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ECOFL*EXTRA*
RETIREMENT INCOME

ECOFL*EXTRA*

INFORMATION FOLDER

and Ecofl*extra* Individual Variable Annuity Contract

**2007
2008**

Investment
Funds and
Retirement
Income

Non-registered
RRSP/LIRA/LRSP,
RRIF/LIF

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INDUSTRIAL ALLIANCE PACIFIC™
INSURANCE AND FINANCIAL SERVICES INC.

ECOFL*EXTRA* INDIVIDUAL VARIABLE ANNUITY CONTRACTS (NON-REGISTERED, RRSP/LIRA/LRSP, RRIF/LIF)

This document includes the Ecofl*extra* Individual Variable Annuity Contract (Non-registered, RRSP/LIRA/LRSP, RRIF/LIF) appearing on page 49, which will be called the "Contract" for purposes of this document, as well as the Information Folder related to this Contract. The Information Folder is a summary of the Contract and presents the numerous segregated funds (hereinafter called the "Funds") offered by Industrial Alliance Pacific Insurance and Financial Services Inc. (hereinafter called the "Company").

The Information Folder is not part of the Contract and must not be considered under any circumstances as a contractual document that binds the Policyholder and the Company. In the event of incompatibility between the Information Folder and the Contract, the Contract takes precedence. The information provided in the Information Folder is up-to-date on the date of the printing of this document, but could be subject to modifications.

Any amount that is allocated to a Fund is invested at the risk of the Policyholder and may increase or decrease in value.

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INFORMATION FOLDER

CERTIFICATION

ECOFL*EXTRA* INDIVIDUAL VARIABLE ANNUITY CONTRACTS (NON-REGISTERED, RRSP/LIRA/LRSP, RRIF/LIF)

The purpose of this Information Folder is to provide a brief summary of the Ecofl*extra* Individual Variable Annuity Contracts (Non-registered, RRSP/LIRA/LRSP, RRIF/LIF) offered by Industrial Alliance Pacific Insurance and Financial Services Inc. (hereafter called the "Company"), which permit investments in segregated funds, referred to as "Funds" in this Information Folder.

This document must be accompanied by the Investment Fund Summary Fact Statements and Financial Highlights for each fund found in the financial statements mentioned in this Information Folder.

This Information Folder provides brief and plain disclosure of the key features of the Ecofl*extra* Individual Variable Annuity Contracts offered by the Company (also referred to as the "Ecofl*extra* Contract" or the "Contract" in this Information Folder).

Dated this 17th day of October 2007.

Industrial Alliance Pacific Insurance and Financial Services Inc..
2165 Broadway West
PO Box 5900
Vancouver, BC V6B 5H6

Yvon Charest
Chief Executive Officer

Gerry Bouwers
President and Chief Operating Officer

EXECUTIVE SUMMARY

This Information Folder and Contract contain a description of the key features of the **Ecofl*extra* Individual Variable Annuity Contract (the "Contract" or the "Ecofl*extra* Contract")**. The Contract is offered in Non-Registered, RRSP/LIRA/LRSP or RRIF/LIF status between the Policyholder and **Industrial Alliance Pacific Insurance and Financial Services Inc.** (the "Company").

In the case of an underlying investment fund of Industrial Alliance Insurance and Financial Services Inc. or an underlying mutual fund (or pooled fund) in which a Fund's assets are invested, the Policyholder who invests in the Contract is not, by virtue of such investment, a unitholder of these underlying funds.

Please refer to Section 4 *How Funds Work* in this Information Folder for specific descriptions of the Funds, the investment objectives and strategies of the Fund's and specific risks to investing in the Funds.

The **Ecofl*extra* Contract** is offered under two different guarantees in respect to the Premiums invested in the Funds: the Guaranteed Surrender Series and the Classic Series. The **Guaranteed Surrender Series** provides a Guaranteed Minimum Value at Death of 100% of all Premiums invested in the Guaranteed Surrender Series Funds, reduced proportionally by all surrenders, if any. The **Guaranteed Surrender Series** also provides a Guaranteed Minimum Surrender Benefit ("GMSB") as described in Section 3.6 and following. The **Classic Series** provides a Guaranteed Minimum Value at Death of 75% of all the Premiums invested in the Classic Series Funds, reduced proportionally by all surrenders, if any. Both Guaranteed Surrender Series and Classic Series provide a 75% Guaranteed Minimum Value at Maturity. The Management Expense Ratio ("MER") does not differ between the Guaranteed Surrender Series and the Classic Series. However, a Guaranteed Surrender Balance Fee ("GSB Fee", please refer to Section 3.7) may apply for the Guaranteed Surrender Series. Please refer to Section 4.3 *Management Fees, Operating Expenses and Income Asset Class* in this Information Folder. Each Policyholder should consider these choices each time he/she invests a Premium in the Funds in consideration of his/her needs and his/her investment strategy.

The audited annual financial statements and the unaudited semi-annual statements for each investment fund will be provided upon written request, and are also available on the Company's website, **www.iaplife.com** (see Section 7).

Any amount that is allocated to a Fund is invested at the risk of the Policyholder and may increase or decrease in value.

Registration Types
- RRSP, LIRA, LRSP, RRIF and LIF

Maximum Age at Issue*
- up to age 90 of the Annuitant for non-registered contracts
- up to age 71 of the Annuitant for RRSP, Locked-in RSP, LIRA contracts
- up to age 71 of the Annuitant for RRIF and LIF contracts (if transferred from RRSP and LIRA contracts)
- up to age 90 for RRIF and LIF contracts (if transferred from RRIF and LIF contracts)
- up to age 80 for the Guaranteed Surrender Series

* The Maximum Age at Issue can vary according to the applicable legislation

Investments of Premiums in the Funds
- minimum $100 to establish a contract
- minimum $25,000 of investment in the Guaranteed Surrender Series Funds
- minimum $25 per Fund
- minimum $25 in Pre-Authorized Chequing Plan
- minimum $100 for each additional investment

Surrenders
- minimum $100 per surrender, except for RRIF and LIF contracts which must maintain a minimum $100 Market Value
- Surrender Fees may apply if the Policyholder selected the Deferred Sales Charge Option ("DSC Option")
- Surrender Fees do not apply to the annual surrender limit that is 10% of the Market Value of the Premiums invested in the Funds, plus 10% of the sum of the Current Value of all the Fund Units credited to the Contract during the calendar year in which the surrender is requested

Guaranteed Minimum Value at Maturity
- for both Series (Guaranteed Surrender Series and Classic Series): 75% of all the Premiums invested in the Funds, reduced proportionally by all surrenders, if any

Guaranteed Minimum Value at Death

- Guaranteed Surrender Series: 100% of all the Premiums invested in the Guaranteed Surrender Series Funds, reduced proportionally by all surrenders
- Classic Series: 75% of all the Premiums invested in the Classic Series Funds, reduced proportionally by all surrenders

Guaranteed Minimum Surrender Benefit

- offered by the Company for Premiums invested in the Guaranteed Surrender Series Funds. Pursuant to the GMSB, a Policyholder shall be entitled to surrender from the Contract, during the lifetime of the Contract, an amount equal to all of the Premiums invested in the Guaranteed Surrender Series Funds, subject to certain restrictions

Lifetime Surrender Option

- under this option, the Policyholder shall be entitled to receive the Lifetime Surrender Amount (LSA) that will be paid until the Annuitant's death

Reset of the Guaranteed Minimum Value at Death

- for the Guaranteed Surrender Series, up to and including the Annuitant's eightieth (80th) birthday, automatic tri-annual reset of the Guaranteed Minimum Value at Death

Guaranteed Surrender Series Reset of GSB

- on each third Guaranteed Surrender Series Anniversary Date, the Company will proceed with an automatic Reset of GSB

Investment Options

- a selection of Canadian bonds, Canadian, U.S. and global equity and dividend Funds
- other investment options are also available such as a daily interest fund, guaranteed investments and life investment (only available with the RRIF Contract)

Management Fees of the Funds

- depend on the Fund

Front-end Option

- a sales charge of up to 5% of the Premium, negotiable between the Policyholder and his/her life insurance agent, is paid to the life insurance agent

DSC Option

- Surrender Fees equivalent to a percentage of the surrender, starting at 5.00% and declining to 0% after 6 years

1. DESCRIPTION OF ECOFL*EXTRA* INDIVIDUAL VARIABLE ANNUITY CONTRACTS

1.1 Definitions

All terms used in this Information Folder have the same meanings given to these terms in the Contract. Also, to know the definitions of the terms used in the Information Folder and which begin with a capital letter, the Policyholder must refer to the definitions provided in the Contract.

1.2 List of Funds Offered by Industrial Alliance Pacific Insurance and Financial Services Inc.

Industrial Alliance Pacific Insurance and Financial Services Inc. Funds	Fund Manager	Investment Advisor	Inception Date
FOCUS FUNDS			
Focus Prudent	IAP	Industrial Alliance Investment Management Inc.	NOV 2002
Focus Moderate	IAP	Industrial Alliance Investment Management Inc.	NOV 2002
Focus Balanced	IAP	Industrial Alliance Investment Management Inc.	NOV 2002
Focus Growth	IAP	Industrial Alliance Investment Management Inc.	NOV 2002
Focus Aggressive	IAP	Industrial Alliance Investment Management Inc.	NOV 2002
INCOME FUNDS			
Money Market	IAP	Industrial Alliance Investment Management Inc.	FEB 1994
Short Term Bonds	IAP	Industrial Alliance Investment Management Inc.	JAN 1998
Bonds	IAP	Industrial Alliance Investment Management Inc.	FEB 1993
Bonds – series 2	IAP	Industrial Alliance Investment Management Inc.	MAR 1998
DIVERSIFIED FUNDS			
Diversified Security	IAP	Industrial Alliance Investment Management Inc.	JAN 1999
Diversified	IAP	Industrial Alliance Investment Management Inc.	FEB 1993
Diversified Opportunity	IAP	Industrial Alliance Investment Management Inc.	JAN 1999
Fidelity Canadian Asset Allocation	IAP	Fidelity Investments	JAN 2001
Diversified Income	IAP	Industrial Alliance Investment Management Inc.	NOV 2003
Global Diversified (Oppenheimer)	IAP	OppenheimerFunds Inc.	NOV 2006
CANADIAN EQUITY FUNDS			
Dividend Income	IAP	Industrial Alliance Investment Management Inc.	NOV 2005
Dividend Growth	IAP	Industrial Alliance Investment Management Inc.	NOV 2005
Canadian Equity (Leon Frazer)	IAP	Leon Frazer & Associates Inc.	NOV 2004
Canadian Equity Index	IAP	Industrial Alliance Investment Management Inc.	NOV 2001
Select Canadian(1)	IAP	Industrial Alliance Investment Management Inc.	JAN 1998
Canadian Equity Value	IAP	Industrial Alliance Investment Management Inc.	FEB 1993
Canadian Equity (Dynamic)	IAP	Dynamic Mutual Funds	NOV 2001
Canadian Equity (Bissett)	IAP	Bissett Investment Management	JAN 1999
Fidelity True North®	IAP	Fidelity Investments	JAN 1999
Canadian Equity Growth	IAP	Industrial Alliance Investment Management Inc.	NOV 2001
Fidelity Canadian Growth Company	IAP	Fidelity Investments	JAN 1999
U.S. & INTERNATIONAL EQUITY FUNDS			
Global Dividend (Dynamic)	IAP	Dynamic Mutual Funds	NOV 2006
Global Equity (Templeton)	IAP	Franklin Templeton Investments	NOV 2001
Global Equity (Oppenheimer)	IAP	OppenheimerFunds Inc.	NOV 2005
Fidelity NorthStar®	IAP	Fidelity Investments	NOV 2005
Global Equity Small Cap. (Evergreen)	IAP	Evergreen Investments	NOV 2006
International Equity Index	IAP	State Street Global Advisors	JAN 2000
International Equity (Templeton)	IAP	Franklin Templeton Investments	JAN 1996
International Equity (McLean Budden)	IAP	McLean Budden	NOV 2001
Fidelity European Equity	IAP	Fidelity Investments	JAN 1999
U.S. Equity Index	IAP	State Street Global Advisors	JAN 1998
U.S. Equity (McLean Budden)	IAP	McLean Budden	NOV 2005
U.S. Equity (Legg Mason)	IAP	Legg Mason	NOV 2001

(1) The Select Canadian Fund is only available in non-registered Contracts.

1.3 General Overview

The Ecofl*extra* Contracts are individual variable annuity contracts offered by Industrial Alliance Pacific Insurance and Financial Services Inc. (hereafter called the "Company") and are among the various investment vehicles offered for sound retirement.

The Ecofl*extra* Contracts can be entered into by completing either a paper application or an electronic application form and the signatures form. Both the paper and electronic applications offer the same features and advantages for each particular type of Ecofl*extra* Contract.

The Ecofl*extra* Contracts allow Premiums to be invested in the various investment vehicles offered by the Company. This Information Folder only describes the Funds available under this Contract and the guarantees applicable; however, other investment options are also available such as a daily interest fund, guaranteed investments and life investment (only available with the RRIF Contract). A description of each Fund appears in Section 5 of this Information Folder and please refer to sections 2 and 4 of the Contract for more information on the other investment options. The Company may, from time to time, add or remove one or more of these Funds.

See Section 4.1 of this Information Folder, entitled *Market Value of Fund Assets and Current Value of a Fund Unit* for details on the method used to determine the Current Value of Fund Units or any other information regarding the Current Value of Fund Units.

The Ecofl*extra* Contracts may be non-registered or registered as a Retirement Savings Plan (RSP), a Retirement Income Fund (RIF), a Life Income Fund (LIF), a Locked-in Retirement Account (LIRA) or a locked-in RSP in all provinces where allowed by law. Registered Contracts may be more suitable for long-term rather than short-term investments.

When the Contract is registered, the applicable federal and provincial income tax legislation applies. See Section 4.8 *Taxation* for more information on registration. In addition, in order to comply with the legislation, an Ecofl*extra* Contract may be modified by an endorsement when the Contract is issued to obtain the desired registration. As a result, certain provisions set out in the Ecofl*extra* Contract may not apply under the terms of the endorsement provided for registration purposes. Before purchasing a registered Contract, the Policyholder should talk to his/her Industrial Alliance Pacific Insurance and Financial Services Inc. life insurance agent about the tax implications of establishing, contributing to, amending and terminating registered Contracts.

Industrial Alliance Insurance and Financial Services Inc. is the parent company of Industrial Alliance Pacific Insurance and Financial Services Inc.. As such, all of the Funds offered by Industrial Alliance Pacific Insurance and Financial Services Inc. invest in fund units of the corresponding Industrial Alliance Insurance and Financial Services Inc. fund. The head office of Industrial Alliance Insurance and Financial Services Inc. is located at the following address:

Industrial Alliance Insurance and Financial Services Inc.
1080 Grande Allée West
PO Box 1907, Station Terminus
Quebec City, QC G1K 7M3

1.4 Maximum Age at Issue and Investment Period Maturity Date

Ecofl*extra* Contracts can be issued up to the date the Annuitant turns the following ages:

Ecofl*extra* Contract	**Maximum Age at Issue***
Non-registered	Age 90
RRSP/LIRA/LRSP	Age 71
RRIF/LIF	Age 71 (if transferred from RRSP/LIRA) Age 90 (if transferred from RRIF/LIF)

Please also refer to Section 3.6.2 *Maximum Age to Invest Premiums in the Guaranteed Surrender Series Funds.*

The Investment Period Maturity Date will mature on the following dates:

Ecofl*extra* Contract	**Investment Period Maturity Date**
Non-registered	December 31 of the year the Annuitant turns 100
RRSP/LIRA/LRSP	December 31 of the year the Annuitant turns 71 (Section 2.9 applies after age 71)
RRIF/LIF	December 31 of the year the Annuitant turns 100 (for LIFs, however, the maturity date may be different depending on the applicable legislation)

1.5 Guarantees

Each Fund offers two different guarantees with respect to the Premiums invested in the Funds: the Guaranteed Surrender Series and the Classic Series. Each Series provides a Guaranteed Minimum Value at Maturity and a Guaranteed Minimum Value at Death for Premiums invested in the Funds. The guarantees decrease in proportion to each surrender. Also, a Guaranteed Minimum Surrender Benefit (GMSB) is also provided by the Guaranteed Surrender Series. See Section 3 of this Information Folder for more details on the Ecofl*extra* guarantees.

2. GENERAL CONDITIONS

2.1 Premiums

Subject to some restrictions related to the Maximum Age for Investment (see Section 1.4), the Policyholder may invest all or part of the Premiums paid under the Contract in the Funds offered by the Company.

The amounts allocated to the Funds will be used to purchase Fund Units based on the Current Value of a Fund Unit, as determined on the Valuation Date. Units are acquired in accordance with sections 2.2 and 4.1, which describe the Valuation Date and the Current Value of a Fund Unit as referred to throughout this Information Folder. The Company reserves the right to limit the amount allocated for the purchase of Fund Units at any time.

The Premiums are allocated to each Fund according to the Policyholder's written instructions. At this time, a minimum of $25 must be allocated to each Fund in order to purchase Fund Units under the Ecofl*extra* Contract. This amount is subject to change at any time in accordance with the Company's administrative regulations.

If the Policyholder fails to give instructions as to the desired allocation of a Premium to the various Funds under the Ecofl*extra* Contract, the Premium will be invested in the daily interest fund.

ANY AMOUNT THAT IS ALLOCATED TO A SEGREGATED FUND IS INVESTED AT THE RISK OF THE POLICYHOLDER AND MAY INCREASE OR DECREASE IN VALUE.

2.2 Date the Units Are Credited to the Contract

Fund Units are credited to the Contract on the Valuation Date coinciding with the date on which the Company receives the request to invest a Premium in the Funds at its head office, or on the first Valuation Date following if the request to invest is received after 4:00 p.m. eastern time. The Fund Units will be credited to the Contract on this Valuation Date. The number of Fund Units credited to the Contract will be the amount allocated to the Fund by the investment of the Premium, divided by the Current Value of a Fund Unit of the Fund determined on the Valuation Date on which the Units were credited, as described in Section 4.1.

THE MARKET VALUE OF THE PREMIUMS INVESTED IN THE FUNDS AND THE CURRENT VALUE OF EACH FUND'S UNITS CREDITED TO THE CONTRACT ARE NOT GUARANTEED SINCE THESE VALUES FLUCTUATE WITH THE MARKET VALUE OF THE ASSETS ALLOCATED TO EACH FUND.

2.3 Total Value of Fund Units Credited to the Contract

The total value of Fund Units credited to the Contract on a Valuation Date is equal to the sum of the Current Value of the Fund Units in each Fund credited to the Contract multiplied by the number of Units credited to the Contract.

2.4 Transfers Between Funds

The Policyholder may request, in writing, that the Current Value of Fund Units credited to the Contract be transferred and invested in another available Fund. Only transfers of Funds of the same Series or from the Classic Series to the Guaranteed Surrender Series are allowed, subject to some age restrictions and consequences on the guarantees. Please refer to sections 1.4 and 3. The date of the Units credited following a transfer will be the same as the date the cancelled units were credited to the Contract. However, Units credited following a transfer of Units from the Money Market Fund will be credited on the date the valuation is carried out to determine their Current Value for the transfer.

If a transfer of Funds from the Classic Series to the Guaranteed Surrender Series occurs, the Guaranteed Minimum Value at Death of the Classic Series will be reduced proportionately and the Guaranteed Minimum Value at Death of the Guaranteed Surrender Series will be increased by 100% of the value of the amount transferred. Consequently, the Guaranteed Minimum Value at Maturity of the Classic Series will decrease proportionately since the Guaranteed Minimum Value at Maturity of the Guaranteed Surrender Series will be increased by 75% of the amount transferred. If the transfer is the first investment in the Guaranteed Surrender Series Funds, the Valuation Date of the investment of the Premiums in that series will set the Initial Investment Date of the Guaranteed Surrender Series Anniversary Date. Also, the amount transferred will set the initial GSB Bonus Base and the initial GSB which determines, in turn, the annual Guaranteed Surrender Amount ("GSA") and the Lifetime Surrender Amount ("LSA") if the Policyholder selects the Lifetime Surrender Option and the Annuitant is sixty-five (65) years of age or older (please refer to sections 3.6.4, 3.6.5, 3.6.5.1, 3.6.6 and 3.6.7 for more information on these features).

The Units credited following a transfer will retain the date the debited Units were credited to the Contract. However, Units credited to the Contract following a transfer of the value of the Units of the Money Market Fund to a Fund shall be credited to the Contract at the Valuation Date on which the Current Value of the Money Market Fund Units was determined. No surrender fee will be charged in these circumstances.

The value of the Units credited and debited following a transfer will be based on the Current Value of each Unit of the Funds for which a transfer request is received and on the Valuation Date upon which the transfer request is received by the Company. The Fund Units whose value is transferred in this way are then cancelled.

The balance of the investment in a Fund after a transfer may not be less than the minimum amount required (currently $25), otherwise the entire investment in the Fund must be transferred to the new Fund. This minimum is determined from time to time by the Company. The Company reserves the right to charge transaction fees of $35 on transfers at any time. The Company may modify this transaction fee at any time and will inform the Policyholder in advance.

THE CURRENT VALUE OF FUND UNITS DEBITED OR CREDITED WHEN A TRANSFER IS MADE IS NOT GUARANTEED BUT MAY FLUCTUATE WITH THE MARKET VALUE OF THE ASSETS OF THE PARTICULAR FUND SUPPORTING THEM.

2.5 Surrender of the Premiums

At any time on or before the Investment Period Maturity Date, the Policyholder may request, in writing, that some or all of the Premiums invested in the Funds be surrendered (hereafter referred to as a "surrender").

A partial or total surrender may entail Surrender Fees, which are described in Section 4.4.2. All partial surrenders must be at least $100 for each Fund, and the balance of the Fund Units must not fall below the required minimum (currently $25) as a result of the partial surrender, otherwise all the Units in that Fund will have to be surrendered. The Company reserves the right to change these minimum amounts at any time.

The surrender value of the Premiums invested in the Funds is equal to the number of Fund Units debited from the Contract multiplied by the Current Value of the Fund Unit on the Valuation Date coinciding with, or the first Valuation Date following, the date on which the Company receives the request to surrender minus the applicable Surrender Fees, if any. The Company reserves the right to delay the cash payment or transfer to another financial institution for up to sixty (60) days from the date the written surrender request is received.

In the event of a partial surrender, the Policyholder must indicate both the amount to be surrendered and the particular Fund or Funds from which a portion of the surrender value is to be surrendered. For a same Fund, if there are Classic Series Fund Units and Guaranteed Surrender Series Fund Units credited to the Contract, the Policyholder must also indicate which Units of that Fund are to be debited first (Units of the Classic Series or Units of Guaranteed Surrender Series).

In the event of a partial surrender, when there are Fund Units credited to the Contract from the same Fund and the same Series, it is the Fund Units that have been credited to the Contract the longest that are debited first.

All partial surrenders must respect the minimum surrender amount established by the Company. This amount is determined from time to time by the Company.

The Company may suspend the right to surrender Premiums invested in a Fund or postpone the date of payment upon surrender during any period when normal trading is suspended on any exchange on which securities in which the underlying investment fund invests and if those securities are not traded on any other exchange that represents a reasonably practical alternative or with the prior permission of the Canadian securities regulatory authorities.

During any period of suspension there will be no calculation of the Current Value of the Fund Units and no Units will be credited or debited. The calculation of the Current Value of the Fund Unit will resume when trading resumes on the exchange or with the permission of the Canadian securities regulatory authorities. If the right to surrender Premiums invested in a Fund is suspended and the Policyholder makes a surrender request during that period, he/she may either withdraw his/her surrender request prior to the end of the suspension period or the Fund Units credited to his/her Contract will be debited in accordance with the request to surrender when the Current Value of the Fund Units is first calculated following the end of the suspension period.

THE SURRENDER VALUE OF PREMIUMS INVESTED IN THE FUNDS IS NOT GUARANTEED WHEN A PARTIAL OR TOTAL SURRENDER IS MADE BUT MAY FLUCTUATE WITH THE MARKET VALUE OF THE ASSETS ALLOCATED TO EACH FUND.

2.6 Frequent Trading

Frequent trading consists of carrying out transactions for the purpose of acquiring Units in Funds, transferring the Current Value of Fund Units to other Funds, or making partial or total surrenders within a short period of time in an attempt to outperform the market. Frequent trading is not illegal, but can have a negative impact on Funds. These types of transactions may result in additional administration fees and, if significant enough, force the Fund manager to conserve the necessary liquidity to satisfy surrender requests, which could result in a decrease in the Fund's performance.

Even though frequent trading is not illegal, the Company does not encourage this activity. To discourage frequent trading and as provided in individual Contracts, the Company reserves the right to charge, at any time, a transaction fee equal to 2% of the amount of the transaction to Policyholders who, more than once a year, surrender or transfer their investments within sixty (60) days following the date of their investment in the Fund. The charged fees will be invested in the assets of the specific Fund. The Company may modify this transaction fee at any time.

These fees do not apply to Premiums surrendered or transferred under the Company’s systematic plans (such as Pre-Authorized Chequing Plan and Periodic Income Program (PIP)).

In addition to any applicable frequent trading fees, the Company may, at its sole discretion, refuse future Premiums or transfer of Premium requests if the Company determines that the Policyholder’s trading activities may be detrimental to the Funds or the underlying funds.

2.7 Dollar Cost Averaging (for RRSP, LIRA and Non-registered Contracts)

The Policyholder may, upon written request, participate in the Dollar Cost Averaging investment plan (DCA). Through this plan, the Policyholder initially invests his/her Premium in the Money Market Fund. Each month, a designated amount, determined by the Policyholder, is automatically transferred from the Money Market Fund in order to invest in selected Funds of the Contract for a specified length of time (between six (6) and twelve (12) months). This transaction requires a monthly minimum investment of $25 per Fund.

2.8 Periodic Income Program (for Non-registered and RRSP Contracts Only)

The Policyholder may, upon written request, participate in the Periodic Income Program (PIP). The Policyholder can choose to receive the income on a monthly or annual basis. The minimum amount of periodic income paid to the Policyholder must be at least $1,000 on an annual basis or $100 on a monthly basis.

The amounts needed to pay the PIP are surrendered from the Funds through the debit of Units credited to the Contract in accordance with Section 2.5 in the proportion or following the order indicated by the Policyholder.

The Policyholder may terminate the PIP at any time by sending a written request to the Company. The Company can modify the PIP from time to time.

ANY PORTION OF THE TOTAL VALUE OF PREMIUMS INVESTED IN FUNDS SURRENDERED TO MAKE PAYMENTS UNDER THE PERIODIC INCOME PROGRAM IS NOT GUARANTEED BUT MAY FLUCTUATE WITH THE MARKET VALUE OF EACH FUND'S ASSETS.

2.9 Retirement Income Payments (for RRIF and LIF Contracts Only)

Each year, the Company pays the Policyholder the retirement income payments chosen by him/her, provided the total payments made during each calendar year are not less than the minimum payment defined in paragraph 146.3(1) of the *Income Tax Act* (Canada). The Company makes the stipulated payments in accordance with the provisions of the *Income Tax Act* (Canada).

Payment Options

The Policyholder may choose from the payment options offered by the Company subject to some impacts on the Guaranteed Minimum Surrender Benefit ("GMSB") components (please refer to Section 3.6 for more information about the GMSB). The option chosen applies for the entire duration of the Contract or until the Policyholder chooses another payment option offered by the Company. The Company may modify or cease to offer certain payment options. Failing instructions from the Policyholder, if the annual life income payments from the life investment are lower than the minimum annual payment, or if no investment is made in the life investment, payments will be made according to the *Minimum Payment* option described in the following paragraph. If the annual life income payments from the life investment are higher than the minimum annual payment prescribed by the *Income Tax Act* (Canada), and failing instructions from the Policyholder, payments will be made according to the Level Payment option described below. These payments correspond to the life income payments.

Minimum Payment

This is the minimum annual payment that must be made under the Contract as prescribed by the *Income Tax Act* (Canada). It is established on January 1 of each year by multiplying the Book Value of the Contract on this date by a percentage prescribed by the *Income Tax Act* (Canada). The percentage is based on the age of the Annuitant or the Annuitant's spouse, as indicated in the application. This option is available only if the sum of the payments from the life investment over the course of a calendar year, where applicable, is lower than the minimum amount prescribed by the *Income Tax Act* (Canada).

Level Payment

The Annuitant receives a fixed amount determined for the duration of the Contract. This amount must include the amount of the payments from the life investment, where applicable.

Interest Only Payment

The amount paid corresponds to the interest generated by the guaranteed investments. However, the benefits may vary following the maturity of a guaranteed investment, surrenders or partial transfers.

Indexed Payment

The amount determined by the Policyholder increases at the beginning of each calendar year according to an indexation rate chosen by the Policyholder. The indexation rate cannot exceed 8%. This amount must include the amount of the payments from the life investment, where applicable.

Frequency of Payments

The Policyholder can choose to receive the retirement benefits on a monthly, quarterly, semi-annual or annual basis on the day of his or her choice. However, if the total periodic retirement benefits over the course of a calendar year are lower than $1,200, the frequency must be annual. Failing instructions from the Policyholder and subject to the terms and conditions stated above, payments will be made on a monthly basis. If the Policyholder invests in the life investment, the frequency of payments and the day of the month the benefits are paid may not be modified while the life investment is in force.

Payment of Benefits

The retirement benefit payments are made according to the payment option selected by the Policyholder or, failing instructions from the Policyholder, according to the Contract provisions. For each retirement benefit payment, the amount paid under the life investment, where applicable, is used to make this payment. When an amount in addition to the amount paid under the life investment is required to pay the retirement benefit requested by the Annuitant or is required by law, or when no investment is made in the life investment, the amounts are surrendered from the various other investment vehicles in the proportion or the order indicated by the Policyholder. Failing instructions from the Policyholder, the amounts needed to make up the difference between the amounts paid under the life investment, where applicable, and the retirement benefit payment or the amounts needed to pay the retirement benefits when no investment is made in the life investment, are surrendered in the order indicated on the application (hereafter called the "automatic surrender term") and according to the surrender provisions specific to each investment vehicle. Guaranteed investments are surrendered starting with those having the shortest maturity. The automatic surrender term may be modified by the Company at any time.

