating life insurance



* Performance of assets backing the liabilities of the participating account. Weighting for each of these factors varies over the life of a policy.



Our investment strategy

As the largest open participating account in Canada, the Canada Life participating account can realize economies of scale and capitalize on investment opportunities through elite partnerships and broad internal capabilities. The account's size also helps us diversify our risk for stable long-term growth.

Where we are

The Canada Life open participating account includes assets backing participating account liabilities and assets backing participating account surplus. The assets backing participating account liabilities are broadly diversified and are generally managed as a fixed-income account. Our target asset mix in 2020 for assets backing liabilities was 75% in fixed income investments and 25% in non-fixed income investments. The assets backing participating account surplus are primarily invested in fixed income investments.

Our investment strategy helps stabilize the variation in the investment returns. The returns on the assets backing participating account liabilities are used to determine the investment portion of participating policyowner dividends.

Asset mix

The investment guidelines for the assets consider the business objectives, liability characteristics, liquidity requirements, tax considerations and interest rate risk tolerance. The investment guidelines must be formally approved.

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

Investment guidelines for the total participating account including surplus

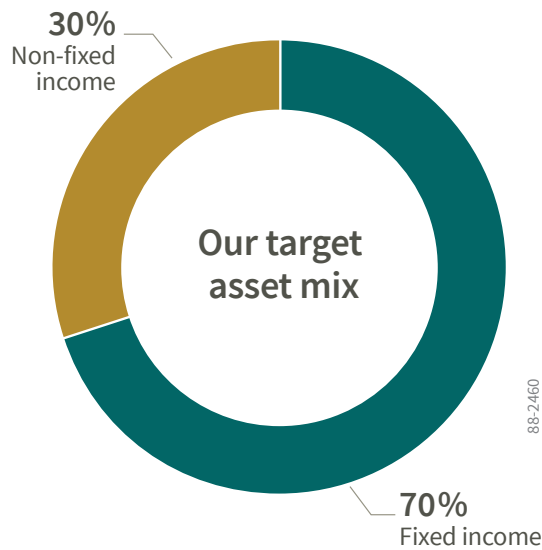
Asset	Investment guidelines (%)
Cash and equivalents	0 to 5
Bonds and private placements	40 to 75
Mortgages	15 to 40
Real Estate	0 to 15
Common stock*	5 to 20
Preferred stock	0 to 5

*Private equity is included in the investment guidelines for common stock

The investment guidelines displayed apply to the total of both assets backing participating account liabilities and surplus. These ranges do not include the categories of policy loans or other assets.

Where we're going

In February 2021, Canada Life received approval from the Board of Directors to adjust the overall asset mix. The asset mix for assets backing liabilities will gradually shift to our targeted 70% in fixed income investments and 30% in non-fixed income investments.



These changes to the asset mix leverage expertise from our affiliates GWL Realty Advisors and EverWest Real Estate Investors and strategic relationships with elite asset management firms like Mackenzie Financial Corporation and Northleaf Capital Partners. These industry-leading firms offer enhanced expert investment management capabilities that help us increase asset class diversification and provide greater risk-adjusted return potential.

Participating life insurance is a long-term product



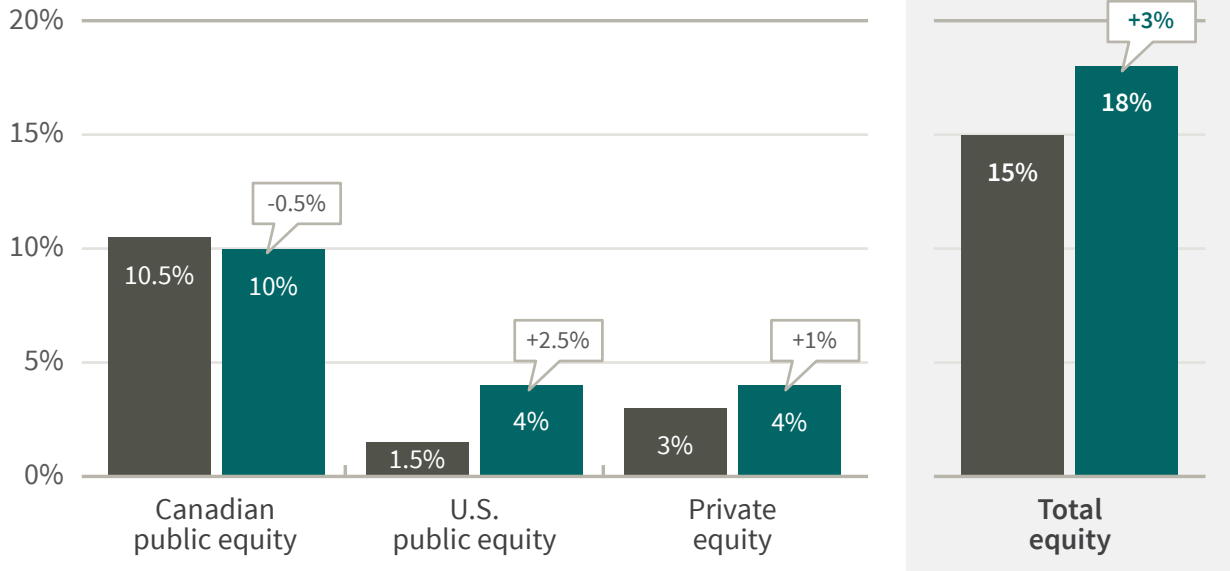
We take a careful approach to our investing, which allows us to honor our commitments to policyowners. We regularly review the participating account investment strategy so we can continue providing stable, long-term returns.

