

Co-operators Life Insurance Company

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 Account 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 specify in the contract that they are participating.

Types of Participating Policies

The Company maintains only one Participating Account. Policies included in this account are Individual life insurance, Individual annuities, and Group annuities. Many of these policies are eligible to receive an annual dividend which is determined by the methods described below (“Eligible Policies”). Eligible Policies 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 the 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 fluctuations, and the Company's surplus philosophy.

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 as that will contribute to the earnings of the Participating Account.

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

Variable Nature of Dividends

As dividends arise from the differences between actual Company experience and the assumed levels of experience at the time of pricing (see Experience Parameters below), dividends are not guaranteed and have an element of variability. Since experience may deteriorate over time, dividends may be reduced.

Dividend Principles

The calculation of 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 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.

Permanent Contribution to Surplus

In keeping with these co-operative principles, any earnings of the Participating Account which are not distributed as dividends will form a permanent contribution to the Company surplus. This is described more fully in the Participating Account Management Policy.

3. Determination of Dividends for Eligible Policies

Responsibility for Determination

Subject to applicable law, dividends on Eligible Policies are declared at the sole discretion of the Board of Directors (the "Board"). In determining the dividends the Board will consider the fairness opinions provided by the Company's actuary on:

- this policy;
- the Participating Account Management Policy;
- the method of Allocation of Investment Income to the Participating Account;
- the method of Allocation of Expenses and Taxes to the Participating Account; and
- the recommended dividends.

The Board will first determine the portion of the earnings of the Participating Account to be distributed 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.

Individual and group annuity policies, as well as some older blocks of individual life policies, receive dividends based solely on investment earnings.

Frequency of Review and Adjustment

The dividend scales of the Company are established from time to time by the Board, and are reviewed at least once each year.

Equity

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

Dividend classes are established at the time the policies are issued. 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. However, in accordance with its established and documented practices, the Company may choose to smooth dividends to avoid undue fluctuations.

4. Other Considerations

Changes to this Policy

Subject to applicable law, this Policy may be changed, at any time and from time to time, at the sole discretion of the Board

Reasons Which May Lead to Amendment of this Policy

The reasons that may cause the Board to review and/or make changes to this Policy include, but are not limited to, one or more of the following:

- changes in legislation or regulatory requirements or the interpretation of each;
- 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;
- a decision to begin accepting a new class of business into the Participating Account;
- changes to the methods of allocation of expenses and investment income; or
- a desire to clarify this Policy.

Compliance with Legislation and Standards

The company will ensure that the determination of dividends complies with all legislative and regulatory requirements. The Company's actuary must provide the Board with a written report on the fairness to participating policyholders of a proposed dividend and whether it is in accordance with this Policy. That report is required to be made in accordance with generally accepted actuarial practice and the professional practice standards of the Canadian Institute of Actuaries.