Guaranteed Surrender Series

When any Premium is invested in the Guaranteed Surrender Series Funds, and if the payment option selected by the Policyholder is the level or indexed payment option, the total periodic retirement income payment over the course of a calendar year may exceed the greater of the annual GSA plus any GSA Deferral, the LSA and the Guaranteed Surrender RRIF Minimum Amount. In this case, there may be a negative impact on the GSB upon which the Guaranteed Minimum Surrender Benefit (GMSB) is based (see Section 3.6 *Guaranteed Minimum Surrender Benefit (GMSB)* and following for more details).

2.10 Automatic Conversion (for RRSP and LIRA Contracts Only)

If the Contract is registered as an RRSP or a LIRA and is in force on December 31 of the year in which the Policyholder turns 71, the Contract is automatically converted into an Ecofl*extra* RRIF or LIF Contract, respectively, offered by the Company. The automatic conversion does not, in any way, affect the investments in force at the time of the conversion.

The automatic conversion will be made in accordance with the *Income Tax Act* (Canada) or any corresponding provincial legislation and according to the administrative policies currently in effect at the Company.

2.11 Start of Annuity Payments

When the annuity payments under an Ecofl*extra* Contract begin, as stipulated in the Contract or in any applicable endorsement, the Current Value of the Fund Units credited to the Contract will be used to determine the amount of the annuity. For more details on annuity payments, refer to Section 1.9 *ANNUITY* in the Ecofl*extra* Contract or in the applicable endorsement.

3. GUARANTEES

Notwithstanding the type of Series selected by the Policyholder, the guarantees offered under the Ecofl*extra* Contract (refer to sections 3.2 to 3.5) are applied on the Guarantee Maturity Date or at the Annuitant's death prior to the Investment Period Maturity Date, whichever occurs first. The Guaranteed Minimum Surrender Benefit (GMSB), which is offered by the Company when the Policyholder invests in the Guaranteed Surrender Series Funds, applies on the Guaranteed Payment Period (see Section 3.6).

The specific terms and conditions for applying the Fund guarantees are described in the following sections.

3.1 Guarantee Maturity Date

Establishment for both Series

The Guarantee Maturity Date is the date at which the guarantee at maturity is applicable. For both Series, the Guarantee Maturity Date is established on December 31 of the year in which the Annuitant reaches the age of one hundred (100).

If the Contract is registered as a LIF, the Guarantee Maturity Date may be different depending on the applicable legislation.

3.2 Guaranteed Minimum Value at Maturity for the Classic Series

The Guaranteed Minimum Value at Maturity for the Classic Series is equal to 75% of the value of all the Premiums invested in the Classic Series Funds on the Guarantee Maturity Date subject to the following. The Guaranteed

Minimum Value at Maturity may vary as follows for this Series:

1) the Guaranteed Minimum Value at Maturity increases when additional Classic Series Fund Units are credited to the Contract (excluding transfers from one Fund to another Fund and which are in the same Series) in a proportion of 75% of the Premiums;
2) the Guaranteed Minimum Value at Maturity is adjusted in proportion to the decrease in the Market Value of the Premiums invested in the Classic Series Funds when any Classic Series Fund Units are debited from the Contract (excluding transfers from one Fund to another Fund and which are in the same Series); and
3) the Guaranteed Minimum Value at Maturity is reduced to zero when there is no remaining value in the Classic Series or if the Contract is cancelled or terminated.

3.2.1 Application of the Guarantee on the Guarantee Maturity Date for the Classic Series

If, on the Valuation Date coinciding with the Guarantee Maturity Date (or the first Valuation Date following, if none coincides), the Guaranteed Minimum Value at Maturity for the Classic Series is higher than the Market Value of the Premiums invested in the Classic Series Funds on that date, the Company will make up the difference by crediting Classic Series Fund Units at their Current Value which have an aggregate value equal to the difference between the Guaranteed Minimum Value at Maturity for the Classic Series and the Market Value of the Premiums invested in the Classic Series Funds. Said Units are invested in the Money Market Fund of the Classic Series. The date on which these Units are credited to the Contract is deemed to be the Guarantee Maturity Date.

On the Guarantee Maturity Date, the Policyholder may choose one of the following options:

1) any annuity offered at the time by the Company;
2) to cash in the Contract; or
3) to continue the Contract, including the payment of the annuity provided under the Contract.

All options must comply with the applicable legislation.

THE MARKET VALUE OF THE PREMIUMS INVESTED IN THE CLASSIC SERIES FUNDS IS NOT GUARANTEED SINCE IT VARIES ACCORDING TO FLUCTUATIONS IN THE MARKET VALUE OF THE ASSETS OF THE PARTICULAR FUND SUPPORTING THEM.

3.3 Guaranteed Minimum Value at Maturity for the Guaranteed Surrender Series

The Guaranteed Minimum Value at Maturity for the Guaranteed Surrender Series is equal to 75% of the value of all the Premiums invested in the Guaranteed Surrender Series Funds on the Guarantee Maturity Date. The Guaranteed Minimum Value at Maturity may vary as follows for this Series:

1) the Guaranteed Minimum Value at Maturity increases when additional Guaranteed Surrender Series Fund Units are credited to the Contract (excluding transfers from one Fund to another Fund and which are in the same Series) in a proportion of 75% of the Premiums;
2) the Guaranteed Minimum Value at Maturity is adjusted in proportion to the decrease in the Market Value of the Premiums invested in the Guaranteed Surrender Series Funds when any Guaranteed Surrender Series Fund Units are debited from the Contract (excluding transfers from one Fund to another Fund and which are in the same Series); and
3) the Guaranteed Minimum Value at Maturity is reduced to zero when there is no remaining value in the Guaranteed Surrender Series Funds or if the Contract is cancelled or terminated.

3.3.1 Application of the Guarantee on the Guarantee Maturity Date for the Guaranteed Surrender Series

If, on the Valuation Date coinciding with the Guarantee Maturity Date (or the first Valuation Date following, if none coincides), the Guaranteed Minimum Value at Maturity for the Guaranteed Surrender Series is higher than the Market Value of the Premiums invested in the Guaranteed Surrender Series Funds on that date, the Company will make up the difference by crediting Guaranteed Surrender Series Fund Units at their Current Value which have an aggregate value equal to the difference between the Guaranteed Minimum Value at Maturity for the Guaranteed Surrender Series and the Market Value of the Premiums invested in the Guaranteed Surrender Series Funds. Said Units are invested in the Money Market Fund of the Guaranteed Surrender Series. The date on which these Units are credited to the Contract is deemed to be the Guarantee Maturity Date.

On the Guarantee Maturity Date, the Policyholder may choose one of the following options:

1) any annuity offered at the time by the Company;
2) to cash in the Contract; or
3) to continue the Contract, including the payment of the annuity provided under the Contract.

All options must comply with the applicable legislation.

THE MARKET VALUE OF THE PREMIUMS INVESTED IN THE GUARANTEED SURRENDER SERIES FUNDS IS NOT GUARANTEED SINCE IT VARIES ACCORDING TO FLUCTUATIONS IN THE MARKET VALUE OF THE ASSETS OF THE PARTICULAR FUND SUPPORTING THEM.

3.4 Guaranteed Minimum Value at Death for the Classic Series

For the Classic Series, the Guaranteed Minimum Value at Death is 75% of the value of all the Premiums invested in the Classic Series Funds and may vary as follows:

1) the Guaranteed Minimum Value at Death increases in a proportion of 75% of the Premiums when additional Classic Series Fund Units are credited to the Contract (excluding transfers from one Fund to another Fund and which are in the same Series);
2) the Guaranteed Minimum Value at Death is adjusted in proportion to the decrease in the Market Value of the Premiums invested in the Classic Series Funds when any Classic Series Fund Units are debited from the Contract (excluding transfers from one Fund to another Fund and which are in the same Series); and
3) the Guaranteed Minimum Value at Death is reduced to zero when there is no remaining value in the Classic Series or if the Contract is cancelled or terminated.

3.4.1 Application of the Guarantee at Death for the Classic Series

On the death of the Annuitant, before the Investment Period Maturity Date, the Guaranteed Minimum Value at Death for the Classic Series will be the higher of:

a) the Market Value of the Premiums invested in the Classic Series Funds on the date the Company receives all documents required to settle a claim; and
b) the Guaranteed Minimum Value at Death for the Classic Series on the reception date described previously.

THE TOTAL VALUE OF FUND UNITS CREDITED TO THE CONTRACT IS NOT GUARANTEED SINCE IT VARIES ACCORDING TO FLUCTUATIONS IN THE MARKET VALUE OF THE ASSETS OF THE PARTICULAR FUND SUPPORTING THEM.

3.5 Guaranteed Minimum Value at Death for the Guaranteed Surrender Series

For the Guaranteed Surrender Series, the Guaranteed Minimum Value at Death is 100% of the value of all the Premiums invested in that Series and may vary as follows:

1) the Guaranteed Minimum Value at Death increases when additional Guaranteed Surrender Series Fund Units are credited to the Contract (excluding transfers from one Fund to another Fund and which are in the same Series) in a proportion of 100% of the Premiums;
2) the Guaranteed Minimum Value at Death is adjusted in proportion to the decrease in the Market Value of the Premiums invested in the Guaranteed Surrender Series Funds when any Guaranteed Surrender Series Fund Units are debited from the Contract (excluding transfers from one Fund to another Fund and which are in the same Series);
3) the Guaranteed Minimum Value at Death is reduced to zero when there is no remaining value in the Guaranteed Surrender Series or if the Contract is cancelled or terminated; and
4) the Guaranteed Minimum Value at Death may be increased by a reset of the Guaranteed Minimum Value at Death for the Guaranteed Surrender Series (see Section 3.5.2).

3.5.1 Application of the Guarantee at Death for the Guaranteed Surrender Series

Subject to Section 3.5.2 *Reset of the Guaranteed Minimum Value at Death for the Guaranteed Surrender Series*, on the death of the Annuitant, before the Investment Period Maturity Date, the Guaranteed

Minimum Value at Death for the Guaranteed Surrender Series will be the higher of:

a) the Market Value of the Premiums invested in the Guaranteed Surrender Series Funds on the date the Company receives all documents required to settle a claim; and
b) the Guaranteed Minimum Value at Death for the Guaranteed Surrender Series on the reception date described previously.

THE TOTAL VALUE OF FUND UNITS CREDITED TO THE CONTRACT IS NOT GUARANTEED SINCE IT VARIES ACCORDING TO FLUCTUATIONS IN THE MARKET VALUE OF THE ASSETS OF THE PARTICULAR FUND SUPPORTING THEM.

3.5.2 Reset of the Guaranteed Minimum Value at Death for the Guaranteed Surrender Series

On each third Guaranteed Surrender Series Anniversary Date and up to the Annuitant's eightieth (80th) birthday, the Company will proceed with an automatic tri-annual reset of the Guaranteed Minimum Value at Death for the Guaranteed Surrender Series. The new Guaranteed Minimum Value at Death for this Series will be the higher of:

a) the Market Value of the Premiums invested in the Guaranteed Surrender Series Funds on the Guaranteed Surrender Series Anniversary Date; and
b) the current Guaranteed Minimum Value at Death for the Guaranteed Surrender Series.

If new Premiums are invested in the Guaranteed Surrender Series Funds between two resets or after the last reset is performed, the Guaranteed Minimum Value at Death for the Guaranteed Surrender Series shall equal the total of the Guaranteed Minimum Value at Death for the Guaranteed Surrender Series determined on the last reset performed and 100% of all the Premiums invested in the Guaranteed Surrender Series Funds since the last reset was performed.

3.6 Guaranteed Minimum Surrender Benefit (GMSB)

In addition to the Guaranteed Minimum Value at Maturity and the Guaranteed Minimum Value at Death, the Guaranteed Surrender Series provides for the Guaranteed Minimum Surrender Benefit, hereinafter referred to as the "GMSB". Pursuant to the GMSB, subject to certain restrictions:

- the Policyholder shall be entitled to surrender from his/her Contract, during the lifetime of the Contract, an amount equal to all of the Premiums invested in the Guaranteed Surrender Series Funds. This amount is called the "Guaranteed Surrender Balance" ("GSB", please refer to Section 3.6.6);
- the GSB may increase every three years if the Market Value of the Premiums invested in the Guaranteed Surrender Series is greater than the GSB;
- the GSB may also increase during any of the first fifteen (15) calendar years through GSB Bonuses (see Section 3.6.8);
- the GSB is reduced by the amount of surrenders or by an additional amount if the surrender threshold is exceeded.

The date on which a Premium is invested in the Guaranteed Surrender Series Funds for the first time is called the "Initial Investment Date of the Guaranteed Surrender Series". The Premium invested in the Guaranteed Surrender Series Funds on the Initial Investment Date of the Guaranteed Surrender Series will determine the Guaranteed Surrender Balance, hereinafter referred to as "GSB". The GSB will be used to determine the annual Guaranteed Surrender Amount, hereinafter called the "GSA" and the Lifetime Surrender Amount, hereinafter called the "LSA", if applicable (please refer to Section 3.6.5.1 for more details). The greater of the GSA plus any GSA Deferral and, if applicable, the Guaranteed Surrender RRIF Minimum Amount is the maximum amount of Premiums invested in the Guaranteed Surrender Series Funds that the Policyholder can surrender each calendar year, without causing any GSB Downward Adjustment. Any surrender over this limit may have a negative impact on the GMSB components. See sections 3.6.4 and following for more information on these features. There may be some exceptions if the Contract is registered as a RIF under the *Income Tax Act* (Canada). The amount of the initial Premium invested in the Guaranteed Surrender Series Funds, including any first transfer of the Classic Series to the Guaranteed Surrender Series, cannot be less than $25,000.

Following any surrender of Premiums invested in the Guaranteed Surrender Series Funds, the GSB will be reduced by an amount equal to the sum of the Current Value of all the Guaranteed Surrender Series Funds Units debited. However, the GSB, the GSB Bonus Base, the GSA, the GSA Deferral and/or the LSA may be negatively impacted if the total surrenders of Premiums in any given calendar year are greater than the annual GSA plus any GSA Deferral or, if applicable, the Guaranteed Surrender Series RRIF Minimum Amount. Please refer to Section 3.6.10 entitled *GSB Downward Adjustment* for more information.

At any time before the Annuitant has reached the age of eighty (80) years, the Policyholder can invest or transfer Premiums in the Guaranteed Surrender Series Funds. This maximum age to invest may vary according to the applicable legislation, please refer to sections 1.4 and 3.6.2.

The GMSB will cease on the earliest of the following events:

a) the GSB reaches zero, unless the Policyholder has selected the Lifetime Surrender Option and the LSA is positive on that date;
b) the Contract reaches the Investment Period Maturity Date; or
c) the Company receives, to its satisfaction, proof of death of the Annuitant.

Taxable disposition to the Policyholder may be created by any surrender if it results in a gain or a loss. Please refer to Section 4.8 *Taxation* for more details.

3.6.1 Investment of Subsequent Premiums

Each time the Policyholder invests a Premium in the Guaranteed Surrender Series Funds or each time a transfer of Premiums from the Classic Series to the Guaranteed Surrender Series occurs, the GSB and the GSB Bonus Base will be increased by an amount equal to 100% of the Premiums invested in the Guaranteed Surrender Series Funds at the time of investment.

3.6.2 Maximum Age to Invest Premiums in the Guaranteed Surrender Series Funds

The maximum age to invest any Premium in the Guaranteed Surrender Series Funds, including the transfer of any Premium already invested in the Classic Series to the Guaranteed Surrender Series, is the date on which the Annuitant has reached the age of eighty (80) years. However, if the Contract is a Life Income Fund (LIF) or a Locked-in Retirement Account (LIRA) under any applicable pension legislation, the maximum age to invest a Premium is the earlier of a) the date on which the Annuitant has reached the age of eighty (80) years, and b) the date which is twenty (20) years prior to the date on which an annuity must be purchased depending on the applicable legislation.

3.6.3 Surrenders of the Premiums Invested in the Guaranteed Surrender Series Funds

At any time on or before the Investment Period Maturity Date, the Policyholder may partially or totally surrender the Premiums invested in the Guaranteed Surrender Series Funds. Any surrender of Premiums invested in the Guaranteed Surrender Series Funds will reduce the GSB by an amount equal to the sum of the Current Value of all the Guaranteed Surrender Series Fund Units debited from the Contract. Surrenders made in the first fifteen (15) years following the Initial Investment Date of the Guaranteed Surrender Series may also have an impact on the GSB Bonuses, the remaining GSA, the GSA Deferral and the remaining LSA, if applicable. See sections 3.6.4, 3.6.4.1, 3.6.5.1 and 3.6.8 for more information. Each surrender of Premiums invested in the Guaranteed Surrender Series Funds is subject to Section 3.6.10.

If surrenders of the Premiums invested in the Guaranteed Surrender Series Funds exceed, in any given calendar year, the greater of the current GSA plus any GSA Deferral and, if applicable, the Guaranteed Surrender Series RRIF Minimum Amount, a GSB Downward Adjustment will be applied. In this case, the GSB may be reduced by more than the sum of the Current Value of all the Guaranteed Surrender Series Fund Units debited from the Contract at the time of the transaction. For more information on the GSB Downward Adjustment, see Section 3.6.10 below.

Each surrender made by the Policyholder, not those that are used to pay the GSB Fees, will decrease proportionately the Guaranteed Minimum Value at Death and the Guaranteed Minimum Value at Maturity. Please refer to sections 3.3 and 3.5.

3.6.4 Guaranteed Surrender Amount (GSA)

The GSA is only determined once a year, which is on December 31 of every calendar year following the Initial Investment Date of the Guaranteed Surrender Series. For the first calendar year of the Guaranteed Surrender Series which starts on the Initial Investment Date of the Guaranteed Surrender Series and ends on December 31 of this same year, the annual GSA is initially set at five percent (5%) of the initial GSB. The GSA for subsequent calendar years, on December 31 of each year, is the greater of:

a) the current GSA; and
b) 5% of the GSB after all transactions have been processed on this date.

If a GSB Downward Adjustment occurs in the current calendar year, the new GSA, which will be calculated on December 31 of that current calendar year, will be the lesser of:

a) the current GSA, plus an amount equal to 5% of all the Premiums invested in the Guaranteed Surrender Series Funds during that calendar year; and
b) 5% of the greater of:
   i) the current Market Value of the Premiums invested in the Guaranteed Surrender Series Funds; and
   ii) the GSB after all transactions have been processed on or before that date.

Immediately when the GSB reduces to zero, the GSA and the GSA Deferral are also reduced to zero and no other surrenders can be made from the Guaranteed Surrender Series, unless the LSA, if applicable, is greater than zero.

The example below illustrates how the GSA is established and how it varies with the investment of subsequent Premiums and surrenders.

Date	Transaction	Amount	Market Value (after transaction)[1]	GSB (after transaction)	GSA (after transaction)	Remaining GSA (after transaction)
2008-03-01	initial Premium	$200,000	$200,000	$200,000	$10,000[2]	$10,000[2]
2008-07-22	subsequent Premium	$50,000	$255,000	$250,000[3]	$10,000[4]	$10,000
2008-10-14	surrender	-$6,000	$252,000	$244,000[5]	$10,000[4]	$4,000[6]
2008-12-31	year-end	---	$255,000	$244,000	$12,200[7]	$12,200[7]

1) Market Value of the Premiums invested in the Guaranteed Surrender Series Funds after the transaction;
2) GSA = remaining GSA: initial GSB x 5% → $200,000 x 5% = $10,000;
3) GSB = GSB before transaction + subsequent Premium → $200,000 + $50,000 = $250,000;
4) GSA is unchanged since it is calculated once a year on December 31;
5) GSB = GSB before transaction – surrender → $250,000 - $6,000 = $244,000;
6) Remaining GSA = remaining GSA before transaction – surrender → $10,000 - $6,000 = $4,000;
7) GSA = remaining GSA: the greater of the current GSA and 5% of the GSB → the greater of $10,000 and 5% x $244,000 = $12,200.

3.6.4.1 GSA Deferral

The GSA Deferral allows the Policyholder to surrender an amount greater than the GSA without causing a GSB Downward Adjustment. The GSA Deferral increases every year if the GSA is not totally used during a calendar year and if no bonus is added to the GSB.

Therefore, if the Policyholder does not surrender Premiums up to the entire annual GSA, during a calendar year, and if no GSB Bonus is added to the remaining GSB during that year, the difference between the annual GSA and the actual amount surrendered during a calendar year can be deferred and surrendered in future calendar years.

The GSA Deferral is determined, on December 31 of that year, as follows:

1) the current GSA Deferral, if any;
   plus
2) the greater of:
   a) if no GSB Bonus is added to the GSB during that year, the difference between the GSA established on December 31 of the previous year, or later if initially set during the year, and the total amount of surrenders during the current calendar year; and
   b) zero.

A surrender will first reduce the GSA Deferral. Once fully depleted, the outstanding amount will reduce the remaining GSA. If the outstanding surrender amount is greater than the remaining GSA and, if applicable, the total surrender amount is greater than the Guaranteed Surrender Minimum RRIF Amount, a GSB Downward Adjustment will be applied and the GMSB components may be impacted.

The GSA Deferral shall never exceed the current year-end GSA.

The GSA Deferral shall never be less than zero.

If the Contract is registered as a LIF and in any year the GSA exceeds the maximum annual LIF surrender permitted by the applicable legislation, the amount that will not be withdrawn may be treated as a GSA Deferral.

In any event, the annual amount of surrender cannot exceed the remaining GSB.

The example below illustrates how the GSA Deferral is established and how it varies with subsequent Premiums and surrenders.

Date	Transaction	Amount	GSB Bonus Base (after transaction)	GSB (after transaction)	GSA (after transaction)	Remaining GSA (after transaction)	GSA Deferral (after transaction)
2008-03-01	initial Premium	$200,000	$200,000	$200,000	$10,000	$10,000	---
2008-07-22	subsequent Premium	$50,000	$250,000	$250,000	$10,000	$10,000	---
2008-10-14	surrender	-$6,000	$250,000	$244,000	$10,000	$4,000	---
2008-12-31	year-end	---	$250,000	$244,000	$12,200	$12,200	$4,000[1]
2009-12-31	year-end	---	$250,000	$256,500[2]	$12,825	$12,825	$4,000[3]
2010-10-14	surrender	-$6,000	$250,000	$250,500	$12,825	$10,825[4]	$0[4]

1) A GSA Deferral is established since no bonus was added to the GSB during that calendar year. The GSA Deferral is equal to:
   a) the current GSA Deferral (i.e. $0)
      plus
   b) the greater of:
      1) the GSA initially set on 2008-03-01 ($10,000) minus the amount of surrenders during that calendar year (i.e. $6,000), i.e. $4,000; and
      2) zero.

   Therefore, the GSA Deferral is equal to $4,000 which, according to the above formula, is determined as a) $0, plus b) $4,000. This amount cannot exceed the GSB Bonus Base and $12,200 corresponding to the current year-end GSA;
2) The GSB Bonus is added to the GSB since no surrenders were made during the calendar year. Please refer to Section 3.6.8 for more information;
3) The GSA Deferral is not increased because a GSB Bonus was added to the GSB;
4) The surrender will first reduce the GSA Deferral. Once fully depleted, the outstanding amount (i.e. $6,000 - $4,000 = $2,000) will reduce the remaining GSA (i.e. remaining GSA → $12,825 - $2,000 = $10,825).

3.6.5 Lifetime Surrender Option

The Lifetime Surrender Option is only available if the Policyholder invests Premiums in the Guaranteed Surrender Series Funds. Subject to certain restrictions, when the Contract enters the Guaranteed Payment Period (see Section 3.6.11), if the Policyholder has selected this option, the Policyholder shall be entitled to receive a Lifetime Surrender Amount (LSA) that will be paid until the Annuitant's death (please refer to Section 3.6.5.1 for more information on the calculation of the LSA). The Lifetime Surrender Option may only be selected by the Policyholder on the Initial Investment Date of the Guaranteed Surrender Series or during the year the Annuitant attains sixty-five (65) years of age.

If the Policyholder selects this option, certain investment restrictions apply. As long as Premiums are invested in the Guaranteed Surrender Series Funds, a minimum of 20% of all Premiums invested in the Guaranteed Surrender Series Funds shall have exposure to the income asset class. The weighting of the income asset class in each Fund is described in section 4.3. The Company may also reallocate the Policyholder's Premiums invested in the Funds, at its sole discretion, in order to comply with this investment restriction.

3.6.5.1 Lifetime Surrender Amount (LSA)

The Lifetime Surrender Amount, hereinafter called "LSA", is the guaranteed annual payment that will be paid to the Policyholder during the Guaranteed Payment Period if the Policyholder has selected the Lifetime Surrender Option. The LSA is also the maximum amount of Premiums invested in the Guaranteed Surrender Series Funds that the Policyholder can surrender each calendar year without affecting the method of calculating the subsequent LSA. There may be some exceptions if the Contract is registered as a RIF under the Income Tax Act (Canada).

The LSA is only available when the Lifetime Surrender Option is selected by the Policyholder. The LSA is determined once a year, on December 31 of every calendar year, commencing the year the Annuitant attains sixty-five (65) years of age. However, if the Annuitant is sixty-five (65) years of age or older when the Policyholder selects the Lifetime Surrender Option, an initial LSA is determined on the Initial Investment Date of the Guaranteed Surrender Series and each subsequent LSA is determined once a year, on December 31 of every calendar year including the year of the Initial Investment Date of the Guaranteed Surrender Series.

If the Annuitant is sixty-five (65) years of age or older when the Policyholder selects the Lifetime Surrender Option, the LSA is initially set at five percent (5%) of the initial GSB.

If the Annuitant has not attained sixty-five (65) years of age when the Policyholder selects the Lifetime Surrender Option, the LSA is calculated once a year commencing on December 31 of the year the Annuitant attains sixty-five (65) years of age. The initial LSA will be set at five percent (5%) of the GSB after all transactions have been processed on or before that date.

The LSA for subsequent calendar years is established on December 31 of each year as the greater of:

a) the current LSA; and
b) 5% of the GSB after all transactions have been processed on or before the end of the calendar year.

If a GSB Downward Adjustment does not occur but the surrenders of the Premiums invested in the Guaranteed Surrender Series Funds exceed, in any given calendar year, the greater of the LSA and the Guaranteed Surrender Series RRIF Minimum Amount, the new LSA of the Guaranteed Surrender Series calculated on December 31 of the current calendar year will be set at 5% of the GSB after all transactions have been processed on or before the end of the calendar year.

If a GSB Downward Adjustment occurs in the current calendar year, the new LSA of the Guaranteed Surrender Series calculated on December 31 of the current calendar year will be the lesser of:

a) the current LSA, plus an amount equal to 5% of all the Premiums invested in the Guaranteed Surrender Series Funds during that calendar year; and

b) 5% of the greater of:
   i) the current Market Value of the Premiums invested in the Guaranteed Surrender Series Funds; and
   ii) the GSB after all transactions have been processed on or before that date.

For example, if the Annuitant is age sixty-five (65) when the Policyholder invests a $200,000 Premium in the Guaranteed Surrender Series Funds and selects the Lifetime Surrender Option, the initial LSA will be set at $10,000 (i.e. 5% of $200,000).

However, if the Annuitant is age 60 when the Policyholder invests a $200,000 Premium in the Guaranteed Surrender Series Funds and selects the Lifetime Surrender Option, the initial LSA established on December 31 of the year the Annuitant reaches age sixty-five (65) will be set at 5% of the GSB on that date:

i) $12,500 if the GSB is $250,000 (i.e. 5% x $250,000);
ii) $8,000 if the GSB is $160,000 (i.e. 5% of $160,000).

Each surrender in excess of the LSA may affect the method of calculating the subsequent LSA.

3.6.6 Guaranteed Surrender Balance (GSB)

Subject to Section 3.6.9 *Reset of GSB*, the Guaranteed Surrender Balance, hereinafter referred to as "GSB", is equal to 100% of the Premiums invested in the Guaranteed Surrender Series Funds on the Initial Investment Date of the Guaranteed Surrender Series. Any subsequent Premiums invested in the Guaranteed Surrender Series Funds or any surrender of Premiums invested in the Guaranteed Surrender Series Funds will make the GSB vary by an amount equal to the Premium surrendered or invested, subject to the GSB Downward Adjustment if applicable. Please refer to Section 3.6.10 for more information about the GSB Downward Adjustment. The GSB is used to determine the annual GSA, the annual LSA and the GMSB relied on.

In no event shall the GSB be less than zero.

The example below illustrates how the GSB is established and how it varies with the investment of subsequent Premiums.

Date	Transaction	Amount	Market Value (after transaction)[1]	GSB (after transaction)
2008-03-01	initial Premium	$200,000	$200,000	$200,000[2]
2008-07-22	subsequent Premium	$50,000	$255,000	$250,000[3]

1) Market Value of the Premiums invested in the Guaranteed Surrender Series Funds after the transaction;
2) GSB = Initial Premium → $200,000;
3) GSB = GSB before transaction + subsequent Premium → $200,000 + $50,000 = $250,000.

3.6.7 GSB Bonus Base

The GSB Bonus Base is used to determine the GSB Bonus on each December 31 of any of the first fifteen (15) years following the Initial Investment Date of the Guaranteed Surrender Series.

The GSB Bonus Base is not reduced by any surrender of Premiums invested in the Guaranteed Surrender Series Funds except if the surrender causes a GSB Downward Adjustment.

If no Reset of GSB and/or no GSB Downward Adjustment have been performed since the Initial Investment Date of the Guaranteed Surrender Series, the GSB Bonus Base is equal to:

1) the initial GSB; plus
2) an amount equal to 100% of all the subsequent Premiums invested in the Guaranteed Surrender Series Funds.