✔ Balancing risk and return

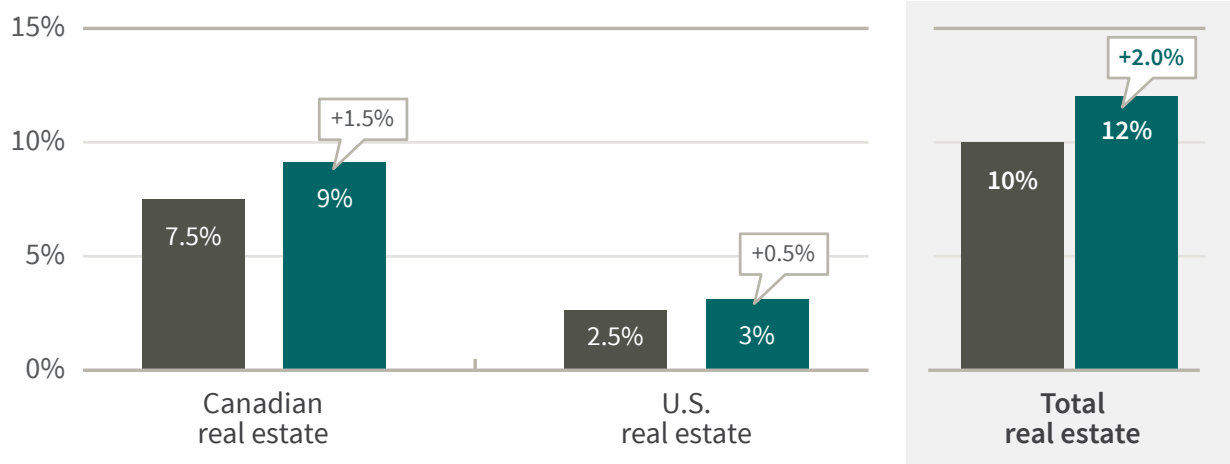
While we have a core long-term investment strategy, we also consider the current investment environment when managing risks and returns, and make changes when appropriate.

Non-fixed income asset mix targets for assets backing liabilities

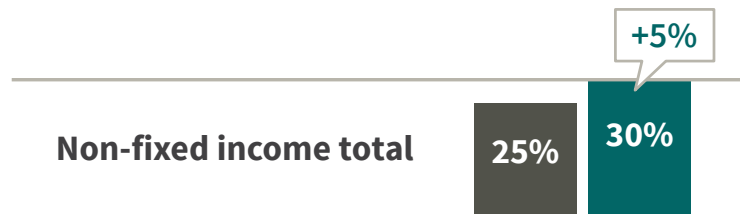
Equity



Real estate



Current target asset mix
 New target asset mix



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Canada Life total participating account assets at Dec. 31, 2020 (\$ millions)

Assets	Asset values (\$)	% of total assets backing liabilities	% of total assets
Short term			
Cash and equivalents	916.4	2.2	2.2
Fixed income			
Bonds and private placements			
Public bonds			
Government	3,594.5	8.5	12.8
Corporate	11,671.0	27.5	27.0
Private placements	3,631.6	8.6	8.0
Subtotal of bonds and private placements	18,897.2	44.6	47.8
Mortgages			
Residential	1,481.1	3.5	3.3
Commercial	8,405.8	19.8	19.0
Subtotal of mortgages	9,886.9	23.3	22.3
Total fixed income	28,784.0	67.9	70.0
Non-fixed income (real estate and equities)			
Real estate	3,399.9	8.0	7.5
Public equity			
Common stock	5,834.0	13.8	12.9
Preferred stock	4.3	0.0	0.0
Private equity	64.5	0.2	0.1
Total non-fixed income	9,302.7	21.9	20.6
Total invested assets backing liabilities	39,003.1	92.0	92.8
Policy loans	2,612.8	6.2	5.8
Other assets*	779.2	1.8	1.5
Total assets backing liabilities**	42,394.0	100.0	
Total assets backing surplus	2,861.0		
Total participating account assets	45,255.0		100.0

*Includes assets such as investment income due and accrued, outstanding premiums (receivables), future income tax and reinsurance assets.

