

We, AIG Life Insurance Company of Canada, insure You, the owner of this policy, against the death of the Life Insured(s) or other specified loss occurring while this policy is in force.

The benefits payable and the provisions governing the policy are shown in the following pages. Your contract consists of this policy, the application for this policy, any application for reinstatement of this policy and any written policy amendments and/or policy endorsements agreed upon in writing after this policy has been issued.

We guarantee that:

1. The Coverage will be renewable as provided in this policy. We will not add any restrictive riders while this policy remains in force.
2. The basis used to calculate the Monthly Deduction will not change. Refer to the Cost of Insurance Guarantee section for further details.
3. The rate of return for a selected Investment Account will never be less than any stated minimum guarantee.

The Fund Value is subject to change and the amount of insurance may be subject to change as described in the policy.

The contract terminates if You surrender the policy for the Cash Surrender Value or after We process the claim for the death of the last surviving Life Insured, or terminates without value if any of the conditions described in the Lapse provision are met.

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**Important Notice** - If You are advised to discontinue this policy and replace it with another, it is in Your best interest to insist that the new proposal is put in writing. Please submit the written proposal to Us for analysis so that You can compare the two and make an informed decision.

To claim a benefit or insurance proceeds, contact Your insurance advisor or write to Our head office.

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**Ten Day Right to Examine Policy** – Please read Your policy carefully in order to verify that its terms are satisfactory. If You are not satisfied and no claim has been made, return the policy along with a written request for cancellation to Our head office within 10 days of the receipt of this policy. If You have chosen to have Your premiums invested at the later of the date premiums are received in head office or the Policy Effective Date We will cancel the coverage from the Policy Effective Date and refund the premiums, less any negative market adjustment. If You have chosen to have Your premiums invested ten (10) days after the later of the date premiums are received in head office or the Policy Effective Date, We will cancel the coverage from the Policy Effective Date and refund the premiums.

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**Please read Your policy carefully**

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Insert policy pages

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## Explanation of Contract

You have purchased a universal life insurance policy. Because Your policy is designed to be flexible, it can also seem very complex. For Your convenience, We have divided the policy into sections.

- Section 1 provides general information concerning Your policy. This section contains a Table of Contents, which lists where each provision may be found. The Policy Information Pages contain values (or factors) such as the Cost of Insurance rates for each type of coverage.
- Section 2 provides Definitions.
- Section 3 contains the Insurance Provisions. Subject to the terms and conditions of this policy We will pay the Death Benefit to the Beneficiary as described in the Insurance Provisions if the Life Insured dies while this policy is in force. Note the limitation for Suicide. This section also describes the Proof of Claim required when death occurs. The Exempt Status provision describes the action We will take to maintain the policy's tax-exempt status.
- Section 4 contains the Cost of Insurance Guarantee.
- Section 5 relates to the Fund Value, which is the money held on deposit within the policy on Your behalf. Your premium payments are directed towards one or more Investment Accounts. Monthly Deductions are subtracted from these accounts. Policy Loans may be available, subject to the Policy Loan provisions, or You may make Cash Withdrawals, subject to Withdrawal Charges, Market Value Adjustments, and any other applicable provisions.
- Section 6 contains General Provisions, including the very important Lapse and Disclosure provisions.
- Section 7 contains an Index of defined terms. These terms are capitalized when referred to in the policy. Please refer to these definitions as You review the policy.
- Section 8 contains any riders You have purchased.

We recommend that You review the provisions of this policy and ask Your insurance advisor for any explanation or clarification needed.

## Limitations and Exclusions

Please note that benefits may be limited as described in the policy provisions. Please read Your policy carefully, and in particular note the following sections:

<u>Page Number</u>	<u>Section</u>
3.5	Suicide — Benefits are limited if a Life Insured dies from this cause within 2 years of the later of the Date of Issue or the date of the latest reinstatement of coverage for that Life Insured.
6.1	Lapse — The contract terminates if any one of the lapse conditions is met. There is a grace period of 30 days, during which a late payment can be made to keep the contract in force.
6.1	Disclosure — You and each Life Insured are required to disclose all facts that are material to Our underwriting process. Otherwise, the coverage may be voided.

Any riders You have purchased may contain additional limitations and exclusions.

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## Definitions

This policy uses specific terms that are explained within the contract. These defined terms are denoted by capitals and are listed in the index. The following terms are defined in this section since they are used throughout the policy.

### Policy Information Pages

Policy Information Pages refers to Section 1.4 of this policy. The Policy Information Pages also include any subsequent endorsement acknowledging a change You have requested and We have agreed to. The Policy Information Pages list important items, including the initial planned premium and amounts payable for covered losses. Changes in the amount of insurance or benefits are governed by the terms of this contract. You will be notified of any such changes.

### You and Your

You and Your refer to the Policyowner(s) named in the Policy Information Pages. While this policy is in force, You may exercise all the rights and privileges under this policy. These rights and privileges may be limited by statute or by the rights of any assignee or irrevocable Beneficiary.

