Questions and answers

Amalgamation

Did Canada Life acquire/take over London Life and Great-West Life?

No. Great-West Lifeco Inc. is the parent company of Great-West Life, London Life and Canada Life. The amalgamation means 3 companies and 2 holding companies combining as 1 larger company, continuing on with the Canada Life name. Great-West Lifeco Inc. will remain the parent company.

What are names of the two holding companies included in the amalgamation?

London Insurance Group Inc. and Canada Life Financial Corporation.

What are the benefits of amalgamation?

Amalgamation will position us for future growth, so we can continue to meet the needs of our advisors and customers. The amalgamation:

- Creates operating efficiencies and simplifies our capital structure – allowing for more efficient use of capital
- Simplifies our governance structure and improves how responsive we can be to business, capital, financial, regulatory, accounting and other changes in a rapidly changing environment
- By combining the 3 companies' Canadian open participating accounts into a larger Canadian open participating account, we have opportunities for greater risk diversification and reduced regulatory and participating account management expenses.

How does the amalgamation affect my voting rights?

Your voting rights in 1 or more of the 3 companies will continue as voting rights in the amalgamated company. Any policyholder who held a voting policy with more than 1 of the amalgamating companies prior to Jan. 1, 2020 will have only 1 vote in the amalgamated company after amalgamation.

The amalgamation will also have the effect of slightly decreasing the relative weight of any 1 policyholder's vote in the larger, amalgamated company as compared to the weight in 1 or more of the smaller amalgamating companies. However, based on the total number of voting policyholders in each of Great-West Life, London Life and Canada Life prior to the proposed amalgamation, any such dilution is nominal.

Do I need to switch my in-force Great-West Life or London Life policies to a Canada Life product? Is there anything I need to do with my in-force policies?

No, there is nothing you need to do with your in-force policies. All existing policies and contracts will remain unchanged as a result of amalgamation. The difference is that the name of the issuer of the policy is changing to Canada Life.

Will there be office closures resulting from amalgamation?

No. Office closures are not expected as a result of amalgamation.

Individual products

Participating life insurance

What will the investment strategy be for the combined open participating account?

The investment strategies for the current participating accounts are largely the same.

With that, following amalgamation, a single investment strategy will be used for the combined participating account, consistent with and reflective of the current investment strategies.

How will amalgamation of the participating accounts impact the shareholder transfer (which only applies to open block policies)?

Immediately following amalgamation and combination of the open participating accounts, the total distribution of the profits to the shareholder account will be harmonized at 2.5%. This is the same as the current distribution to the shareholder account from the Great-West Life and London Life participating accounts. However, the 2018 Canada Life distribution to the shareholder account is currently 2.84%. As a result, policyowners that previously participated in the pre-amalgamation Canada Life open participating account would receive an approximate 0.3% increase in dividends compared to what they would've received if we didn't amalgamate (all other things being equal).

What are the benefits of a larger combined participating account?

Combining the Canadian open par accounts simplifies how we handle participating life insurance for new business. Going from 3 to 1 open participating account also reduces duplication and costs. It also makes it easier for us to diversify risk, reduce management fees and could mean the same, or slightly more, policyowner dividends, than if the accounts remained separate.

How will any expense savings accrue to the participating policyholder account and the shareholder account?

Combining the open accounts will result in a larger Canadian open participating account, which will allow for greater diversification of risk along with a reduction in regulatory and participating account management expenses.

The distribution of expenses attributed to the participating policyholder account and the shareholder account will be consistent with and reflective of the current policies related to participating account management. Therefore, expense savings realized that are distributable through policyholder dividends will be reflected in dividends as part of the regular dividend scale review, just as would be the case if we did not combine the open participating accounts.

While no assessment has been made of the financial impacts of these diversification benefits, they are not expected to have a material impact on policyholder dividends.

What will happen to dividends for in-force policyholders as a result of amalgamation?

