

The London Life participating account

Historical performance

This report includes the historical performance of the participating account and the dividend scale interest rate for the London Life participating account prior to the amalgamation of the new Canada Life™ combined open participating account on Jan. 1, 2020.

London Life 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. 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.

London Life 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	3.4	3.3	3.3	3.5	4.0
Mortgages (%)	3.4	3.4	3.5	3.6	3.7	4.4
Equities (%)	16.6	6.0	7.3	9.5	7.1	8.5
Total participating account return (after investment expenses) ¹ (%)	6.2	4.0	4.2	4.6	4.3	5.1

Apart from 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 London Life dividend scale interest rate

Historical average returns (at Dec. 31, 2019)

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

Years	1 (2019)	5 (2015-2019)	10 (2010-2019)	20 (2000-2019)	30 (1990-2019)	60 (1960-2019)	30-year standard deviation (1990-2019)
London Life dividend scale interest rate (%)	5.0	5.2	5.8	6.8	7.7	7.4	1.7
S&P/TSX composite total return index (%)	22.9	6.3	6.9	6.3	7.7	9.3	16.4
5-year guaranteed investment certificates (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

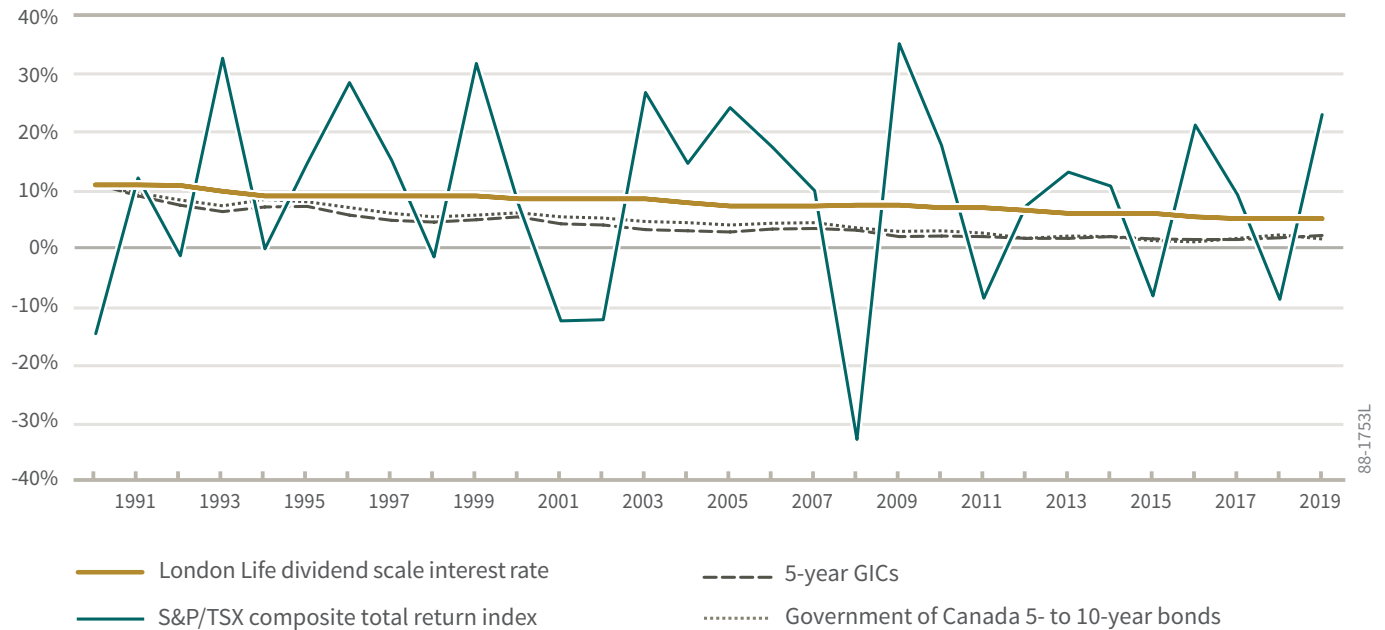
All historical average annual returns are geometric means.

- The historical average annual dividend scale interest rate for 30 years or less applies to policies issued post-September 1968, which have a variable policy loan rate provision. Policies issued before this date have a fixed policy loan rate provision and may have a different dividend scale interest rate. The 60-year average annual rate is a blended average of the dividend scale interest rate that applies to policies that have a variable policy loan rate provision (1969 to 2019) and the dividend scale interest rate that applies to policies that have a fixed policy loan rate provision (1960 to 1968).
- 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.
- S&P/TSX composite total return index includes the reinvestment of dividends. TSX © Copyright 2020 TSX Inc. All rights reserved.
- Five-year 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, the London Life dividend scale interest rate has remained stable during times of economic change compared to returns on many financial investments. The graph below shows how the participating account asset mix and London Life’s approach of smoothing¹ returns have helped stabilize the dividend scale interest rate.

Returns (at Dec. 31, 2019)



Performance data are provided for illustrative purposes only and represent past performance, which is not indicative of future performance.

