

The Canada Life participating account:

Historical performance and financial statements

Included in this brochure is the historical performance of the participating account, dividend scale interest rate, and the financial statements for the Canada Life participating account.

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 is reported for the calendar year Jan. 1 to Dec. 31. In 2019, investment expenses were 6.9 basis points for the Canada Life open 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.

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

Participating account historical average returns (at Dec. 31, 2019)

Participating account asset class	1-year (2019)	2-year (2018-2019)	3-year (2017-2019)	4-year (2016-2019)	5-year (2015-2019)	10-year (2010-2019)
Public bonds and private placements	3.8%	2.9%	2.6%	2.7%	2.8%	4.1%
Mortgages	3.4%	3.2%	3.2%	3.4%	3.5%	4.2%
Equities	15.5%	5.4%	6.9%	9.3%	6.9%	8.6%
Total participating account return (after investment expenses) ¹	6.0%	3.6%	3.7%	4.2%	3.9%	5.0%

NOTES

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 2007-10, the Canadian Institute of Chartered Accountants (CICA) handbook
- Effective Jan. 1, 2011, International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB)

1. The total participating account return includes returns on assets such as policy loans and cash and equivalents.

Historical performance of the Canada Life dividend scale interest rate

A low standard deviation means the range of performance has been narrow. This indicates there has been low volatility.

Historical average returns (at Dec. 31, 2019)

Years	1 (2019)	5 (2015 -2019)	10 (2010 -2019)	20 (2000 -2019)	30 (1990 -2019)	60 (1960 -2019)	30-year standard deviation (1990-2019)
Canada Life dividend scale interest rate (%)	5.25	5.7	6.3	7.2	8.2	8.9	1.9
S&P/TSX composite total return index (%)	22.9	6.3	6.9	6.3	7.7	9.3	16.4
5-year GICs (%)	2.1	1.6	1.7	2.5	3.9	n/a	2.5
Government of Canada 5- to 10-year bonds (%)	1.5	1.5	1.8	3.1	4.6	6.4	2.6
Consumer Price Index (%)	2.2	1.8	1.7	1.9	2.0	3.7	1.0

All historical average annual returns are geometric means.

