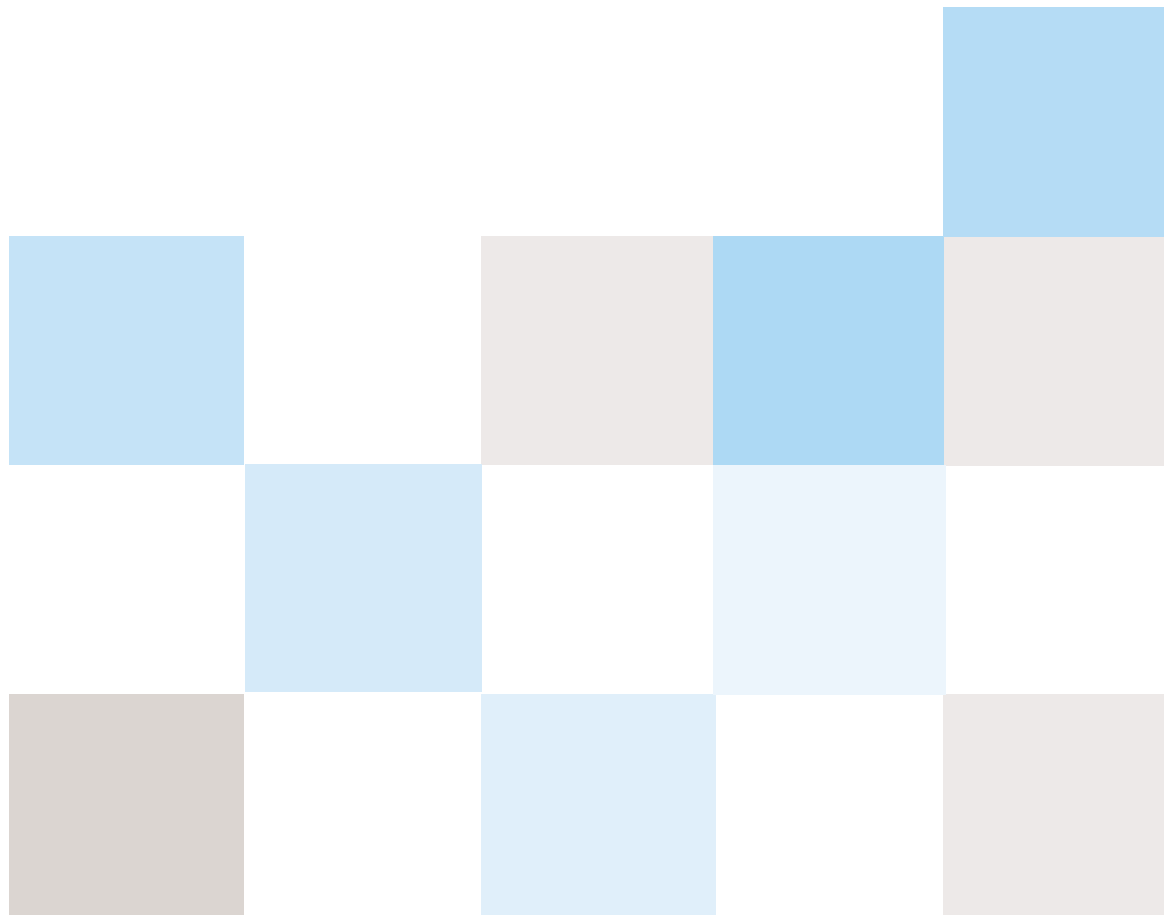


Canada Life participating life insurance –

# Historical performance

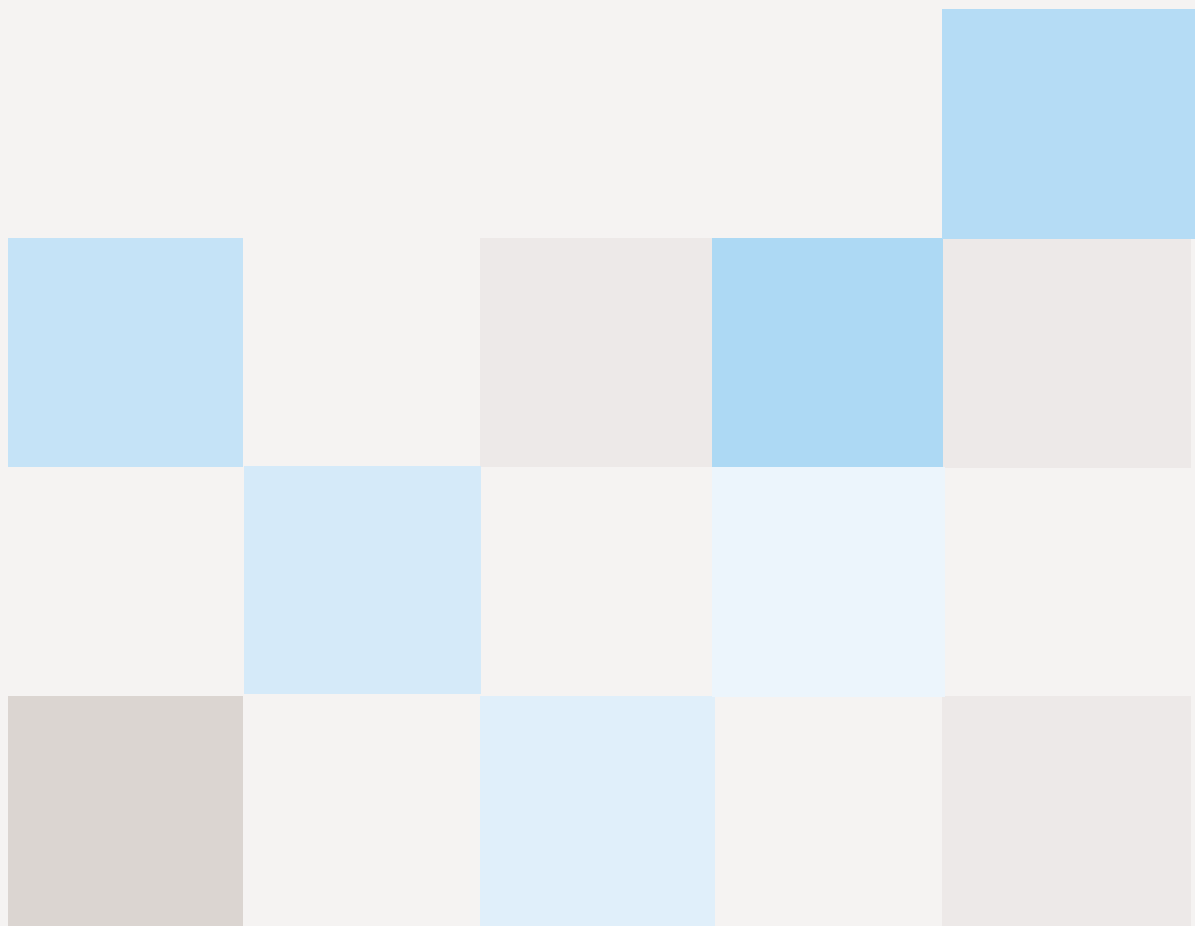
Even during times of economic uncertainty Canada Life's participating account dividend scale interest rate has been relatively stable, compared with many other financial instruments and indexes. The dividend scale interest rate is used to calculate the investment component of policyowner dividends. The dividend scale interest rate is only one factor that goes into determining the actual dividends that will be credited to a participating life insurance policy.





The dividend scale interest rate is determined based upon the smoothed investment performance of the assets backing liabilities in the Canada Life participating account. It's important to note that in determining the dividend scale interest rate, Canada Life doesn't use calendar year returns and the returns are smoothed over a number of years. Smoothing is used as one of the methods to help maintain the stability of the dividend scale interest rate. Smoothing works by bringing gains and losses into the dividend scale interest rate over a period of time.

The year-by-year return table shows how the Canada Life dividend scale interest rate performance has been relatively stable historically in comparison with the S&P/TSX composite index, Government of Canada bond returns and the consumer price index. Participating life insurance is a long-term product, so longer-term average dividend scale interest rates are an important focus.



Even through turbulent times in the economy, Canada Life has been able to

pay dividends to participating policyowners every year since 1848.

