

Performance for the long term

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

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 smoothed gains and losses from prior periods. 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.

Historical average returns (at Dec. 31, 2012)

Number of years	1	5	10	20	30	60	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

1. 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.**
2. S&P/TSX composite total return index includes the reinvestment of dividends. TSX © Copyright 2013 TSX Inc. All rights reserved.
3. 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.
4. 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.
5. 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. 2, 2013.



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.

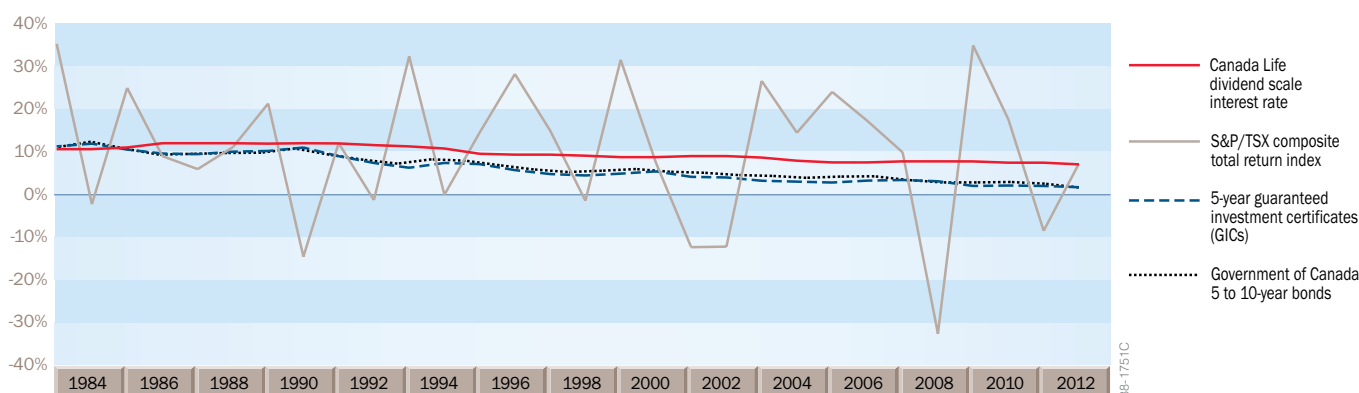
Stability

Canada Life's participating account's surplus helps provide stability and strength to the participating account and can help to 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)



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.

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%
Participating account assets (After investment expenses) ¹	5.5%	4.6%	5.5%	6.7%	5.3%

Notes

- 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 and Standards Board (IASB).

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