Following any Reset of GSB resulting in an increase of the GSB, the GSB Bonus Base is equal to the sum of A and B:

Where A is the greater of:

a) the GSB since the last Reset of GSB performed; and
b) the GSB Bonus Base before the Reset of GSB;

And where B is equal to 100% of all the subsequent Premiums invested in the Guaranteed Surrender Series Funds since the last reset was performed.

Following any GSB Downward Adjustment, the GSB Bonus Base is equal to the sum of C and D:

Where C is the lesser of:

a) the GSB after the GSB Downward Adjustment; and
b) the GSB Bonus Base before the GSB Downward Adjustment;

And where D is equal to 100% of all the subsequent Premiums invested in the Guaranteed Surrender Series Funds since the last GSB Downward Adjustment was performed.

The example below illustrates how the GSB Bonus Base is established and how it varies with the investment of subsequent Premiums and surrenders.

Date	Transaction	Amount	Market Value (after transaction)[1]	GSB Bonus Base (after transaction)	GSB (after transaction)	GSA (after transaction)	Remaining GSA (after transaction)
2008-03-01	initial Premium	$200,000	$200,000	$200,000[2]	$200,000	$10,000	$10,000
2008-07-22	subsequent Premium	$50,000	$255,000	$250,000[3]	$250,000	$10,000	$10,000
2008-10-14	surrender	-$6,000	$252,000	$250,000[4]	$244,000	$10,000	$4,000

1) Market Value of the Premiums invested in the Guaranteed Surrender Series Funds after the transaction;
2) GSB Bonus Base = Initial GSB → $200,000;
3) GSB Bonus Base = GSB Bonus Base before transaction + subsequent Premium → $200,000 + $50,000 = $250,000;
4) A surrender will not reduce the GSB Bonus Base if there is no GSB Downward Adjustment.

For examples on how a Reset of GSB or a GSB Downward Adjustment may modify the GSB Bonus Base, please refer to sections 3.6.9 and 3.6.10.

3.6.8 GSB Bonus

If the Policyholder does not surrender any Premiums invested in the Guaranteed Surrender Series Funds during any calendar year of the first fifteen (15) calendar years, including the year of the Initial Investment Date of the Guaranteed Surrender Series, the GSB Bonus will increase the GSB. The bonus is established at five percent (5%) of the current GSB Bonus Base and is calculated on each December 31 of each year after all transactions have been processed for a calendar year.

The example below illustrates how the GSB Bonus impacts the GMSB components.

Date	Transaction	Amount	Market Value (after transaction)[1]	GSB Bonus Base (after transaction)	GSB Bonus	GSB (after transaction)	GSA (after transaction)
2008-03-01	initial Premium	$200,000	$200,000	$200,000	---	$200,000	$10,000
2008-12-31	year-end	---	$215,000	$200,000[2]	$10,000[3]	$210,000[4]	$10,500[5]
2009-05-19	subsequent Premium	$50,000	$275,000	$250,000	---	$260,000	$10,500
2009-12-31	year-end	---	$290,000	$250,000[2]	$12,500[6]	$272,500[7]	$13,625[8]
2010-08-24	surrender	-$12,000	$287,000	$250,000	---	$260,500	$13,625
2010-12-31	year-end	---	$295,000	$250,000	No bonus[9]	$260,000	$13,625

1) Market Value of the Premiums invested in the Guaranteed Surrender Series Funds after the transaction;
2) The GSB Bonus is not added to the GSB Bonus Base;
3) GSB Bonus = GSB Bonus Base x 5% → $200,000 x 5% = $10,000;
4) GSB = GSB before transaction + GSB Bonus → $200,000 + $10,000 = $210,000;
5) GSA = the greater of the current GSA and 5% of the GSB → the greater of $10,000 and 5% x $210,000 (i.e. $10,500) = $10,500;
6) GSB Bonus = GSB Bonus Base x 5% → $250,000 x 5% = $12,500;
7) GSB = GSB before transaction + GSB Bonus → $260,000 + $12,500 = $272,500;
8) GSA = the greater of the current GSA and 5% of the GSB → the greater of $10,500 and 5% x $272,500 (i.e. $13,625) = $13,625;
9) No bonus is added to the GSB because there was a surrender during the calendar year.

3.6.9 Reset of GSB

On each third Guaranteed Surrender Series Anniversary Date, the Company will proceed with an automatic Reset of GSB. The new GSB will be equal to the greater of:

a) the Market Value of the Premiums invested in the Guaranteed Surrender Series Funds on the Guaranteed Surrender Series Anniversary Date; and
b) the current GSB.

Any Reset of GSB may also have an impact on the GSB Bonus Base, the GSA and the LSA, as fully explained in sections 3.6.4, 3.6.5.1 and 3.6.7.

The example below illustrates how the Reset of GSB impacts the GMSB components.

Date	Transaction	Amount	Market Value (after transaction)[1]	GSB Bonus Base (after transaction)	GSB Bonus	GSB (after transaction)	GSA (after transaction)	Remaining GSA (after transaction)
2008-03-01	initial Premium	$200,000	$200,000	$200,000	---	$200,000	$10,000	$10,000
2008-12-31	year-end	–	$215,000	$200,000	$10,000	$210,000	$10,500	$10,500
2009-03-01	first Guaranteed Surrender Series Anniversary Date	–	$220,000	$200,000	---	$210,000	$10,500	$10,500
2009-12-31	year-end	–	$235,000	$200,000	$10,000	$220,000	$11,000	$11,000
2010-03-01	second Guaranteed Surrender Series Anniversary Date	–	$240,000	$200,000	---	$220,000	$11,000	$11,000
2010-12-31	year-end	–	$255,000	$200,000	$10,000	$230,000	$11,500	$11,500
2011-03-01	third Guaranteed Surrender Series Anniversary Date	(Reset)	$260,000	$260,000[3]	---	$260,000[2]	$11,500	$11,500
2011-12-31	year-end	–	$270,000	$260,000	$13,000[4]	$273,000	$13,650[5]	$13,650[5]

1) Market Value of the Premiums invested in the Guaranteed Surrender Series Funds after the transaction;
2) GSB = the greater of the Market Value of the Premiums invested in the Guaranteed Surrender Series Funds and the GSB before the reset → the greater of $260,000 and $230,000 = $260,000;
3) GSB Bonus Base = the greater of the GSB since the last Reset of GSB resulting in an increase of the GSB and the GSB Bonus Base before the reset → the greater of $260,000 and $200,000 = $260,000;
4) GSB Bonus = GSB Bonus Base x 5% → $260,000 x 5% = $13,000;
5) GSA and remaining GSA = the greater of the current GSA and 5% of the GSB → the greater of $11,500 and 5% x $273,000 = $13,650.

3.6.10 GSB Downward Adjustment

If the total surrenders during a calendar year exceed the greater of the GSA plus any GSA Deferral and, if applicable, the Guaranteed Surrender Series RRIF Minimum Amount, a GSB Downward Adjustment will occur immediately following the surrender exceeding the GSA plus any GSA Deferral, or in some cases the Guaranteed Surrender Series RRIF Minimum Amount. In this case, the Company will immediately proceed with an automatic GSB Downward Adjustment and will set the new GSB to the lesser of:

a) the current GSB reduced by an amount equal to the sum of the Current Value of all the Guaranteed Surrender Series Fund Units debited from the Contract after the last transaction; or
b) the Market Value of the Premiums invested in the Guaranteed Surrender Series Funds after the surrender of the Premiums during that calendar year.

On any GSB Downward Adjustment, the GSA Deferral, if any, is automatically reset to zero.

Any GSB Downward Adjustment may have an impact on the GSB Bonus Base, the GSA and the LSA. Please refer to sections 3.6.4, 3.6.5.1 and 3.6.7 for more details.

The example below illustrates how the GSB Downward Adjustment impacts the GMSB components.

Date	Transaction	Amount	Market Value (after transaction)[1]	GSB Bonus Base (after transaction)	GSB Bonus	GSB (after transaction)	GSA (after transaction)	Remaining GSA (after transaction)
2008-03-01	initial Premium	$200,000	$200,000	$200,000	---	$200,000	$10,000	$10,000
2008-12-31	year-end	---	$207,000	$200,000	$10,000	$210,000	$10,500	$10,500
2009-05-19	surrender	-$20,000[2]	$178,000	$178,000[4]	---	$178,000[3]	$10,500	$0[5]
2009-12-31	year-end	---	$190,000	$178,000	No bonus	$178,000	$9,500[6]	$9,500[6]

1) Market Value of the Premiums invested in the Guaranteed Surrender Series Funds after the transaction;
2) The surrender of $20,000 exceeds the GSA; therefore, a GSB Downward Adjustment is performed;
3) GSB = the lesser of the GSB reduced by the surrender and the Market Value of the Premiums invested in the Guaranteed Surrender Series Funds after the surrender → the lesser of $190,000 (i.e. $210,000 - $20,000) and $178,000 = $178,000;
4) GSB Bonus Base = the lesser of the GSB after the GSB Downward Adjustment and the GSB Bonus Base before the GSB Downward Adjustment → the lesser of $178,000 and $200,000 = $178,000;
5) The remaining GSA cannot be lower than zero;
6) Since a GSB Downward Adjustment occurred during the calendar year, the GSA and the remaining GSA are equal to the lesser of the current GSA plus 5% of all the Premiums invested during that calendar year and 5% of the greater of the current Market Value of the Premiums invested in the Guaranteed Surrender Series Funds and the GSB after all transactions have been processed → the lesser of $10,500 and 5% of the greater of $190,000 and $178,000 = the lesser of $10,500 and 5% x $190,000 = $9,500.

3.6.11 Guaranteed Payment Period

The Guaranteed Payment Period is the period when the guaranteed payments begin. It occurs when the Market Value of the Premiums invested in the Guaranteed Surrender Series Funds is equal to zero on a certain Valuation Date while the GSB and/or the LSA, if applicable, is still positive on this same date. On the Guaranteed Payment Period, the following will apply:

- No further Premiums can be invested in the Guaranteed Surrender Series Funds;
- Since the Market Value of the Premiums invested in the Guaranteed Surrender Series Funds has reduced to zero, the Guaranteed Minimum Value at Death and the Guaranteed Minimum Value at Maturity will no longer apply;
- The GSB will be reduced by the amount of each payment; and
- If a GSA is paid to the Policyholder, there will be no further GSA provided under the GMSB once the GSB is reduced to zero.

During the Guaranteed Payment Period, if the Policyholder has not selected the Lifetime Surrender Option, the Company will pay the last GSA calculated prior to the commencement of the Guaranteed Payment Period until the earliest of the following events:

a) the GSB reaches zero;
b) the Contract reaches the Investment Period Maturity Date; or
c) the Company receives, to its sole satisfaction, proof of death of the Annuitant.

Upon the earliest of these events, no further payments under the Guaranteed Surrender Series will be made and the GSB will be reduced to zero.

In any event, the annual amount of surrender cannot exceed the remaining GSB.

However, if the Policyholder has selected the Lifetime Surrender Option and the LSA is positive upon the commencement of the Guaranteed Payment Period, the Policyholder will have the option to receive payments equal to the GSA, as provided for immediately above, or to receive payments equal to the last LSA calculated prior to the commencement of the Guaranteed Payment Period which would be paid until the earliest of the following events:

a) the Contract reaches the Investment Period Maturity Date; or
b) the Company receives, to its sole satisfaction, proof of death of the Annuitant.

3.6.12 Guaranteed Surrender Series RRIF Minimum Amount

The Guaranteed Surrender Series RRIF Minimum Amount is only calculated if the Contract is registered as a RIF under the *Income Tax Act* (Canada). This amount is used to avoid any change in the method of calculating the LSA, if applicable, or any GSB Downward Adjustment when the Guaranteed Surrender Series portion of the minimum annual amount that must be made under the Contract as prescribed by the *Income Tax Act* (Canada) is greater than the GSA plus any GSA Deferral. In such a case, the total surrenders from the Guaranteed Surrender Series can go up to the Guaranteed Surrender Series RRIF Minimum Amount without incurring any change in the method of calculating the LSA or any GSB Downward Adjustment.

The Guaranteed Surrender Series RRIF Minimum Amount is established on January 1 of every calendar year as follows:

$$\frac{E \times F}{G}$$

Where:
- E is equal to the minimum annual amount that must be surrendered from the Contract as prescribed by the *Income Tax Act* (Canada);
- F is equal to the Market Value of the Premiums invested in the Guaranteed Surrender Series Funds; and
- G is equal to the Book Value of the Contract.

The example below illustrates how the Guaranteed Surrender Series RRIF Minimum Amount is calculated.

Assume a minimum RRIF surrender rate of 7.38% for the purpose of the example below.

Book Value of the Contract (G)	Market Value of the Premiums invested in the Guaranteed Surrender Series Funds (F)	Minimum RRIF for the Contract (E)	Guaranteed Surrender Series RRIF Minimum Amount
$200,000	$75,000	$14,760[1]	$5,535[2]

1) The minimum RRIF amount of the Contract = $200,000 x 7.38% = $14,760.
2) The Guaranteed Surrender Series RRIF Minimum Amount = $14,760 x $75,000 / $200,000 = $5,535.

3.7 Guaranteed Surrender Balance (GSB) Fee

In order to provide the GMSB, a fee will be charged to the Policyholder and paid to the Company through an automatic surrender of Premiums invested in the Guaranteed Surrender Series Funds by debiting Guaranteed Surrender Series Fund Units from the Contract.

Established each December 31 after all transactions have been processed, including any GSB Bonus, one quarter (1/4) of the GSB Fee is paid to the Company. This fee is paid on a quarterly basis, starting in January of the following calendar year, on the day of the Guaranteed Surrender Series Anniversary Date (or on the first Valuation Date following, if none coincides). The GSB Fee depends on the category of the Funds and the GSB. The GSB Fee is charged proportionately through debits of Guaranteed Surrender Series Fund Units in proportion to the Market Value of the Premiums invested in each Guaranteed Surrender Series Fund on that Valuation Date.

Any automatic surrender of Premiums invested in the Guaranteed Surrender Series Funds made to pay this fee does not affect any Guaranteed Minimum Value at Death, any Guaranteed Minimum Value at Maturity, the GSB, any remaining annual GSA or any remaining LSA.

No GSB Fee is applicable during the Guaranteed Payment Period.

The GSB Fee is not subject to goods and services tax (GST).

The annual GSB Fee is established as follows:

GSB Fee = GSB x (A_1 x F_1 + A_2 x F_2 +… + A_n x F_n)

where:

GSB	=	the GSB on December 31 after all transactions have been processed;
A_i	=	for each Guaranteed Surrender Series Fund in which the Policyholder has invested Premiums, the annualized proportion based on the Market Value of the Premiums invested in the Guaranteed Surrender Series Fund during the calendar year, including any of these Premiums that have been surrendered;
F_i	=	the GSB fund fee rate depending on the category of each Fund, for each Guaranteed Surrender Series Fund in which the Policyholder has invested Premiums. Please refer to the table below in Section 3.7.1 to know how the category is determined; and
n	=	the number of Guaranteed Surrender Series Funds in which Premiums from the Policyholder are invested during the calendar year including the Funds that ceased to be offered under the Guaranteed Surrender Series during this calendar year.

The example below illustrates how the GSB Fee is calculated.

This example is based on the following:

- Two Funds ($Fund_1$ and $Fund_2$) of the Guaranteed Surrender Series;
- GSB fund fee rate of $Fund_1$ = 0.25% (i.e. Category 1);
- GSB fund fee rate of $Fund_2$ = 0.50% (i.e. Category 3);
- $100,000 Premium invested in $Fund_1$ in January;
- $100,000 Premium invested in $Fund_2$ in August;
- No market value increase of Fund assets for both Funds;
- The GSB on December 31 after all adjustments have been performed is equal to $210,000 including the GSB Bonus.

Month	**Month-end Market Value of $Fund_1$ Assets**	**Month-end Market Value of $Fund_2$ Assets**	**Total month-end Market Value of Fund Assets**	**Month-end proportion of $Fund_1$**	**Month-end proportion of $Fund_2$**
January	$100,000	---	$100,000	1	0
February	$100,000	---	$100,000	1	0
March	$100,000	---	$100,000	1	0
April	$100,000	---	$100,000	1	0
May	$100,000	---	$100,000	1	0
June	$100,000	---	$100,000	1	0
July	$100,000	---	$100,000	1	0
August	$100,000	$100,000	$200,000	0.5	0.5
September	$100,000	$100,000	$200,000	0.5	0.5
October	$100,000	$100,000	$200,000	0.5	0.5
November	$100,000	$100,000	$200,000	0.5	0.5
December	$100,000	$100,000	$200,000	0.5	0.5
Annualized proportion of each Fund	---	---	---	0.7917 (i.e. 9.5/12)	0.2083 (i.e. 2.5/12)

Applying the above formula, the GSB Fee is determined as follows:

GSB Fee = GSB x (A_1 x F_1 + A_2 x F_2) = \$210,000 x (0.7917 x 0.25% + 0.2083 x 0.50%) = \$634.38.

Therefore, every three (3) months, on the day of the Guaranteed Surrender Series Anniversary Date (or on the the first Valuation Date following, if none coincides), an amount of \$158.59 corresponding to one quarter (1/4) of the GSB Fee will be deducted.

Assume that, on the day of the Guaranteed Surrender Series Anniversary Date (or on the first Valuation Date following, if none coincides) of the month of January of the following year, the Market Value of the Premiums invested in a Guaranteed Surrender Series Fund (MV) of each Fund is:

- Fund_1: \$105,000
- Fund_2: \$110,000
- Market Value of the Premiums invested in the Guaranteed Surrender Series Funds = \$215,000

The fee withdrawn from each Fund will then be calculated as follows:

- Fund_1: GSB Fee/4 x MV of Fund_1 / Total MV = \$158.59 x \$105,000/\$215,000 = \$77.45
- Fund_2: GSB Fee/4 x MV of Fund_2 / Total MV = \$158.59 x \$110,000/\$215,000 = \$81.13

3.7.1 GSB Fund Fee Rate

A percentage of the year-end GSB has to be determined for all Premiums invested in the Guaranteed Surrender Series Funds following a formula determined as a function of the volatility of those Funds. Five GSB fund fee rate categories are available each time the Policyholder invests Premiums in the Guaranteed Surrender Series Funds. The greater the volatility of the Funds, the higher the category. Please refer to Section 4.3 to know the GSB fund fee rate. The percentages shown in the table below are subject to the fundamental changes provisions that could be applicable (see Section 6).

GSB fund fee rate category	GSB fund fee rate for Guaranteed Surrender Series
Category 1	0.25%
Category 2	0.35%
Category 3	0.50%
Category 4	0.70%
Category 5	0.80%

4. HOW FUNDS WORK

4.1 Market Value of Fund Assets and Current Value of a Fund Unit

The market value of the assets allocated to each Fund and the Current Value of a Fund Unit are determined every Valuation Date. However, the Company reserves the right to adjust the frequency and dates of these regular valuations, subject to a minimum frequency of once a month. A decrease in the frequency with which Units of a Fund are valued would give the Policyholder the rights stipulated in the Fundamental Changes Section (see Section 6).

Special valuations may be made on days other than regular Valuation Dates. The valuation of the Funds and the underlying investments may be delayed or postponed if the stock market is closed or if transactions are suspended on assets allocated to the Funds in question. In this case, the valuation will take place as soon as possible. The valuation will be based on the previous business day's closing sales price on a nationally recognized stock exchange, and in all other cases, on the fair market value as determined by the Company.

Market Value of Fund Assets

The Market Value of the assets allocated to a Fund (also referred to as "Fund assets") on a Valuation Date is determined by calculating the total market value of all the underlying investments allocated to this Fund minus any applicable fees and expenses, such as management fees and operating expenses, on that date. Premiums received since the last Valuation Date are not included in the market value of the assets; however, the value of the assets is calculated before surrenders on this Valuation Date. In addition, assets purchased but not paid for, as well as any expenses incurred are deducted from the value of the assets. The only expenses charged to the Fund are those assignable to those Funds (refer to Section 4.3).

THE MARKET VALUE OF FUND ASSETS FOR EACH FUND IS NOT GUARANTEED, BUT MAY FLUCTUATE WITH THE MARKET VALUE OF THE UNDERLYING INVESTMENT(S) ALLOCATED TO EACH FUND.

Current Value of a Fund Unit

The Current Value of a Fund Unit is determined by dividing the market value of the net assets allocated to the Fund by the number of Units of the Fund. The Current Value of a Fund Unit on a specific date is the Current Value of that Unit on the Valuation Date that coincides with this date, or at the first Valuation Date following, if none coincides.

When a Fund invests in the units of an underlying mutual fund (pooled fund) or an underlying fund (also referred to as an "underlying fund" in this Information Folder), the advisor for the underlying fund will use the method described above to determine the Current Value of a Fund Unit for the Company to use.

The Company reserves the right to divide the Fund Units. In such a case, the Company will modify the number of Fund Units credited to the Contract so that the division will not affect the Market Value of the Premiums invested in the Funds.

THE CURRENT VALUE OF EACH FUND'S UNITS IS NOT GUARANTEED, BUT MAY FLUCTUATE WITH THE MARKET VALUE OF THE ASSETS ALLOCATED TO EACH FUND.

4.2 Reinvestment of Income

Income from dividends, interest and net capital gains earned from the investments of the Fund assets will be automatically reinvested in the particular Fund and used to increase the Current Value of a Fund Unit. The Company reserves the right to change this method following written notice to the Policyholder.

4.3 Management Fees, Operating Expenses and Income Asset Class

Management fees are paid to the Company and are deducted from the assets of each Fund on each Valuation Date. These fees vary from Fund to Fund and are determined on the market value of the assets allocated to a Fund on each Valuation Date. These fees are shown on an annual basis in the table below.

The rate of management fees may be modified from time to time but shall never exceed the rate of management fees in effect on May 31, 2007 (indicated in the following table) plus 2.00%.

The insurance fees, which are the fees associated with the benefits guaranteed under the Contract (see Section 3), are embedded in the management fees. Furthermore, the commission payable to the life insurance agent for the initial investment in the Company's Funds (except any sales charge of the Front-end Option if applicable) as well as the service fees payable to him/her on a monthly basis as long as the Contract is in force, are also embedded in the management fees.

Any increase in the management fees would be considered a fundamental change and would give the Policyholder certain rights (see Section 6).

In addition to the management fees, current operating expenses are deducted from the Fund, including:

- Legal, audit, accounting and transfer agent expenses;
- Operating and administrative fees, costs and expenses;
- Policyholder communication fees;
- All other fees incurred by the Fund; and
- Applicable taxes, including goods and services tax (GST).

MER

The sum of the management fees, operating expenses and applicable taxes constitute the total amounts charged to the average net assets of the Fund and the ratio of the sum of these fees and expenses is called the "Management expense ratio" (MER). The MER includes all fees and expenses of any underlying fund in which the Company invests for the purpose of its Fund.

All fees included in the MER are deducted on each Fund's Valuation Date. A quarterly GSB Fee may also be paid in order to provide the GMSB, please refer to Section 3.7. The GSB Fee is charged through surrender of Premiums invested in the Guaranteed Surrender Series Funds. The GSB Fee is based on the GSB fund fee rate as described in Section 3.7.1.

Income Asset Class

The income asset class represents the fixed income proportion of each Fund. The income asset class applies to the Guaranteed Surrender Series Funds if the Policyholder has selected the Lifetime Surrender Option and once the LSA is first established (please refer to sections 3.6.5 and 3.6.5.1).

The fees, the MER and the income asset class of each Fund are currently:

Industrial Alliance Pacific Insurance and Financial Services Inc. Funds	Annual Management Fees (%)	Management Expense Ratio (MER)[1] (%)	GSB Fund Fee Rate (%)[2]	Income Asset Class Weighting (%)
FOCUS FUNDS				
Focus Prudent	2.34	2.55	0.25	75
Focus Moderate	2.43	2.65	0.35	60
Focus Balanced	2.52	2.75	0.35	45
Focus Growth	2.60	2.83	0.50	30
Focus Aggressive	2.65	2.88	0.70	15
INCOME FUNDS				
Money Market	1.29	1.44	0.25	100
Short Term Bonds	1.91	2.10	0.25	100
Bonds	1.91	2.10	0.25	100
Bonds – series 2	1.91	2.10	0.25	100
DIVERSIFIED FUNDS				
Diversified Security	2.39	2.61	0.25	75
Diversified	2.41	2.63	0.35	55
Diversified Opportunity	2.45	2.67	0.50	35
Fidelity Canadian Asset Allocation	2.95	3.20	0.50	35
Diversified Income	2.35	2.56	0.70	25
Global Diversified (Oppenheimer)	2.67	2.90	0.70	40
CANADIAN EQUITY FUNDS				
Dividend Income	2.13	2.33	0.70	0
Dividend Growth	2.36	2.58	0.70	0
Canadian Equity (Leon Frazer)	2.65	2.88	0.70	0
Canadian Equity Index	2.44	2.66	0.80	0
Select Canadian	2.44	2.66	0.80	0
Canadian Equity Value	2.51	2.73	0.80	0
Canadian Equity (Dynamic)	2.79	3.03	0.80	0
Canadian Equity (Bissett)	2.79	3.03	0.80	0
Fidelity True North®	3.04	3.30	0.80	0
Canadian Equity Growth	2.44	2.66	0.80	0
Fidelity Canadian Growth Company	3.04	3.30	0.80	0

Industrial Alliance Pacific Insurance and Financial Services Inc. Funds	Annual Management Fees (%)	Management Expense Ratio (MER)[1] (%)	GSB Fund Fee Rate (%)[2]	Income Asset Class Weighting (%)
U.S. & INTERNATIONAL EQUITY FUNDS				
Global Dividend (Dynamic)	2.75	2.99	0.80	0
Global Equity (Templeton)	2.87	3.12	0.80	0
Global Equity (Oppenheimer)	2.75	2.99	0.80	0
Fidelity NorthStar®	2.95	3.20	0.80	0
Global Small Cap. (Evergreen)	2.85	3.10	0.80	0
International Equity Index	2.44	2.66	0.80	0
International Equity (Templeton)	2.87	3.12	0.80	0
International Equity (McLean Budden)	2.75	2.99	0.80	0
Fidelity European Equity	2.95	3.20	0.80	0
U.S. Equity Index	2.44	2.66	0.80	0
U.S. Equity (McLean Budden)	2.75	2.99	0.80	0
U.S. Equity (Legg Mason)	2.90	3.15	0.80	0

[1] MERs are based on figures as at May 31, 2007 and may vary at all times.

[2] The GSB fund fee rate is used to determine the GSB Fee based on the year-end GSB. The GSB fund fee rate applies to the Guaranteed Surrender Series only.

At no time will there be any duplication of management fees when the Company invests some or all of the assets allocated to a Fund in an underlying investment fund.

Other Taxes

The Funds are subject to foreign withholding taxes on income for non-Canadian investments. Otherwise, according to current tax laws, the Funds are tax-exempt since all capital gains and income are attributed to Policyholders.

Should the Funds become taxable, taxes will be charged against the Funds.

The GST is included in the MER.

4.4 Sales Charge Options

4.4.1 Front-end Option

If the Policyholder invests in the Funds under the Front-end Option, a sales charge of up to 5% of the Premium to be invested in the Funds is negotiated by the Policyholder and is paid to his/her life insurance agent. The sales charge payable by the Policyholder will depend on the negotiation between the Policyholder and the life insurance agent.

4.4.2 Deferred Sales Charge Option

If the Policyholder invests in the Funds under a Deferred Sales Charge Option (also referred as "DSC Option"), Surrender Fees will be charged on surrenders of Premiums invested in the Fund if the surrender is made within six (6) years following the date on which each debited Unit was credited to the Contract subject to the Surrender Limit (see Section 4.4.3). The fees correspond to a percentage of the value of the Premium surrendered on the date of its investment in the Funds.

The following table illustrates how the Surrender Fees are applied:

Year Units were surrendered	Fees as a % of the current market value of surrendered Units
1st and 2nd year	5%
3rd year	4%
4th year	3%
5th year and 6th year	2%
7th and subsequent years	0%

Surrenders are applied such that the Fund Units credited to the Contract least recently are surrendered first.

4.4.3 Right to Surrender–Without Surrender Fees

If the DSC Option has been selected for Premiums, those Premiums may be surrendered without incurring a surrender fee so long as the surrender amount does not exceed a certain amount (the "Surrender Limit") per calendar year.

The Surrender Limit is calculated as follows: Up to 10% of the Market Value of the Premiums invested in the Funds as determined on the last Valuation Date of the year preceding the surrender, plus 10% of the sum of the Current Value, on the date of the surrender request, of all the Fund Units credited to the Contract during the calendar year in which the surrender is requested.

Also, within the same Contract, the right to surrender without Surrender Fees also applies for a transfer from a Fund to a guaranteed investment offered by the Company with a term equal to or greater than one (1) year. However, Surrender Fees shall apply for transfers from a Fund to a daily interest fund, a guaranteed investment and for transfers to another Contract offered by the Company. Surrender Fees also apply to transfers to other financial institutions. The Premiums surrendered under the Periodic Income Program (PIP) are included in the calculation of Premiums surrendered without Surrender Fees.

Surrender Fees, if applicable, will apply in all circumstances for a transfer to other financial institutions. Any Premiums surrendered pursuant to the Periodic Income Program (PIP) are included in determining whether or not a surrender falls within the DSC Surrender Limit for a particular year.

The free surrender privilege is not cumulative and cannot be carried forward to future years. The Company may, at any time, modify the free surrender privilege and a transaction fee of $35 may apply. The Company may modify this transaction fee at any time.