Year	Canada Life dividend scale interest rate (%)	S&P/TSX composite index (%)	Government of Canada 5 to 10-year bonds (%)	Canada long bond index (%)	Consumer price index (%)
1950	5.90	48.43	n/a	-0.12	5.74
1951	5.90	24.04	3.08	-3.13	10.85
1952	5.90	-0.42	3.56	1.99	-1.40
1953	5.90	2.15	3.63	3.64	0.00
1954	5.90	39.05	2.90	9.99	0.00
1955	5.90	27.80	2.87	-0.34	0.71
1956	7.03	13.22	3.75	-3.63	2.82
<b>1957</b>	<b>7.30</b>	<b>-20.58</b>	<b>4.39</b>	<b>5.89</b>	<b>2.05</b>
1958	7.30	31.25	3.69	-5.69	2.68
1959	7.40	4.59	5.10	-4.43	1.31
1960	7.50	1.78	4.85	7.10	1.29
1961	7.50	32.75	4.61	9.78	0.00
1962	7.75	-7.09	4.76	3.05	1.91
1963	8.00	15.60	4.77	4.26	1.88
1964	8.30	25.43	4.92	6.97	1.84
1965	8.50	6.68	5.09	0.96	3.01
<b>1966</b>	<b>8.65</b>	<b>-7.07</b>	<b>5.74</b>	<b>1.55</b>	<b>3.51</b>
1967	8.75	18.09	5.94	-2.20	3.95
1968	8.85	22.45	6.85	-0.80	4.35
1969	8.90	-0.81	7.76	-2.01	4.69
1970	8.70	-3.57	7.58	21.98	1.00
1971	8.70	8.01	6.15	11.55	4.93
1972	8.70	27.38	6.74	1.11	5.16
1973	9.00	0.27	7.17	1.71	9.38
<b>1974</b>	<b>9.20</b>	<b>-25.93</b>	<b>8.27</b>	<b>-1.69</b>	<b>12.65</b>
1975	9.30	18.48	8.06	2.82	9.42
1976	9.30	11.02	8.73	19.02	5.63
1977	8.90	10.71	8.14	5.97	9.40
1978	9.25	29.72	9.08	1.29	8.60
1979	9.45	44.77	10.16	-2.62	9.76
1980	9.85	30.13	12.30	2.06	11.06
<b>1981</b>	<b>10.20</b>	<b>-10.25</b>	<b>15.29</b>	<b>-3.02</b>	<b>12.12</b>

**Recession**

Although a markedly deep recession this was one of Canada's shortest recessions lasting seven months (August 1957 to April 1958).

**Vietnam War began**

**Oil crisis**

In Canada, inflation climbed to over 10 per cent in 1974 and 1975, while unemployment increased to seven per cent by 1975.

**Recession – high interest rates**

Interest rates were well into double-digit levels as the economy turned down.

continued...

Year	Canada Life dividend scale interest rate (%)	S&P/TSX composite index (%)	Government of Canada 5 to 10-year bonds (%)	Canada long bond index (%)	Consumer price index (%)
1982	10.60	5.54	14.03	42.98	9.27
1983	10.60	35.49	11.11	9.60	4.59
1984	10.60	-2.39	12.42	15.09	3.72
1985	11.00	25.07	10.78	25.26	4.40
1986	12.00	8.95	9.37	17.54	4.21
1987	12.00	5.88	9.55	0.45	4.19
1988	12.00	11.08	9.76	10.45	3.88
1989	11.90	21.37	9.83	16.29	5.26
<b>1990</b>	<b>12.00</b>	<b>-14.80</b>	<b>10.82</b>	<b>3.34</b>	<b>4.99</b>
1991	11.95	12.02	9.36	24.43	3.75
1992	11.55	-1.43	8.16	13.07	2.17
1993	11.25	32.55	7.24	22.88	1.65
1994	10.75	-0.18	8.26	-10.46	0.23
1995	9.50	14.53	7.93	26.28	1.74
1996	9.30	28.35	6.86	14.29	2.16
1997	9.30	14.98	5.87	17.45	0.78
1998	9.05	-1.58	5.26	14.13	1.00
1999	8.71	31.71	5.56	-7.15	2.63
<b>2000</b>	<b>8.71</b>	<b>7.41</b>	<b>5.96</b>	<b>13.64</b>	<b>3.20</b>
<b>2001</b>	<b>8.96</b>	<b>-12.57</b>	<b>5.32</b>	<b>3.92</b>	<b>0.72</b>
<b>2002</b>	<b>8.96</b>	<b>-12.44</b>	<b>5.08</b>	<b>10.09</b>	<b>3.80</b>
2003	8.61	26.72	4.54	8.06	2.08
2004	7.86	14.48	4.34	8.46	2.13
2005	7.46	24.13	3.89	15.05	2.09
2006	7.46	17.26	4.18	3.22	1.67
2007	7.71	9.83	4.25	3.30	2.38
<b>2008</b>	<b>7.71</b>	<b>-33.00</b>	<b>3.36</b>	<b>13.65</b>	<b>1.16</b>
2009	7.71	35.05	2.84	-4.26	1.32
2010	7.36				

**Recession**

The introduction of the goods and services tax (GST) and the Gulf War led to a sharp drop in spending in the winter of 1991.

**Dot com bubble pop**

**9/11** – Reduction in consumer and investor confidence. The uncertain economic climate and large-scale layoffs reduced consumer demand for goods and services. The Bank of Canada continued to lower interest rates into early 2002 to help restore consumer and investor confidence.