**The assets considered in determining the dividend scale interest rate. Policy loans and other assets backing liabilities are classified as fixed income and considered in the overall target asset mix of 70% fixed income and 30% non-fixed income.

Asset values are determined in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), effective Jan. 1, 2011.




Performance

Participating account return

The participating account return is the return on the total participating account assets that back both liabilities and surplus after investment expenses are deducted. The participating account return for 2020 is reported for the calendar year Jan. 1 to Dec. 31. In 2020, investment expenses were 8.2 basis points for the Canada Life open participating account. Investment expenses may vary every year due to changes in the asset mix of the total participating account, economies of scale and other factors.

Participating account one-year return (at Dec. 31, 2020)

	3.3%	Public bonds and private placements
	3.2%	Mortgages
	2.7%	Non-fixed income (real estate and equities)
	3.2%	Total participating account return (after investment expenses) ¹



Looking for our historical performance?

We provide historical performance reports for our participating accounts prior to amalgamation. You can get them from your advisor or at canadalife.com/insurance/life-insurance/permanent-life-insurance/participating-whole-life-insurance

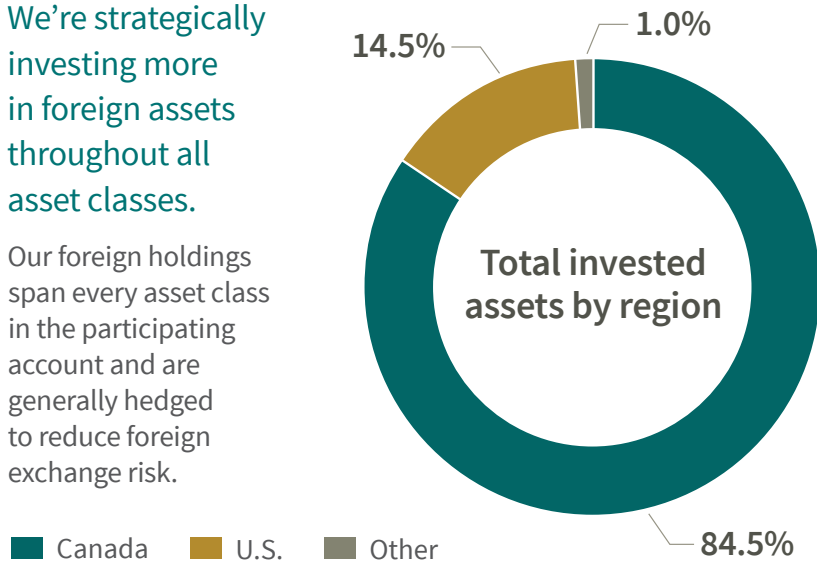
The participating account return is a short-term indicator of investment performance.

1. The participating account return is the return on the participating account assets that back the participating account liabilities and surplus, after investment expenses are deducted. Investment expenses may vary yearly due to changes in the total participating account asset mix, economies of scale and other factors. The participating account return is reported for the calendar year Jan. 1, 2020 to Dec. 31, 2020. The participating account return is a short-term indicator of investment performance. It is determined in accordance with 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. These 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 and realized and unrealized gains and losses are recognized as incurred. Realized gains and losses on bonds are recognized as incurred.

Foreign assets

We're strategically investing more in foreign assets throughout all asset classes.

Our foreign holdings span every asset class in the participating account and are generally hedged to reduce foreign exchange risk.



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Insights into our fixed income portfolio

Years to maturity by fixed income asset type

Based on book values at Dec. 31, 2020 for invested assets backing liabilities

Fixed-income asset type	0 to 5 years to maturity (%)	Over 5 years to maturity (%)
Public bonds	46.7	53.3
Private placements	15.8	84.2
Residential mortgages	99.4	0.6
Commercial mortgages	47.5	52.5
Total fixed income	45.8	54.2

Each year, about 10% of the total fixed income portfolio are invested at then-current market rates. We also invest a portion of new premiums and investment income at then-current market rates each year.

The asset returns available in the marketplace in January and February 2021 for new participating account investments in bonds and mortgages were about 2.09%. This is approximately 97 basis points below the average return for similar participating account assets maturing throughout 2021.