- 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. The rate shown applies to policies issued post-September 1968. These policies have a variable policy loan rate provision, whereas policies issued before this date have a fixed policy loan rate provision and may have a different dividend scale interest rate.
- The S&P/TSX composite total return index includes the reinvestment of dividends. TSX © Copyright 2020 TSX Inc. All rights reserved.
- Five-year 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.

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

London Life has distributed participating policyowner dividends every year since 1886

The participating account return and the dividend scale interest rate can't be directly tied to the cash value growth in a particular policy. 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.

Year	London Life participating account return (%)	London Life dividend scale interest rate (%)	Government of Canada 5- to 10-year bond return (%)	5-year GIC return (%)	Consumer Price Index (%)	S&P/TSX composite total return index (%)
1990	10.09	10.80	10.82	10.98	4.99	-14.80
1991	9.87	10.80	9.36	8.94	3.75	12.02
1992	8.72	10.70	8.16	7.33	2.17	-1.43
1993	8.45	9.70	7.24	6.20	1.65	32.55
1994	7.92	8.90	8.26	7.34	0.23	-0.18
1995	7.95	8.90	7.93	7.06	1.74	14.53
1996	7.91	8.90	6.86	5.64	2.16	28.35
1997	7.91	8.90	5.87	4.71	0.78	14.98
1998	7.85	8.90	5.26	4.38	1.00	-1.58
1999	7.63	8.90	5.56	4.81	2.63	31.71
2000	7.33	8.40	5.96	5.34	3.20	7.41
2001	7.02	8.40	5.32	4.05	0.72	-12.57
2002	6.66	8.40	5.08	3.91	3.80	-12.44
2003	7.46	8.40	4.54	3.13	2.08	26.72
2004	6.72	7.73	4.34	2.92	2.13	14.48
2005	6.70	7.16	3.89	2.71	2.09	24.13
2006	6.52	7.16	4.18	3.16	1.67	17.26
2007	6.17	7.16	4.25	3.31	2.38	9.83

1990

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

2000

Dot-com bubble pops.

2001

9/11 – This event reduced 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.

Year	London Life participating account return (%)	London Life dividend scale interest rate (%)	Government of Canada 5- to 10-year bond return (%)	5-year GIC return (%)	Consumer Price Index (%)	S&P/TSX composite total return index (%)
2008	-0.29	7.32	3.36	3.01	1.16	-33.00
2009	8.66	7.32	2.84	1.95	1.32	35.05
2010	7.05	6.87	2.88	1.97	2.35	17.61
2011	3.74	6.87	2.47	1.87	2.30	-8.71
2012	5.94	6.42	1.63	1.65	0.83	7.19
2013	6.96	5.90	1.99	1.63	1.24	12.99
2014	5.46	5.90	1.87	1.92	1.47	10.55
2015	3.08	5.90	1.19	1.47	1.61	-8.32
2016	5.85	5.30	1.02	1.42	1.50	21.08
2017	4.55	5.00	1.61	1.39	1.87	9.10
2018	1.81	5.00	2.22	1.69	1.99	-8.89
2019	6.21	5.00	1.53	2.08	2.25	22.88

2008-2009

Recession

2010-2019

Bank of Canada continued lowering interest rates beyond 2009 to help stimulate the economy.

Performance data are provided for illustrative purposes only and represent past performance, which is not indicative of future performance. This information is intended for informational purposes only; it's accurate to the best of our knowledge as of March 1, 2020.

For in-force policies issued before Jan. 1, 2020

Effective July 1, 2020, the dividend scale interest rate was **4.85%** for policies formally belonging to the London Life participating account.

The dividend scale interest rate continues to reflect the historical experience of the account to which the policy had belonged prior to the amalgamation of our participating accounts on Jan.1, 2020. Over time, as the impact of this historical experience diminishes, we expect the dividend scale interest rate to converge with the Canada Life combined open participating account dividend scale interest rate.

- The participating account returns and the dividend scale interest rates shown are for the London Life participating account prior to amalgamation. Care should be taken when comparing rates within the same company or between companies because:
 - Accounting rules may change over time (which affects the reporting even within the same company). For example, effective Jan. 1, 2011, the London Life participating account return is calculated in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (with the exception of unrealized gains and losses on bonds, which are excluded because bonds in the participating account are generally held until maturity).
 - Other companies may choose to report their participating account return on another basis.
 - Account composition and investment strategies may change over time and may differ from other companies.
 - Both the participating account return and dividend scale interest rate may be calculated differently from company to company. For example, how the returns are brought into the dividend scale interest rate over time (called smoothing) may change within a company and can differ between companies.
 - Investment income is only one factor that goes into determining the actual dividends distributed to a participating policy.



Need more information?

Talk to your advisor to learn more about participating life insurance and Canada Life's other products and services.

Visit canadalife.com/contact-us or call **1-888-252-1847** if you have questions about a specific policy.

- Experience
- Size
- Expertise
- Accountability
- Conviction



Visit canadalife.com

 [@CanadaLifeCo](https://twitter.com/CanadaLifeCo)