**Recession**
**Notes:**

- The dividend scale interest rate is used to calculate the investment component of participating policyowner dividends and is based on assets backing the participating account liabilities. It does not include the return on assets backing participating account surplus. It's important to note that the dividend scale interest rate considers investment experience up to June 30 of the prior year; therefore, the 2010 dividend scale interest rate used investment experience from July 1, 2008 to June 30, 2009. Care should be taken when comparing dividend scale interest rates or performance crediting rates to other companies' products as the time periods, smoothing formulas used and other factors may differ. The dividend scale interest rate will be calculated differently from company to company and is only one factor that goes into determining the actual dividends that will be credited to a participating policy.
- S&P/TSX composite index returns include the reinvestment of dividends as taken from the Canadian Institute of Actuaries Report on Canadian Economics Statistics, 1924-2009.
- Government of Canada bond returns are taken from Statistics Canada, CANSIM V122486 (Bank of Canada website) Feb. 11, 2010. For each calendar year, the average of the monthly values was used.
- Canada long bond index returns 1950 to 2009 are taken from the Canadian Institute of Actuaries Report on Canadian Economics Statistics, 1924 - 2009.
- Consumer price index is based on the change from December to December taken from Statistics Canada, CANSIM V41690973 (Statistics Canada website) Feb. 11, 2010.

# Historical average returns (at Dec. 31, 2009)

Number of years	Canada Life dividend scale interest rate (%) <sup>*</sup>	S&P/TSX composite index (%)	Government of Canada 5 to 10-year bonds (%)	Canada long bonds (%)	Consumer price index (%)
1 (2009)	7.7	35.1	2.8	-4.3	1.3
5 (2005 - 2009)	7.6	7.7	3.7	5.9	1.7
10 (2000 - 2009)	8.1	5.6	4.4	7.4	2.1
20 (1990 - 2009)	9.2	8.1	5.9	9.2	2.1
30 (1980 - 2009)	9.8	9.4	7.7	10.5	3.4
60 (1950 - 2009)	8.9	10.6	6.8 <sup>**</sup>	6.6	3.8
Standard deviation (since 1980)	1.6	17.0	3.3	11.2	2.9
Standard deviation (since 1950)	1.7	17.4	n/a	9.9	3.3

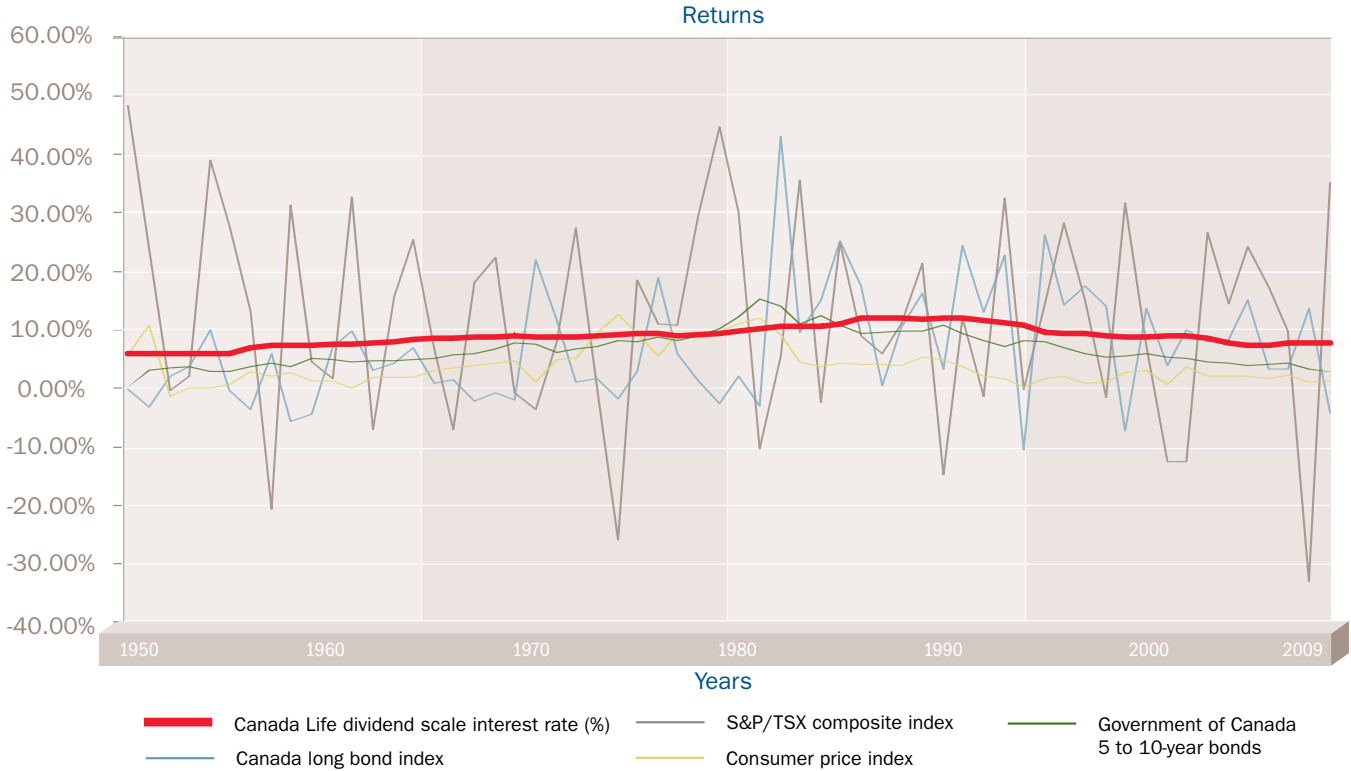
\* Dividend scale interest rates shown are for the Canada Life open and closed blocks. They do not include the former New York Life and former Crown Life closed blocks.