Mortgages

(at Dec. 31, 2020 for invested assets backing liabilities)

Mortgages (commercial and residential)	(%)
Insured	25
Uninsured	75
Total	100

- Principal and interest to the date of default are guaranteed for insured mortgages.
- Residential and commercial mortgage arrears (90+ days) are 0.01%, in line with the 0.01% industry average at Dec. 31, 2020.

Canada Life is a leader in commercial mortgages with over 60 years of experience in the commercial mortgage lending market. The participating account benefits from:



- ✓ **Expert regional teams** – An experienced team of experts manages the portfolio with regional offices in Vancouver, Calgary, Winnipeg, Toronto and Montreal. They understand the regional markets and can act quickly on investment opportunities. This allows Canada Life to diversify our holdings across geographies and industries.
- ✓ **Increased return potential** – Commercial mortgage investments often provide higher returns relative to public fixed income, with the trade-off of lower liquidity.
- ✓ **Decreased volatility** – Commercial mortgage investments generally have lower volatility, with a credit risk profile comparable to publicly traded fixed income assets.¹
- ✓ **A focus on high quality assets** – We hold an investment grade commercial mortgage portfolio. Our commercial mortgage portfolio risk rating has maintained an equivalent bond rating of A- or better over the last 5 years.¹ The last default on our commercial mortgages with financial loss was more than 20 years ago. Less than 1% of our commercial loans deferred principal payments during the COVID-19 pandemic.

1. Commercial mortgages are internally rated.

Private placements

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

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

These investments have the potential to provide higher returns than other types of fixed income investments, but may come with higher risk. For this reason, all private placements go through a disciplined credit process. An investment management team that specializes in private placements researches, underwrites and actively manages each private placement investment.

Public bonds

100% of bonds purchased for Canada Life's participating account are investment grade. That is, they are rated BBB or higher which is an investment industry measure of bond quality. We consider the current investment environment when managing the risk and return spreads among AAA, AA, A and BBB rated bonds to determine if the risk/return trade-off makes sense and supports the participating account objectives. We're continually seeking opportunities to improve yields, while maintaining a strong focus on high credit quality, investment grade assets that provide stability to the portfolio. One strategy we've implemented is investing more in foreign assets. This shift offers many potential benefits, including:

- Diversified issuer exposure
- Diversified industries
- Increased yield
- Greater availability of assets



Asset quality

(at Dec. 31, 2020
for invested assets
backing liabilities)

Rating	Private placements (%)	Public bonds (%)
AAA	0.0	17.2
AA	4.0	25.9
A	33.1	28.1
BBB	62.5	28.7
BB or less	0.4	0.0
Total	100	100

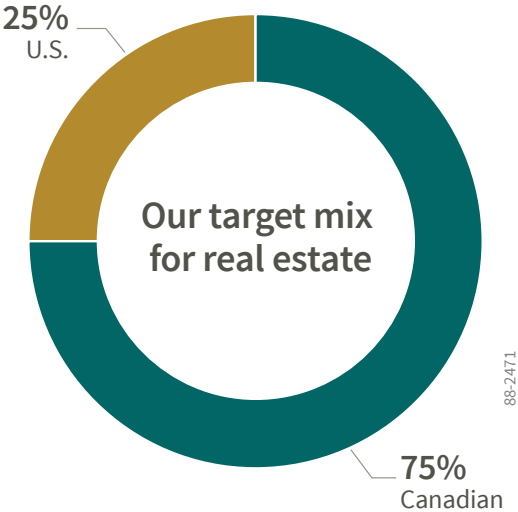
Private placements are internally rated.

Insights into our non-fixed income portfolio

Real estate

We continue to look for opportunities to increase the real estate allocation as we move from 8% of total assets backing liabilities in the participating account (as of Dec. 31, 2020) to our target of 12%.

Our real estate allocation

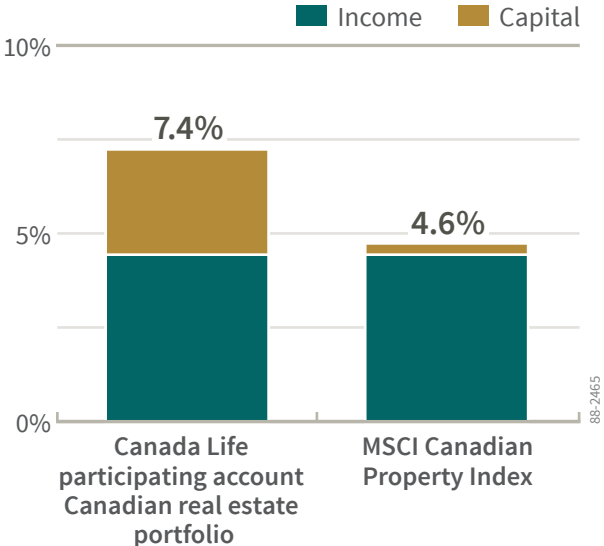


Increasing our real estate content gives us the opportunity to further diversify our portfolio through our affiliates GWL Realty Advisors and EverWest Real Estate Investors. GWL Realty Advisors’ vertically-integrated real estate platform remains focused on high conviction investment strategies with the complementary use of development.