### We, Us and Our

We, Us and Our refer to AIG Life Insurance Company of Canada. Our head office address is 60 Yonge Street, Toronto, Ontario, M5E 1H5.

### Life Insured

The Life Insured(s) for each insurance coverage are named in the Policy Information Pages.

### Joint Life Insured

Joint Life Insured refers collectively to all of the Life Insureds on a Basic Coverage identified in the Policy Information Pages.

### Single Life Insured

Single Life Insured refers to the Life Insured on a Single Life Basic Coverage identified in the Policy Information Pages.

### Sum Insured

The Sum Insured for each Basic Coverage is shown in the Policy Information Pages. It is the amount of insurance upon which the Death Benefit is based.

### Death Benefit

The Death Benefit is the amount of insurance payable at the time of death. The Death Benefit is calculated using the chosen Death Benefit Option, as shown in the Policy Information Pages.

### Basic Amount at Risk

If there is one Basic Coverage, the Basic Amount at Risk is the difference between the Death Benefit and the Fund Value. If the Death Benefit Option is Sum Insured, the Basic Amount at Risk decreases as the Fund Value increases. If the Death Benefit Option is Sum Insured Plus Fund Value, the Basic Amount at Risk remains level.

If there is more than one Basic Coverage, the Basic Amount at Risk for Each Basic Coverage is the difference between that Basic Coverage's Death Benefit and its' Allocated Fund Value. If the Death Benefit Option is Sum Insured, the Basic Amount at Risk decreases as the Fund Value increases. If the Death Benefit Option is Sum Insured Plus Fund Value or Sum Insured Plus Multi Fund Value, the Basic Amount at Risk remains level.

Riders attached to this Policy are not included in Basic Amount at Risk calculations.

### Basic Coverage

Basic Coverage is identified in the Policy Information Pages. Each Basic Coverage has a Death Benefit and Fund Value, which are used to determine the corresponding Basic Amount at Risk.

### Total Annual Minimum Premium

The Total Annual Minimum Premium is shown in the Policy Information Pages. The Total Annual Minimum Premium changes if a policy change is made that affects the Monthly Deduction. The cumulative Total Annual Minimum Premium is the sum of the Total Annual Minimum Premiums for each Policy Year (including fractions) that has elapsed since the Policy

Effective Date. Provincial premium tax, based on the province of residence will apply to all premiums. The premium tax charged will be changed if the respective provincial premium tax rates change.

### **Additional Sum Insured**

Additional Sum Insured refers to any increase in the amount of life insurance coverage that is made as a result of the Exempt Status provision. The Additional Sum Insured will be added to the Sum Insured when determining a Death Benefit.

### **Policy Effective Date**

The Policy Effective Date is shown in the Policy Information Pages and is the date on which this policy is effective.

### **Coverage Effective Date**

The Coverage Effective Date is shown in the Policy Information Pages and is the date on which the coverage is effective for that Life Insured.

### **Policy Anniversary**

A Policy Anniversary occurs each year on the anniversary of the Policy Effective Date.

### **Policy Monthly Anniversary**

A Policy Monthly Anniversary occurs each month on the same day of the month as the Policy Effective Date.

### **Policy Year**

A Policy Year is the period of time between two Policy Anniversaries. Policy Year 1 begins on the Policy Effective Date and ends one day before the first Policy Anniversary.

### **Insurance Age**

The Insurance Age for each insurance coverage is shown in the Policy Information Pages. It is based both on the age at the Life Insured's birthday nearest to the Coverage Effective Date and the category of risk as determined by Us at that time. On Basic Coverages for Joint Life Insureds, the Insurance Age represents an equivalent single age, taking into account the age, sex, Smoker Status and category or risk as determined by Us at that time for each Life Insured.

### **Attained Insurance Age**

The Attained Insurance Age is equal to the Insurance Age shown in the Policy Information Pages plus the number of coverage anniversaries that have passed since the Coverage Effective Date.

### **Smoker Status**

The Smoker Status of a Life Insured as of that Life Insured's Coverage Effective Date is shown in the Policy Information Pages. This indicates whether that Life Insured was considered a smoker, non-smoker or juvenile according to Our published guidelines on that date. A Life Insured cannot change from juvenile to non-smoker status prior to Insurance Age 18.

Any misrepresentation regarding a Life Insured's Smoker Status will be deemed to be fraudulent, entitling Us to void coverage on that person in accordance with the Disclosure provision.

If You request a change of Smoker Status, We will require satisfactory evidence of insurability and non-smoker status before approving the change. For Joint Last-to-Die Plan Types, satisfactory evidence of insurability is required for all lives insured on the coverage being changed. For Joint First-to-Die Plan Types, satisfactory evidence of insurability is required for the Life Insured whose Smoker Status is being changed.



## Insurance Provisions

### Payment on Death

Depending on the Plan Type shown on the Policy Information Pages, the Death Benefit and any Additional Sum Insured resulting from the Exempt Status provision is payable to the Beneficiary as described in the Plan Type section below, provided that death occurs while this policy is in force.

