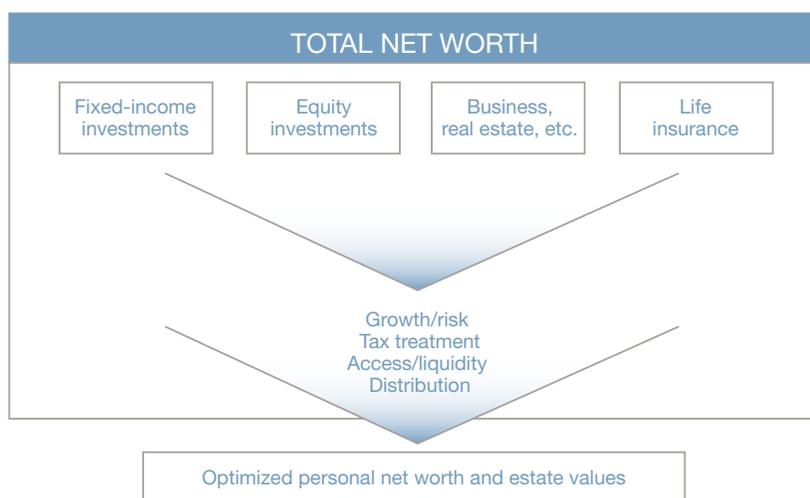


Balancing to reduce risk

Would you consider life insurance and its cash value to be an important contributor to your net worth?




You look for assets with stable growth and risk management components and know how different assets, with their unique characteristics and features, have a place in your financial security planning.

Understanding how different asset classes can be used to your advantage can be a big benefit when creating your financial security plan.

Participating life insurance – a unique asset class

Participating life insurance is a unique asset class because of its immediate estate enhancement, cash value growth and life insurance benefit growth. This combination of benefits is a mix that is only offered with permanent life insurance and can help you meet your financial goals.

Guaranteed cash value that won't go down:

Unlike assets that may be exposed to market volatility, once credited to the policy, the cash value (including policyowner dividends) is fully vested. Accumulated values are fully protected from down-side market risk.

Tax advantages: While cash value is growing inside your policy, you're not subject to tax on this growth (within legislative limits). And, your life insurance benefit passes tax free to your named beneficiary.

Flexibility: Whether your goal is estate preservation or having access to your policy's cash value for retirement

or other future needs, you have flexibility to help accomplish your personal financial goals.

Professionally managed: The participating account assets are managed by London Life's investment division. This is the experienced group of professionals who manages assets for London Life.

The assets of the participating account are broadly diversified and the account is generally managed as a fixed-income account. There are specific teams of experts responsible for managing each asset class within the account's portfolio.

Asset quality is very important and participating account assets include high-quality investments such as: publicly traded government and corporate bonds, residential and commercial mortgages, corporate lending (private placements), real estate, equity-related investments, short-term investments and policy loans.

LOW INVESTMENT EXPENSES

Our participating account benefits from the synergies of London Life's overall asset management. This scale allows you, as a policyowner, to benefit from professional asset management expertise at a low expense ratio.

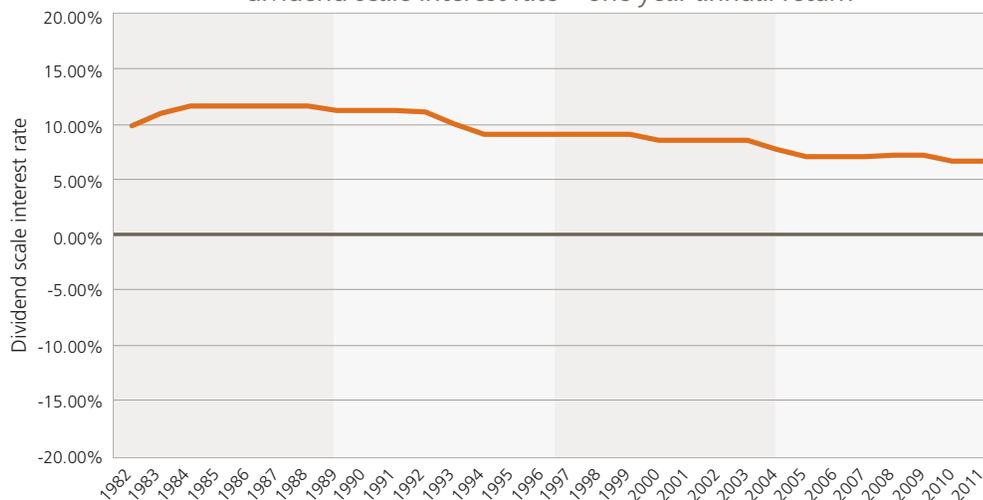
In 2011, the investment expenses attributed to the participating account were 5.2 basis points (0.052 per cent).

Strong, stable performance achieved with lower risk

Even during times of economic change, the London Life participating account's dividend scale interest rate has been relatively stable