4.4.4 Specific Procedures for Ecofl*extra* RRIF and LIF Contracts

Surrenders made over the course of a calendar year not exceeding the higher of:

a) 10% of the Book Value of the Contract less the book value of the life investment, on the last working day of the preceding year plus 10% of the Premiums invested in the Contract other than those invested in the life investment, during the current year; and
b) the minimum annual payment that must be made under the Contract as prescribed by the *Income Tax Act* (Canada)

will be paid at their book value without any Surrender Fees. However, Surrender Fees will apply to surrenders made for transfers to other financial institutions or for surrenders of a life investment.

Also, within the same Contracts, the free surrender privilege for the amount set out in the previous paragraph also applies for a transfer from a Fund to a guaranteed investment offered by the Company with a term equal to or greater than one (1) year. However, Surrender Fees shall apply for transfers from a Fund to a daily interest fund and for transfers to another Contract offered by the Company. Surrender Fees also apply to transfers to other financial institutions.

The Book Value of the Contract is equal to the sum of the book value of each guaranteed investment, the book value of each life investment, the daily interest fund plus the total value of Fund Units credited to the Contract. For more details on the book value of the other investment vehicles offered under the Ecofl*extra* Contracts, please refer to the Contract.

4.4.5 Specific Procedures for the Money Market Fund

No Surrender Fees apply to surrender of Premiums invested in the Money Market Fund unless these Premiums were previously invested in other Funds.

4.4.6 Illustration of Growth and Surrender Fees

For a sum of $1,000 invested in a Fund and for which Fund Units were credited to an Ecofl*extra* Contract, the following table illustrates the surrender fee that may be payable for the Current Value of the debited Units if a surrender was to occur during the years indicated (see sections 4.4.2, 4.4.3 and 4.4.4 for details regarding the free surrender privileges used in this table). At or before the Investment Period Maturity Date, the surrender value of the Fund Units credited to the Contract may be used to purchase an annuity. However, if the annuity is purchased on the Guarantee Maturity Date or the Investment Period Maturity Date, the surrender value is determined after the application of the guarantees (see Section 3 for more details about the guarantees), if applicable.

Figures shown for a Premium invested in a Fund are based on an assumption that the Unit values increase at a constant rate of 7% per year.

EXAMPLE: $1,000 SINGLE PREMIUM

Year	Current value of Units assuming a 7% growth rate	Surrender fees as a % of the current value of the debited Units	For a non-registered Contract, an RRSP or a LIRA Contract		For a RRIF or LIF Contract		
			Surrender fees	Surrender value	Minimum annual RRIF payment(1)	Surrender fees	Surrender value
1	$1,070	5	$48	$1,022	$146	$46	$1,024
2	$1,145	5	$52	$1,093	$169	$49	$1,096
3	$1,225	4	$44	$1,181	$197	$41	$1,184
4	$1,311	3	$35	$1,276	$235	$32	$1,279
5	$1,403	2	$25	$1,378	$281	$22	$1,380
6	$1,501	2	$27	$1,474	$300	$24	$1,477
7	$1,606	0	$0	$1,606	$321	$0	$1,606

(1) Based on an Annuitant aged 90 in year 1.

THE CURRENT VALUE OF EACH FUND'S UNITS FLUCTUATES WITH THE MARKET VALUE OF EACH FUND’S ASSETS, AND CONSEQUENTLY CANNOT BE GUARANTEED.

4.5 Termination of a Fund

Subject to the rules regarding the applicable fundamental changes (see Section 6), the Company reserves the right to terminate a Fund at any time. At least sixty (60) days before the termination date of the Fund, the Company will send a notice to those Policyholders who have Units of the Fund credited to their Contract. Up to five (5) days prior to the termination date of the Fund, Policyholders may request that the Current Value of the affected Fund Units credited to the Contract be transferred to and invested in another Fund currently available from the Company, hereafter referred to as a “similar Fund”. If the Policyholder does not request a transfer, the Company will transfer the Fund Units into the Fund of its choice. The Current Value of Fund Units transferred and invested in another Fund will be determined on the Valuation Date on which the Company terminates the Fund. Otherwise, the transfer will be subject to Section 2.4 *Transfers Between Funds*.

If no similar Fund is available, the Policyholder will then have certain rights. Please refer to Section 6 for more information.

THE CURRENT VALUE OF FUND UNITS DEBITED OR CREDITED IS NOT GUARANTEED WHEN A TRANSFER IS MADE BUT MAY FLUCTUATE WITH THE MARKET VALUE OF THE ASSETS OF THE PARTICULAR FUND SUPPORTING THEM.

4.6 Information Provided to the Policyholder

During a calendar year, at least one annual statement will be sent to the Policyholder. This statement will include the following:

- the number of Units credited to the Contract for each Fund and for each Series;
- the Current Value of the units for each Fund under the Contract on the date of the statement;
- a list of all transactions since the last statement (Premiums paid, transfers between Funds, surrenders).

In addition to an annual statement, the Policyholder may, on request, obtain the Fund's audited annual financial statements, as well as the Fund's unaudited semi-annual financial statements, which will cover:

- the annual management fees and other expenses related to the Funds;
- the management expense ratio (MER) for each Fund;
- the overall rate of return, calculated on a net basis for at least 1, 3, 5 and 10 year periods, if applicable.

To obtain a copy of these reports, the Policyholder should send a written request to the Company's head office and specify whether he or she would like to receive a paper or electronic version. In the case of the latter, the Policyholder's e-mail address should be indicated on the request.

The Policyholder will receive an updated Information Folder whenever a substantial change is made to the Funds in particular, or to the Contract in general. The Policyholder's rights under the Contract will not be affected by any subsequent changes unless he or she has agreed to them in writing.

4.7 Division of Units

The Company reserves the right to divide up the Units of a Fund. In this case, the Company will modify the number of Units credited such that the total value of the Fund Units is not modified.

4.8 Taxation

All income and capital gains realized by a Fund are allocated in proportion to the number of Fund Units credited for each Policyholder. Fund income, net of the management expense ratio, is allocated daily. All taxation references are made with regard to the *Income Tax Act* (Canada). The Policyholder must respect all tax legislation, provincial or otherwise, that may apply regardless of the Company's interpretations contained in this Information Folder. The Company is not responsible for the way in which the taxation is interpreted, since it varies according to each investor's situation and is subject to any changes in the *Income Tax Act* (Canada) or provincial legislation. It is suggested that the Policyholder consult his/her personal tax specialist for advice on his/her particular tax situation.

NON-REGISTERED CONTRACTS

Each year, the Policyholder will receive a receipt for income tax purposes. The amount that appears on this receipt must be included in his/her tax return. The portion of investment income for each Fund that is allocated to the Contract is also reported to the Policyholder each year and must be included in his/her taxable income.

Transfers Between Funds

As described in Section 2.4, the Policyholder may request the transfer of Premiums between the Funds available under the Contract. All transfers involve a disposition of the transferred Fund Units. This disposition may involve a realization of accumulated capital gains that must be taxed in the transfer year, as required by the *Income Tax Act* (Canada).

If the Policyholder requests a transfer from the Classic Series to the Guaranteed Surrender Series of the same Fund, this will not result in a capital gain or a capital loss as no taxable disposition is created.

Guarantees

The Company will apply the guarantees, if applicable, on the Guarantee Maturity Date or at death, if death occurs prior to this date. Moreover, if the Policyholder invests Premiums in the Guaranteed Surrender Series Funds, the GMSB will be applicable on the Guaranteed Payment Period. Consult Section 3 for more details on the guarantees. All Premiums invested by the Company in the Contract under the guarantees are taxable only when the Premiums are surrendered from the Contract. All Premiums invested in the Contract under the guarantees and at death are not taxable.

The payments made during the Guaranteed Payment Period of the Guaranteed Surrender Series are taxable as a capital gain.

At this time, the taxation of these payments is unsure and a change in legislation may require a change to the taxation of these payments.

GSB Fee

The GSB Fee charged to the Policyholder by the Company through debit of Units from the Guaranteed Surrender Series Funds in which the Policyholder has invested is considered as an expense for the Policyholder. The Units debited to pay the GSB Fee involves a disposition and may result in a capital gain or loss. It is suggested that the Policyholder consult his/her tax specialist regarding the tax deductibility of the GSB Fee.

The GSB Fee is not subject to goods and services tax (GST).

REGISTERED CONTRACTS

The Ecofl*extra* Contract may be registered as a Retirement Savings Plan (RSP), a Retirement Income Fund (RIF), a Life Income Fund (LIF), a Locked-in Retirement Account (LIRA) or a locked-in RSP. In these cases, the Premiums are eligible for a preferred tax treatment up to the maximum amount allowed by law. Premiums invested in the various registered accounts must be in accordance with the applicable legislation.

Investment income and capital gains are not subject to taxation when they are invested in the Contract. However, benefits payable under the terms of the Contract will be subject to income tax when they are withdrawn from the Contract. In some cases, the Company is obligated to deduct taxes from the benefits payable.

Transfers Between Funds

As described in Section 2.4, the Policyholder may request the transfer of Premiums between the Funds available under the Contract. All transfers involve a disposition of the transferred Fund Units. This disposition may involve a realization of accumulated capital gains that will be deferred and taxed only when the Premiums are withdrawn from the registered Contract.

If the Policyholder requests a transfer from the Classic Series to the Guaranteed Surrender Series of the same Fund, this will not result in a capital gain or a capital loss as no taxable disposition is created.

Guarantees

The Company will apply the Fund guarantee, if applicable, on the Guarantee Maturity Date or at death, if death occurs prior to this date. Moreover, if the Policyholder invests Premiums in the Guaranteed Surrender Series Funds, the GMSB will be applicable on the Guaranteed Payment Period. Consult Section 3 for more details on the guarantees. All Premiums invested in the Contract under the guarantee at the Investment Period Maturity Date and at death are not taxable when they are invested but when the Premiums are surrendered from the registered Contract.

The payments made during the Guaranteed Payment Period of the Guaranteed Surrender Series are taxable.

GSB Fee

The GSB Fee charged to the registered plan by the Company through debit of Units from the Guaranteed Surrender Series Funds in which the Policyholder has invested is considered as an expense for the registered plan. The Units debited to pay the GSB Fee are not subject to withholding taxes and will not be reported to the Policyholder as taxable income.

The GSB Fee is not subject to goods and services tax (GST).

4.9 Risk Factors

The following risk factors are inherent in both the Funds and the underlying funds. No additional risk factors other than those listed below have an impact on the underlying funds.

General and Market Risk

The market values of the Funds fluctuate with the Market Value of the Fund Assets and are not guaranteed. As a result, the current unit value for each Fund fluctuates in accordance with the changes in each Fund's market values. These changes in the current unit value or market value may result from various factors. Generally, the Market Value of a Fund's Assets will change in response to economic and investment market conditions, market expectations for the financial performance of the various securities held in the Funds, and in some cases, changes in interest rates. All of the Funds are subject to this risk.

Equities Risk (A)

For equity funds, the price of a company's stock is affected by its performance in terms of mergers, products, market share, market expectations and general economic conditions. Certain equities are also influenced by interest rates in general, as is the case for interest rate sensitive stocks. Volatility in equity funds may be mitigated by holding a diversified selection of stocks.

Interest Rate Risk (I)

The market value of fixed-income investments, such as government issued bonds, corporate bonds, commercial papers, T-bills or mortgage bonds, is linked to interest rates and can also exhibit volatility. This volatility may be mitigated by holding short-term securities in times of stable short-term rates, for example.

Credit Risk (C)

A mortgage's market value is influenced by the mortgagee's credit quality and by interest rates in general. Also, the market value volatility is increased when the mortgage maturity date is longer. Volatility in mortgage funds may be mitigated by diversifying the selection and the maturity dates of mortgages in the Fund. For more information on mortgage loans receivable, please consult the Funds' annual report.

Foreign Currency Risk ($)

When international funds are invested in companies located in other countries or through derivatives, such as futures Contracts (on a non-leveraged basis), there may be additional volatility associated with changes in the foreign currency compared to the Canadian dollar. Risks such as currency exposures can be mitigated by using various hedging techniques.

Sovereign Risk (E)

Fluctuations in the market value of international funds may also occur due to changes in a country's political and economic situations, and restrictions placed on currency movements.

Real Estate Risk (M)

A Fund can also use investments related to specific activities such as real estate. Real estate is often relatively illiquid. Its value is influenced by local and general economic conditions such as the availability of rentable space and attractiveness of the property in the market. Its value is also influenced by the appraisal and how frequently an appraisal is done. If a Fund invests in real estate, such investments would be described in the Fund's annual report.

Special Equities Risk (AS)

Some Funds can also invest in small companies where securities are often less liquid, less marketable and more volatile than well-established companies.

Risks Associated with Index Funds (R)

Index funds were created to reflect the performance of specific market indices; as a result, for a Fund that has the same objective, a greater proportion than that normally allowed for Funds may be invested in or exposed to one or more issuers. This kind of concentration may have an impact on the liquidity and diversification of the Fund, its ability to meet surrender requests, and its volatility.

Liquidity Risk (L)

Some Funds may also invest in small companies, where securities are considered to be less liquid and more volatile than larger companies.

One or more of the above-mentioned risks may influence the Current Value of a Fund Unit and make the returns more volatile.

4.10 Use of Derivatives and Loans by the Funds

The Funds and underlying funds of Industrial Alliance Insurance and Financial Services Inc. may use derivatives in order to reach their investment objectives. However, derivatives and loans may not be used to create leverage for investment purposes. Loans are only permitted temporarily for the purpose of accommodating Unit surrender requests while effecting an orderly liquidation of portfolio securities. Loans must not exceed 5% of the market value of the assets of the particular Fund at the time of such transaction.

Derivatives may only be used to modify certain characteristics of the portfolio, to replicate an index present in the reference portfolio, or to hedge currency exposure to the extent the manager deems appropriate in the event that the Funds are invested in foreign currencies. The derivatives that may be used by each Fund are options on indexes, swaps, structured notes, futures and forward Contracts traded on exchange boards or over the counter according to their market availability.

Derivative Risk (D)

A fund's ability to dispose of the derivatives depends on the liquidity of such positions in the market, if the market direction should go against the manager's forecast, and the ability of the other party to fulfil its obligations. Thus, there is no guarantee that transactions involving derivatives will always be beneficial to the fund.

4.11 Interest of Management and Other Entities in Material Transactions

Any transaction carried out in the three (3) years preceding the distribution of this Information Folder or any transaction considered by a director, a member of management of Industrial Alliance Pacific Insurance and Financial Services Inc., its parent company, Industrial Alliance Insurance and Financial Services Inc. or one of its subsidiaries or affiliated companies will not have any material negative impact on the funds.

4.12 Material Contracts

No Contract involving the Funds that can reasonably be deemed material by the Policyholders, or that may have an impact on the Funds available, has been concluded by the Company, its parent company, Industrial Alliance Insurance and Financial Services Inc. or any of its subsidiaries in the last three (3) years.

4.13 Other Material Facts

No other material facts related to the Contracts and the Funds offered have been omitted under the previously outlined provisions.

5. INVESTMENT OBJECTIVES AND MANAGEMENT OF THE FUNDS

The Ecofl*extra* Contracts currently offer the opportunity to invest in a full range of Funds. Each of the Funds offered by Industrial Alliance Pacific Insurance and Financial Services Inc. are 100% invested in the units of the corresponding Industrial Alliance Insurance and Financial Services Inc. fund. Professional management of the Funds is provided by the advisors listed below. Professional management is aimed at providing clients of the Company with all the advantages that arise from investing in Funds.

The assets allocated to the following Funds are invested in underlying investments of Industrial Alliance Insurance and Financial Services Inc. which invests in an underlying fund and are managed by experienced advisors who specialize in the management of similar Funds. The Company reserves the right to change the advisor of the Fund at any time without changing the stated investment objectives of the Fund. Such changes to the advisor shall not require prior written notification to be sent to the Policyholder. A unit value will be defined for any Industrial Alliance Insurance and Financial Services Inc. fund units in which an Industrial Alliance Pacific Insurance and Financial Services Inc. Fund invests in. Also, Industrial Alliance Insurance and Financial Services Inc. will define a unit value for each of its funds including those which invest in an underlying fund.

For all Funds, Industrial Alliance Pacific Insurance and Financial Services Inc. has established investment policies which are identical to those of Industrial Alliance Insurance and Financial Services Inc. Advisors will also follow Industrial Alliance Insurance and Financial Services Inc.'s investment policy.

Industrial Alliance Pacific Insurance and Financial Services Inc. Funds	Investment Advisor's Logo	Investment Advisor's Address
GLOBAL EQUITY (TEMPLETON) **INTERNATIONAL EQUITY (TEMPLETON)**	FRANKLIN TEMPLETON INVESTMENTS	Franklin Templeton Investments 1 Adelaide Street East, Suite 2101 Toronto, Ontario M5C 3B8
GLOBAL DIVERSIFIED (OPPENHEIMER) **GLOBAL EQUITY (OPPENHEIMER)**	OppenheimerFunds® The Right Way to Invest	OppenheimerFunds Inc. Two World Financial Centre, 11th Floor 225 Liberty Street New York, New York 10281-1008
INTERNATIONAL EQUITY INDEX **U.S. EQUITY INDEX**	SSgA	State Street Global Advisors 770 Sherbrooke Street West, Suite 1100 Montreal, Quebec H3A 1G1
FIDELITY CANADIAN ASSET ALLOCATION **FIDELITY TRUE NORTH®** **FIDELITY CANADIAN GROWTH COMPANY** **FIDELITY NORTHSTAR®** **FIDELITY EUROPEAN EQUITY**	Fidelity Investments®	Fidelity Investments Canada Ltd. Toronto Dominion Center Ernst & Young Tower 222 Bay Street, Suite 900 Toronto, Ontario M5K 1P1
CANADIAN EQUITY (BISSETT)	BISSETT INVESTMENT MANAGEMENT	Bissett Investment Management A division of Franklin Templeton Investments 1 Adelaide Street East, Suite 2101 Toronto, Ontario M5C 3B8
CANADIAN EQUITY (DYNAMIC) **GLOBAL DIVIDEND (DYNAMIC)**	DYNAMIC MUTUAL FUNDS	Dynamic Mutual Funds Scotia Plaza 40 King Street West, 55th Floor Toronto, Ontario M5H 4A9

Industrial Alliance Insurance and Financial Services Inc. Funds	Investment Advisor's Logo	Investment Advisor's Address
CANADIAN EQUITY (LEON FRAZER)		Leon Frazer & Associates Inc. 8 King Street East, Suite 2001 Toronto, Ontario M5C 1B6
GLOBAL EQUITY SMALL CAP. (EVERGREEN)		Evergreen Investments Management Company, LLC 200 Berkeley Street Boston, Massachusetts 02116
INTERNATIONAL EQUITY (MCLEAN BUDDEN) **U.S. EQUITY (MCLEAN BUDDEN)**		McLean Budden Ltd. 145 King Street West, Suite 2525 Toronto, Ontario M5H 1J8
U.S. EQUITY (LEGG MASON)		Legg Mason Funds Management Inc. 100 Light Street, 22nd Floor Baltimore, Maryland 21202-1099

The following are the investment objectives and risks factors associated with the Funds offered by Industrial Alliance Pacific Insurance and Financial Services Inc..

FOCUS FUNDS

Focus Prudent Fund*

Risk:	All risks
Volatility:	Low

Investment Objectives

Invests in units of a number of underlying funds to generate a regular long-term return by favouring Canadian fixed-income securities. Maintains a certain diversity of the investments that make up the portfolio using different asset classes such as fixed income securities issued by Canadian governments and corporations, Canadian equities and foreign equities, and the integration of several managers.

Investment Strategy

Units of Industrial Alliance Insurance and Financial Services Inc.'s Focus Prudent Fund, which is a diversified portfolio made up of fund units offered by Industrial Alliance Insurance and Financial Services Inc. These Funds include two bond funds (75%), three Canadian equity funds (15%) and three global equity funds (10%).

Focus Moderate Fund*

Risk:	All risks
Volatility:	Medium

Investment Objectives

Invests in units of a number of underlying funds to generate a high long-term return by placing a slight emphasis on Canadian fixed-income securities. Maintains a certain diversity of the investments that make up the portfolio using different asset classes such as fixed income securities issued by Canadian governments and corporations, Canadian equities and foreign equities, and the integration of several managers.

Investment Strategy

Units of Industrial Alliance Insurance and Financial Services Inc.'s Focus Moderate Fund, which is a diversified portfolio made up of fund units offered by Industrial Alliance Insurance and Financial Services Inc. These Funds include two bond funds (60%), three Canadian equity funds (25%) and three global equity funds (15%).

FOCUS FUNDS

Focus Balanced Fund*

Risk:	All risks
Volatility:	Medium

Investment Objectives
Invests in units of a number of underlying funds to generate a superior long-term return by favouring a balance between Canadian equities, foreign equities and fixed-income securities. Maintains a certain diversity of the investments that make up the portfolio using different asset classes such as fixed income securities issued by Canadian governments and corporations, Canadian equities, foreign equities and the integration of several managers.

Investment Strategy
Units of Industrial Alliance Insurance and Financial Services Inc.'s Focus Balanced Fund, which is a diversified portfolio made up of fund units offered by Industrial Alliance Insurance and Financial Services Inc. These Funds include two bond funds (45%), three Canadian equity funds (35%) and three global equity funds (20%).

Focus Growth Fund*

Risk:	All risks
Volatility:	High

Investment Objectives
Invests in units of a number of underlying funds to generate a superior long-term return by placing a slight emphasis on Canadian and foreign equities. Maintains a certain diversity of the investments that make up the portfolio using different asset classes such as fixed income securities issued by Canadian governments and corporations, Canadian equities, foreign equities and the integration of several managers.

Investment Strategy
Units of Industrial Alliance Insurance and Financial Services Inc.'s Focus Growth Fund, which is a diversified portfolio made up of fund units offered by Industrial Alliance Insurance and Financial Services Inc. These Funds include two bond funds (30%), three Canadian equity funds (45%) and three global equity funds (25%).

Focus Aggressive Fund*

Risk:	All risks
Volatility:	High

Investment Objectives
Invests in units of a number of underlying funds to maximize the long-term return by favouring Canadian and foreign equities. Maintains a certain diversity of the investments that make up the portfolio using different asset classes such as fixed income securities issued by Canadian governments and corporations, Canadian equities, foreign equities and the integration of several managers.

Investment Strategy
Units of Industrial Alliance Insurance and Financial Services Inc.'s Focus Aggressive Fund, which is a diversified portfolio made up of fund units offered by Industrial Alliance Insurance and Financial Services Inc. These Funds include two bond funds (15%), three Canadian equity funds (55%) and three global equity funds (30%).

INCOME FUNDS

Money Market Fund*

Risk:	I D
Volatility:	Low

Investment Objectives
Invests in units of an underlying fund which aims to maintain excellent capital protection and a high level of liquidity, by investing in Canadian short-term securities guaranteed by Canadian governments and certain companies.

Investment Strategy
Units of Industrial Alliance Insurance and Financial Services Inc.'s Money Market Fund. The Fund is composed of quality securities with maturities under one year guaranteed by federal, provincial and municipal governments and their agencies.

INCOME FUNDS

Short Term Bonds Fund*

Investment Objectives
Invests in units of an underlying fund to provide a reasonably high return by reinvesting the interest income in the Fund while ensuring capital protection. Mainly invests in bonds issued and guaranteed by Canadian governments and corporations.

Investment Strategy
Units of Industrial Alliance Insurance and Financial Services Inc.'s Short Term Bonds Fund which is mainly composed of bonds and other high-quality debt securities, with short and medium-term maturities, from the federal and provincial governments, and from corporations offering good income and capital security potential.

Risk:	I C D
Volatility:	Low

Bonds Fund*

Investment Objectives
Invests in units of an underlying fund which aims to maximize the returns from interest income and capital appreciation through a diversified portfolio composed of quality bond securities from Canadian governments and corporations.

Investment Strategy
Units of Industrial Alliance Insurance and Financial Services Inc.'s Bonds Fund. The Fund is composed of bonds, coupons and other high quality debt securities from the private sector and the federal and provincial governments. The selection of securities is mostly based on forecasting the evolution of interest rates on the market.

Risk:	I C D
Volatility:	Low

Bonds – series 2 Fund*

Investment Objectives
Invests in units of an underlying fund which maximizes returns without incurring undue risk in a well-diversified high quality portfolio of Canadian government and corporate fixed-income securities.

Investment Strategy
Units of Industrial Alliance Insurance and Financial Services Inc.'s Bonds – series 2 Fund which places the emphasis on federal and provincial government issues that provide good quality as well as selected high-quality corporate issues that provide added return. This Fund is actively managed based on anticipating variations in interest rates and by closely monitoring the average term to maturity of the portfolio.

Risk:	I C D
Volatility:	Low

DIVERSIFIED FUNDS

Diversified Security Fund*

Investment Objectives
Invests in units of an underlying fund to generate regular long-term revenues as well as some capital appreciation. It focuses on reducing risk through a careful selection of different categories of fixed income securities from the federal and provincial governments and corporations as well as Canadian and foreign equities of large capitalization companies.

Investment Strategy
Units of Industrial Alliance Insurance and Financial Services Inc.'s Diversified Security Fund. The Fund's strategy is based on active and prudent management of the investment through careful diversification of the asset classes (equities and fixed-income securities). The Fund's advisor pursues a balance between security and capital growth, and typically favours fixed-income securities.

Risk:	All risks
Volatility:	Medium

DIVERSIFIED FUNDS

Diversified Fund*

Risk: All risks

Volatility: Medium

Investment Objectives

Invests in units of an underlying fund to maximize the long-term returns and reduces the risk through a balanced distribution of investments among the Fund's asset classes: fixed income securities, Canadian equities and foreign equities. The equity portion is mainly invested in securities equities of large capitalization companies.

Investment Strategy

Units of Industrial Alliance Insurance and Financial Services Inc.'s Diversified Fund. The Fund's assets are distributed among Canadian and foreign equities and fixed income securities to meet the Fund's long-term return objective. Active management is designed to target the ideal combination of growth and security based on trends in the economy and the financial markets.

Diversified Opportunity Fund*

Risk: All risks

Volatility: Medium

Investment Objectives

Maximizes long-term returns while minimizing risks through a careful diversification in the asset classes: Canadian fixed income securities, Canadian equities and foreign equities. The fund mainly invests in equities of large capitalization companies and fixed income securities.

Investment Strategy

Units of Industrial Alliance Insurance and Financial Services Inc.'s Diversified Opportunity Fund. The strategy focuses on a distribution of the assets between Canadian and foreign equities, and fixed-income securities. The advisor typically favours equities over fixed- income securities but has above-average flexibility in terms of asset allocation in order to position the fund in a situation that will be beneficial given the trends in the economy and the financial markets.

Fidelity Canadian Asset Allocation Fund*

Risk: All risks

Volatility: Medium

Investment Objectives

Invests in units of an underlying fund that aims to achieve a high long-term total investment return through a judicious allocation of assets among Canadian and foreign equities, corporate and government bonds and short-term securities. Mainly invests in equities of large capitalization Canadian companies.

Investment Strategy

Units of Industrial Alliance Insurance and Financial Services Inc.'s Fidelity Canadian Asset Allocation Fund, mainly comprised of units of the Fidelity Canadian Asset Allocation Fund which invests in equity securities, fixed-income securities, and money market instruments.

Diversified Income Fund*

Risk: A I $

Volatility: Medium

Investment Objectives

Generates a regular long-term return by investing mostly in trust units, common stocks and fixed-income securities from Canadian corporations and Canadian governments. The common stock portion mainly invests in equities of large capitalization Canadian companies.

Investment Strategy

Units of Industrial Alliance Insurance and Financial Services Inc.'s Diversified Income Fund which invests primarily in a diversified portfolio of income trusts such as oil, gas and other commodity-based royalty trusts, real estate investment trusts, pipeline and power trusts, common stocks and fixed income instruments.

DIVERSIFIED FUNDS

Global Diversified (Oppenheimer) Fund* Investment Objectives Invests in units of an underlying fund that aims to provide capital appreciation by investing primarily in equity securities of large capitalization companies, fixed income investments and money market instruments from around the world. Investment Strategy Units of Industrial Alliance Insurance and Financial Services Inc's Global Diversified (Oppenheimer) Fund mainly composed of units of the IA Clarington Global Income Fund which invests in global fixed income and equity securities following a fundamental bottom-up approach to investing.	Risk: All risks Volatility: High

Diversified Funds have all the risks because of the variety of securities that make up the Funds. However, the diversification of assets greatly limits the impact of such risks since these assets do not react in the same direction to financial market movements. Therefore, some securities will be negatively influenced while particular market movements will positively influence others.

CANADIAN EQUITY FUNDS

Dividend Income Fund* Investment Objectives Invests in an underlying fund which aims to generate modest long-term growth and regular dividend and interest income subject to the preferential tax treatment given to dividends. Invests mainly in high yield quality dividend common and preferred shares of Canadian companies. Investment Strategy Units of Industrial Alliance Insurance and Financial Services Inc.'s Dividend Income Fund, which is mainly composed of units of the IA Clarington Dividend Income Fund, which is mainly invested in Canadian common stocks, income trusts and preferred shares of large Canadian blue chip style companies with a good potential to provide profits and the payment of dividends.	Risk: A D Volatility: Medium
Dividend Growth Fund* Investment Objectives Invests in an underlying fund which aims to generate regular dividends that will be reinvested in the Fund while seeking long-term capital growth. The fund is mostly composed of stocks of Canadian blue chip style companies. Mainly invests in equities of large capitalization companies. Investment Strategy Units of Industrial Alliance Insurance and Financial Services Inc.'s Dividend Growth Fund, which is mainly composed of the IA Clarington Dividend Growth Fund, which is mainly composed of common and preferred shares of large Canadian blue chip style companies with a substantial capital appreciation and good payment of dividends.	Risk: A D Volatility: Medium
Canadian Equity (Leon Frazer) Fund* Investment Objectives Invests in units of an underlying fund which aims to achieve long-term capital growth through investments in Canadian preferred and common shares. It is the policy of the Fund to provide its unitholders with diversification through investments in securities of companies representing many classes of industry. Securities are selected for the purpose of deriving income, protecting the value of investments and achieving long-term capital appreciation. Mainly invests in equities of large capitalization companies. Investment Strategy Units of Industrial Alliance Insurance and Financial Services Inc.'s Canadian Equity (Leon Frazer) Fund mainly comprised of units of the IA Clarington Canadian Conservative Equity Fund which is actively managed by Leon Frazer & Associates Inc. The advisor selects the securities of companies based on strong financials, history of and prospects for increasing dividends and reasonable value.	Risk: A I M Volatility: Medium

CANADIAN EQUITY FUNDS

Canadian Equity Index Fund*

Risk:	A D R
Volatility:	Medium

Investment Objectives
The fund aims to obtain high long-term capital appreciation by attempting to reproduce the return of the S&P/TSX 60 Index, which represents the 60 largest companies in Canada.