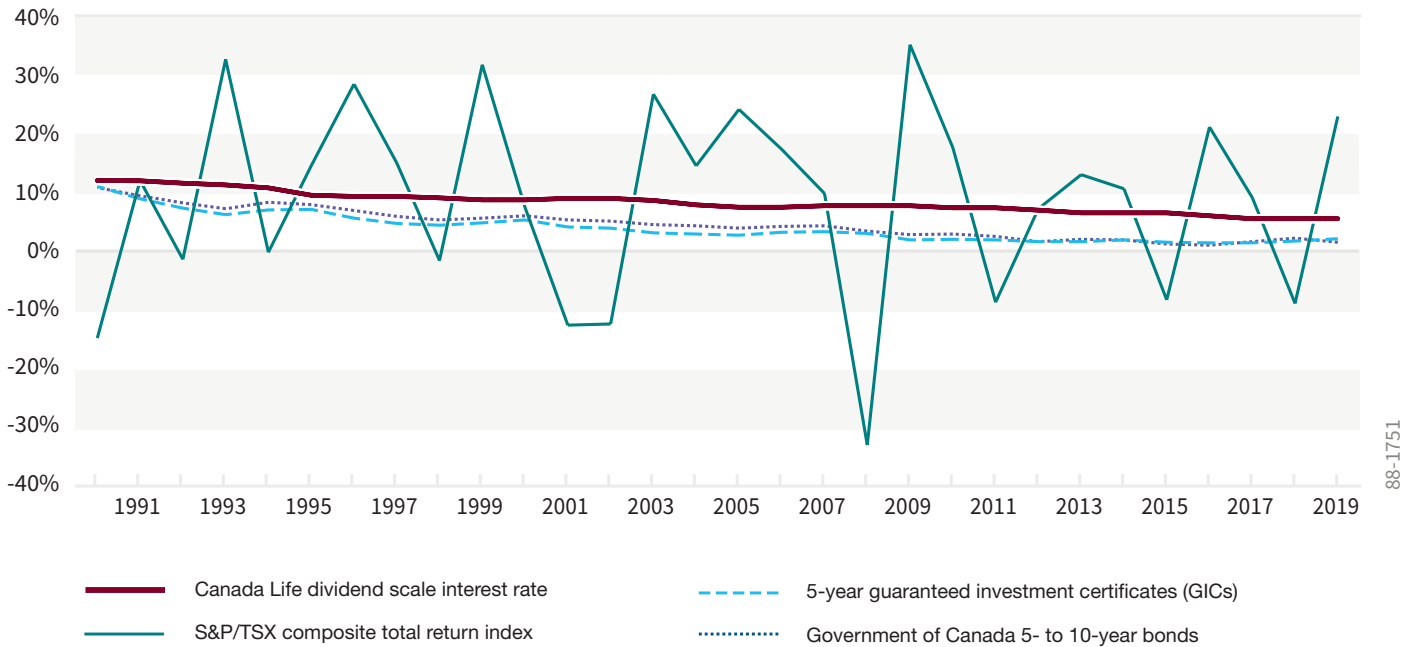
NOTES

- 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. Dividend scale interest rates shown are for the Canada Life open and closed blocks.
- S&P/TSX composite total return index includes the reinvestment of dividends. TSX © Copyright 2020 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 V80691341 (Bank of Canada website), Feb. 28, 2020.
- Government of Canada five- to 10-year bond returns. Source: Statistics Canada, CANSIM table 176-0043, series V122486 (Statistics Canada website), Feb. 28, 2020. 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. 28, 2020.

Stability

Historically, 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 participating account asset mix and Canada Life’s approach of smoothing¹ returns have helped stabilize the Canada Life dividend scale interest rate.

Returns (at Dec. 31, 2019)



NOTES

- 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 S&P/TSX composite total return index includes the reinvestment of dividends. TSX © Copyright 2020 TSX Inc. All rights reserved.
- Five-year guaranteed investment certificate (GIC) returns are the nominal yields to maturity. Source: Statistics Canada, CANSIM table 176-0043, series V80691341 (Bank of Canada website), Feb. 28, 2020.
- Government of Canada five- to 10-year bond returns. Source: Statistics Canada, CANSIM table 176-0043, series V122486 (Statistics Canada website), Feb. 28, 2020. For each calendar year, the average of the monthly values was used.

1. The smoothing method is subject to change without notice.

Financial statements

The Canada Life open block participating account (\$ millions)

Summary of participating account operations	2018 (\$)	2019 (\$)	Participating account balance sheet	Dec. 31, 2018 (\$)	Dec. 31, 2019 (\$)
Participating policyowner premiums	1,353	1,427	Open block assets	3,899	5,313
+ Investment income	44	318	- Open block liabilities	3,618	5,034
- Benefits paid	73	96	= Closing balance for participating account surplus	281	279
- Changes in actuarial liabilities	993	1,283			
- Expenses and taxes	239	217	Participating account surplus		
- Distribution to participating policyowners and shareholders	141	160	Opening balance Dec. 31 (previous year)	334	281
Participating policyowner dividends	128	148	+ Participating account net income (loss)	(49)	(11)
Change in dividend liability	11	8	+ Other comprehensive income (loss)	(4)	9
Shareholder portion			= Closing balance for participating account surplus	281	279
Cash payment	4	4			
Accrual	(2)	-			
= Participating account net income (loss)	(49)	(11)			

NOTES

- 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.
- In 2019, Canada Life participating policyowner insurance claims totaled \$28 million for the open block.
- In 2019, Canada Life participating policyowner insurance claims totaled \$77 million for the closed block.
- 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.
- Total participating policyowner dividends, including the Canada Life closed block, were \$235 million.
- The dividend liability represents participating policyowner dividends earned but not paid at the calendar year-end.
- 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.
- In 2019, for open block policies, total distribution of the profits to participating policyowners was 97.16% and the total distribution of the profits to shareholders was 2.84% under section 461 of the *Insurance Companies Act* (ICA) of Canada.
- 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.