This approach has enabled the Canadian segment of the Canada Life participating account to realize strong performance relative to the MSCI Canadian Property index.

Canadian real estate performance relative to the MSCI Canadian Property Index

Five-year historical average total returns (at Dec. 31, 2020)



Historical average annual returns are geometric means. The purpose of this chart is to highlight the strong performance of the Canada Life participating account Canadian real estate portfolio relative to the MSCI Canadian Property Index benchmark and should not be used to extrapolate the direct impact on the dividend scale or dividend scale interest rate.

MSCI Canadian Property Index © MSCI Inc. and its licensors 2021. All rights reserved. Used with permission granted by Investment Property Databank Ltd., an MSCI-branded company. Neither MSCI nor IPD accepts or has liability to any person for any losses, damages, costs or expenses suffered as a result of any reliance placed upon the index.

Regarding the U.S., EverWest brings a deep understanding of the American real estate markets and enhances portfolio diversification through high-quality investment opportunities in more industries and geographic exposures.

Examples of our recent real estate investments:



Tower Business Center, Aurora, Colorado



Industrial property, Carlsbad, California

Photos courtesy of CBRE Group, Inc. (left) and Cushman & Wakefield (right).

Public equity

Our strategic relationship with Mackenzie Financial Corporation gives us access to industry-leading opportunities and investment management capabilities. Mackenzie Financial is a top Canadian investment manager with **\$186 billion in assets under management** as of Jan. 31, 2020.

Private equity

Our private equity position diversifies our portfolio and can provide higher returns. Any future investments will leverage our global investment program with the goal of achieving our new target of 4.0%. **Private equities have low correlation with other asset classes we invest in, which helps reduce the amount of overall risk for our portfolio.**

The participating account's position as the largest open participating account in Canada gives us greater access to strategic relationships with industry-leading private equity firms, such as Northleaf Capital Partners. Northleaf is one of the top private market firms in Canada with leading capabilities in mid-market private equity, private credit and infrastructure equity.

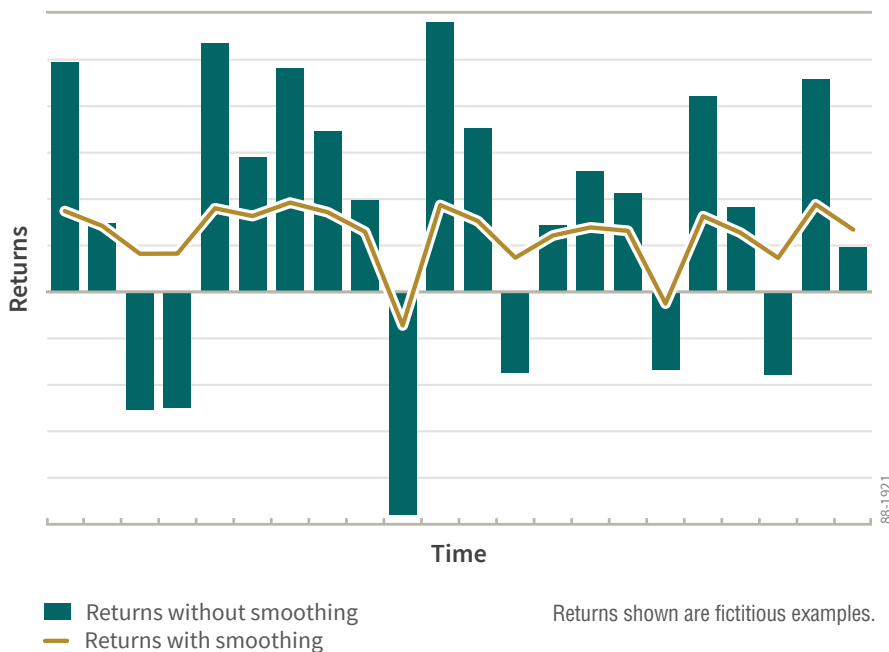
Dividend scale interest rate

The dividend scale interest rate is used to determine the amount of participating policyowner dividends that come from the participating account investments.