Investment Strategy
Units of Industrial Alliance Insurance and Financial Services Inc.'s Canadian Equity Index Fund, mainly comprised of units of an underlying fund which is primarily composed of trust units of the S&P/TSX 60 Index.

Select Canadian Fund*

Risk:	A D
Volatility:	Medium

Investment Objectives
Invests in units of an underlying fund to provide capital growth and maximum tax deferral by holding long-term stocks from mostly large capitalization Canadian companies.

Investment Strategy
Units of Industrial Alliance Insurance and Financial Services Inc.'s Select Canadian Fund, mainly composed of common stocks of attractively priced large Canadian companies, several of which are found on the S&P/TSX 60 Index. Sales transactions are limited to favour tax deferral, often called "buy and hold".

Canadian Equity Value Fund*

Risk:	A $ E D
Volatility:	High

Investment Objectives
Invests in units of an underlying fund to generate high capital appreciation over the long term through diversified investments in all economic sectors of the Canadian stock market. Mainly invests in equities of large capitalization companies.

Investment Strategy
Units of Industrial Alliance Insurance and Financial Services Inc.'s Canadian Equity Value Fund. The Canadian Equity Value Fund is actively managed in order to profit from the stock market sectors that have the best growth potential based on the major economic trends. The advisor selects the securities of companies that meet strict criteria of soundness, profitability and stability: an approach characterized by a value based investment style.

Canadian Equity (Dynamic) Fund*

Risk:	A D
Volatility:	High

Investment Objectives
Invests in units of an underlying fund to achieve long-term capital appreciation by investing mainly in a well-diversified portfolio of equities of Canadian companies.

Investment Strategy
Units of Industrial Alliance Insurance and Financial Services Inc.'s Canadian Equity (Dynamic) Fund, mainly comprised of units of the APEX Canadian Value (Dynamic) Fund, which is mainly comprised of common stocks from solid, attractively priced Canadian companies that are well positioned in their respective industries.

Canadian Equity (Bissett) Fund*

Risk:	A $ E D
Volatility:	High

Investment Objectives
Invests in units of an underlying fund to achieve long-term capital appreciation while continuing to emphasize the preservation of capital. Mainly invests in equities of large capitalization Canadian companies.

Investment Strategy
Units of Industrial Alliance Insurance and Financial Services Inc.'s Canadian Equity (Bissett) Fund, mainly comprised of units of Bissett Canadian Equity Fund invested in a well-diversified portfolio of Canadian companies. The strategy of the Fund consists of investing in firms that are gaining momentum, with sustainable and renewable growth and at a reasonable price.

CANADIAN EQUITY FUNDS

Fidelity True North® Fund*

Risk: A $ E D

Volatility: High

Investment Objectives
Invests in units of an underlying fund to seek long-term capital growth by investing in equities of Canadian companies, across all market sectors and market capitalizations.

Investment Strategy
Units of Industrial Alliance Insurance and Financial Services Inc.'s Fidelity True North® Fund, mainly comprised of units of Fidelity True North® Fund. The Fund invests in fundamentally sound companies that are undervalued by the market. The advisor seeks companies that consistently increase their revenues, operating cash flow and investment opportunities.

Canadian Equity Growth Fund*

Risk: A D

Volatility: High

Investment Objectives
Invests in units of an underlying fund which to obtain an increase in capital over the long term by investing mainly in equities of large capitalization Canadian companies which demonstrate above-average growth potential.

Investment Strategy
Units of Industrial Alliance Insurance and Financial Services Inc.'s Canadian Equity Growth Fund. The investment strategy is to invest in a well-diversified portfolio of Canadian companies with good growth prospects. Therefore, the selection process favours companies that demonstrate characteristics such as good profit growth as well as superior growth of sales and superior return on equity. Moreover, risk management is an important component of the investment process.

Fidelity Canadian Growth Company Fund*

Risk: A $ AS E D

Volatility: High

Investment Objectives
Invests in units of an underlying fund that pursues long-term capital appreciation by investing in the stocks of smaller and mid-size Canadian companies that are poised for growth over a market cycle. A variable portion of the Fund may be allocated to international assets to take advantage of geographic diversification without affecting the foreign content limit for RRSPs. Mainly invests in small capitalization Canadian companies.

Investment Strategy
Units of Industrial Alliance Insurance and Financial Services Inc.'s Fidelity Canadian Growth Company Fund, mainly comprised of units of the Fidelity Canadian Growth Company Fund. The Fund advisor selects stocks using Fidelity's traditional "bottom-up" investment approach. The advisor seeks fundamentally solid companies that continue to improve their value. These are typically strong, earnings-based companies that are just starting a growth phase or those that appear to have significant earnings potential.

U.S. & INTERNATIONAL EQUITY FUNDS

Global Dividend (Dynamic) Fund*

Risk: A $ E D

Volatility: High

Investment Objectives
Invests in units of an underlying fund to provide long-term capital growth through investment in a broadly diversified portfolio consisting primarily of equity securities of businesses located around the world.

Investment Strategy
Units of Industrial Alliance Insurance and Financial Services Inc.'s Global Dividend (Dynamic) Fund, mainly comprised of units of the Dynamic Global Dividend Value Fund which is primarily invested in equity securities of businesses located around the world that have current or anticipated dividend policies which the portfolio advisor believes are an indicator of long-term growth potential.

U.S. & INTERNATIONAL EQUITY FUNDS

Global Equity (Templeton) Fund* Investment Objectives Invests in units of an underlying fund to provide high long-term capital appreciation by investing mainly in equities of large-medium capitalization companies around the world. Investment Strategy Units of Industrial Alliance Insurance and Financial Services Inc.'s Global Equity (Templeton) Fund, mainly comprised of units of the Templeton Master Trust-Series 1 Fund invested primarily in common shares of companies located anywhere in the world. The Fund is composed of a selection of low-priced, high-quality securities from various global financial markets.	Risk: A $ E D Volatility: High
Global Equity (Oppenheimer) Fund* Investment Objectives Invests in units of an underlying fund that aims for long-term capital appreciation by investing primarily in stocks of large capitalization companies throughout the world. Investment Strategy Units of Industrial Alliance Insurance and Financial Services Inc.'s Global Equity (Oppenheimer) Fund, which is mainly comprised of units of the IA Clarington Global Equity Fund. The Fund is invested in common or convertible securities of North American or foreign companies. The Fund's active management seeks to reduce the risk associated with foreign investing by diversifying investments across many different countries and industries. The Fund may invest in preferred stocks, convertible securities and debt securities to reflect general market or economic conditions.	Risk: A $ E D Volatility: High
Fidelity NorthStar® Fund* Investment Objectives Invests in units of an underlying fund that aims to achieve long-term capital growth. This fund invests primarily in equity securities of companies anywhere in the world. Investment Strategy The Fund invests in units of the Fidelity NorthStar® Fund. The Fund is invested in a well diversified portfolio of equities of companies operating around the world. The Fund's active management aims to achieve an absolute positive return.	Risk: All risk Volatility: High
Global Equity Small Cap. (Evergreen) Fund* Investment Objectives Invests in units of an underlying fund that aims to provide superior returns by investing primarily in securities of small capitalization companies throughout the world. Investment Strategy Units of Industrial Alliance Insurance and Financial Services Inc.'s Global Small Cap. (Evergreen) Fund, mainly comprised of units of the IA Clarington Global Small Cap Fund. The Fund invest in securities of U.S. small cap companies and of small cap issuers located in certain foreign countries with developed markets, as well as those with emerging markets. The Fund may invest in preferred stocks, convertible securities and debt securities and may hold a portion of its assets in cash or short term money market securities while seeking investment opportunities or for defensive purposes to reflect general market or economic conditions.	Risk: A $ E D L Volatility: High

U.S. & INTERNATIONAL EQUITY FUNDS

International Equity Index Fund*

Risk:	I $ E D R
Volatility:	High

Investment Objectives
Invests in units of an underlying fund that aims to provide high long-term capital appreciation by investing through financial instruments such as futures contracts that reproduce the return of the Morgan Stanley Capital International EAFE Index (MSCI EAFE Index). Mainly invests in the securities of equities of large capitalization companies that operate in Europe, Asia (including Japan) and the Far East.

Investment Strategy
Units of Industrial Alliance Insurance and Financial Services Inc.'s International Equity Index Fund, mainly comprised of units of the SSGA MA EAFE Stock Index Futures Fund, which is made up of financial instruments such as futures contracts on the various global stock market indices. Passive management of this fund is designed to reproduce, as accurately as possible, the return of the index, converted into Canadian dollars, over a medium- and long-term horizon.

International Equity (Templeton) Fund*

Risk:	A $ E D
Volatility:	High

Investment Objectives
Invests in units of an underlying fund that aims to ensure long-term capital appreciation through investments in stocks of large and medium capitalization companies located outside of North America.

Investment Strategy
Units of Industrial Alliance Insurance and Financial Services Inc.'s International Equity (Templeton) Fund, mainly comprised of units of Templeton International Stock Trust which is comprised of a selection of low-priced, superior quality international equity securities from the financial markets of a large number of countries excluding North America. Active management of the fund is characterized by a value based investment strategy.

International Equity (McLean Budden) Fund*

Risk:	A $ E D
Volatility:	High

Investment Objectives
Invests in units of an underlying fund that aims to provide high long-term capital growth through investments in equities of mostly large capitalization companies outside of North America.

Investment Strategy
Units of Industrial Alliance Insurance and Financial Services Inc.'s International Equity (McLean Budden) Fund, mainly comprised of units of the McLean Budden International Equity Fund which are comprised of international equity securities excluding North America. The companies are chosen according to their growth potential, which means that their earnings are expected to grow at a faster rate than the overall market. Using an ascending method, the advisor is seeking large capitalization companies that demonstrate superior earnings growth, a solid financial situation and a high quality management team.

Fidelity European Equity Fund*

Risk:	A $ E D
Volatility:	High

Investment Objectives
Invests in units of an underlying fund that aims to provide long-term capital appreciation by mainly investing in equities of large capitalization companies from continental Europe and the United Kingdom. Investments are made primarily in the member countries of the European Economic Community and the European Free Trade Association.

Investment Strategy
Units of Industrial Alliance Insurance and Financial Services Inc.'s Fidelity Europe Fund, mainly comprised of units of the Fidelity Europe Fund invested primarily in companies from continental Europe and the United Kingdom. The advisor generally constructs the portfolio stock by stock and follows industries more closely than countries.

U.S. & INTERNATIONAL EQUITY FUNDS

U.S. Equity Index Fund*

Risk:	I $ D R
Volatility:	High

Investment Objectives
Invests in units of an underlying fund to provide medium and long-term capital appreciation through U.S. financial instruments, such as futures contracts, that reproduce the return of the Standard and Poor's 500 index. The Fund is mainly exposed to equities of large capitalization companies.

Investment Strategy
Units of Industrial Alliance Insurance and Financial Services Inc.'s U.S. Equity Index Fund, mainly comprised of units of the SSGA MA S&P500 Stock Index Futures Institutional Investment Fund, which are comprised of financial instruments that reproduce the return of the Standard & Poor's Index. Passive management is designed to reproduce the return on the index as accurately as possible, converted into Canadian dollars.

U.S. Equity (McLean Budden) Fund*

Risk:	A $ E D
Volatility:	High

Investment Objectives
Invests in units of an underlying fund which provides high long-term capital appreciation by primarily investing in stocks of high performing U.S. companies. Mainly invests in equities of large capitalization companies.

Investment Strategy
Units of Industrial Alliance Insurance and Financial Services Inc.'s U.S. Equity (McLean Budden) Fund, which is mostly comprised of units of the IA Clarington American Fund, which mainly invests in large U.S. capitalization equity securities companies with solid financial statements. The advisor selects the securities he anticipates will provide consistent growth in profits.

U.S. Equity (Legg Mason) Fund*

Risk:	A $ E D R
Volatility:	High

Investment Objectives
Invests in units of an underlying pooled fund to provide long-term capital growth by investing primarily in U.S. equity securities believed to offer above-average potential for capital appreciation. Mainly invests in equities of large capitalization companies.

Investment Strategy
Units of Industrial Alliance Insurance and Financial Services Inc.'s U.S. Equity (Legg Mason) Fund, mainly comprised of units of the Legg Mason U.S. Value Fund which is composed of selected stocks that have been priced by the market at significant discounts to their intrinsic value. The advisor seeks to generate excess returns by owning these securities. It avoids macroeconomic forecasting and looks rather for financially sound businesses and favours sector or industry leaders.

*** The Ecofl*extra* individual variable annuity Contract is issued by Industrial Alliance Pacific Insurance and Financial Services Inc. and the guarantees provided are pursuant to that Contract.**

All risk factors are explained in detail in sections 4.8 and 4.9 of the Information Folder. More information about investment policy and restrictions of each Fund can be found in the annual financial report. The Company reserves the right to modify and/or change the investment policy of the Fund at any time to better meet the stated investment objectives of the Fund. Such changes to the investment policy shall not require prior written notification to be sent to the Policyholder. The detailed description and restrictions, and the investment policy of any underlying fund of Industrial Alliance Insurance and Financial Services Inc. or any underlying fund in which the Industrial Alliance Insurance and Financial Services Inc. fund invests is available upon request at Industrial Alliance Pacific Insurance and Financial Services Inc.'s head office.

A change in the fundamental investment objectives of a Fund is a fundamental change and gives the Policyholder certain rights.

6. FUNDAMENTAL CHANGES

The Company must notify the Policyholder in writing at least sixty (60) days before making a fundamental change to a Fund. This written notice will advise the Policyholder what change will be made and when it will become effective. A fundamental change includes an increase in the management fee charged against the assets of a Fund, a change in the investment objectives of a Fund and/or a decrease in the frequency with which Units of a Fund are valued.

With respect to an increase in the management fee, if the assets allocated to one of the Company's Funds are invested in an underlying fund, an increase in the management fee for the underlying fund, which translates into an increase in the management fee for the Company's Fund, will be deemed to be a fundamental change.

The fundamental change notice gives the Policyholder the right to: (i) transfer the Premiums invested in the Fund that is subject to the fundamental change to a similar Fund offered by the Company that is not subject to the fundamental change, without incurring any Surrender Fees or similar fees, and without affecting the Policyholder's other rights or obligations under the Contract; (ii) if the Company does not offer a similar Fund, redeem the Premiums invested in the Fund without incurring any Surrender Fees or similar fees. The Policyholder's election must be received by the Company at least five (5) days prior to the expiry of the notice period required for a fundamental change. The notice will be sent by regular mail to the Policyholder's last known address on file with the Company.

For the purpose of applying this provision, a similar Fund means a Fund that has similar fundamental investment objectives to the original Fund, is in the same Fund category (in accordance with the Fund categories published in a financial publication with broad distribution) and has the same or lower management fee and insurance fees than the management fee and insurance fees of the Fund in effect at the time the notice is given.

During the notice period, the Company may provide that the Policyholder shall not be permitted to invest into the Fund subject to the change, unless the Policyholder agrees to waive the free surrender privilege.

7. FUNDS' AUDITED FINANCIAL STATEMENTS

The audited annual financial statements and unaudited semi-annual financial statements for the Funds are available on the Company's website at *www.iaplife.com*. To obtain a paper version of these documents, the Policyholder should send a written request to the Company's head office at the following address:

Industrial Alliance Pacific Insurance and Financial Services Inc.
2165 Broadway West
Vancouver, BC V6B

ECOFL*EXTRA* INDIVIDUAL VARIABLE ANNUITY CONTRACT
CONTRACTUAL PROVISIONS

ANY AMOUNT THAT IS ALLOCATED TO A SEGREGATED FUND IS INVESTED AT THE RISK OF THE POLICYHOLDER AND MAY INCREASE OR DECREASE IN VALUE.

1. GENERAL PROVISIONS

1.1 Definitions

In this Contract, the following definitions apply:

Annuitant

The Annuitant is the person on whose life the guarantees and annuity payments under this Contract are based and on whose death the death benefit is payable.

If the Contract is registered as a Retirement Savings Plan (hereinafter referred to as an "RSP") or a Retirement Income Fund (hereinafter referred to as a "RIF") under the terms of the *Income Tax Act* (Canada), the term "Annuitant" is as defined in subsections 146(1) and 146.3(1) of the *Income Tax Act* (Canada), depending on the situation.

Beneficiary(ies)

The Policyholder may designate one or more beneficiaries. If there are co-beneficiaries and if one of them dies before the Annuitant, his or her rights will accrue in equal shares to the other beneficiaries. If no beneficiary survives the Annuitant or if none has been designated, the death benefit will be paid to the Policyholder or to his or her estate. The Company assumes no responsibility for the validity of a change of beneficiary.

Book Value of the Contract

The Book Value of the Contract is equal to the sum of the book value of each guaranteed investment, the book value of the daily interest fund, the book value of each life investment plus the Market Value of the Premiums invested in the Funds. If, at any time, the Book Value of the Contract is lower than the minimum value required by the Company, the Company reserves the right to surrender the Contract and pay the surrender value of the Contract to the Policyholder, subject to the Guaranteed Minimum Surrender Benefit, if applicable (see Section 3.15.2 d) *Guaranteed Minimum Surrender Benefit (GMSB)* for more details). The method of determining the book value of each guaranteed investment, the book value of the daily interest fund, the book value of each life investment and the Market Value of the Premiums invested in the Funds are described in the provisions specific to each investment vehicle (see the appropriate *SPECIFIC PROVISIONS* sections).

Company

Industrial Alliance Pacific Insurance and Financial Services Inc..

Effective Date of the Contract

The date on which this Contract becomes effective. The Effective Date of the Contract will be the day on which the first Premium is received by the Company and when the application is accepted by the Company.

Investment Period Maturity Date

The Investment Period Maturity Date is the date as of which no further Premiums can be paid into this Contract. For non-registered Contracts and Contracts registered as a RIF under the *Income Tax Act* (Canada), the Investment Period Maturity Date is December 31 of the year in which the Annuitant reaches the age of one hundred (100) years. The Investment Period Maturity Date for a Contract registered as an RSP under the *Income Tax Act* (Canada) is December 31 of the year in which the Annuitant reaches the age of seventy-one (71) years and Section 1.10 *AUTOMATIC CONVERSION* of this Contract will then apply.

If the Contract is a Life Income Fund under any applicable pension legislation (hereinafter referred to as a "LIF"), the Investment Period Maturity Date may be different depending on the applicable legislation.

Maximum Age at Issue

The Maximum Age at Issue is the maximum age on which the Policyholder can subscribe to a new Contract even if he/she will be allowed to invest Premiums until the Investment Period Maturity Date (see Section 1.4 of the *Information Folder* for more information). If the Contract is non-registered or if the Contract is registered as a RIF under the *Income Tax Act* (Canada), the Maximum Age at Issue is December 31 of the year in which the Annuitant reaches the age of ninety (90) years. If the Contract is registered as an RSP under the *Income Tax Act* (Canada), the Maximum Age at Issue is December 31 of the year in which the Annuitant reaches the age of seventy-one (71) years and Section 1.10 *AUTOMATIC CONVERSION* of this Contract will apply.

The Company may modify the Maximum Age at Issue in order to respect the applicable legislation. For more details on the Maximum Age at Issue, please refer to the *Information Folder*.

For more details, please refer to subsection *Maximum Age to Invest Premiums in the Guaranteed Surrender Series Funds* of Section 3.15.2 d).

Policyholder

The Policyholder is the individual or entity who is the holder of the rights under this Contract and is identified as the "Applicant" in the application for this Contract. The Policyholder is entitled to the benefits conferred under this Contract, subject to its terms and conditions and applicable legislation, during the Annuitant's lifetime.

Premium(s)

A Premium is the amount received by the Company for investment under the Contract.

Subject to restrictions by any applicable legislation, the Policyholder may invest Premiums at any time prior to the Investment Period Maturity Date.

1.2 CONTRACT

The Contract is made up of this Contract, the application for this Contract, and any endorsements or amendments to the Contract that have been duly approved by the Company.

If this Contract is registered as an RSP, a Locked-in Retirement Account (hereinafter referred to as a "LIRA"), a RIF or a Life Income Fund ("hereinafter referred to as a "LIF") under the *Income Tax Act* (Canada) or any other applicable legislation, the provisions of any RSP, LIRA, RIF and LIF endorsements, as the case may be, form part of this Contract and will override any conflicting provisions of this Contract.

The Company may modify the Contract in order to respect the *Income Tax Act* (Canada).

This Contract does not grant any right to participate in the profits or surplus realized by the Company.

The *Information Folder*, which provides a summary of this Contract and which appears on page 3 of this document, does not form part of the Contract and must not be considered under any circumstances as a contractual document.

1.3 ASSIGNMENT

No assignment of this Contract will bind the Company unless it is in writing and until the assignment is filed with the Company. The Company assumes no liability for the validity of an assignment. A registered Contract may not be assigned.

1.4 CURRENCY

All amounts payable to or by the Company shall be in the legal currency of Canada.

1.5 ADMINISTRATIVE FEES

A transaction fee of $15 may be charged if a cheque or pre-authorized payment is not honoured on its first presentation. A transaction fee of $35 may be charged for a surrender or transfer in accordance with the Company's administrative policies then in force. At any time, the Company may modify these fees and additional fees may be added without prior written notice. Each investment vehicle currently offered may include its own administration fees and surrender charges (see specific provisions for each investment vehicle).

If the Contract is registered as a RIF under the *Income Tax Act* (Canada), the Company reserves the right to charge transaction fees for any modifications to the terms of income payments or for any other modification or transaction.

1.6 INVESTMENT VEHICLES

The Policyholder may invest all or part of the Premiums paid under the Contract in the investment vehicles currently offered by the Company, provided these amounts respect the minimum amount required for each of these vehicles. These minimums are determined by the Company and may be modified from time to time.

Four (4) types of investment vehicles are currently offered, the daily interest fund, the fixed term guaranteed interest rate investments (hereinafter referred to as the "guaranteed investments"), the life investment (only available on a contract registered as a RIF under the terms of the *Income Tax Act* (Canada)) and the investment funds (segregated funds).

The Company reserves the right to withdraw certain investment vehicles and to add new ones which must conform to the provisions of the *Income Tax Act* (Canada). Each investment vehicle currently offered is subject to its own requirements concerning investment and reinvestment, interest payable, administration fees and surrender charges. The same applies to any other investment vehicle that the Company may decide to offer.

If no instructions are provided as to the investment of a Premium in each investment vehicle, the entire Premium will be invested in the daily interest fund (see Section 2 *SPECIFIC PROVISIONS TO THE DAILY INTEREST FUND AND THE GUARANTEED INVESTMENTS*).

1.7 SURRENDER OF THE CONTRACT

The Contract may be surrendered in whole or in part according to the surrender rules governing each investment vehicle. The Company reserves the right to postpone the cash payment or transfer to another financial institution for up to sixty (60) days from the date on which the written surrender request is received.

The surrender value of the Contract is the aggregate of the surrender value of the daily interest fund, the surrender value of each guaranteed investment, the surrender value of each life investment and the surrender value of the Premiums invested in the Funds. The surrender value of the investment vehicles is established according to the method indicated in the specific provisions for each investment vehicle (see the appropriate *SPECIFIC PROVISIONS*).

1.8 DEATH BENEFITS

Before Annuity Payments Begin

If the Annuitant dies before annuity payments begin, and the Company has received all required documentation to settle the death claim ("Proof of Claim"), the Company pays the Beneficiary the sum of:

1) the book value of the daily interest fund;
2) the book value of the guaranteed investments;
3) the book value of the life investments; and
4) the Market Value of the Premiums invested in the Funds. The Market Value of the Premiums invested in the Funds used to calculate the death benefit are subject to Section 3.15 *GUARANTEES*.

The payment of the death benefit will discharge the Company of all of its obligations under this Contract.

Subject to applicable legislation and to the administrative rules of the Company, the Company may agree to maintain the investments in the various investment vehicles, if the Annuitant's spouse is the beneficiary and chooses to become the Policyholder under the terms of this Contract.

After Annuity Payments Begin

If the Annuitant dies after annuity payments begin but before the expiry of the period during which the annuity payments are guaranteed, if any, the annuity continues to be paid to the Beneficiary or, failing a Beneficiary, to the Policyholder or to his or her estate until expiry of the guaranteed period of the annuity.

1.9 ANNUITY

Life annuity with 120 guaranteed payments

At any time after the Annuitant has reached the age of sixty-five (65) years, and if the Contract is in force, the Policyholder may request in writing to the Company that the Company pay a life annuity with one hundred and twenty (120) guaranteed payments (hereinafter called the "Guaranteed Annuity") to the Annuitant. The amount of the monthly payments under this Guaranteed Annuity is equal to the Book Value of the Contract on the date the Guaranteed Annuity is calculated, less charges in the amount of $600, multiplied by X:

where X is equal to: 0.016% x age of Annuitant on the date the Guaranteed Annuity is calculated – 0.90%.

If, on the Investment Period Maturity Date, the Contract is in force and the Company has not received any written instructions from the Policyholder as to the start of the Guaranteed Annuity payments, Guaranteed Annuity payments will begin automatically, with no further notice to the Policyholder, and will be paid to the Annuitant in accordance with the terms of this Contract.

Life annuity without guaranteed payments

Notwithstanding the foregoing and in order to comply with income tax legislation, at any time after the Annuitant has reached the age of eighty (80) years and if the Contract is in force and is registered as a RIF under the *Income Tax Act* (Canada), the Policyholder may request in writing to the Company that the Company pay a life annuity without guaranteed payments (hereinafter called the "Annuity Without Guarantee") to the Annuitant. The amount of the monthly payments under the Annuity Without Guarantee is equal to the Book Value of the Contract on the date the Annuity Without Guarantee is calculated, less charges in the amount of $600, multiplied by Y:

where Y is equal to: 0.0165% x age of the Annuitant on the date the Annuity Without Guarantee is calculated – 0.90%.

If on the Investment Period Maturity Date, the Contract is in force and is registered as a RIF under the *Income Tax Act* (Canada), and the Company has not received any written instructions from the Policyholder as to the start of the Annuity Without Guarantee payments, the Annuity Without Guarantee payments will begin automatically, with no further notice to the Policyholder, and will be paid to the Annuitant.

Application of the Guarantee

If the Guaranteed Annuity or the Annuity Without Guarantee is established on the Guarantee Maturity Date and if Fund Units have been credited to the Contract on this date, the value of the Units used to calculate the Book Value of the Contract is determined in accordance with sections 3.15.1 c) *Application of the Guarantees for the Classic Series* and 3.15.2 c) *Application of the Guarantees for the Guaranteed Surrender Series* of this Contract.

Surrender Before Annuity Begins

The Policyholder may, at any time before the Guaranteed Annuity or Annuity Without Guarantee payments begin, surrender the Contract and use the surrender value (see Section 1.7 *SURRENDER OF THE CONTRACT*) to purchase another annuity offered by the Company.

Surrender After Annuity Begins

Notwithstanding the other terms and conditions of this Contract, after the Guaranteed Annuity or Annuity Without Guarantee payments begin, no surrenders or transfers are permitted.

Proof of Age

Evidence satisfactory to the Company of the age of the Annuitant must be furnished before any Guaranteed Annuity or Annuity Without Guarantee payment is made.

Proof of Survival

Whenever a payment provided for under this Contract is contingent on the existence of the Annuitant, the Company reserves the right to require proof that the Annuitant is alive on the date on which an annuity payment is due.

1.10 AUTOMATIC CONVERSION

If this Contract is registered as an RSP under the *Income Tax Act* (Canada) and it is in force on the Investment Period Maturity Date, the Contract is automatically converted into a RIF or a LIF.

This automatic conversion will be made in accordance with the *Income Tax Act* (Canada) or any corresponding provincial legislation and according to the administrative policies then in effect at the Company. The conversion does not in any way affect the investments in place at the time of conversion and does not constitute the issuance of a new Contract.

1.11 FILE AND PERSONAL INFORMATION

In order to ensure the confidentiality of the Policyholder's personal information, the Company will establish a file (the "Policy File"), the purpose of which is to provide insurance, annuity products, and financial services to the Policyholder. The Company will retain in the Policy File, any information provided by the Policyholder, the Annuitant and/or the Beneficiary as part of the application and admission of this Contract.

Only the Company's employees and authorized representatives who will be responsible for administering the Contract, as well as the relevant products and financial services, or any other person whom the Policyholder authorizes, will have access to the Policy File.

The Policy File will be kept in the Company's offices. The Policyholder is entitled to access the personal information contained in his/her Policy File and, if necessary, to have it rectified by sending a written request to the following address:

Industrial Alliance Pacific Insurance and Financial Services Inc.
Privacy Officer
2165 Broadway WestPO Box 5900
Vancouver, BC V6B 5H6

The Company may establish a list of clients for prospecting purposes for use by the Company itself or other companies of the Industrial Alliance group. The Policyholder may remove his/her name from this list by sending a written request to the Privacy Officer at the above-mentioned address.

2. SPECIFIC PROVISIONS TO THE DAILY INTEREST FUND AND THE GUARANTEED INVESTMENTS

2.1 Daily Interest Fund

All amounts invested in the daily interest fund earn interest at a rate declared by the Company from time to time.