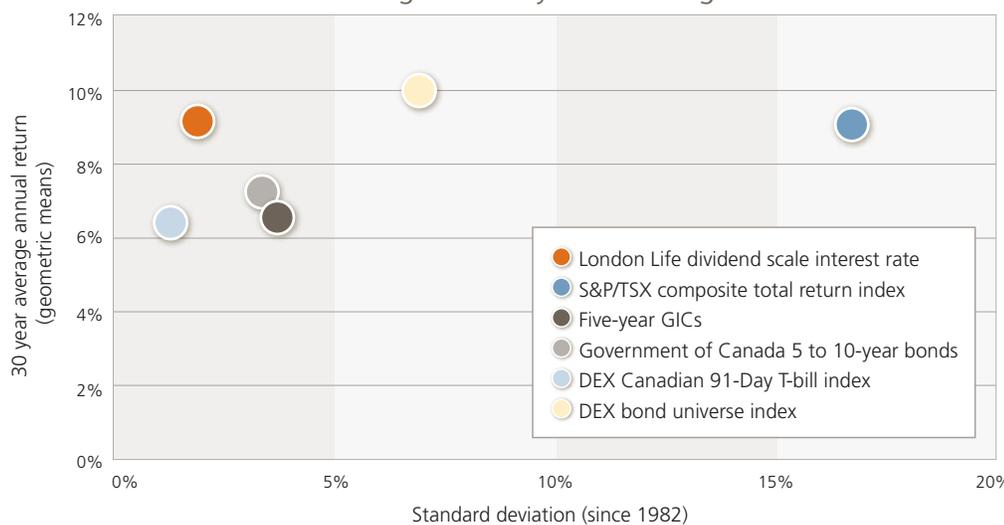
The investment returns associated with the participating account are reflected in the dividend scale through the dividend scale interest rate. The dividend scale interest rate is the rate used to calculate the investment component of participating policyowner dividends that are credited to your participating life insurance policy.

The London Life participating account dividend scale interest rate – one year annual return



- The longer-term focus for participating account investments helps stabilize the dividend scale interest rate.
- The London Life participating account dividend scale interest rate reflects a 30-year average return of **9.1 per cent** for the period from 1982 to 2011.
- 30-year average standard deviation (since 1982) of **1.5 per cent** for the dividend scale interest rate.

Looking at volatility over the long term



- In this snapshot, you can see the 30-year average return of the London Life participating account dividend scale interest rate provides comparably strong returns to those of other financial instruments and indexes – **and it does it with less risk.**

The dividend scale interest rate is only one factor that contributes to an individual policy's performance. 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. See details available on the next page on how you participate as an individual policyowner.

London Life's participating account investment strategy

- London Life's investment strategy helps stabilize the variation in the investment returns used to determine policyowner dividends.
- The dividend scale interest rate is the interest rate used in determining the investment component of the dividend scale. This rate incorporates the smoothed investment experience of assets backing participating account liabilities for the most recent 12-month period from July 1 to June 30. It also includes smoothed gains and losses from prior periods, and other factors.



How you participate

Your premiums, along with premiums from all other participating life insurance policyowners, go into the participating account. In determining guaranteed premiums, cash value and death benefit, London Life uses long-term assumptions for investment returns, mortality, expenses, lapses, taxes and other factors.

When actual and expected future results in the participating account are collectively more favourable than the assumptions supporting guaranteed values, retained earnings are generated in the participating account.

Each year, London Life may distribute a portion of the earnings of the participating account as participating policyowner dividends.



Performance

- London Life has distributed policyowner dividends to its participating policyowners every year since 1886.
- In 2012, dividends distributed to participating policyowners are estimated to be \$760 million.
- London Life's long-term investment strategy – together with its strategy of smoothing the returns for the purpose of determining the dividend scale interest rate – helps reduce the impact of short-term volatility on the investment component of participating life insurance dividends.
- The 2012 dividend scale interest rate is 6.4 per cent.
- The 10, 20 and 30-year average annual dividend scale interest rates to the end of 2011 were 7.4, 8.2 and 9.1 per cent respectively. The 30-year standard deviation, since 1982 for the London Life dividend scale interest rate was 1.5 per cent.

A look at participating life insurance policy performance

Based on the example below, over a 20-year period, to build equivalent cash value to that of London Life participating life insurance, a taxable investment would require an average return over seven per cent.

Additionally, to build an equivalent death benefit to that offered by London Life participating life insurance, at policy years 20 through 45, a taxable investment would need to achieve an internal rate of return of 19.7, reducing to 9.4 per cent, to equal these potential life insurance death benefits.

Example: Male, non-smoker, age 40, standard risk, initial death benefit \$750,000, 20-Pay participating life insurance, **total annual premium of \$25,000 per year for 20 years**, marginal tax rate – 46.41 per cent.

Policy year	Total cash surrender value (before tax)	Rate of return on total cash surrender value (before tax)	Required rate of return on alternative investment (due to tax)	Total death benefit	Rate of return on death	Required rate of return on alternative investment
1	12,124	–	–	783,577	3,034.31%	5,662.08%
5	117,904	–	–	979,912	78.80%	147.04%
10	284,694	2.35%	4.38%	1,207,605	27.61%	51.52%
15	501,642	3.56%	6.64%	1,409,229	15.33%	28.60%
20	790,079	4.18%	7.80%	1,686,718	10.56%	19.70%
30	1,290,616	4.57%	8.52%	2,134,807	6.95%	12.97%
40	1,979,365	4.50%	8.41%	2,673,938	5.49%	10.24%
45	2,378,121	4.40%	8.21%	2,982,066	5.04%	9.41%

< Because this is a life insurance policy, your beneficiaries receive an immediate estate enhancement.

This example shows the relationship between the cumulative out-of-pocket premiums paid (\$25,000 per year for 20 years) and the benefits received. The total death benefit and total cash surrender values are based on illustrated figures from a policy illustration at London Life's current dividend scale and premium rates as at April 2012. Internal rate of return on the total cash surrender value doesn't reflect any potential tax implications that may arise on surrender of the policy. Actual results will vary from those illustrated, based on the actual dividend experience of the policy.

Since internal rate of return is based on guaranteed and non-guaranteed value from the current dividend scale, it cannot predict future performance. Actual policy results will vary up and down.

This example provided is not complete without the London Life illustration, including the cover page, reduced example and product features pages all having the same date. Read each page carefully as they contain important information about the policy.

Does participating life insurance, with its historically strong, stable performance, have a place in your portfolio?