The dividend scale interest rate:

- ✓ Incorporates the smoothed investment experience of assets backing participating account liabilities for the most recent measurement period
- ✓ Does not include the return on assets backing the participating account surplus
- ✓ Includes the smoothed gains and losses from prior periods
- ✓ May change depending on investment experience

Smoothing is the process by which gains and losses are brought into the dividend scale interest rate over a period of time, primarily used for unrealized gains and losses on non-fixed income assets.¹



1. The smoothing method could change in the future.

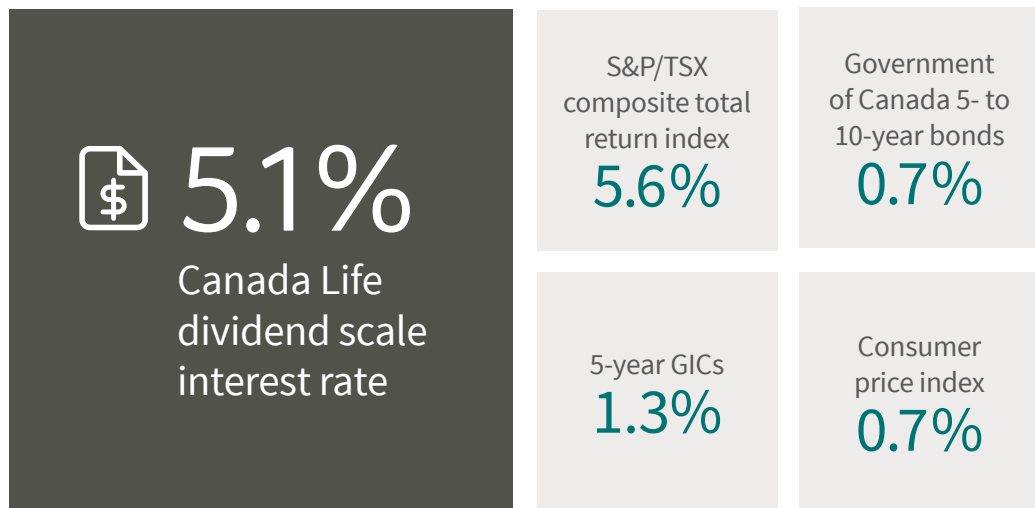
The dividend scale interest rate is only one factor that contributes to an individual policy's performance. It's used to determine the amount of participating policyowner dividends that come from participating account investments and can't be directly tied to the cash value growth in a particular policy. The actual cash value growth in a policy varies based on a number of factors.

For example:

- Type of product
- Product features
- Premium-paying period
- Issue age
- Rating
- Dividend option
- Dividend scale

Our long-term investment strategy, together with our smoothing approach, helps reduce the impact of short-term volatility on the investment component of participating policyowner dividends.

One-year returns (at Dec. 31, 2020)



The dividend scale interest rate is used to calculate the investment component of participating policyowner dividends. It is based on assets backing the participating account liabilities. It does not include the returns on assets backing the participating account surplus.

S&P/TSX composite total return index includes the reinvestment of dividends. TSX © Copyright 2021 TSX Inc. All rights reserved.

Five-year guaranteed investment certificate (GIC) returns are based on nominal yields to maturity. Source: Statistics Canada, CANSIM table 176-0043, series V122526 (Statistics Canada website), Feb. 19, 2021. For each calendar year, the average of the monthly GIC rates was used.

Government of Canada five- to 10-year bond returns. Source: Statistics Canada, CANSIM table 176-0043, series V122486 (Statistics Canada website), Feb. 19, 2021. 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. Source: Statistics Canada, CANSIM table 326-0020, series V41690973 (Statistics Canada website), Feb. 19, 2021.

Insurance claims (mortality)

Insurance claims (or mortality experience) are taken into account in the annual review of participating policyowner dividends. Historically we have seen life expectancy increase. In recent years, these mortality improvements have helped partially offset the impact of declining interest rates. In 2020, participating policyowner death claims totalled \$738 million.

When participating policyowners live longer, insurance claims are paid later than anticipated. More premiums paid and delayed insurance claims may mean more investment income. More investment income may increase the amount available for distribution as participating policyowner dividends.