If there is an outstanding Policy Loan, the applicable amount owing will be deducted from the proceeds payable on death and will be applied to reduce the Policy Loan. Refer to Death Benefit Options provision below.

Between the date of death of the Life Insured upon whose death the proceeds become payable and the date such claim is processed, no Cash Withdrawals or Policy Loans shall be permitted.

### Beneficiary

Upon the death of the Life Insured while this policy is in force, We will pay the Death Benefit as described in Plan Type below, to the Beneficiary in accordance with the most recent beneficiary designation filed with Us. If the Beneficiary is no longer living when the Life Insured dies, and if a contingent Beneficiary is then living, the Death Benefit will be paid to the contingent Beneficiary. Otherwise, We will pay the Death Benefit to You or Your estate. A Beneficiary's interest is subject to the rights of any assignee. You designate the Beneficiary and any contingent Beneficiary in the application. Subject to the rights of any irrevocable Beneficiary, You may change any Beneficiary and any contingent Beneficiary while a Life Insured is living by sending Us written notice.

### Plan Type

The Plan Type for each insurance coverage is shown in the Policy Information Pages and determines when the Death Benefit is payable. A multi-coverage policy may have more than one Plan Type. Depending on the Plan Type and Death Benefit Option shown on the Policy Information Pages, additional Death Benefits may be payable on the death of each Life Insured. The following Plan Types are available:

- 1) **Joint First-to-Die**  
The Death Benefit will be payable upon the death of the first Joint Life Insured to die. The Basic Coverage will then terminate. The Survivor Option described below may be elected.
- 2) **Joint Last-to-Die**  
The Death Benefit will be payable upon the death of the last Joint Life Insured to die. The Basic Coverage will then terminate.
- 3) **Single Life**  
The Death Benefit will be payable upon the death of the Single Life Insured. The Basic Coverage will then terminate.

### Death Benefit Options

The following Death Benefit Options are available at the Policy Effective Date. The option You have chosen is shown in the Policy Information Pages. We may offer other Death Benefit Options from time to time.

The Death Benefit Option must be the same for each Basic Coverage. The Sum Insured plus Multi Fund Value Death Benefit Option is only available on multi-coverage policies.

If the payment of a death benefit terminates the policy, any premiums received by Us after the date of death will be refunded without interest.

#### 1. Sum Insured

If the Plan Type is Single Life, the Death Benefit is equal to the greater of the Sum Insured and the Allocated Fund Value, less any outstanding Allocated Policy Loan, as of the date of death. If the Plan Type is Joint First-to-Die, the Death Benefit is equal to the greater of the Sum Insured and the Allocated Fund Value, less any outstanding Allocated Policy Loan, as of the date of the first death. If the Plan Type is Joint Last-to-Die, the Death Benefit is equal to the greater of the Sum Insured and the Allocated Fund Value, less any outstanding Allocated Policy Loan, as of the date of the last death.

For a multi-coverage policy, payment of a Death Benefit will reduce the Fund Value by the Allocated Fund Value of the coverage on which the Death Benefit has been paid.

## 2. Sum Insured Plus Fund Value

If the Plan Type is Single Life, the Death Benefit is equal to the Sum Insured plus the Allocated Fund Value, less any outstanding Allocated Policy Loan, as of the date of death. If the Plan Type is Joint First-to-Die, the Death Benefit is equal to the Sum Insured plus the Allocated Fund Value, less any outstanding Allocated Policy Loan, as of the date of the first death. If the Plan Type is Joint Last-to-Die, the Death Benefit is equal to the Sum Insured plus the Allocated Fund Value, less any outstanding Allocated Policy Loan, as of the date of the last death.

## 3. Sum Insured Plus Multi Fund Value

If the Plan Type is Single Life, the Death Benefit is equal to the Sum Insured plus the Fund Value, less any outstanding Policy Loan and one Total Annual Minimum Premium, as of the date of death. If the Plan Type is Joint First-to-Die, the Death Benefit is equal to the Sum Insured plus the Fund Value, less any outstanding Policy Loan and one Total Annual Minimum Premium, as of the date of the first death. If the Plan Type is Joint Last-to-Die, the Death Benefit is equal to the Sum Insured plus the Fund Value, less any outstanding Policy Loan and one Total Annual Minimum Premium, as of the date of the last death.

### **Investor Maximizer**

Investor Maximizer cannot be added to the Policy after issue.

Investor Maximizer is only available with the YRT Cost of Insurance Option. If selected, Investor Maximizer will be invoked on the requested start date, as shown in the Policy Information Pages, but no sooner than the fifth Policy Anniversary. Each year thereafter, the Sum Insured will be calculated as the minimum amount necessary, as permitted by the Canadian Income Tax Act and Regulations, to maintain the Exempt Status of the Policy according to the tax rules then in effect.

The adjustment may result in either an increase, up to a maximum of 8%, or a decrease in the total of the Sum Insured and Additional Sum Insured. However, decreases to the Sum Insured at the beginning of each of Policy Years 6 through 10 will be limited to 8% of the previous year's Sum Insured and the Sum Insured will not decrease below the Minimum Sum Insured shown in the Policy Information Pages.

