

Policyholder Dividend Policy

The following is the policy for determining dividends and bonuses for participating policyholders adopted by the Board of Directors ("the Board") at its regularly scheduled meeting in August 2025.

Policyholder Dividend Policy

This Policy deals with the methods used by Co-operators Life Insurance Company (the "Company") to generate and pay the dividends or bonuses ("dividends") on Participating Policies. To gain further understanding you may also wish to consult the Participating Accounts Management Policy.

1. PARTICIPATING POLICIES

The Company issues Participating Policies to many of its policyholders. Participating Policies are policies issued by the Company that entitle the policyholder to participate in the profits of the Company. Participation is usually achieved through policyholder dividends. Participating Policies are designated as such in the policy contract.

Types of Participating Policies

The Company maintains two Participating Accounts and tracks experience separately for each Account. Participating Policies included in the Original Participating Account are individual life insurance, individual annuities, and group annuities issued by Co-operators Life Insurance Company. Participating Policies included in the CUMIS Participating Account are individual life insurance, individual annuities, creditor insurance, group life insurance and group annuities originally issued by CUMIS Life Insurance Company which was amalgamated into Co-operators Life Insurance Company on December 31, 2021. The CUMIS Participating Account is closed to new business. Many of the policies in both accounts are eligible to receive an annual dividend which is determined by the methods described below ("Eligible Policies"). Eligible policyholders will receive notice of their dividend in their annual statement.

2. POLICYHOLDER DIVIDENDS

Policyholder Dividends for Eligible Policies

Dividends for Eligible Policies will reflect the experience of the Eligible Policies within their Participating Account. For policies in the Original Participating Account, the amount to be distributed will reflect the need for funds to finance the Company's operations, the trends in earnings, experience parameters, any adjustments to avoid undue fluctuations, and the Company's surplus philosophy.

For policies in the CUMIS Participating Account, dividends will continue to follow the dividend scale which has been frozen by CUMIS Life Insurance Company since prior to the amalgamation into the Company.

The Company does not pay terminal dividends.

Sources of Income

Premiums for Eligible Policies generally have additional margins to cover one or more of the experience parameters listed below.

Dividends reflect a return of this margin when experience is better than assumed in pricing, which contributes to the earnings of the Participating Account.

The experience factors used to determine policyholder dividends may be amended post-issue. Any post-issue changes will be made in accordance with the contractual terms of the policy and any representations made to policyholders and will be subject to the Company's Appointed Actuary's opinion on the fairness of the changes to policyholders.

Earnings on the surplus of the Participating Accounts are not distributed as dividends.

Variable Nature of Dividends

As dividends arise from the differences between actual Company experience and the assumptions at the time of pricing, they are not guaranteed and have an element of variability. Over time, as experience emerges, dividends on policies in the Original Participating Account may be reduced. Dividends on policies in the CUMIS Participating account will not be reduced.

Dividend Principles

The calculation of the Original Participating Account dividends reflects the co-operative principles on which the Company was founded and continues to operate – the interest of the policyholder comes before consideration of the Company's profit within reasonable constraints needed to ensure continued viability of the Company and sharing of experience among similar classes of policyholders for the benefit of the group.

For the CUMIS Participating Account, the continuation of the dividend scale is consistent with the reasonable expectation of policyholders based on the pattern of dividends paid by CUMIS Life Insurance Company.

Permanent Contribution to Surplus

In keeping with these co-operative principles, the Company manages the Original Participating Account on the permanent contribution to surplus principle. Permanent contribution to the Company's surplus means that any earnings of the Participating Account which are not distributed to Participating Policies or to the shareholders, as allowed by legislation, become a permanent part of the Company's Surplus. The portion of earnings to be distributed to Participating Policyholders is calculated as described in Section 3 of this policy, less a deduction representing the Company's cost of capital.

This is described more fully in the Participating Accounts Management Policy.

3. DETERMINATION OF DIVIDENDS FOR ELIGIBLE POLICIES

For the CUMIS Participating Account policies, the dividends will be as determined by the frozen dividend scale.

For the Original Participating Account Policies:

Responsibility for Determination

The Board will, at its discretion, declare the dividends to be payable in a calendar year at a Board meeting which precedes the beginning of the calendar year. In determining the dividends, the Board will consider the fairness opinions provided by the Company's Appointed Actuary on:

- this policy;
- the Participating Accounts Management Policy;
- the method of allocation of investment income to the Participating Accounts;
- the method of allocation of expenses and taxes to the Participating Accounts; and
- the recommended dividends.

The Board will first determine the portion of the earnings of the Participating Account to distribute and then how those earnings will be distributed among the Eligible Policies.

Contribution Principle

Dividends will be calculated according to the contribution principle, which distributes dividends among policies in the same proportion as the policies are considered to have contributed to the earnings of the Participating Account.

Experience Parameters

Experience parameters used to calculate dividends can include one or more of the following:

- Investment earnings;
- Mortality;
- The rate at which policyholders terminate their policies; and
- Expenses, including taxes.

Dividends paid on most older blocks of policies in the Original Participating Account are based on the difference in actual investment earnings on assets supporting Eligible Policies and the assumptions at the time of pricing. Dividends paid on blocks of policies issued since 2013 also include fixed provisions for mortality and expense gains determined at the time of pricing.

Specific policyholder behaviour, such as utilization of policy loans, is not reflected in policy dividends.

Smoothing

In accordance with its established and documented practices, the Company may reflect changes in experience over no more than five years in order to avoid undue fluctuations in dividends. The factors considered include current and recent investment experience, the Company's outlook on the economic environment, and policyholder reasonable expectations. Smoothing is applied to all dividend classes in the same manner.

Frequency of Analysis and Adjustment

Experience with respect to the applicable parameters is reviewed annually and dividends are adjusted at that time, if appropriate.

Equity

When distributing dividends, the Company will strive to maintain equity between classes of policyholders and between generations of policyholders.

Dividend classes are established at issue. There will be no subsequent change in policy classification except as required as a result of external circumstances beyond the control of the Company. There will be no cross-subsidization of one class by another.

4. OTHER CONSIDERATIONS

Factors Which May Lead to Amendment of this Policy

The Board may amend this Policy at their discretion from time to time. Reasons for doing so may include (but are not limited to) one or more of the following:

- Changes in legislation and regulation or their interpretation;
- Changes in accounting or actuarial standards;
- Changes in taxation;
- Acquisition of an existing block of Participating Policies;
- A change in the ownership of the Company;
- Partition of the Participating Account into sub-accounts; or
- Changes to the methods of allocation of expenses and investment income.

Compliance with Legislation and Standards

The Company will ensure that the determination of dividends complies with all legislative and regulatory requirements. The Company's Appointed Actuary will ensure that the determination of dividends complies with the standards of practice of the Canadian Institute of Actuaries.