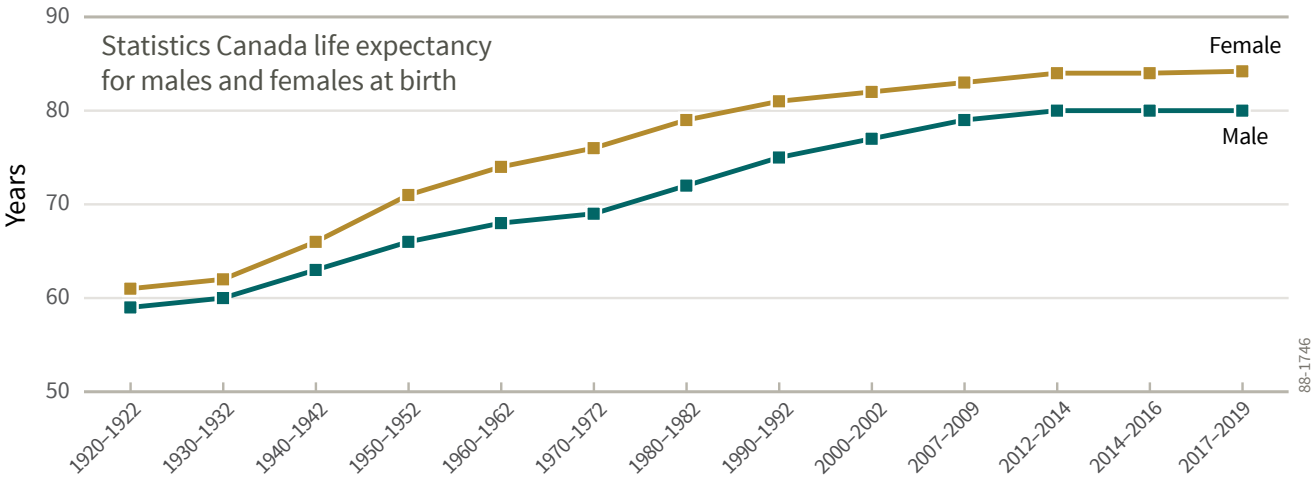
Factors such as medical advances, lifestyle changes and changes in disease incidence rates make future mortality trends difficult to predict. However, even if mortality improvements slow over time, current mortality levels are still generally better than those used by Canada Life in pricing participating life insurance products.



The protective value of underwriting

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

Canadians have been living longer



Sources :
 1920 – 22 to 1980 – 82: Statistics Canada, Longevity and Historical Life Tables: 1921–1981 (Abridged) Canada and the Provinces. Catalogue no. 89-506.
 1990 – 92: Statistics Canada, Life Tables, Canada, Provinces and Territories, Catalogue no. 84-537.
 2000 – 02: Statistics Canada, CANSIM table 102-0512.
 2007 – 09 to 2014 – 16: Statistics Canada, Catalogue no. 84-537-X.
 1980 – 82 to 2017 – 19: Statistics Canada, Life Tables, Canada, provinces and territories, catalogue no. 84-537-X (postcensal for 2019 and preliminary postcensal for 2020)

Policy terminations

Termination of participating policies (other than by insurance claims) can impact participating account earnings. A termination can happen because a policyowner:

- Cancels their coverage
- Doesn't pay their premiums or make sufficient policy loan payments.

If the actual number of policy terminations is different than the assumptions we used when we priced the products, this can have a negative or positive effect on the participating account, particularly in the early years. The impact on the participating account varies depending on the product type.

General impact of terminations on the participating account earnings in the early years

	Products with early cash values	Products with delayed cash values
Higher than expected terminations	Negative	Positive
Lower than expected terminations	Positive	Negative

Expenses and taxes

Our expense management policies focus on controlling expenses for the benefit of participating policyowners and shareholders. Expenses and taxes are allocated to the participating account in accordance with a method that is fair and equitable to participating policyowners, in the opinion of the appointed actuary. Each year, the actuary reviews the method used for allocating expenses and taxes to the participating account and reports to the board of directors on its continuing fairness. The board of directors approves this method after considering the actuary's opinion.

Economies of scale

Canada Life proudly serves more than 13 million customer relationships from coast to coast to coast. We have almost three million individual life insurance policies in force (as at Dec. 31, 2020). This, in addition to having the largest participating account in Canada (approximately 1.6 million participating policies), provides opportunities for us to keep participating account management expenses low.

Strength

Canada Life focuses on the long-term strength and performance of the participating account.

These factors are important when choosing a participating policy because the net cost of a participating policy depends on the long-term performance of the participating account.

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. Canada Life participating life insurance offers both stability and flexibility in a permanent life insurance solution.