You may change the requested start date, change the Minimum Sum Insured or remove the Investor Maximizer by sending Us written notice, subject to the following restriction.

- The Investor Maximizer start date cannot be changed to a date before the 10<sup>th</sup> Policy Anniversary.
- For a request to remove Investor Maximizer after the requested start date, You may be required to provide Us with satisfactory evidence of the insurability of the Life Insured and/or Joint Life Insured.

### **Rate Balancer**

This option can be selected at time of issue only, and, once chosen, cannot be removed from the Policy. Beginning with the first quarterly anniversary after the third Policy Anniversary, We will credit a maximum of 2.87% interest for the quarter mirroring the overall performance of Your Indexed Accounts. If for any quarter the actual rate of return is in excess of 2.87% such excess will be tracked and a record maintained of the excess as it notionally accumulates or declines. If for any quarter the actual rate is less than 2.87% We will credit additional interest notionally drawing on the excess to raise the mirrored rate to 2.87%, or less if the excess recorded is insufficient.

This process is intended to stabilize the rates from quarter to quarter. The excess tracked and recorded does not provide interest or a cash value to which You are entitled in addition to amounts actually credited to stabilize the rate; rather, such excess is merely created by this mechanism as a means of stabilizing the rate.

Any excess recorded at the time of death or surrender of the policy forms part of Our general account funds.

### **Disability Benefit Payout**

We will pay a lump sum Disability Benefit Payout of up to the Cash Surrender Value minus one Total Annual Minimum Premium to You upon receipt of acceptable evidence of Disability as defined below, provided by You to Us at Your own expense. At the time of claim You must specify the amount of any Disability Benefit Payout, subject to the following conditions:

- 1) one lump sum payment will be permitted per incident of disability,

- 2) the minimum Disability Benefit Payout must be at least equal to the lesser of the Cash Surrender Value of the Policy, or \$2,500, and
- 3) the amount requested for the Disability Benefit Payout must not exceed the Cash Surrender Value of the Policy.

You may select the Investment Account(s) from which the Disability Benefit Payout is taken. If no such instructions are received, then the Disability Benefit Payout will be taken from Your Investment Accounts in the following order:

- 1) Daily Interest Account
- 2) All Indexed Accounts, proportionately
- 3) Guaranteed Interest Accounts

Any Disability Benefit Payout will reduce the Cash Value by the amount of that Disability Benefit Payout. If this Policy has the Sum Insured Death Benefit Option, the Disability Benefit Payout will have the net effect of reducing the Death Benefit by some or the entire amount of the Payout, depending on the value of the Fund. If this Policy has the Sum Insured Plus Fund Value Death Benefit Option or Sum Insured Plus Multi Fund Value Death Benefit Option the Disability Benefit Payout will have the net effect of reducing the Death Benefit by the amount of the Payout.

#### Notice and Proof of Claim

Written notice of Your Disability Benefit Payout claim must be provided to Us on forms provided by Us. Notice must be given within 30 days from the date a claim arises. If it is not reasonably possible to provide notice within the 30 days, failure to give notice within this time does not invalidate the claim provided notice and proof of the claim is given as soon as reasonably possible, but in no event later than one year from the date of Disability. We reserve the right to require independent examination and tests necessary to substantiate the claim, by a qualified medical doctor appointed by Us at Our expense.

#### Disability Benefit

We will pay a Disability Benefit Payout if a Life Insured exhibits a severe physical or mental impairment as diagnosed, in writing, by a qualified medical practitioner licensed and practicing in Canada. That impairment must have existed for a period of at least 90 days, and:

- a) must markedly restrict the ability of the Life Insured to perform any one of the following basic activities of daily living:
  - i) perceiving, thinking and remembering;
  - ii) feeding and dressing himself or herself;
  - iii) speaking so as to be understood, in a quiet setting, by another person familiar with the Life Insured;
  - iv) hearing so as to understand, in a quiet setting, another person familiar with the Life Insured;
  - v) eliminating (bowel or bladder functions); or
  - vi) walking;

or

- b)
  - i) must prevent the Life Insured, if normally employed, from performing substantially all of the essential duties of his or her regular occupation or employment, or
  - ii) must prevent the Life Insured, if not normally employed, from performing substantially all of the essential duties of any occupation or employment for which he or she is reasonably qualified by virtue of education, training or experience, or
  - iii) must prevent the Life Insured, if normally responsible for the maintenance of a home or care of immediate family members, from performing substantially all of the essential duties of maintaining that home or caring for those individuals,

and that impairment must arise from one or more of the following:

1. AIDS (Acquired Immune Deficiency Syndrome) or HTLV-III and/or HIV infection;
2. Alzheimer's Disease;
3. Cancer or Tumour;
4. Coronary Artery Disease, Myocardial Infarction, or Congestive Heart Failure;
5. Chronic Kidney Failure, or Chronic Liver Disease;
6. Loss of limb;
7. Neuromotor disease;
8. Muscular dystrophy;
9. Paralysis, paraplegia, quadriplegia;
10. Recipient of a major organ transplant;
11. Third degree burns over more than 50% of the body;
12. Multiple Sclerosis;
13. Hepatitis;
14. Stroke with or without paralysis; or
15. Huntington's Chorea;

or

- c) have resulted in the total and permanent loss of sight in both eyes, or the use of both hands, both feet, or of one hand and one foot;

or

- d) either that impairment or the illness or injury that caused that impairment must be expected by the medical practitioner to result in the death of that Life Insured within 24 months of the date of diagnosis.