Value of the daily interest fund

The book value and the surrender value correspond to the total amount invested in this investment vehicle plus accrued interest.

2.2 GUARANTEED INVESTMENTS

A guaranteed investment is made up of an amount invested at a guaranteed interest rate for a fixed period. The interest rate on guaranteed investments will be set according to the Company's administrative rules in effect at the time of investment. The interest rate applicable to a particular Premium will vary according to the amount and the term of the Premium invested.

Book Value

The book value of a guaranteed investment is equal to the amount invested in the guaranteed investment with accrued interest.

Surrender Value

The surrender value of any guaranteed investment is the lesser of a) and b), where:

a) is the book value of the guaranteed investment on the date of the request minus the difference between i) and ii), multiplied by the number of years and twelfths of years remaining, where:

i) is the annual future interest that the guaranteed investment would produce, taking into consideration the current rate offered by the Company for a duration equivalent to the original duration chosen and the type of interest chosen for the amount invested, increased by 1%; and

ii) is the annual future interest that the guaranteed investment would produce taking into consideration its guaranteed rate;

b) is the book value of the guaranteed investment on the date of the request.

Moreover, when a guaranteed investment is surrendered, the Company will deduct from the lesser of a) or b) above an amount equal to 0.065% for each month remaining on the term of the guaranteed investment multiplied by the book value of the investment on the date of the surrender.

3. SPECIFIC PROVISIONS TO FUNDS (SEGREGATED FUNDS)

3.1 Specific Definitions to Funds

In this section, the following definitions apply:

Classic Series

Each Fund offers Fund Units for which the Contract provides the "Classic Series" guarantee (hereinafter referred to as the "Classic Series Fund Units"). If the Policyholder invests Premiums in the Classic Series Fund Units of one or more Funds (hereinafter referred to as the "Classic Series Funds"), the Contract provides a Guaranteed Minimum Value at Maturity and a Guaranteed Minimum Value at Death equal to 75% of all the Premiums invested in the Classic Series Funds and reduced proportionally by all surrenders, if any.

Current Value of a Fund Unit

Notwithstanding the Series of a Fund Unit, the Current Value of a Fund Unit is determined on a Valuation Date by dividing the market value of the assets allocated to the Fund by the number of Units of that Fund (also referred to as "Current Value").

Fund(s)

The segregated Fund(s) established by the Company and available for the investment of a Premium under this Contract from time to time.

Fund Unit(s)

Fund Units are a notional measurement that is used by the Company to determine the value of the Premiums invested in the Funds and its benefits (also called "Unit" or "Units" in this Contract) and a Policyholder does not acquire any ownership interest in them. Fund Units can be whole or fractional.

Guarantee Maturity Date

For both Series, the Guarantee Maturity Date is the date on which the guarantee at maturity is applicable. For both Series, the Guarantee Maturity Date is established on December 31 of the year in which the Annuitant turns one hundred (100).

If the Contract is registered as a LIF, the Guarantee Maturity Date may be different depending on the applicable legislation.

Guaranteed Minimum Surrender Benefit (GMSB)

The Guaranteed Minimum Surrender Benefit, hereinafter called "GMSB", is a guarantee offered by the Company for Premiums invested in the Guaranteed Surrender Series Funds. Pursuant to the GMSB, a Policyholder shall be entitled to surrender from the Contract, during the lifetime of the Contract, an amount equal to all of the Premiums invested in the Guaranteed Surrender Series Funds, subject to certain restrictions (see Section 3.15.2 d) *Guaranteed Minimum Surrender Benefit (GMSB)* for more details).

Guaranteed Minimum Value at Death

If the Annuitant dies before the Investment Period Maturity Date, a Guaranteed Minimum Value at Death is provided by the Contract and is established as specified under the terms of Section 3.15 *GUARANTEES* of this Contract. Each Series has its own Guaranteed Minimum Value at Death.

Guaranteed Minimum Value at Maturity

The term "Guaranteed Minimum Value at Maturity" is defined as a minimum guaranteed value provided under this Contract as of the Guarantee Maturity Date. Each Series has its own Guaranteed Minimum Value at Maturity. The Guaranteed Minimum Value at Maturity for each Series is fully explained in Section 3.15 *GUARANTEES* of this Contract.

Guaranteed Payment Period

The Guaranteed Payment Period is the period into which the Contract enters when the Market Value of the Premiums invested in the Guaranteed Surrender Series Funds is equal to zero but the Guaranteed Surrender Balance (GSB) and/or the Lifetime Surrender Amount (LSA), if applicable, is greater than zero. In this period, the Policyholder receives the Guaranteed Surrender Amount (GSA) until the GSB is equal to zero or, if the Policyholder has selected the Lifetime Surrender Option, receives the Lifetime Surrender Amount (LSA) until the Annuitant's death (see Section 3.15.2 d) *Guaranteed Minimum Surrender Benefit (GMSB)* for more details).

Guaranteed Surrender Amount (GSA)

The Guaranteed Surrender Amount, hereinafter called "GSA", is the guaranteed annual payment that will be paid to the Policyholder during the Guaranteed Payment Period if the Policyholder has not selected the Lifetime Surrender Option. The GSA is also the maximum amount of Premiums invested in the Guaranteed Surrender Series Funds that the Policyholder can surrender, plus any GSA Deferral, each calendar year, without causing any GSB Downward Adjustment. Any surrender over this limit may have a negative impact on the GMSB. There may be some exceptions if the Contract is registered as a RIF under the *Income Tax Act* (Canada). The initial GSA is determined on the Initial Investment Date of the Guaranteed Surrender Series and each subsequent GSA is determined once a year, on December 31 of every calendar year, including the year of the Initial Investment Date of the Guaranteed Surrender Series (see Section 3.15.2 d) *Guaranteed Minimum Surrender Benefit (GMSB)*, for more details about the GSA and its method of calculation).

GSA Deferral

A GSA Deferral can be deferred in the future if no GSB Bonus is added to the remaining GSB during a calendar year (see Section 3.15.2 d) *Guaranteed Minimum Surrender Benefit (GMSB)* for more details about the GSA Deferral and its method of calculation).

The GSA Deferral is established on December 31 of any calendar year following the Initial Investment Date of the Guaranteed Surrender Series when the Policyholder surrenders Premiums from the Guaranteed Surrender Series in any calendar year for a total amount that is less than the GSA. The GSA Deferral is equal to the difference between the GSA and the actual total amount surrendered from the Guaranteed Surrender Series by the Policyholder during a calendar year.

Guaranteed Surrender Balance (GSB)

The Guaranteed Surrender Balance, hereinafter referred to as "GSB", is the amount upon which the GMSB is based. The GSB is also used to determine the GSA and the LSA, if applicable. The initial Premium invested in the Guaranteed Surrender Series Funds will determine the initial GSB. Any subsequent investment of Premiums in the Guaranteed Surrender Series Funds and any subsequent surrender of Premiums from the Guaranteed Surrender Series will have an impact on the GSB. In no event the GSB shall be less than zero (see the *GSB* subsection of Section 3.15.2 d) for more details about the GSB).

GSB Bonus

The GSB Bonus is an annual bonus which is added to the remaining GSB of the Guaranteed Surrender Series on each December 31 of any of the first fifteen (15) years following the Initial Investment Date of the Guaranteed Surrender Series. This GSB Bonus is only added to the remaining GSB when no surrender of Premiums invested in the Guaranteed Surrender Series Funds is made during a calendar year. This bonus is calculated according to the GSB Bonus Base. The calculation of this bonus is described in Section 3.15.2 d) *Guaranteed Minimum Surrender Benefit (GMSB)*.

GSB Bonus Base

The GSB Bonus Base is the base to determine the GSB Bonus on each December 31 for the first fifteen (15) years following the Initial Investment Date of the Guaranteed Surrender Series. This amount is also used to determine the maximum GSA Deferral. The calculation of this amount is described in Section 3.15.2 d) *Guaranteed Minimum Surrender Benefit (GMSB)*.

GSB Downward Adjustment

A GSB Downward Adjustment occurs when the total surrenders in a calendar year exceed the greater of the annual GSA plus any GSA Deferral and the Guaranteed Surrender Series RRIF Minimum Amount, if applicable. The GSB Downward Adjustment occurs immediately following the surrender exceeding the annual GSA plus any GSA Deferral or, in some cases, the Guaranteed Surrender RRIF Minimum Amount. The GSB Downward Adjustment may have a negative impact on the GSB, the GSB Bonus Base, the GSA, the GSA Deferral and/or the LSA if applicable. Please refer to Section 3.15.2 d) *Guaranteed Minimum Surrender Benefit (GMSB)* for more details.

GSB Fee

When the Policyholder invests Premiums in the Guaranteed Surrender Series Funds, a GSB Fee is charged monthly. The GSB Fee is directly deducted from the Contract by an automatic surrender of Premiums invested in the Guaranteed Surrender Series Funds. Please refer to the *Information Folder* for explanations as to how the proportional reduction will be determined. No GSB Fee is charged during the Guaranteed Payment Period (see the *GSB Fee* subsection of Section 3.15.2 d) for more details about this fee).

Guaranteed Surrender Series

Each Fund offers Fund Units for which the Contract provides the "Guaranteed Surrender Series" guarantee (hereinafter referred to as the "Guaranteed Surrender Series Fund Units"). If the Policyholder invests Premiums in the Guaranteed Surrender Series Fund Units of one or more Funds (hereinafter referred to as the "Guaranteed Surrender Series Funds"), the Contract provides:

i) a Guaranteed Minimum Value at Death equal to 100% of all the Premiums invested in the Guaranteed Surrender Series Funds, reduced proportionally by all surrenders, if any;

ii) a Guaranteed Minimum Value at Maturity equal to 75% of all the Premiums invested in the Guaranteed Surrender Series Funds, reduced proportionally by all surrenders, if any; and

iii) a Guaranteed Minimum Surrender Benefit as described in Section 3.15.2 d) *Guaranteed Minimum Surrender Benefit (GMSB)* of this Contract.

Guaranteed Surrender Series Anniversary Date

The Guaranteed Surrender Series Anniversary Date is measured from the Initial Investment Date of the Guaranteed Surrender Series. It occurs every year on the annual anniversary of the Initial Investment Date of the Guaranteed Surrender Series.

Guaranteed Surrender Series Reset of GSB

On each third Guaranteed Surrender Series Anniversary Date, the Company will proceed with an automatic annual Guaranteed Surrender Series Reset of GSB, hereinafter referred to as "Reset of GSB". The new GSB will be the greater of:

i) the Market Value of the Premiums invested in the Guaranteed Surrender Series Funds on the Guaranteed Surrender Series Anniversary Date; and

ii) the current GSB.

Please refer to Section 3.15.2 d) *Guaranteed Minimum Surrender Benefit (GMSB)* for more details.

Guaranteed Surrender Series RRIF Minimum Amount

The Guaranteed Surrender RRIF Minimum Amount is calculated for the Guaranteed Surrender Series if the Contract is registered as a RIF under the *Income Tax Act* (Canada). This amount is used to determine the amount that can be surrendered without affecting the method of calculating the LSA or without causing a GSB Downward Adjustment when this Guaranteed Surrender Series RRIF Minimum Amount is higher than the GSA plus any GSA Deferral if applicable. Please refer to subsection *Guaranteed Surrender Series RRIF Minimum Amount* of Section 3.15.2 d) for more details.

Initial Investment Date of the Guaranteed Surrender Series

This is the date on which, for the first time, a Premium is invested in the Guaranteed Surrender Series Funds.

Lifetime Surrender Option

The Lifetime Surrender Option is only available if the Policyholder invests Premiums in the Guaranteed Surrender Series Funds. Subject to certain restrictions, when the Contract enters the Guaranteed Payment Period, if the Policyholder has selected this option, the Policyholder shall be entitled to receive a Lifetime Surrender Amount (LSA) that will be paid until the Annuitant's death (see Section 3.15.2 d) *Guaranteed Minimum Surrender Benefit (GMSB)* for more details). The Lifetime Surrender Option may only be selected by the Policyholder on the Initial Investment Date of the Guaranteed Surrender Series or during the year the Annuitant attains sixty-five (65) years of age.

Lifetime Surrender Amount (LSA)

The Lifetime Surrender Amount, hereinafter called "LSA", is the guaranteed annual payment that will be paid to the Policyholder during the Guaranteed Payment Period if the Policyholder has selected the Lifetime Surrender Option. The LSA is also the maximum amount of Premiums invested in the Guaranteed Surrender Series Funds that the Policyholder can surrender each calendar year without affecting the method of calculating the subsequent LSA. There may be some exceptions if the Contract is registered as a RIF under the *Income Tax Act* (Canada).

The LSA is only available when the Lifetime Surrender Option is selected by the Policyholder. The LSA is determined once a year, on December 31 of every calendar year, commencing the year the Annuitant attains sixty-five (65) years of age. However, if the Annuitant is sixty-five (65) years of age or older when the Policyholder selects the Lifetime Surrender Option, an initial LSA is determined on the Initial Investment Date of the Guaranteed Surrender Series and each subsequent LSA is determined once a year, on December 31 of every calendar year including the year of the Initial Investment Date of the Guaranteed Surrender Series (see the Section 3.15.2 d) *Guaranteed Minimum Surrender Benefit (GMSB)* for more details about the LSA and its method of calculation).

Market Value of Fund Assets

The market value of the assets allocated to a Fund on a Valuation Date is determined by calculating the total market value of all the underlying investments allocated to this Fund minus any applicable fees and expenses, such as management fees and operating expenses.

THE MARKET VALUE OF EACH FUND'S ASSETS IS NOT GUARANTEED, BUT MAY FLUCTUATE WITH THE MARKET VALUE OF THE UNDERLYING INVESTMENT(S) ALLOCATED TO EACH FUND.

Market Value of the Premiums Invested in the Classic Series Funds

The Market Value of the Premiums invested in the Classic Series Funds on a Valuation Date is equal to the sum of the Current Value of all the Classic Series Fund Units credited to the Contract on this Valuation Date.

Market Value of the Premiums Invested in the Funds

The Market Value of the Premiums invested in the Funds on a Valuation Date is equal to the sum of the Current Value of all the Fund Units, including all type of Series, in each of the Funds credited to the Contract on that Valuation Date.

Market Value of the Premiums Invested in the Guaranteed Surrender Series Funds

The Market Value of the Premiums invested in the Guaranteed Surrender Series Funds on a Valuation Date is equal to the sum of the Current Value of all the Guaranteed Surrender Series Fund Units credited to the Contract on this Valuation Date.

THE MARKET VALUE OF THE PREMIUMS INVESTED IN THE FUNDS, INCLUDING THE INVESTMENT IN THE CLASSIC SERIES FUNDS AND THE GUARANTEED SURRENDER SERIES FUNDS, AND THE CURRENT VALUE OF EACH FUND'S UNITS ARE NOT GUARANTEED SINCE THESE VALUES FLUCTUATE WITH THE MARKET VALUE OF THE ASSETS ALLOCATED TO EACH FUND.

Series

Each Fund offers two different guarantees in respect to the Premiums invested in the Funds. These are:

i) Guaranteed Surrender Series; and

ii) Classic Series.

Surrender Fees

The Surrender Fees, if applicable, will be deducted at the time of surrender of the Premiums in accordance with the rates under Section 3.6 *SALES CHARGE OPTIONS* of this Contract.

Valuation Date

A business day on which the Toronto Stock Exchange is open for trading and on which a value is available for the underlying investments held by a particular Fund.

3.2 INVESTING IN FUNDS (SEGREGATED FUNDS)

The Policyholder may request, at any time, to invest in one or more Funds offered by the Company. The Company reserves the right to limit amounts invested in a Fund.

Fund Units are credited to the Contract on the Valuation Date coinciding with the date on which the Company receives the request to invest a Premium in the Funds, or on the first Valuation Date following, if the request to invest is received after 4:00 p.m. eastern time. The number of Fund Units credited to the Contract will be the amount allocated to the Fund by the investment of the Premium, divided by the Current Value of a Fund Unit of the Fund determined on the Valuation Date on which the Units were credited to the Contract.

THE MARKET VALUE OF THE PREMIUMS INVESTED IN THE FUNDS AND THE CURRENT VALUE OF EACH FUND'S UNITS CREDITED TO THE CONTRACT ARE NOT GUARANTEED SINCE THESE VALUES FLUCTUATE WITH THE MARKET VALUE OF THE ASSETS ALLOCATED TO EACH FUND.

3.3 FUNDS

The Company offers a variety of Funds in which the Policyholder can invest the initial Premium and subsequent Premiums. From time to time, existing Funds may be terminated (see Section 3.13 *TERMINATION OF A FUND*) or new Funds may be added. **If no instructions are provided as to the investment of a Premium in each Fund, the entire Premium will be invested in the daily interest fund (see the specific provisions of Section 2 for more details).**

3.4 FUNDAMENTAL CHANGES

The Company will notify the Policyholder in writing at least sixty (60) days before making a fundamental change to a Fund. This written notice will advise the Policyholder what change will be made and when it will become effective. A fundamental change includes an increase in the management fee charged against the assets of a Fund, a change in the fundamental investment objectives of a Fund and/or a decrease in the frequency with which Units of a Fund are valued.

Upon receipt of notice of a fundamental change, the Policyholder will have the right to:

i) transfer the Premiums invested in the Fund which is the subject of a fundamental change to a similar Fund offered by the Company that is not subject to the fundamental change without incurring any Surrender Fees or similar fees and without affecting any other rights or obligations of the Policyholder under the Contract; or

ii) surrender the Premiums invested in the Fund which is the subject of a fundamental change, if the Company does not offer a similar Fund, without incurring any Surrender Fees or similar fees.

A similar Fund means a Fund that has comparable fundamental investment objectives, is in the same Fund category (in accordance with Fund categories published in a financial publication with broad distribution) and has the same or a lower management fee than the management fee and insurance fee of the Fund in effect at the time the notice is given for the Fund being terminated.

The Company must receive the Policyholder's election at least five (5) days prior to the expiry of the notice period required for a fundamental change. The notice will be sent by regular mail to the Policyholder's last known address as shown in Company records. During the notice period, the Company may provide that the Policyholder shall not be permitted to invest in the Fund subject to the fundamental change, unless he/she agrees to waive the right to redeem without charges.

3.5 MARKET VALUE OF FUND ASSETS AND CURRENT VALUE OF A FUND UNIT

The market value of the assets allocated to each Fund and the Current Value of a Fund Unit are determined every Valuation Date. The Company reserves the right to adjust the frequency and dates of these regular valuations. However, in no event will a valuation be made less frequently than once a month (see Section 3.4 *FUNDAMENTAL CHANGES*).

Special valuations may be made on days other than regular Valuation Dates. The valuation of the Funds and the underlying investments may be delayed or postponed if the stock market is closed or if transactions are suspended on assets allocated to the Funds in question. In this case, the valuation will take place as soon as possible. The valuation will be based on the closing sales price on the preceding business day on a nationally recognized stock exchange, and in all other cases, on the fair market value as determined by the Company.

Income from dividends, interest and net capital gains is reinvested in the Fund and used to increase the Current Value of a Fund Unit. The Company reserves the right to change this method following written notice to the Policyholder.

Current Value of a Fund Unit

The Current Value of a Fund Unit is determined by dividing the market value of the net assets allocated to the Fund by the number of Units of the Fund. The Current Value of a Fund Unit on a specific date is the Current Value on the Valuation Date that coincides with this date, or at the first Valuation Date following, if none coincides. When Units of an underlying fund are allocated to a Fund, the investment advisor of the underlying fund will also use the method described above for the determination of the current value of a Fund Unit for the Company to use.

The Company reserves the right to divide the Fund Units. In such a case, the Company will modify the number of Units credited to the Contract so that the division will not affect the Market Value of the Premiums invested in the Funds.

THE CURRENT VALUE OF EACH FUND'S UNITS IS NOT GUARANTEED, BUT MAY FLUCTUATE WITH THE MARKET VALUE OF THE ASSETS ALLOCATED TO EACH FUND.

Market Value of Fund Assets

The Market Value of the assets allocated to a Fund (also referred as "Fund assets") on a Valuation Date is determined by calculating the total market value of all the underlying investments allocated to this Fund minus any fees and expenses (such as management fees and operating expenses) on that date. In addition, assets purchased but not paid for as well as any expenses incurred are deducted from the value of the assets. The only expenses charged to the Funds are those assignable to those Funds.

THE MARKET VALUE OF FUND ASSETS FOR EACH FUND IS NOT GUARANTEED, BUT MAY FLUCTUATE WITH THE MARKET VALUE OF THE UNDERLYING INVESTMENT(S) ALLOCATED TO EACH FUND.

3.6 SALES CHARGE OPTIONS

Front-end Option

If the Policyholder invests in the Funds under the Front-end Option, a sales charge of up to 5% of the Premium to be invested in the Funds is negotiated by the Policyholder and is paid to his/her life insurance agent. The sales charge payable by the Policyholder will depend on the negotiation between the Policyholder and the life insurance agent.

Deferred Sales Charge Option

If the Policyholder invests in the Funds under a Deferred Sales Charge Option (also referred as "DSC Option"), Surrender Fees will be charged on surrenders of Premiums invested in the Fund if the surrender is made within six (6) years following the date on which each debited Unit was credited to the Contract subject to the Surrender Limit (see Right to Surrender–Without Surrender Fees subsection below). The fees correspond to a percentage of the value of the Premium surrendered on the date of its investment in the Funds.

The following table illustrates how the Surrender Fees are applied:

Year Units were surrendered	Fees as a % of the current market value of surrendered Units
1st and 2nd year	5%
3rd year	4%
4th year	3%
5th and 6th years	2%
7th and subsequent years	0%

Surrenders are applied such that the Fund Units credited to the Contract least recently are surrendered first.

Surrender fees do not apply to surrender of Premiums invested in the Money Market Fund Units unless these amounts were previously invested in other Funds.

Right to Surrender–Without Surrender Fees

If the DSC Option has been selected for Premiums, those Premiums may be surrendered without incurring a surrender fee so long as the surrender amount does not exceed a certain amount (the "Surrender Limit") per calendar year.

The Surrender Limit is calculated as follows: Up to 10% of the Market Value of the Premiums invested in the Funds as determined on the last Valuation Date of the year preceding the surrender, plus 10% of the sum of the Current Value, on the date of the surrender request, of all the Fund Units credited to the Contract during the calendar year in which the surrender is requested.

Also, under the same Contract, the right to surrender without Surrender Fees (10%) may also apply to the transfer from a Fund to guaranteed investments offered by the Company with a term equal to or greater than one (1) year.

However, Surrender Fees shall apply in all circumstances to surrenders made for transfers from Funds to the daily interest fund or when the transfer is made to another contract of the Company. Surrender Fees also apply in all circumstances for a transfer to other financial institutions. The Premiums surrendered pursuant to the Periodic Income Program are included in calculating the Premiums surrendered without Surrender Fees.

Any Premiums surrendered pursuant to the Periodic Income Program (PIP) are included in determining whether or not a surrender falls within the DSC Surrender Limit for a particular year.

The free surrender privilege is not cumulative and cannot be carried forward to future years. The Company may, at any time, modify the free surrender privilege and a transaction fee of $35 may apply. The Company may modify this transaction fee at any time.

3.7 MANAGEMENT FEES AND OPERATING EXPENSES

Management fees are paid to the Company. They vary from Fund to Fund and are deducted from each Fund on each Valuation Date. The fees are determined on the market value of the assets allocated to a Fund on each Valuation Date.

The rate of management fees may be modified from time to time but shall never exceed the rate of management fees in effect on May 31, 2007 plus 2.00%.

The insurance fees, which are the fees associated with the benefits guaranteed under the Contract (see Section 3.15 *GUARANTEES*) are embedded in the management fee. The commission payable to the life insurance agent for the initial investment in the Company's Funds and the service fees which are paid monthly to the life insurance agent as long as the Contract is in force are also embedded in the management fees. Please refer to the *Information Folder* for the current management fees of each Fund, stipulated on an annual basis.

An increase in the management fees would be considered as a fundamental change and would give the Policyholder certain rights (see Section 3.4 *FUNDAMENTAL CHANGES*).

In addition to the management fees, current operating expenses are deducted from the Fund, including:

- Legal, audit, accounting and transfer agent expenses;
- Operating and administrative fees, costs and expenses;
- Policyholder communication fees;
- All other fees incurred by the Fund; and
- Applicable taxes, including goods and services tax (GST).

MER

The management fees, operating expenses and applicable taxes constitute the total amounts charged to the average net assets of the Fund and the ratio of the sum of these fees and expenses is called the "Management expense ratio" (MER). The MER includes all fees and expenses of any underlying investment fund in which the Company invests for the purpose of its Fund.

When the Company invests in an underlying investment fund for the purpose of its Funds, in no event will there be any duplication of management fees at any time.

3.8 SURRENDER OF THE PREMIUMS

At any time on or before the Investment Period Maturity Date, the Policyholder may make a partial or total surrender of the Premiums invested in the Funds (hereafter called a "surrender"). All requests for partial or total surrender must be made in writing. A partial or total surrender may entail Surrender Fees (see Section 3.6 *SALES CHARGE OPTIONS*). The surrender value of the Premiums invested in the Funds is equal to the number of Fund Units debited from the Contract multiplied by the Current Value of the Fund Unit on the Valuation Date coinciding with, or next following, the date on which the Company receives the request to surrender, minus the applicable Surrender Fees.

The Policyholder must indicate the amount to be surrendered in the event of a partial surrender and the particular Fund or Funds from which a portion of the surrender value is to be surrendered. For a Fund, if there are Classic Series Fund Units and Guaranteed Surrender Series Fund Units credited to the Contract, the Policyholder must also indicate which Units of that Fund are to be debited first (Classic Series Fund Units or Guaranteed Surrender Series Fund Units).

In the event of a partial surrender, when there are Fund Units credited to the Contract from the same Fund and the same Series, it is the Fund Units that have been credited to the Contract the longest that are debited first.

All partial surrenders must respect the minimum surrender amount established by the Company. This amount is determined from time to time by the Company.

The Company may suspend the right to surrender Premiums invested in a Fund or postpone the date of payment upon surrender during any period when normal trading is suspended on any exchange on which securities in which the Fund or the underlying investment invests and if those securities are not traded on any other exchange that represents a reasonably practical alternative or with the prior permission of the Canadian securities regulatory authorities.

During any period of suspension there will be no calculation of the Current Value of the Fund Units and no Units will be credited or debited. The calculation of the Current Value of the Fund Unit will resume when trading resumes on the exchange or with the permission of the Canadian securities regulatory authorities. If the right to surrender Premiums invested in a Fund is suspended and the Policyholder makes a surrender request during that period, he/she may either withdraw his/her surrender request prior to the end of the suspension period or the Fund Units credited to his/her Contract will be debited in accordance with the request to surrender when the Current Value of the Fund Units is first calculated following the end of the suspension period.

THE SURRENDER VALUE OF PREMIUMS INVESTED IN THE FUNDS IS NOT GUARANTEED WHEN A PARTIAL OR TOTAL SURRENDER IS MADE BUT MAY FLUCTUATE WITH THE MARKET VALUE OF THE ASSETS ALLOCATED TO EACH FUND.

3.9 DOLLAR COST AVERAGING (DCA)

The Policyholder may, upon request, participate in the Dollar Cost Averaging investment plan (DCA) for any Contracts registered as an RSP under the *Income Tax Act* (Canada), LIRA Contracts and non-registered Contracts. The Dollar Cost Averaging investment plan is not available for any Contracts registered as a RIF under the *Income Tax Act* (Canada). Through this plan, the Policyholder initially invests his/her Premium in the Money Market Fund. Each month, a designated amount, determined by the Policyholder, is automatically transferred from the Money Market Fund in order to invest in selected Funds of the Contract for a specified length of time (between 6 and 12 months). This transaction requires a monthly minimum investment of $25 per Fund.

3.10 PERIODIC INCOME PROGRAM (PIP)

The Policyholder may, upon written request, participate in the Periodic Income Program (PIP) for any non-registered and RRSP Contracts only. The Policyholder can choose to receive the income on a monthly or annual basis. The minimum amount of periodic income paid to the

Policyholder must be at least $1,000 on an annual basis or $100 on a monthly basis.

The Policyholder may terminate the PIP at any time by sending a written request to the Company. The Company can modify the PIP from time to time.

ANY PORTION OF THE TOTAL VALUE OF PREMIUMS INVESTED IN FUNDS SURRENDERED TO MAKE PAYMENTS UNDER THE PERIODIC INCOME PROGRAM IS NOT GUARANTEED BUT MAY FLUCTUATE WITH THE MARKET VALUE OF EACH FUND'S ASSET.

3.11 TRANSFERS BETWEEN FUNDS

The Policyholder may request, in writing, that the Current Value of Fund Units credited to the Contract be transferred and invested in another available Fund. Only transfers of Funds of the same Series or from the Classic Series to the Guaranteed Surrender Series are allowed, subject to some age restrictions and consequences on the guarantees. Please refer to provisions of Section 3.15.2 d) *GUARANTEED MINIMUM SURRENDER BENEFIT (GMSB)* and the *Information Folder* for more details.

If a transfer of Funds from the Classic Series to the Guaranteed Surrender Series occurs, the Guaranteed Minimum Value at Death of the Classic Series will be reduced proportionately and the Guaranteed Minimum Value at Death of the Guaranteed Surrender Series will be increased by 100% of the value of the amount transferred. Consequently, the Guaranteed Minimum Value at Maturity of the Classic Series will decrease proportionately since the Guaranteed Minimum Value at Maturity of the Guaranteed Surrender Series will be increased by 75% of the amount transferred. If the transfer is the first investment in the Guaranteed Surrender Series Funds, the Valuation Date of the investment of the Premiums in the Guaranteed Surrender Series Funds will set the Initial Investment Date of the Guaranteed Surrender Series. Also, the amount transferred will set the initial GSB Bonus Base and the initial GSB which then determines the annual GSA and the LSA if the Policyholder selects the Lifetime Surrender Option and the Annuitant is sixty-five (65) years of age or older.