Open block participating account (\$ millions)

Summary of participating account operations	Dec. 31, 2020 (\$)	Participating account balance sheet	Dec. 31, 2020 (\$)
Participating policyowner premiums	4,769	Assets	45,255
+ Investment income	2,281	- Liabilities	42,394
- Benefits paid	1,352	= Closing balance for participating account surplus	2,861
- Changes in actuarial liabilities	3,559		
- Expenses and taxes	821	Participating account surplus	
- Distribution to participating policyowners and shareholders	1,242	Opening balance (at Jan. 1, 2020)	2,740
Participating policyowner dividends	1,207	+ Participating account net income (loss)	76
Change in dividend liability	2	+ Other comprehensive income (loss)	45
Shareholder portion		= Closing balance for participating account surplus	2,861
Cash payment	31		
Accrual	2		
= Participating account net income (loss)	76		

Investment income, asset values and changes in actuarial liabilities are determined in accordance with 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. They are not smoothed. Investment income is reported for the calendar year, Jan. 1 to Dec. 31. It includes assets backing participating account liabilities and surplus.

Changes in actuarial liabilities are made from time to time to reasonably ensure the total amount of actuarial liabilities is sufficient to meet all participating policyowner obligations.

The dividend liability represents participating policyowner dividends accrued (for the purposes of financial reporting) but not paid at the calendar year-end.

To be consistent with the company's financial statements, accumulated other comprehensive income is included in the participating account surplus. Other comprehensive income includes specific unrealized investment gains and losses, which may be temporary.

The accrual account represents a portion of shareholder surplus that is held within the participating account and has been recognized but not paid. It is dependent on the future payment of participating policyowner dividends.



Accountability

Canada Life is a shareholder-owned company and, as such, is required to maintain the participating account and its earnings separately from the shareholder account.

Canada Life is regulated federally under the Insurance Companies Act (ICA) of Canada and by the Office of the Superintendent of Financial Institutions (OSFI) and under the relevant insurance legislation of each province as administered by the relevant provincial insurance regulatory authority.

Insurance Companies Act (ICA) provisions and references

Subject to the ICA, the directors of a company must manage or supervise the management of the company's business affairs. This includes establishing and maintaining a policy for dividends to be distributed to participating policyowners, as well as a policy for managing the participating accounts. The ICA outlines the duties required of directors and the 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 is fair and equitable to participating policyowners, in the opinion of the company's actuary. Once the board of directors approves this method, 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 to OSFI (section 165 (2) (e)).
3. The board of directors is required to establish and maintain a policy for managing the participating account and to send a copy to OSFI (section 165 (2) (e.1)).
4. At least annually, the company's actuary must review the participating policyholder dividend policy. The company's actuary must provide a written report to the board of directors on the policy's continuing fairness to participating policyowners (section 165 – Report of the Actuary).
5. Before the board of directors declares participating policyowner dividends, 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 its policyowner dividend policy (section 464 (2)).
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 to be distributed is divided between the shareholders and participating policyowners. The maximum percentage of the total distribution that can be distributed to the shareholder account depends on the size of the participating account. The maximum percentage decreases from 10%, for a small participating account, to just over 2.5% as the size of the participating account increases. Canada Life's distribution of the profits to the shareholders was 2.5%. In 2020, this distribution to the shareholder account was \$33 million, representing approximately 0.1 per cent of the participating account assets at Dec. 31, 2020.
7. Participating policyowners and shareholders are entitled to receive notice to attend the annual meeting of policyowners and shareholders. They are entitled to receive copies of documents, for example, the annual statement. They also have voting rights (sections 331 and 334).



Need more information?

You can find out more about participating life insurance and Canada Life's other products and services by calling your advisor. Each year, participating policyowners receive an annual statement near their policy's anniversary that provides an update on the current status of their policy.



Visit canadalife.com/contact-us or call **1-888-252-1847** if you have questions about a specific policy.

Your policy contains important definitions of certain terms used in this guide. You should keep this guide with your Canada Life policy illustration and participating life insurance policy contract.

The information provided is based on current tax legislation and interpretations for Canadian residents and is accurate to the best of our knowledge as of the date of publication. Future changes to tax legislation and interpretations may affect this information. This information is general in nature, and is not intended to be legal or tax advice. For specific situations, you should consult the appropriate legal, accounting or tax advisor.

You can obtain copies of our participating account management and participating policyholder dividend policies at canadalife.com/insurance/life-insurance/permanent-life-insurance/participating-whole-life-insurance.



Looking for our historical performance?

We provide historical performance reports for our participating accounts prior to amalgamation. You can get them from your advisor or at canadalife.com/insurance/life-insurance/permanent-life-insurance/participating-whole-life-insurance

Canada Life is a member of Assuris, which administers the Consumer Protection Plan for policyowners of member companies.

Canada Life is a subsidiary of Great-West Lifeco Inc., and a member of the Power Corporation group of companies. Founded in 1847, Canada Life is the country's first domestic life insurance company.



Talk to your advisor

Your advisor can help answer
any questions you have about
Financial facts or the Canada Life
participating account.

- Experience
- Size
- Expertise
- Accountability
- Conviction



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