#### Pre-Existing Conditions

No Disability Benefit Payout will be payable if We determine that a Life Insured, in respect of whom a Disability Benefit Payout would otherwise be payable, had that condition at the Policy Effective Date or a Reinstatement date of this Policy. That determination will be based on conditions specifically identified in, or that can reasonably be inferred to have existed at that time from the application, a related declaration of health, or other information that You and the Life Insured may authorize or make available to Us.

#### Taxation

Disability benefits are not currently subject to income tax when the Policyowner is the Life Insured. The Income Tax Act and regulations in effect when this Policy is issued provide that a Disability Benefit Payout may not be a disposition of an interest in a life insurance policy.

#### Survivor Option

The Survivor Option is available if the Plan Type of a Basic Coverage is Joint First-to-Die. Within 90 days of the death of the first Joint Life Insured, the surviving Joint Life Insured(s) may purchase additional insurance coverage on themselves without providing evidence of insurability, provided that the oldest of the surviving Life Insured(s) is age 80 or less. If there is one survivor, a Single Life policy may be purchased. If there is more than one survivor, a Joint First-to-Die policy may be purchased on the remaining lives. The maximum amount of coverage will be the Sum Insured in effect immediately prior to the death of the first Life Insured to die.

The new policy may be any eligible permanent plan, regularly offered by Us. The cost of insurance rates will be based on the attained age of the remaining Life Insured(s) and the rates in effect when the new policy is purchased.

#### Double Benefit

The Double Benefit is provided if the Plan Type is Joint First-to-Die. If a second death of a Joint Life Insured occurs within 90 days of the first death, We will pay a second Death Benefit equal to the Sum Insured.

#### Death Benefit Changes

Subject to the following restrictions, You may change the Death Benefit Option or request to decrease the Sum Insured on which the Death Benefit is based at any time while this policy is in force, by sending Us written notice. The change will take effect on the next Policy Monthly Anniversary following Our receipt of the written notice.

- a) You cannot reduce the Sum Insured below \$50,000.
- b) You may not change the Death Benefit option if you have selected the Sum Insured Death Benefit Option or if you want to change the option from Sum Insured Plus Multi Fund Value to Sum Insured.
- c) All Basic Coverages on a multi-coverage policy must have the same Death Benefit Option.

#### Additional Policy

For a request to increase the Death Benefit, You will be required to provide Us with satisfactory evidence of the Insurability of the Life Insured and/or Joint Life Insured. A separate policy will be issued for the amount of the additional Sum Insured. The cost for the additional coverage will be based on the Attained Insurance Age and category of risk of the Life Insured and/or Joint Life Insured and the rates and policy provisions in effect when the new coverage is purchased. As long as this original policy remains in force, the administration fee will be waived for the additional policy.

#### Policy Exchange Option

This option is available if the Plan Type is Joint First-to-Die. During the lifetime of the Joint Life Insured and before the 81<sup>st</sup> birthday of the oldest Joint Life Insured, the policy may be divided into single life policies without providing evidence of insurability. The joint coverage will be canceled for its Cash Surrender Value on the effective date of the new policies. The new cost of insurance rates will be based on the Attained Insurance Age(s) of the Life Insured(s) and the rates in effect at

the time of exchange. The maximum amount of coverage on each life is the Basic Amount at Risk of the joint coverage at the time of exchange. The new policy may be any eligible permanent plan, regularly issued by Us at the time the option is exercised.

## Payment of Claim

Any amount payable on the death of a Life Insured will be paid when We receive satisfactory proof of the death of the Life Insured, the date of birth of the Life Insured and the right of the claimant to receive payment. We will make payment from Our head office.

## Suicide

This provision applies if a Life Insured dies by suicide or self-destruction, while sane or insane, within two years from the later of:

- the Date of Issue, or
- the date of the latest reinstatement of coverage applicable to that Life Insured.

Under these circumstances, the coverage will be considered to have terminated one day prior to the death of the Life Insured.

For a Single Life Insured We will refund, without interest, all premiums received less any amounts owed by You to Us. For a Joint Life Insured, We will refund the cost of insurance charges deducted for the deceased Life Insured. The coverage on the remaining Life Insured(s) will be continued with a recalculated Cost of Insurance and Fund Value.

If a Life Insured is substituted or added to the policy, the two-year period for the new Life Insured will start at the substitution or addition date.