Dividends for in-force policyholders won't be negatively impacted as a result of the amalgamation. Any amount distributed from the participating account as policyowner dividends is divided among groupings of policies that share common attributes such as: the year a policy is issued; time periods in which premiums, guarantees or pricing assumptions were similar; plan types; basic risk classifications; and issue ages. The amount, if any, credited to each policy will vary. A policy may not receive a dividend, for example, if the grouping of policies to which it belongs is considered to have made no contribution to participating account earnings.

For non-investment-related experience such as mortality, lapses, etc., there will be no change to the existing dividend classes as a result of amalgamation.

For investment-related experience, any transitional differences that exist at the time the Canadian open participating accounts are combined will continue to be reflected in calculating the DSIRs for the dividend classes to which those balances are attributed using a schedule that is set at the time of amalgamation.

The Dividend Scale Interest Rates (DSIRs) are different for Great-West Life, London Life and Canada Life. What will the DSIR be for the combined open participating account for in-force policies?

Following amalgamation and combination of the Canadian open participating accounts, the DSIR will continue to be different for policies issued pre-amalgamation from the Great-West Life, London Life and Canada Life participating (open) accounts. Immediately following the amalgamation and par account merger, the DSIRs for the pre-amalgamation London Life, Great-West Life and Canada Life (open) policies will still be 5%, 5.25% and 5.25% respectively. The DSIRs for these blocks and the respective par policyholder dividends in general will continue to be updated in the future to reflect experience updates as part of the regular dividend scale review process following amalgamation.

The participating accounts have a common investment strategy today; however, previous investment experience continues to be smoothed into the dividend scales for these in-force policies.

Over time, as the influence of this previous experience diminishes, we expect the DSIRs to converge.

It’s important to note the DSIRs are expected to converge within the combination of the accounts, as a single investment strategy consistent with and reflective of the current investment strategies would be used.

The surplus funds in each Canadian open participating account are different in amount. How will the surplus be treated post-amalgamation?

The surplus of each of the Canadian open participating accounts will be combined together into a single surplus balance to support the new combined open participating account. The uses of surplus will remain the same as today. Surplus is held in the participating account for a number of reasons, including, but not limited to financing new business growth and providing strength and stability to the participating account and its ongoing operation. The single combined surplus will support both pre-amalgamation in-force policies and post-amalgamation new issues.

In combining the participating accounts, the surplus balances attributed to the pre-amalgamation participating accounts will be combined into a single surplus balance which supports the capital needs of the new combined participating account (which will include both pre-amalgamation in-force policies and post-amalgamation new issues).

Currently, surplus balances in the Canadian open participating accounts of each of Great-West Life, London Life and Canada Life are maintained at levels that are above the minimum regulatory capital requirements applicable to each of the companies. Given this, the surplus balance in the resulting combined Canadian open participating account will also remain above the minimum regulatory capital requirements at the time of amalgamation and combination of the participating accounts.

Non-participating life insurance

How will term renewals work after the transition to the Canada Life insurance shelf?

London Life and Great-West Life in-force term policies will continue to renew as the original product, but with Canada Life. Policy notices will be updated to Canada Life in the future.

How will term conversions work after the transition to the Canada Life insurance shelf?

All in-force term policies would be able to convert to Canada Life products available for conversion whether originally issued by London Life, Great-West Life or Canada Life, subject to eligibility criteria.

Wealth

What happens to my existing Great-West Life and London Life policies?

Existing Great-West Life and London Life policies will remain in force and unchanged as a result of amalgamation.

If I have a Great-West Life or London Life policy, how do I access the new Canada Life product?

If you'd like to transfer from an existing Great-West Life or London Life policy to a new Canada Life policy, speak with your advisor for details.

Does amalgamation have any impact on your high-net-worth offering?

Our high-net-worth offering continues. Post-amalgamation, our household aggregation rules will accommodate assets across the amalgamated company.

Will fees decrease as a result of amalgamation?

After amalgamation, we'll review the funds that are offered and may merge similar mandates together. Finding efficiencies may result in lower fees and better fund performance.