The Units credited following a transfer will retain the date the debited Units were credited to the Contract. However, Units credited to the Contract following a transfer of the value of the Units of the Money Market Fund to a Fund shall be credited to the Contract at the Valuation Date on which the Current Value of the Money Market Fund Units was determined. No surrender fee will be charged in these circumstances.

The value of the Units credited and debited following a transfer will be based on the Current Value of each Unit of the Funds for which a transfer request is received and on the Valuation Date upon which the transfer request is received by the Company.

The balance of the investment in a Fund after a transfer may not be less than the minimum amount required, otherwise the entire investment in the Fund must be transferred to the new Fund. This minimum is determined from time to time by the Company. The Company reserves the right to charge transaction fees on transfers at any time.

THE CURRENT VALUE OF FUND UNITS DEBITED OR CREDITED WHEN A TRANSFER IS MADE IS NOT GUARANTEED BUT MAY FLUCTUATE WITH THE MARKET VALUE OF THE ASSETS OF THE PARTICULAR FUND SUPPORTING THEM.

3.12 FREQUENT TRADING

The Company reserves the right to charge, at any time, a transaction fee equal to 2% of the amount of the transaction if the surrender or transfer is requested, more than once a year, within sixty (60) days following the date of investment in the Fund. The charged fees will be invested in the assets of the specific Fund. The Company may modify this transaction fee at any time.

These fees do not apply to Premiums surrendered or transferred under the Company's systematic plans (such as Pre-Authorized Chequing Plan and Periodic Income Program).

In addition to any applicable frequent trading fees, the Company may, at its sole discretion, refuse future Premiums or transfer of Premium requests if the Company determines that the Policyholder's trading activities may be detrimental to the Funds or the underlying investments.

3.13 TERMINATION OF A FUND

Subject to Section 3.4 *FUNDAMENTAL CHANGES* of this Contract, the Company reserves the right to terminate a Fund at any time. At least sixty (60) days before the termination date of the Fund, the Company will send a notice to those Policyholders who have Units of the Fund credited to their Contract. Up to five (5) days prior to the termination date of the Fund, Policyholders may request that the Current Value of the affected Fund Units credited to the Contract be transferred to and invested in another Fund currently available. If the Policyholder does not request a transfer, the Company will transfer the Fund Units into the Fund of its choice. The Current Value of Fund Units transferred and invested in another Fund will be determined on the Valuation Date on which the Company terminates the Fund. Otherwise, the transfer will be subject to Section 3.11 *TRANSFERS BETWEEN FUNDS*.

THE CURRENT VALUE OF FUND UNITS DEBITED OR CREDITED IS NOT GUARANTEED WHEN A TRANSFER IS MADE BUT MAY FLUCTUATE WITH THE MARKET VALUE OF THE ASSETS OF THE PARTICULAR FUND SUPPORTING THEM.

3.14 INVESTMENT POLICY CHANGES

The Company reserves the right to modify the investment policy of a Fund at any time to better meet the stated investment objectives of the Fund. Such changes to investment policy shall not require prior written notification to be sent to the Policyholder. Any change in the investment objectives of a Fund will be considered a fundamental change (see Section 3.4 *FUNDAMENTAL CHANGES*).

3.15 GUARANTEES

Each Series provides its own guarantees as fully described in the following sections.

3.15.1 CLASSIC SERIES

a) Guaranteed Minimum Value at Maturity for the Classic Series

The Guaranteed Minimum Value at Maturity for the Classic Series is equal to 75% of the value of all the Premiums invested in the Classic Series Funds on the Guarantee Maturity Date subject to the following. The Guaranteed Minimum Value at Maturity for the Classic Series may vary as follows:

1) the Guaranteed Minimum Value at Maturity increases when additional Classic Series Fund Units are credited to the Contract (excluding transfers from one Fund to another Fund and which are in the same Series) in a proportion of 75% of the Premiums;
2) the Guaranteed Minimum Value at Maturity is adjusted in proportion to the decrease in the Market Value of the Premiums invested in the Classic Series Funds when any Classic Series Fund Units are debited from the Contract (excluding transfers from one Fund to another Fund and which are in the same Series); and
3) is reduced to zero when there is no remaining value in the Classic Series or if the Contract is cancelled or terminated.

b) Guaranteed Minimum Value at Death for the Classic Series

For the Classic Series, the Guaranteed Minimum Value at Death is equal to 75% of the value of all the Premiums invested in the Classic Series Funds and may vary as follows:

1) the Guaranteed Minimum Value at Death increases when additional Classic Series Fund Units are credited to the Contract (excluding transfers from one Fund to another Fund and which are in the same Series) in a proportion of 75% of the Premiums;
2) the Guaranteed Minimum Value at Death is adjusted in proportion to the decrease in the Market Value of the Premiums invested in the Classic Series Funds when any Classic Series Fund Units are debited

from the Contract (excluding transfers from one Fund to another Fund and which are in the same Series); and

3) is reduced to zero when there is no remaining value in the Classic Series or if the Contract is cancelled or terminated.

c) Application of the Guarantees for the Classic Series

On the Guarantee Maturity Date

If, on the Valuation Date coinciding with the Guarantee Maturity Date (or the first Valuation Date following, if none coincides), the Guaranteed Minimum Value at Maturity for the Classic Series is higher than the Market Value of the Premiums invested in the Classic Series Funds on that date, the Company will make up the difference by crediting Classic Series Fund Units at their Current Value which have an aggregate value equal to the difference between the Guaranteed Minimum Value at Maturity for the Classic Series and the Market Value of the Premiums invested in the Classic Series Funds. Said Units are invested in the Money Market Fund of the Classic Series. The date on which these Units are credited to the Contract is deemed to be the Guarantee Maturity Date.

At death

On the death of the Annuitant, before the Investment Period Maturity Date, the Guaranteed Minimum Value at Death for the Classic Series will be the higher of:

a) the Market Value of the Premiums invested in the Classic Series Funds on the date the Company receives all documents required to settle a claim; and

b) the Guaranteed Minimum Value at Death for the Classic Series on the reception date described previously.

THE MARKET VALUE OF THE PREMIUMS INVESTED IN THE CLASSIC SERIES FUNDS IS NOT GUARANTEED SINCE IT VARIES ACCORDING TO FLUCTUATIONS IN THE MARKET VALUE OF THE ASSETS OF THE PARTICULAR FUND SUPPORTING THEM.

3.15.2 GUARANTEED SURRENDER SERIES

a) Guaranteed Minimum Value at Maturity for the Guaranteed Surrender Series

The Guaranteed Minimum Value at Maturity for the Guaranteed Surrender Series is equal to 75% of the value of all the Premiums invested in the Guaranteed Surrender Series Funds on the Guarantee Maturity Date. The Guaranteed Minimum Value at Maturity for the Guaranteed Surrender Series may vary as follows:

1) the Guaranteed Minimum Value at Maturity increases when additional Guaranteed Surrender Series Fund Units are credited to the Contract (excluding transfers from one Fund to another Fund and which are in the same Series) in a proportion of 75% of the Premiums;

2) the Guaranteed Minimum Value at Maturity is adjusted in proportion to the decrease in the Market Value of the Premiums invested in the Guaranteed Surrender Series Funds when any Guaranteed Surrender Series Fund Units are debited from the Contract (excluding transfers from one Fund to another Fund and which are in the same Series); and

3) is reduced to zero when there is no remaining value in the Guaranteed Surrender Series or if the Contract is cancelled or terminated.

b) Guaranteed Minimum Value at Death for the Guaranteed Surrender Series

For the Guaranteed Surrender Series, the Guaranteed Minimum Value at Death is equal to 100% of the value of all the Premiums invested in the Guaranteed Surrender Series Funds and may vary as follows:

1) the Guaranteed Minimum Value at Death increases when additional Guaranteed Surrender Series Fund Units are credited to the Contract (excluding transfers from one Fund to another Fund and which are in the same Series) in a proportion of 100% of the Premiums;

2) the Guaranteed Minimum Value at Death is adjusted in proportion to the decrease in the Market Value of the Premiums invested in the Guaranteed Surrender Series Funds when any Guaranteed Surrender Series Fund Units are debited from the Contract (excluding transfers from one Fund to another Fund and which are in the same Series);

3) is reduced to zero when there is no remaining value in the Guaranteed Surrender Series or if the Contract is cancelled or terminated; and

4) may be increased by a reset of the Guaranteed Minimum Value at Death for the Guaranteed Surrender Series.

c) Application of the Guarantees for the Guaranteed Surrender Series

On the Guarantee Maturity Date

If, on the Valuation Date coinciding with the Guarantee Maturity Date (or the first Valuation Date following, if none coincides), the Guaranteed Minimum Value at Maturity for the Guaranteed Surrender Series is higher than the Market Value of the Premiums invested in the Guaranteed Surrender Series Funds on that date, the Company will make up the difference by crediting Guaranteed Surrender Series Fund Units at their Current Value which have an aggregate value equal to the difference between the Guaranteed Minimum Value at Maturity for the Guaranteed Surrender Series and the Market Value of the Premiums invested in the Guaranteed Surrender Series Funds. Said Units are invested in the Money Market Fund of the Guaranteed Surrender Series. The date on which these Units are credited to the Contract is deemed to be the Guarantee Maturity Date.

At death

Subject to the *Reset of the Guaranteed Minimum Value at Death for the Guaranteed Surrender Series* subsection of Section 3.15.2 c), on the death of the Annuitant, before the Investment Period Maturity Date, the Guaranteed Minimum Value at Death for the Guaranteed Surrender Series will be the higher of:

a) the Market Value of the Premiums invested in the Guaranteed Surrender Series Funds on the date the Company receives all documents required to settle a claim; and

b) the Guaranteed Minimum Value at Death for the Guaranteed Surrender Series on the reception date described previously.

THE MARKET VALUE OF THE PREMIUMS INVESTED IN THE GUARANTEED SURRENDER SERIES FUNDS IS NOT GUARANTEED SINCE IT VARIES ACCORDING TO FLUCTUATIONS IN THE MARKET VALUE OF THE ASSETS OF THE PARTICULAR FUND SUPPORTING THEM.

Reset of the Guaranteed Minimum Value at Death for the Guaranteed Surrender Series

On each third Guaranteed Surrender Series Anniversary Date and up to and including the Annuitant's eightieth (80th) birthday, the Company will proceed with an automatic tri-annual reset of the Guaranteed Minimum Value at Death for the Guaranteed Surrender Series. The new Guaranteed Minimum Value at Death for the Guaranteed Surrender Series will be the higher of:

a) the Market Value of the Premiums invested in the Guaranteed Surrender Series Funds on the Guaranteed Surrender Series Anniversary Date; and

b) the current Guaranteed Minimum Value at Death for the Guaranteed Surrender Series.

If new Premiums are invested in the Guaranteed Surrender Series Funds between two resets or after the last reset is performed, the Guaranteed Minimum Value at Death for the Guaranteed Surrender Series shall equal the total of the Guaranteed Minimum Value at Death for the Guaranteed Surrender Series determined on the last reset performed and 100% of all the Premiums invested in the Guaranteed Surrender Series Funds since the last reset was performed.

d) Guaranteed Minimum Surrender Benefit (GMSB)

In addition to the Guaranteed Minimum Value at Maturity and the

Guaranteed Minimum Value at Death, the Guaranteed Surrender Series provides for the GMSB.

The amount of the initial Premium invested in the Guaranteed Surrender Series Funds, including any first transfer of the Classic Series to the Guaranteed Surrender Series, cannot be less than $25,000.

All terms used in this subsection are defined in Section 3.1 *Specific Definitions to Funds* of this Contract.

Following any surrender of Premiums invested in the Guaranteed Surrender Series Funds, the GSB will be reduced by an amount equal to the sum of the Current Value of all the Guaranteed Surrender Series Funds Units debited. However, the GSB, the GSB Bonus Base, the GSA and/or the LSA may be negatively impacted if the total surrenders of Premiums invested in the Guaranteed Surrender Series Funds in any given calendar year are greater than the annual GSA plus any GSA Deferral, the LSA or, if applicable, the Guaranteed Surrender RRIF Minimum Amount. Please refer to the *GSB Downward Adjustment* subsection of Section 3.15.2 d) for more details.

Investment of Subsequent Premiums

Each time the Policyholder invests a Premium in the Guaranteed Surrender Series Funds or each time a transfer of Premiums from the Classic Series to the Guaranteed Surrender Series occurs, the GSB and the GSB Bonus Base will be increased by an amount equal to 100% of the Premiums invested in the Guaranteed Surrender Series Funds at the time of investment.

Maximum Age to Invest Premiums in the Guaranteed Surrender Series Funds

The maximum age to invest any Premium in the Guaranteed Surrender Series Funds, including the transfer of any Premium already invested in the Classic Series to the Guaranteed Surrender Series, is the date on which the Annuitant has reached the age of eighty (80) years. However, if the Contract is a Life Income Fund (LIF) or a Locked-in Retirement Account (LIRA) under any applicable pension legislation, the maximum age to invest a Premium is the earlier of a) the date on which the Annuitant has reached the age of eighty (80) years, and b) the date which is twenty (20) years prior to the date on which an annuity must be purchased depending on the applicable legislation.

Surrenders of the Premiums Invested in the Guaranteed Surrender Series Funds

At any time on or before the Investment Period Maturity Date, the Policyholder may partially or totally surrender the Premiums invested in the Guaranteed Surrender Series Funds. Any surrender of Premiums invested in the Guaranteed Surrender Series Funds will reduce the GSB by an amount equal to the sum of the Current Value of all the Guaranteed Surrender Series Fund Units debited from the Contract. Surrenders made in the first fifteen (15) years following each Initial Investment Date of the Guaranteed Surrender Series may also have an impact on the GSB Bonuses and the remaining GSA, the GSA Deferral and the remaining LSA, if applicable (see the appropriate subsections for more details). The surrender of any Premium invested in the Guaranteed Surrender Series Funds is subject to Section 3.8 *SURRENDER OF THE PREMIUMS.*

If surrenders of the Premiums invested in the Guaranteed Surrender Series Funds exceed, in any given calendar year, the greater of the current GSA plus any GSA Deferral and, if applicable, the Guaranteed Surrender RRIF Minimum amount, a GSB Downward Adjustment will be applied. In this case, the GSB may be reduced by more than the sum of the Current Value of all the Guaranteed Surrender Series Fund Units debited from the Contract. For more details on the GSB Downward Adjustment, see the appropriate subsection below.

Calculation of the GSA

For the first calendar year of the Guaranteed Surrender Series which starts on the Initial Investment Date of the Guaranteed Surrender Series and ends on December 31 of this same year, the annual GSA is initially set at five percent (5%) of the initial GSB. The GSA for subsequent calendar years, on each December 31 of each year, is the greater of:

a) the current GSA; and

b) 5% of the GSB after all transactions have been processed on or before the end of the calendar year.

If a GSB Downward Adjustment occurs in the current calendar year, the new GSA calculated on December 31 of the current calendar year will be the lesser of:

a) the current GSA, plus an amount equal to 5% of all the Premiums invested in the Guaranteed Surrender Series Funds during that calendar year; and

b) 5% of the greater of:

  i) the current Market Value of the Premiums invested in the Guaranteed Surrender Series Funds; and

  ii) the GSB after all transactions have been processed on or before that date.

Immediately when the GSB reduces to zero, the GSA and the GSA Deferral are also reduced to zero and no other surrenders can be made unless the LSA, if applicable, is greater than zero.

GSA Deferral

If the Policyholder does not surrender Premiums up to the entire annual GSA, during a calendar year, and if no GSB Bonus is added to the remaining GSB during that year, the difference between the annual GSA and the actual amount surrendered during a calendar year can be deferred and surrendered in future calendar years. The GSA Deferral is determined, on December 31 of that year, as follows:

1) the current GSA Deferral, if any;

   plus

2) the greater of:

   a) if no GSB Bonus is added to the GSB during that year, the difference between the GSA established on December 31 of the previous year, or later if initially set during the year, and the total amount of surrenders during the current calendar year; and

   b) zero.

A surrender will first reduce the GSA Deferral. Once fully depleted, the outstanding amount will reduce the remaining GSA. If the outstanding surrender amount is greater than the remaining GSA and, if applicable, the total surrender amount is greater than the Guaranteed Surrender Minimum RRIF Amount, a GSB Downward Adjustment will be applied and the GMSB components may be impacted.

The GSA Deferral shall never exceed the GSA. The GSA Deferral shall never be less than zero.

If the Contract is registered as a LIF and in any year the GSA exceeds the maximum annual LIF surrender permitted by the applicable legislation, the amount that will not be withdrawn may be treated as a GSA Deferral.

In any event, the annual amount of surrender cannot exceed the remaining GSB.

Lifetime Surrender Option

Under the Lifetime Surrender Option, when the Contract enters the Guaranteed Payment Period, if there is still a positive LSA, the Policyholder shall be entitled to receive LSA that will be paid until the Annuitant's death (see subsection *Calculation of the LSA* below to know how the LSA is established).

If the Policyholder selects the Lifetime Surrender Option, certain investment restrictions apply. As long as Premiums are invested in the Guaranteed Surrender Series Funds, a minimum of 20% of all Premiums invested in the Guaranteed Surrender Series Funds shall have exposure to the income asset class. The weighting of the income asset class in each Fund is described in the *Information Folder*. The Company may also reallocate the Policyholder's Premiums invested in the Funds, in its sole discretion, in order to comply with this investment restriction.

Calculation of the LSA

If the Annuitant is sixty-five (65) years of age or older when the Policyholder selects the Lifetime Surrender Option, the LSA is initially set at five percent (5%) of the initial GSB.

If the Annuitant has not attained sixty-five (65) years of age when the Policyholder selects the Lifetime Surrender Option, the LSA is calculated once a year commencing on December 31 of the year the Annuitant attains sixty-five (65) years of age. The initial LSA will be set at five percent (5%) of the GSB after all transactions have been processed on or before that date.

The LSA for subsequent calendar years is established on December 31 of each year as the greater of:

a) the current LSA; and
b) 5% of the GSB after all transactions have been processed on or before the end of the calendar year.

If a GSB Downward Adjustment does not occur but the surrenders of the Premiums invested in the Guaranteed Surrender Series Funds exceed, in any given calendar year, the greater of the LSA and the Guaranteed Surrender Series RRIF Minimum Amount, the new LSA calculated on December 31 of the current calendar year will be set at 5% of the GSB after all transactions have been processed on or before the end of the calendar year.

If a GSB Downward Adjustment occurs in the current calendar year, the new LSA calculated on December 31 of the current calendar year will be the lesser of:

a) the current LSA, plus an amount equal to 5% of all the Premiums invested in the Guaranteed Surrender Series Funds during that calendar year; and
b) 5% of the greater of:
   i) the current Market Value of the Premiums invested in the Guaranteed Surrender Series Funds; and
   ii) the GSB after all transactions have been processed on or before that date.

Each surrender in excess of the LSA may affect the method of calculating the subsequent LSA.

GSB

Subject to the provisions of the subsection *Reset of GSB* below, the Guaranteed Surrender Balance, hereinafter referred to as "GSB", is equal to 100% of the Premium invested in the Guaranteed Surrender Series Funds on the Initial Investment Date of the Guaranteed Surrender Series. Any subsequent Premiums invested in the Guaranteed Surrender Series Funds or any surrender of Premiums invested in the Guaranteed Surrender Series Funds will cause the GSB to vary in an amount equal to the Premium surrendered or invested, subject to the GSB Downward Adjustment if applicable. The GSB is used to determine the annual GSA, the annual LSA and the GMSB relied on.

In no event shall the GSB be less than zero.

GSB Fee

In order to provide the GMSB, a fee will be charged to the Policyholder and paid to the Company through an automatic surrender of Premiums invested in the Guaranteed Surrender Series Funds. This shall result in debiting Units in the Guaranteed Surrender Series from the Contract.

The annual GSB Fee is determined on each December 31 after all transactions have been processed, including any GSB Bonus, and is paid quarterly, starting in January of the following calendar year, to the Company on the day of the Guaranteed Surrender Series Anniversary Date (or on the first Valuation Date following, if none coincides). The GSB Fee is charged proportionately through debits of Guaranteed Surrender Fund Units in proportion of the Market Value of the Premiums invested in each Guaranteed Surrender Series Fund on that Valuation Date. The GSB Fee depends on the category of the Funds in which the Premiums are invested and the GSB. Please refer to the *Information Folder* for more details.

Any automatic surrender of Premiums invested in the Guaranteed Surrender Series Funds made to pay this fee does not affect any Guaranteed Minimum Value at Death, any Guaranteed Minimum Value at Maturity, the GSB, any remaining annual GSA or any remaining LSA.

No GSB Fee is applicable during the Guaranteed Payment Period.

The GSB Fee is not subject to goods and services tax (GST).

The annual GSB Fee is established as follows:

GSB Fee = GSB x $(A_1 \times F_1 + A_2 \times F_2 + \ldots + A_n \times F_n)$

where:

GSB = the GSB on December 31 after all transactions have been processed;

A_i = the annualized proportion based, for each Guaranteed Surrender Series Fund in which the Policyholder has invested Premiums, on the Market Value of the Premiums invested in the Guaranteed Surrender Series Fund during the calendar year, including any of these Premiums that have been surrendered;

F_i = the fund fee rate depending on their category of each Fund. Please refer to the *Information Folder*, Section 3.7.1, to know how the category is determined; and

n = the number of Guaranteed Surrender Series Funds in which Premiums from the Policyholder are invested during the calendar year including the Funds that ceased to be offered under the Guaranteed Surrenders Series during this calendar year.

GSB Bonus Base

The GSB Bonus Base is used to calculate the GSB Bonus.

If no Reset of GSB and/or no GSB Downward Adjustment have been performed since the Initial Investment Date of the Guaranteed Surrender Series, the GSB Bonus Base is equal to:

1) the initial GSB; plus
2) an amount equal to 100% of all the subsequent Premiums invested in the Guaranteed Surrender Series Funds.

The GSB Bonus Base is not reduced by any surrender of Premiums invested in the Guaranteed Surrender Series Funds except if the surrender exceeds the greater of the GSA plus any GSA Deferral and, if applicable, the Guaranteed Surrender RRIF Minimum Amount and causes a GSB Downward Adjustment.

Following any Reset of GSB resulting in an increase of the GSB, the GSB Bonus Base is equal to the sum of A and B;

Where:

- A is the greater of:
  a) the GSB since the last Reset of GSB performed; and
  b) the GSB Bonus Base before the Reset of GSB;
- B is equal to 100% of all the subsequent Premiums invested in the Guaranteed Surrender Series Funds since the last reset performed.

Following any GSB Downward Adjustment, the GSB Bonus Base is equal to the sum of C and D;

Where:

- C is the lesser of:
  a) the GSB after the GSB Downward Adjustment; and
  b) the GSB Bonus Base before the GSB Downward Adjustment;
- D is equal to 100% of all the subsequent Premiums invested in the Guaranteed Surrender Series Funds since the last GSB Downward Adjustment performed.

GSB Bonus

The GSB Bonus is calculated at the end of each year for the first fifteen (15) calendar years, including the year of the Initial Investment Date of the Guaranteed Surrender Series. If the Policyholder does not surrender any Premiums invested in the Guaranteed Surrender Series Funds during the calendar year, the GSB Bonus will increase the GSB. The bonus is established at five percent (5%) of the GSB Bonus Base.

Reset of GSB

On each third Guaranteed Surrender Series Anniversary Date, the Company will proceed with an automatic Reset of GSB. The new GSB will be equal to the higher of:

a) the Market Value of the Premiums invested in the Guaranteed Surrender Series Funds on the Guaranteed Surrender Series Anniversary Date; and

b) the current GSB.

Any Reset of GSB may have an impact on the GSB Bonus Base, the GSA, the GSA Deferral and the LSA. Please refer to the appropriate subsections.

GSB Downward Adjustment

If the total surrenders during a calendar year exceeds the greater of the GSA plus any GSA Deferral and, if applicable, the Guaranteed Surrender RRIF Minimum Amount, the Company will immediately proceed with an automatic GSB Downward Adjustment and will set the new GSB to the lesser of:

a) the current GSB reduced by an amount equal to the sum of the Current Value of all the Guaranteed Surrender Series Fund Units debited from the Contract after the last transaction; or

b) the Market Value of the Premiums invested in the Guaranteed Surrender Series Funds after the surrender of the Premiums during that calendar year.

A GSB Downward Adjustment will be performed immediately after each subsequent surrender during the calendar year.

On any GSB Downward Adjustment, the GSA Deferral, if any, is automatically reset to zero.

Any GSB Downward Adjustment may have an impact on the GSB Bonus Base, the GSA and the LSA. Please refer to the appropriate subsections.

Guaranteed Payment Period

The Guaranteed Payment Period commences when the Market Value of the Premiums invested in the Guaranteed Surrender Series Funds is equal to zero on a certain Valuation Date while the GSB and/or the LSA, if applicable, is still positive on this same date.

During the Guaranteed Payment Period, if the Policyholder has not selected the Lifetime Surrender Option, the Company will pay the last GSA calculated prior to the commencement of the Guaranteed Payment Period until the earliest of the following events:

a) the GSB reaches zero (under no circumstances will the aggregate of the GSA be paid during the Guaranteed Payment Period if it exceeds the GSB);

b) the Contract reaches the Investment Period Maturity Date; or

c) the Company receives, to its sole satisfaction, proof of death of the Annuitant.

Upon the earliest of these events, no further payments under the Guaranteed Surrender Series will be made and the GSB will be reduced to zero.

However, if the Policyholder has selected the Lifetime Surrender Option and the LSA is positive upon the commencement of the Guaranteed Payment Period, the Policyholder will have the option between the GSA, as provided for immediately above, and the last LSA calculated prior to the commencement of the Guaranteed Payment Period which will be paid until the earliest of the following events:

a) the Contract reaches the Investment Period Maturity Date; or

b) the Company receives, to its sole satisfaction, proof of death of the Annuitant.

During the Guaranteed Payment Period, the following will apply:

- No further Premiums can be invested in the Guaranteed Surrenders Series Funds;
- Since the Market Value of the Premiums invested in the Guaranteed Surrender Series Funds has reduced to zero, the Guaranteed Minimum Value at Death and the Guaranteed Minimum Value at Maturity will no longer apply;
- The GSB will be reduced by the amount of each payment; and
- If a GSA is paid to the Policyholder, there will be no further GSA provided under the GMSB once the GSB is reduced to zero.

Guaranteed Surrender Series RRIF Minimum Amount

The Guaranteed Surrender Series RRIF Minimum Amount is only calculated if the Contract is registered as a RIF under the *Income Tax Act* (Canada). This amount is used to avoid any change in the method of calculating the LSA, if applicable, or any GSB Downward Adjustment when the Guaranteed Surrender Series portion of the minimum annual amount that must be made under the Contract as prescribed by the *Income Tax Act* (Canada) is greater than the GSA plus any GSA Deferral. In such a case, the total surrenders from the Guaranteed Surrender Series can go up to the Guaranteed Surrender Series RRIF Minimum Amount without incurring any change in the method of calculating the LSA or any GSB Downward Adjustment. The Guaranteed Surrender Series RRIF Minimum Amount is established on January 1 of every calendar year as follows:

$$\frac{E \times F}{G}$$

Where:

- E is equal to the minimum annual amount that must be surrendered from the Contract as prescribed by the *Income Tax Act* (Canada);
- F is equal to the Market Value of the Premiums invested in the Guaranteed Surrender Series Funds on the date on which the Guaranteed Surrender Series RRIF Minimum Amount is calculated; and
- G is equal to the Book Value of the Contract on this date.

4. SPECIFIC PROVISIONS TO THE LIFE INVESTMENT

(Only available if the contract is registered as a RIF under the terms of the *Income Tax Act* (Canada))

In these provisions, the Annuitant refers to the Policyholder.

A life investment is made up of a premium invested in this investment vehicle at a guaranteed interest rate. Once this premium is invested, the Company agrees to pay a life income to the Annuitant. The life income is determined based on the premium invested, the selected payment frequency, the applicable interest rate, the Company's administrative rules, mortality tables, fees in effect at the Company, the guarantee at death selected by the Annuitant, as well as the age of the Annuitant when the premium is invested in a life investment. The guaranteed interest rate that applies to the invested premium varies according to the amount of the premium and the age of the Annuitant when the investment is made.

PAYMENT OF THE LIFE INCOME

Life income payments are made according to the selection made by the Annuitant in the section of the application referring to the Contract's retirement benefits and life income payments or failing selection, according to the terms of the Contract. No modification can be made to the frequency of the life income payments or to the day of the month on which the payments are made.

Unless a partial or total surrender is made from the life investment, no amendment can be made to the life income payment, even if the total life income payments for a year is higher than the minimum prescribed by law (see the *RETIREMENT INCOME PAYMENTS* Section in the Retirement Income Fund Endorsement.

GUARANTEES

Two types of guarantee are offered to the Annuitant when the initial investment is made under the life investment. The Annuitant selects the type of guarantee in the application. The following guarantees are offered:

Cash refund guarantee: The Company guarantees that when the Annuitant dies, the book value of the life investment on the date of death will be payable. It is possible for the book value of the life investment to equal zero.

Floor cash refund guarantee: The Company guarantees that on the death of the Annuitant, the value of the life investment payable will be the higher of a) and b):

where:

a) is equal to the book value of the life investment on the date of death; and

b) is equal to 10% of the premium initially invested in the life investment, reduced in the event of a partial surrender in proportion to the decrease in the book value of the life investment following the partial surrender made (hereinafter called the "floor cash refund").

BOOK VALUE

The book value of the life investment is equal to the greater of a) and b):

where:

a) is equal to the premium initially invested in the life investment less partial surrenders and less the total life income payments already made.

b) is equal to the value of the floor cash refund. The value of the floor cash refund will only be applicable if the Annuitant selects the floor cash refund guarantee option in the application. See the "Guarantees" clause for more details on the floor cash refund option and the floor cash refund.