## Exempt Status

The Exempt Status of a policy refers to whether a policy is exempt from accrual taxation as described in the provisions of the *Income Tax Act of Canada*, on the Policy Effective Date. Your Policy, excluding amounts held in the Side Account, is considered to be exempt from accrual taxation.

A test is done at the end of each Policy Year to determine whether the policy continues to be exempt from accrual taxation. Should the description of an exempt policy be amended in the provisions of the *Income Tax Act of Canada*, We will administer the next exempt test under the terms of the amendment.

When an adjustment is required to maintain the Exempt Status of this policy, We will take action in the following order:

1. We will increase the amount of life insurance coverage by up to 8% of the Death Benefit at the end of the previous Policy Year, as permitted under the current Income Tax Act, such that the maximum Basic Amount at Risk is the lesser of five times the initial Sum Insured or the sum of the initial Sum Insured plus \$3,000,000. Any such increase is referred to in this contract as Additional Sum Insured. This will only apply if the Life Insureds are living when the exempt test is done.
2. We will decrease the amount of life insurance coverage by up to the amount of any previous increase described above in this section.
3. We will transfer the excess funds to the Side Account, as described below.

Each year, the exempt test is done as described in the Exempt Status provision. Transfers are made from or to the Side Account as required to keep the maximum amount in the tax-exempt Investment Accounts, or if it appears to Us that this policy may lapse.

## Side Account

The Side Account is an account that holds funds in excess of the maximum premium and the maximum allowed by the exempt test. We will credit to the Side Account any premiums that exceed the maximum premium determined by Us. You may choose to have funds in the Side Account accumulate under the Daily Interest Account, Guaranteed Interest Account or Market Indexed Account. If no choice is made, funds in the Side Account will accumulate under the Daily Interest Account.

The Side Account is not entitled to the Investment Bonus. Account Deductions will not be made from the Side Account. The Side Account is not included in the calculation of the Fund Value. The Side Account will be paid to You or Your estate when the contract terminates. The investment income from the Side Account is subject to annual accrual taxation. Cash Withdrawals may be made from the Side Account. A Market Value Adjustment may apply to a Side Account Cash Withdrawal from a Guaranteed Interest Account.

If it appears to Us that this policy may lapse, We will transfer funds from the Side Account into the policy's tax exempt Investment Accounts.

Transfer fees will not apply to Exempt Test transfers to and from the Side Account. A Market Value Adjustment will apply to transfers from a Guaranteed Interest Account to any Investment Account other than a Guaranteed Interest Account of the same remaining

term. Any transfer from the Side Account into the Investment Accounts is treated as premiums and will therefore incur premium tax as described in the Net Premiums provision.

SPECIMEN

## Cost of Insurance Guarantee

### Cost of Insurance

Cost of Insurance (COI) is the amount We charge You for the Basic Amount at Risk. Cost of Insurance, shown in the Policy Information pages, is included in the Monthly Deduction. The Cost of Insurance Option You have chosen is shown in the Policy Information Pages. The Cost of Insurance Option cannot be changed after the Policy Effective Date except as described below in the Cost of Insurance Switch provision.

The monthly rates are one-twelfth of the annual rates shown in the Policy Information Pages.

After the Attained Insurance Age reaches 100, the Cost of Insurance is zero.

The following Cost of Insurance options are available.

1) Yearly Renewable Term Guaranteed Cost of Insurance (YRT COI)

The Yearly Renewable Term Guaranteed Cost of Insurance rates are shown in the Policy Information Pages for each corresponding Basic Coverage. We use the rate that corresponds to the Attained Insurance Age.

If the Insurance Age is less than 18, only YRT COI is available.

2) Level Guaranteed Cost of Insurance (Level COI)

The Level Guaranteed Cost of Insurance rates are shown in the Policy Information Pages. The Cost of Insurance rate that applies to the corresponding Basic Coverage will not change.

### Cost of Insurance Switch

You may change a Basic Coverage only from YRT COI to Level COI. You may request a change on any coverage anniversary up to Attained Insurance Age 80, by sending Us written notice. The Cost of Insurance rate for the new coverage will be the Guaranteed Level Switch Cost of Insurance rate that applies to the Life Insured's Attained Insurance Age.

SPECIMEN

## Fund Value Provisions

### Net Premium

The Net Premium is the premium received by Us less any applicable Federal and Provincial taxes, levies or similar charges on premiums paid by You.

### Premium Allocation

Premium Allocation is the portion of the Net Premium directed toward a particular Investment Account. If no Premium Allocation has been elected, the Net Premium will accumulate in the Daily Interest Account. You can change the Premium Allocation by notifying Us in writing. The \$30 fee charged for each change in Premium Allocation will be waived for the first three Premium Allocation changes in each Policy Year. The effective date of any Premium Allocation change will be the business day Your written request is received at Our head office, or later if so indicated by You.

### Investment Accounts

Investment Accounts are savings pools to which Your Net Premiums are allocated and from which charges are deducted. They provide different levels of risk, liquidity and rates of return. The Investment Accounts are notional accounts and are not intended to be related to any specific pools of securities maintained by Us. For each Investment Account, a bonus may also be applied as described in the Investment Bonus provisions below.