\*\*This is a 59-year return from 1951 to 2009.

All historical average rates shown are geometric means.

## Returns

The graph below shows how the longer-term focus for participating account investments and smoothing of returns for the purpose of determining the dividend scale interest rate have had a stabilizing effect on the participating account dividend scale interest rate.



## Historical average returns – Canada Life’s dividend scale interest rate best and worst consecutive years

The chart below demonstrates the best and worst consecutive years experienced by Canada Life’s dividend scale interest rate and compares to other indices during that same time.

Best consecutive 30 years:	Canada Life dividend scale interest rate (%) <sup>*</sup>	S&P/TSX composite index (%)	Government of Canada 5 to 10-year bonds (%)	Canada long bond (%)	Consumer price index (%)
1973 – 2002	10.2	9.3	8.8	9.7	5.2
Standard deviation	1.2	17.0	2.6	11.6	3.6
Worst consecutive 30 years: 1950 – 1979	7.9	11.8	5.8 <sup>*</sup>	2.9	4.2
Standard deviation	1.2	18.0	2.0	6.4	3.7

\* The 29 year geometric average yield of Government of Canada 5 - 10 year bonds from 1951 to 1979

Note: The above chart shows the best and worst consecutive years experience by Canada Life’s dividend scale interest rate. Results shown may not be the best or worst period for the other indices.

## The dividend scale interest rate of the Canada Life participating account has historically been relatively stable due in part to the following:<sup>\*</sup>

- The investment mix of the participating account assets contains a conservative management approach, which maintains approximately 80 per cent of its portfolio in high-quality, fixed-income investments, with 20 per cent in equity-type investments. This allows the participating account performance to be limited to exposure from downward pressure from equity markets.
- Canada Life has a long-term focus investment strategy. Bonds are typically held to maturity and 100 per cent of bonds held are investment grade or higher (BBB or higher, which is an investment industry measure of quality).
- Where Canada Life participating account bonds and mortgages are denominated in foreign currency, a currency swap is in place to immunize the exposure to currency movements. The non-Canadian holdings were primarily U.S. bonds.
- As at the end of 2009, about 24 per cent of fixed-income assets were scheduled to renew in the next five years with 76 per cent having a longer term until maturity.
- Total participating account assets, including surplus, is \$2.5 billion as of Dec. 31, 2009. Canada Life originates and access a wide range of investment opportunities that wouldn't be available to a smaller investor.

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

For more comprehensive information about the participating account, please refer to *Canada Life Participating life insurance financial facts* and quarterly participating account investment reports available on [www.canadalife.com](http://www.canadalife.com).





Founded in 1847, Canada Life was Canada's first domestic life insurance company. In Canada, Canada Life offers a broad range of insurance and wealth management products and services for individuals, families and business owners from coast to coast. Canada Life is a subsidiary of The Great-West Life Assurance Company and a member of the Power Financial Corporation group of companies. Visit our website at [www.canadalife.com](http://www.canadalife.com).

Canada Life has received very strong ratings on our claims paying ability and financial strength from the major rating agencies.\* For current information on Canada Life's ratings and financial strength, see [www.canadalife.com](http://www.canadalife.com)

\*as rated by A.M. Best Company, Dominion Bond Rating Service, Fitch Ratings, Moody's Investors Service and Standard & Poor's Corporation at time of publication. Ratings are subject to change without notice.



Helping people achieve more™