SURRENDER

The Annuitant may make a partial or total surrender of the life investment at any time on or before the Investment Period Maturity Date.

Any partial surrender shall result in a decrease in the future life income payments. Once a partial surrender is made, life income payments are reduced in proportion to the decrease in the book value of the life investment following the partial surrender.

SURRENDER VALUE

The surrender value of a life investment is equal to:

- total surrender: the book value of the life investment on the surrender date minus the Surrender Fees;
- partial surrender: amount of the surrender minus Surrender Fees.

When a partial or total surrender is made, Surrender Fees (see the *SURRENDER FEES* Section) and administrative fees of $100 are applicable.

SURRENDER FEES

The Surrender Fees for a life investment are calculated as follows:

Surrender Fees = amount of surrender x (3% + D x (y2 – y1))

Where:

y1 is equal to the average yield on Government of Canada marketable bonds with a maturity of more than 10 years in effect when the Contract is issued;

y2 is equal to the average yield on Government of Canada marketable bonds with a maturity of more than 10 years in effect when the surrender is requested; and

Where the difference between y2 and y1 cannot be negative.

Where D is defined as being the higher of i) and ii), which are defined as follows:

i) is equal to 100 minus the age of the Annuitant when the surrender is made, divided by 3;

ii) is equal to 3.

TERMINATION OF THE LIFE INVESTMENT

The life investment payments terminate on the death of the Annuitant or on the total surrender of this investment vehicle. At the Investment Period Maturity Date, the surrender value of the life investment at this date is transferred to a life annuity as defined in Section 1.9 *ANNUITY* of the General Provisions.

5. RETIREMENT SAVINGS PLAN ENDORSEMENT

SECTION 146 OF THE *INCOME TAX ACT* (CANADA) IF SELECTED IN THE APPLICATION

Further to the Annuitant's request to register this Contract as a registered retirement savings plan under the terms of the *Income Tax Act* (Canada) and provincial income tax laws, this endorsement modifies the Contract as follows:

GENERAL

In this plan:

- the term "*Income Tax Act*" or simply, the "Act", refers to Section 146 of the *Income Tax Act* (Canada) and any other applicable provisions of that Act, as amended from time to time, as well as any applicable provincial income tax legislation;
- "you" and "your" refer to the Policyholder or the Annuitant as defined in the Act;
- "spouse" means spouse or common-law partner in accordance with the Act;
- "RRSP" means Registered Retirement Savings Plan as defined in the Act;
- "RRIF" means Registered Retirement Income Fund as defined in the Act.

Conferring Benefits

No advantage conditional in any way upon the existence of this plan may be extended to you or to a person with whom you are not dealing at arm's length in accordance with paragraph 146(2)c.4) of the Act.

Investment Period Maturity Date

The Investment Period Maturity Date of this plan is any date selected by you which must not be after the end of the calendar year of your seventy-first (71st) birthday, or any other age which may be stipulated in the Act as the maximum age. Upon investment period maturity, you may elect to receive an immediate annuity income in any form permitted by the Act or you may elect to purchase a RRIF or to convert this plan into a RRIF, as defined in the Act. If you do not make an election, a RRIF benefit, as described in the Contract (see Section 1.10 *AUTOMATIC CONVERSION*), will be deemed to have been selected on your behalf by the Company. The immediate annuity must provide for equal annual or more frequent income payments.

The Company will not accept any contributions after the maturity date.

Death Benefit

If you die before income payments commence, the proceeds will be paid to your Beneficiary or to your estate, if there is no Beneficiary, in cash as a lump sum, unless a "refund of Premiums" as defined in the Act has been requested. If you die after income payments have commenced under the annuity or the RRIF option and the beneficiary is not your spouse, the commuted value of any remaining income payments if any, will be paid in one sum to your designated beneficiary, if there is one, otherwise to your estate.

The total amount of the annuity installments paid to the spouse from the plan during a year following the death of the Annuitant may not exceed the total amount of the annuity payments made during one of the years prior to the Annuitant's death.

Over-contributions

This plan permits the payment of an amount, not exceeding the Book Value of the Contract, where such amount is paid to reduce the amount of tax otherwise payable under Part X.1 of the Act.

Surrenders and Transfers

Subject to any restrictions contained in this Contract, prior to the Investment Period Maturity Date of this plan, you may elect to direct the Company to:

- transfer all or a portion of the Premiums invested in the Plan to
  - a) a registered pension plan;
  - b) another RRSP;
  - c) a RRIF;
  - d) purchase an immediate annuity as per the Act; or
- surrender an amount in cash, subject to applicable withholding taxes.

Assignment

This plan and payments thereunder may not be assigned, either in whole or in part.

Legislation Changes

The Company shall have the right to amend any of the registration provisions of this plan resulting from changes to the applicable legislation without providing written notice to the Policyholder.

6. RETIREMENT INCOME FUND ENDORSEMENT

IN REFERENCE TO SECTION 146.3 OF THE *INCOME TAX ACT* (CANADA) AND IN ACCORDANCE WITH THE CHOICE SPECIFIED IN THE REQUEST.

Further to the Further to the Annuitant's request to register this Contract as a registered retirement income fund under the terms of the *Income Tax Act* (Canada) and provincial income tax legislation or where the Annuitant has attained age 71 on a registered retirement savings plan and has not selected another option (see Section 1.10 *AUTOMATIC CONVERSION* of the Contract), this endorsement modifies the contract as follows:

In this endorsement:

- "Act" means the *Income Tax Act* (Canada);
- "spouse" means spouse or common-law partner in accordance with the Act;
- "RRSP" means Registered Retirement Savings Plan as defined by the Act;
- "RRIF" means Registered Retirement Income Fund as defined by the Act.

PROOF OF AGE

Evidence satisfactory to the Company of the age of the Annuitant must be furnished before the conversion of the RRSP Contract to a RRIF is made.

ASSIGNMENT

Payments from the Fund may not be assigned in whole or in part to conform to paragraph 146.3(2) b) of the Act.

TRANSACTION FEES

The Company reserves the right to charge transaction fees for any modifications to the terms of payment or for any other transaction.

ADVANTAGE

No benefit or loan that is conditional in any way on the existence of this plan may be granted to the Annuitant or to a person with whom he/she is not dealing at arm's length, except:

i) a benefit whose value must be added to the calculation of the Annuitant's income;
ii) a benefit as defined in paragraph 146.3(5) a) and b) of the Act;
iii) a benefit derived from the provision of administrative or investment services in respect to this contract.

REQUEST TO TRANSFER

Upon receipt of written instructions from the Annuitant, the Company shall, in the prescribed manner, transfer all or part of the surrender value of the Contract at the time such request is received at the head office, together with all information necessary for the continuance of the fund, to any person who has agreed to be an issuer of another RRIF for the Annuitant, subject to the amount retained by the Company to conform to paragraph 146.3(2) e) of the Act.

Upon receipt of written instructions from the Annuitant, the Company shall transfer from a RIF of an Annuitant in accordance with subsection 146.3(14) of the Act if the amount:

(a) is transferred on behalf of an individual who is a spouse or common-law partner or former spouse or common-law partner of the Annuitant and who is entitled to the amount under a decree, an order or a judgment of a competent tribunal, or under a written agreement, that relates to a division of property between the Annuitant and the individual in settlement of rights that arise out of, or on a breakdown of, their marriage or common-law partnership; and

(b) is transferred directly to
  (i) a registered retirement income fund under which the individual is the Annuitant; or
  (ii) a registered retirement savings plan under which the individual is the Annuitant.

PREMIUMS

The Company shall only accept Premiums from the following sources:

i) an RRSP of which the Annuitant is the owner;
ii) another RRIF of which the Annuitant is the owner;
iii) an RRSP or a RRIF under which the spouse or former spouse of the Annuitant, is the Annuitant pursuant to a decree, order or judgement of a competent tribunal or a written separation agreement, providing for the division of property between the Annuitant and his/her spouse or former spouse, during or after the breakdown of their marriage;
iv) a registered pension plan of which the Annuitant is a member as this term is defined in subsection 147.1(1) of the Act;
v) a registered pension plan in accordance with subsection 147.3(5) or (7) of the Act;
vi) a provincial pension plan under the circumstances provided for in subsection 146(21) of the Act;
vii) from the Annuitant, to the extent that the Premium is an amount described in subparagraph 60(l)(v) of the Act; or
viii) a deferred profit sharing plan in accordance with subsection 147(19) of the Act.

RETIREMENT INCOME PAYMENTS

Each year, the Company pays the Annuitant the retirement income payments that he/she has chosen, subject to the total payments made during each calendar year being at least equal to the minimum payment required by the Act.

The Company makes the payments in accordance with the provisions of the Act.

The Company agrees to pay to the Annuitant:

i) annually, commencing the first calendar year following the year in which the retirement income fund is established, the minimum amount prescribed by the Act. Upon receipt of a written request, amounts in excess of the minimum amount shall be paid without, however, surpassing the surrender value of the contract before the payment date. The terms of payment are subject to the agreement between the Annuitant and the Company.

ii) at the end of the year in which the final payment must be made, an amount equal to the surrender value of the contract.

Payment Options

The Annuitant may choose from the following payment options offered by the Company subject to some impacts on the GMSB components. The option chosen applies for the entire duration of the Contract or until the Annuitant chooses, in writing, another payment option offered by the Company. The Company may modify or cease to offer certain payment options. Failing instructions from the Annuitant and if the annual life income payments from the life investment do not exceed the minimum annual payment that may be made under the Contract as prescribed by the Act, payments will be made according to the minimum payment option described below. If the annual life income payments from the life investment exceed the minimum annual payment prescribed by the Act and failing instructions from the Annuitant, payments will be made according to the level payment option described below which will be equivalent to the life income payment and when no investment is made in a life investment, payments will be made according to the minimum payment option described below.

Minimum Payment

This is the minimum annual payment that must be made under the Contract as prescribed by the Act. It is established on January 1 of each year by multiplying the Book value of the Contract on this date by a percentage prescribed by the Act. The percentage is based on the age of the Annuitant or his/her spouse's age, as indicated on the application. This option is only available if the total payments from the life investment for a given calendar year, if applicable, are lower than the minimum prescribed by law.

Level Payment

The Annuitant receives a fixed amount for the duration of the Contract. The amount must include the amount received through a life investment, if any.

Interest Only Payment

The amount paid corresponds to the interest generated by the guaranteed investments. However, the benefits may vary following the maturity of a guaranteed investment, surrenders or partial transfers. This option is not available when the Annuitant invests in a life investment.

Indexed Payment

The amount determined by the Annuitant increases at the beginning of each calendar year according to an indexation rate chosen by the Annuitant. The indexation rate cannot exceed 8%. The amount must include the amount received through a life investment, if any.

Frequency of Payments

The Annuitant can choose to receive the payments under his/her Contract on a monthly, quarterly, semi-annual or annual basis on the day of his/her choice. However, if the total periodic retirement benefits over the course of a calendar year are lower than $1,200, the frequency must be annual. Failing instructions from the Annuitant and subject to the preceding, the payments are made on a monthly basis.

If the Annuitant invests in a life investment, the frequency of the payments and the day of the month on which the payments are made cannot be modified while the life investment is in place.

Income Payments

Retirement income payments are made in accordance with the payment option chosen by the Annuitant or failing such choice, according to the terms of the Contract. For each retirement income payment, the amount paid under the life investment, if any, is used to make this payment. When an amount in addition to the amount paid under the life investment is required to make the retirement income payment requested by the Annuitant or as required by Act, or when no investment is made in the life investment, the amounts are redeemed from other investment vehicles in order of surrender or in the proportion indicated by the Annuitant.

Failing instructions from the Annuitant the amounts required to cover the difference, if any, between the amounts paid under the life investment and the retirement income payment or the amounts required to pay the retirement income, when no investment is made in a life investment, are surrendered in the order indicated in the application (referred to as the "automatic surrender term"), in accordance with the provisions specific to each investment vehicle. Guaranteed investments are surrendered according to those with the shortest maturity. The Company may modify the automatic surrender term at any time.

Surrenders made over the course of a calendar year not exceeding the higher of:

a) 10% of the Book Value of the Contract less the book value of the life investment, on the last working day of the preceding year plus 10% of the Premiums invested in the contract other than those invested in the life investment, during the current year; and

b) the minimum annual payment that must be made under the Contract as prescribed by the Act

will be paid at their book value without any Surrender Fees. However, Surrender Fees will apply to surrenders made for transfers to other financial institutions or for surrenders of a life investment (see Section 1.5 *ADMINISTRATIVE FEES* of the general provisions and *SURRENDER FEES* subsection of Section 4 *SPECIFIC PROVISIONS TO THE LIFE INVESTMENT*).

This right to surrender without Surrender Fees is not cumulative and cannot be carried forward to future years. The Company may modify at any time the right to surrender without Surrender Fees and a transaction fee may apply.

Guaranteed Surrender Series

When any Premium is invested in the Guaranteed Surrender Series Funds, and if the payment option selected by the Policyholder is the level or indexed payment option, the total periodic retirement income payment over the course of a calendar year may exceed the greater of the annual GSA plus any GSA Deferral, the LSA and the Guaranteed Surrender RRIF Minimum Amount. In this case, there may be a negative impact on the GSB upon which the Guaranteed Minimum Surrender Benefit (GMSB) is based (see Section 3.15.2d) *GUARANTEED MINIMUM SURRENDER BENEFIT* (GMSB) for more details).

Income Tax

The Act requires that income tax be retained by the Company from the retirement income payments. The income retained will be the minimum amount permitted by law, unless the Annuitant chooses a higher amount.

The provisions of this endorsement apply notwithstanding any provision to the contrary in the Contract.

Yvon Charest
Chief Executive Officer

Gerry Bouwers
President and Chief Operating Officer

ABOUT INDUSTRIAL ALLIANCE PACIFIC

Industrial Alliance Pacific Insurance and Financial Services Inc. is a life and health insurance company whose origins date back to 1912. Its primary mission is to provide financial protection to its insureds and their beneficiaries in the event of death, disability or illness, and to help clients achieve financial independence at retirement while fulfilling their lifelong dreams.

To carry out this mission, Industrial Alliance Pacific offers a wide selection of life and health insurance products, savings and retirement plans, RRSPs, mutual and segregated funds, mortgage loans, and other financial products and services. Industrial Alliance Pacific continues to distinguish itself through the personalized service offered by its professional representatives, who remain constantly attentive to the changing needs of their clientele.

The parent company of Industrial Alliance Pacific is Industrial Alliance, which has operations in all regions of the country as well as in the western United States. The fifth largest life and health insurance organization in Canada, Industrial Alliance contributes to the financial well-being of over 3 million Canadians, employs more than 2,900 people and manages and administers over $50 billion in assets. Industrial Alliance stock is listed on the Toronto Stock Exchange under the ticker symbol IAG. Industrial Alliance is among the 100 largest public companies in Canada.

If you have any comments or would like to obtain more information about Industrial Alliance Pacific, please contact the Company's head office:

Industrial Alliance Pacific Insurance and Financial Services Inc.
2165 Broadway West — Telephone: 604 734-1667 or 1 800 665-4458
PO Box 5900 — Fax: 604 689-9682
Vancouver, British Columbia V6B 5H6

This contract is administered by Industrial Alliance Pacific Insurance and Financial Services Inc., which is incorporated under the *Insurance Companies Act* (Canada).

Investment Funds

Non-registered
RRSP/LIRA/LRSP,
RRIF/LIF, RESP

INDUSTRIAL ALLIANCE PACIFIC™
INSURANCE AND FINANCIAL SERVICES INC.

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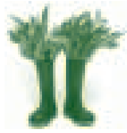
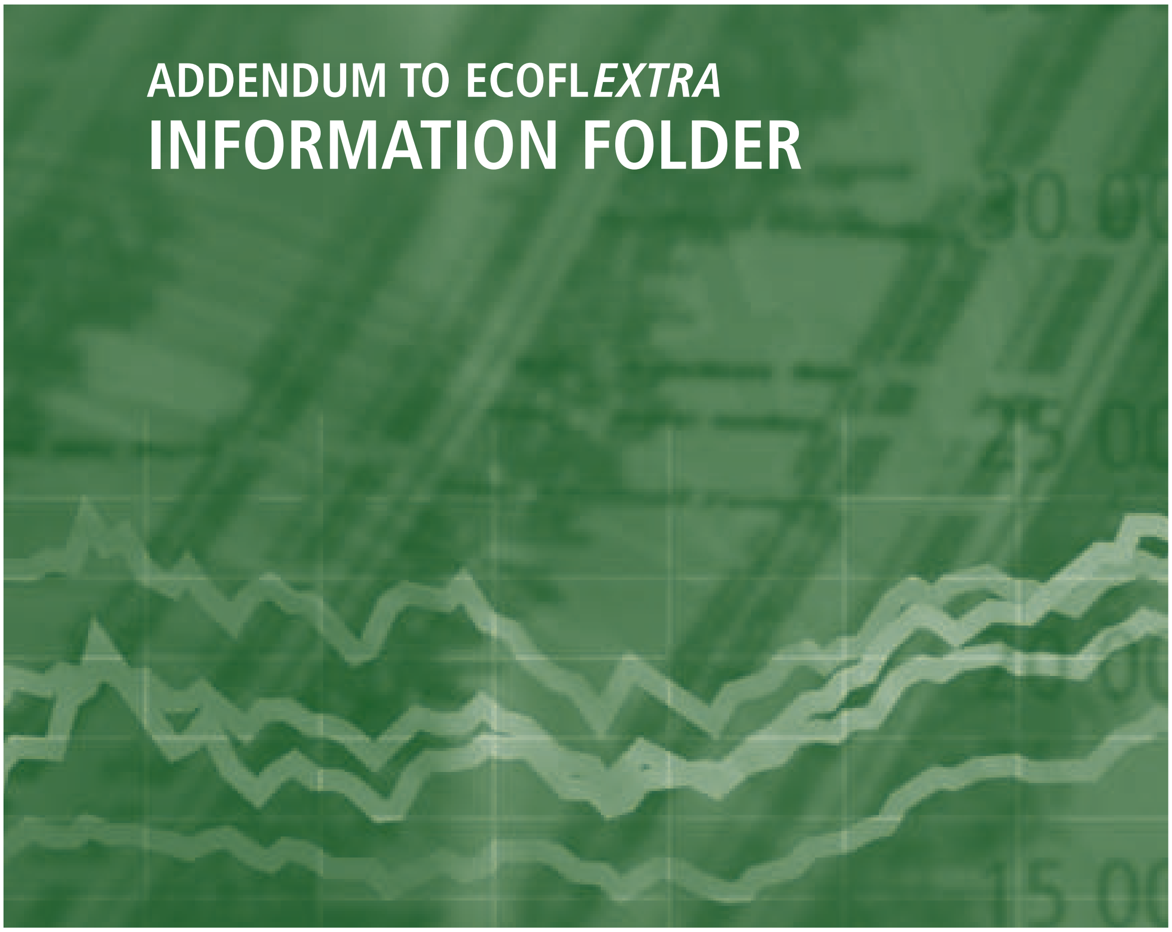
RETIREMENT INCOME



ECOFL*EXTRA*



ADDENDUM TO ECOFL*EXTRA* INFORMATION FOLDER

Additional disclosure information

A PARTNER YOU CAN TRUST.

INDUSTRIAL ALLIANCE PACIFIC™
INSURANCE AND FINANCIAL SERVICES INC.

This addendum **is not part of the Contract** and must not under any circumstances be considered as a contractual document that binds the Policyholder and the Company. It provides illustrations for information purposes only.

These examples will help you understand how the Guaranteed Minimum Surrender Benefit is applied.

Retirement Income… **NOW**

1 Paul, age 68, invests $200,000 in the Guaranteed Surrender Series Funds and immediately surrenders in order to start benefiting from his retirement income.

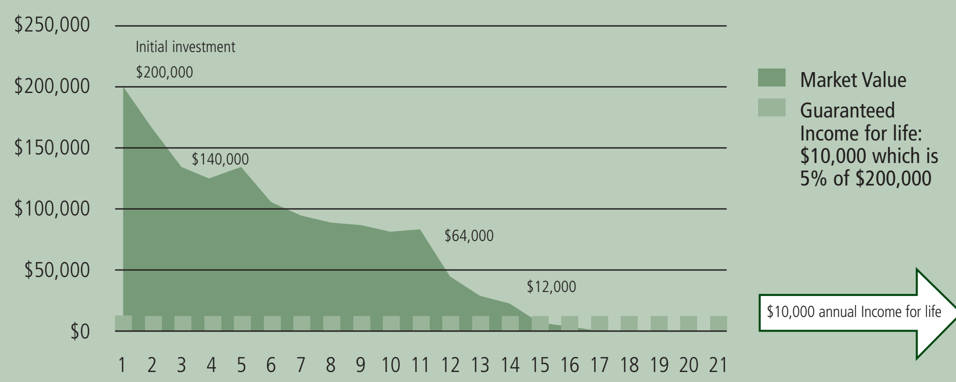
Ecoflex*tra* can provide Paul with:

› The guarantee to recover his entire investment through payment of a retirement income equivalent to 5% of his investment for life* or for a minimum period of 20 years

› The possibility of automatically protecting the added value of the investment once every three years to ensure that the gains are protected against market downturns

› Access to the market value of the investment at any time (except for the deferred sales charge option, if applicable)

IMMEDIATE SURRENDERS – DOWN MARKET SCENARIO



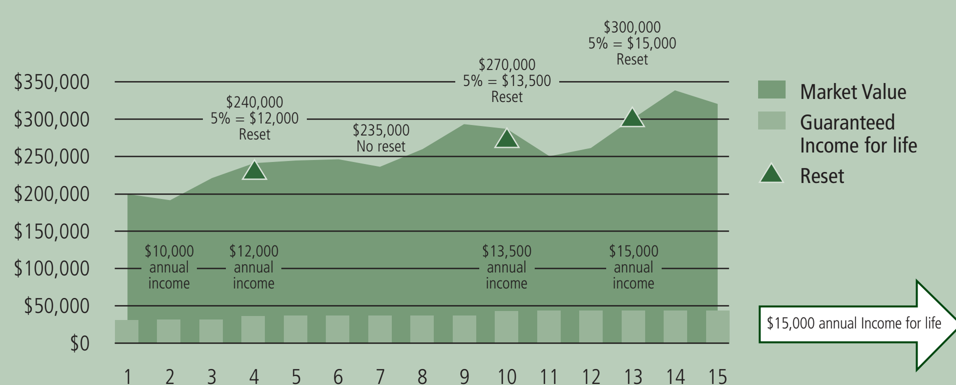
In this example, Paul's initial investment ensures a Guaranteed Surrender Balance (GSB) of $200,000. Within 17 years, his investment value decreases to zero. However, with Ecoflex*tra*, he will continue to receive an annual income of $10,000 for the rest of his life.

* The Lifetime Surrender Option has to be selected by the Policyholder. The Lifetime Surrender Amount is first calculated on December 31 of the year the Annuitant attains 65 years of age.

2 **Ecoflex*tra's* Guaranteed Surrender Series can profit from market growth.**

If the market performs well, the investment growth will be locked-in every three years, resulting in an income increase. In the example, Paul will be able to surrender an annual lifetime amount of $15,000 as a result of the reset on the twelfth anniversary of the Guaranteed Surrender Series. If the market continues to perform well, the investment will continue to grow through these triennial resets.

IMMEDIATE SURRENDERS – UP MARKET SCENARIO



Ecoflex*tra's* Guaranteed Surrender Series reset feature allows market gains to be locked-in every three years. In this example, Paul's minimum guaranteed lifetime income has increased from $10,000 to $15,000.

Important: For all investments made in the Guaranteed Surrender Series, it is important to note that any additional surrenders in excess of those provided in the Contract may shorten the duration of your income payments, lower your income payments and alter your Guaranteed Minimum Surrender Benefit.

These examples will help you understand how the Guaranteed Minimum Surrender Benefit is applied.

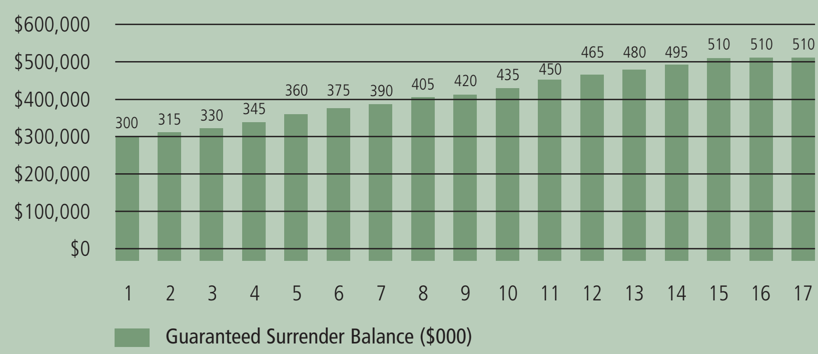
Retirement Income… **LATER**

3 Mark, age 50, invests $300,000 in the Guaranteed Surrender Series Funds and doesn't surrender immediately.

Ecofl*extra* can provide Mark with:

- The guarantee to recover his entire investment through payment of a retirement income equivalent to 5% of the investment for life* or for a minimum period of 20 years
- A 5% bonus, credited to the value of the Guaranteed Surrender Balance (GSB) for each year of the first fifteen [15] calendar years if no surrender is made during these years
- The possibility of automatically protecting the added value of the investment every three years to ensure that the gains are protected against market downturns
- Access to the market value of the investment at any time (except for the deferred sales charge option, if applicable)
- The transfer of the Funds to beneficiaries, without the usual probate costs

NO IMMEDIATE SURRENDERS – DOWN MARKET SCENARIO



GSB: Premiums + Bonus and/or locked-in gains – Surrenders

In this example, the Guaranteed Surrender Balance (GSB) is first established at $300,000. Even if the market goes down, the Guaranteed Surrender Balance (GSB) will grow through annual bonuses. The annual Lifetime Surrender Amount that Mark is allowed to surrender, without causing any GSB Downward Adjustment, is established at age 65 to be $25,500 (5% of $510,000).

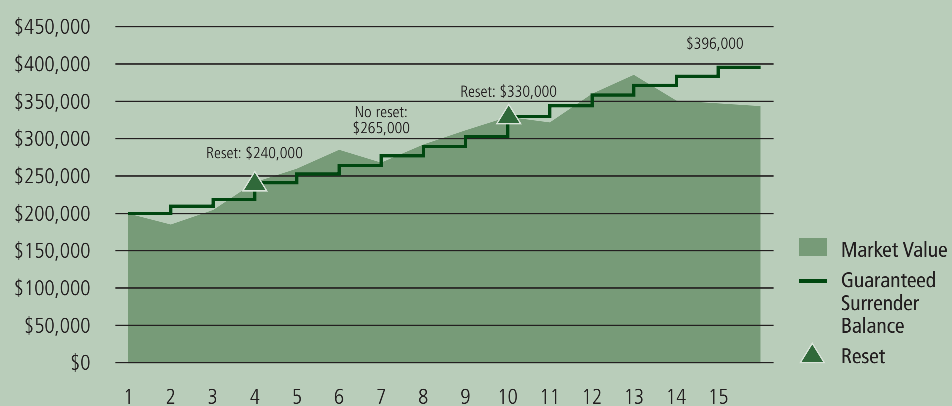
* The Lifetime Surrender Option has to be selected by the Policyholder. The Lifetime Surrender Amount is first calculated on December 31 of the year the Annuitant attains 65 years of age.

4 **Ecofl*extra's* Guaranteed Surrender Series can profit from market growth.**

In this example, starting with an initial investment of $200,000, if the market performs well, the Guaranteed Surrender Balance (GSB) will automatically reset every three years resulting in an increased income. We can see that bonuses and resets work together and not in addition to each other. The first reset increases the Guaranteed Surrender Balance (GSB) to $240,000 due to the market value upswing. For the subsequent years, the bonus will be calculated according to this new Guaranteed Surrender Balance (GSB).

If Mark is ready to retire in year 15, an annual lifetime income of $19,800 (5% of the Guaranteed Surrender Balance, which is equal to $396,000) will be available.

NO IMMEDIATE SURRENDERS – UP MARKET SCENARIO



The reset feature of the Ecofl*extra* Guaranteed Surrender Series allows market gains to be locked-in every three years. In this example, the client's minimum guaranteed income for life has increased from $10,000 to $19,800 in fifteen (15) years.

ABOUT INDUSTRIAL ALLIANCE PACIFIC

Industrial Alliance Pacific Insurance and Financial Services Inc. is a life and health insurance company whose origins date back to 1912. Its primary mission is to provide financial protection to its insureds and their beneficiaries in the event of death, disability or illness, and to help clients achieve financial independence at retirement while fulfilling their lifelong dreams.

To carry out this mission, Industrial Alliance Pacific offers a wide selection of life and health insurance products, savings and retirement plans, RRSPs, mutual and segregated funds, mortgage loans, and other financial products and services. Industrial Alliance Pacific continues to distinguish itself through the personalized service offered by its professional representatives, who remain constantly attentive to the changing needs of their clientele.

The parent company of Industrial Alliance Pacific is Industrial Alliance, which has operations in all regions of the country as well as in the western United States. The fifth largest life and health insurance organization in Canada, Industrial Alliance contributes to the financial well-being of over 3 million Canadians, employs more than 2,900 people and manages and administers over $50 billion in assets. Industrial Alliance stock is listed on the Toronto Stock Exchange under the ticker symbol IAG. Industrial Alliance is among the 100 largest public companies in Canada.

If you have any comments or would like to obtain more information about Industrial Alliance Pacific, please contact the Company's head office:

Industrial Alliance Pacific Insurance and Financial Services Inc.
2165 Broadway West
PO Box 5900
Vancouver, British Columbia V6B 5H6

Telephone: 604 734-1667 or 1 800 665-4458
Fax: 604 689-9682

This contract is administered by Industrial Alliance Pacific Insurance and Financial Services Inc., which is incorporated under the *Insurance Companies Act* (Canada).

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