We will offer a number of Investment Accounts from time to time. We guarantee to make available to You the Daily Interest Account, at least two Guaranteed Interest Accounts and at least four Market Indexed Accounts. We will always offer at least one Guaranteed Interest Account with a guaranteed minimum rate of at least 2.0%.

We reserve the right to determine the Investment Accounts being offered. When an Investment Account is no longer being offered, We reserve the right to transfer the Account Value to another Investment Account then being offered by Us. There will be no charge when We make such a transfer. Any such transfer from a Guaranteed Interest Account will take effect only at the end of the selected term. Any such transfer will only take effect after We have advised You that a transfer is occurring.

The following Investment Accounts are available at the Policy Effective Date.

#### 1. Daily Interest Account

The Daily Interest Account is a short-term Investment Account. A Premium Allocation to the Daily Interest Account will earn interest, credited monthly to the Daily Interest Account, at rates determined by Us from time to time. We **guarantee** that the annual rate will not be less than 90% of the annualized yield on 90 day Government of Canada Treasury Bills, less 2.20%, subject to a minimum of 0.0%.

#### 2. Guaranteed Interest Accounts

For Guaranteed Interest Accounts, a minimum deposit of \$500 is required.

A Guaranteed Interest Account is a fixed term Investment Account. We offer Guaranteed Interest Accounts of five-year and ten-year terms. A Premium Allocation to a Guaranteed Interest Account will earn interest, credited monthly to the Guaranteed Interest Account, at rates determined by Us from time to time. The interest rate assigned to each allocation is guaranteed not to change for the term chosen.

The minimum **guarantees** are as follows.

- a) For a 5-year term account, the annual rate will not be less than 90% of the yield on 5-year Government of Canada Bonds, less 2.70%, subject to a minimum of 1.25%.
- b) For a 10-year term account, the annual rate will not be less than 90% of the yield on 10-year Government of Canada Bonds, less 2.70%, subject to a minimum of 2.00%.

Minimum guarantees are not applicable to amounts held in Guaranteed Interest Accounts in the Side Account.

If such Government of Canada investments are not available, We will use Government of Canada instruments with the nearest term as determined by Us.

If, at the end of the chosen term, the Account Value is greater than \$500, it will be reinvested for the same term, at the then current interest rate. If We receive Your written request at least five business days before the end of the chosen term, You may transfer the Account Value to any



Investment Account then being offered by Us, subject to minimum deposit requirements. For amounts of less than \$500, the Account Value will be transferred to the Daily Interest Account or You may request in writing, at least five business days before the end of the chosen term, a transfer to any of the Indexed Accounts then offered by Us, subject to minimum deposit requirements.

### 3. Market Indexed Accounts

A Market Indexed Account is an Investment Account that credits an interest amount mirroring the percentage change in value of a specified market index, as selected by Us from time to time. The value for each Account is calculated based on index values at the end of each valuation day and will increase or decrease in value depending on the change in the respective index. The valuation day is any business day on which the underlying investment is publicly traded and Our head office is open.

- a) American Equity Index - This account credits an interest amount mirroring the percentage change in value of the securities in the S&P 500 Index (including dividends) as tracked by the fund index. Returns, adjusted for currency fluctuations, are calculated between consecutive valuation days and a daily management fee will be subtracted each calendar day.
- b) American Small Cap Equity Index – This account credits an interest amount mirroring the percentage change in value of the securities in the Russell 2000 Index (including dividends) as tracked by the fund index. Returns, adjusted for currency fluctuations, are calculated between consecutive valuation days and a daily management fee will be subtracted each calendar day.
- c) Asia Equity Index - This account credits an interest amount mirroring the percentage change in value of the securities in the MSCI Hong Kong Index and the MSCI Japan Index on an equal basis (including dividends) as tracked by the fund index. Returns, adjusted for currency fluctuations, are calculated between consecutive valuation days and a daily management fee will be subtracted each calendar day.
- d) Bond Index - This account credits an interest amount mirroring the percentage change in value of the securities in the Scotia Capital Markets Universe Index as tracked by the fund index. Returns are calculated between consecutive valuation days and a daily management fee will be subtracted each calendar day.
- e) Canadian Equity Index - This account credits an interest amount mirroring the percentage change in the value of the securities in the S&P/TSE60 Index (including dividends) as tracked by the fund index. Returns are calculated between consecutive valuation days and a daily management fee will be subtracted each calendar day.
- f) Canadian REIT Index – This account credits an interest amount mirroring the percentage change in the value of the securities in the S&P/TSX Canadian REIT Index (including dividends) as tracked by the fund index. Returns are calculated between consecutive valuation days and a daily management fee will be subtracted each calendar day.
- g) Canadian Financial Services Index – This account credits an interest amount mirroring the percentage change in the value of the securities in the S&P/TSX Canadian Financial Services Index (including dividends) as tracked by the fund index. Returns are calculated between consecutive valuation days and a daily management fee will be subtracted each calendar day.
- h) European Equity Index - This account credits an interest amount mirroring the percentage change in value of the securities in the Dow Jones Euro Stoxx 50 Index (including dividends) as tracked by the fund index. Returns, adjusted for currency fluctuations, are calculated between consecutive valuation days and a daily management fee will be subtracted each calendar day.
- i) U.S. Technology Index - This account credits an interest amount mirroring the percentage change in value of the securities in the Nasdaq 100 Index (including dividends) as tracked by the fund index. Returns, adjusted for currency fluctuations, are calculated between consecutive valuation days and a daily management fee will be subtracted each calendar day.

**You do not purchase units in any index or a legal interest in any security.**

**The maximum daily AIG management fee on each Market Indexed Account is 0.0089% and is guaranteed as long as this policy remains in force.**

#### 4. Managed Indexed Accounts

A Managed Indexed Account is an Investment Account that credits an interest amount mirroring the net rate of return of a designated fund, as selected by Us from time to time. Returns, either positive or negative, are calculated between consecutive valuation days and a daily management fee will be subtracted each calendar day. The valuation day is any business day on which the underlying investment is publicly traded and Our head office is open.

Currently, We offer Managed Indexed Accounts benefiting from the investment expertise of several leading mutual fund companies.

**You do not purchase units in any index or a legal interest in any security.**

**The maximum daily AIG management fee on each Managed Indexed Account is 0.0068% and is guaranteed as long as this policy remains in force.**

#### 5. Managed Portfolio Indexed Accounts

A Managed Portfolio Indexed Account is an Investment Account that credits an interest amount mirroring the net rate of return of a portfolio of designated funds, as selected by Us from time to time. Returns, either positive or negative, are calculated between consecutive valuation days and a daily management fee will be subtracted each calendar day. The valuation day is any business day on which the underlying investment is publicly traded and Our head office is open.

Currently, We offer Managed Portfolio Indexed Accounts that have been designed by some of Canada's leading money managers.

**You do not purchase units in any index or a legal interest in any security.**

**The maximum daily AIG management fee on each Managed Portfolio Indexed Account is 0.0068% and is guaranteed as long as this policy remains in force.**

#### 6. National Bank Trust Managed Portfolio Indexed Accounts

A National Bank Trust Managed Portfolio Indexed Account is an Investment Account that credits an interest amount mirroring the net rate of return of the following portfolio of designated funds,

managed by National Bank Trust, and as selected by Us from time to time.

Conservative Portfolio  
Balanced Portfolio  
Growth Portfolio

Returns, either positive or negative, are calculated between consecutive valuation days and a daily management fee will be subtracted each calendar day.

**You do not purchase units in any index or a legal interest in any security.**

**The maximum daily AIG management fee on each National Bank Trust Managed Portfolio Indexed Account is 0.0089% and is guaranteed as long as this policy remains in force.**

#### 7. Money Manager Indexed Accounts

A Money Manager Indexed Account is an Investment Account that credits an interest amount mirroring the net rate of return of a designated fund or percentage change in value of a specified market index, as selected by Us from time to time. Returns or percentage change, either positive or negative, are calculated between consecutive valuation days and an AIG management fee will be subtracted for each calendar day. The valuation day is any business day that the underlying investment is publicly traded or valued, as reasonably determined by Us and Our head office is open. Where an underlying investment is valued as of a particular valuation day, there may be a delay from that valuation day to when the result of the valuation is available. The interest amount for a Money Manager Indexed Account at a valuation day is the net rate of return, less the AIG management fee, of that Account calculated between the prior valuation day and that valuation day, multiplied by the Account Value of that Account on the prior valuation day.

We will suspend all Premium Allocations and transfers to be deposited to a Money Manager Indexed Account until the next valuation day of that Account. All Premium Allocations and Transfers to a Money Manager Indexed Account will be subject to the amount of the deposit meeting any minimum requirements that We may establish for that Account. Any Premium Allocations or Transfers that do not meet such minimum requirements will be allocated to the Daily Interest Account.

We will delay all Account Deductions, Cash Withdrawals and Transfers, including a cancellation of the policy for its Cash Surrender Value, from any account, to the next business day that all valuations required for the transaction are available. We reserve the right to require that the Account Deduction, Cash Withdrawal or Transfer from a Money Manager Indexed Account be at least the lesser of the balance of that Account and any minimum requirements that We may establish for that Account.

Where benefits under this policy or the proceeds on termination of this policy are dependent upon the valuation of a Money Manager Indexed Account, We reserve the right to delay payment of such amounts until the results of the valuation of all accounts are known.

As of the Policy Effective Date, We reserve the right to require a minimum of \$5,000 per Premium Allocation, Transfer, Account Deduction and Cash Withdrawal to or from all Money Manager Indexed Accounts. We will notify You of any increase to this requirement.

As of the Policy Effective Date, We reserve the right to require at least 5 business days notice for Premium Allocations, Transfers and Cash Withdrawals to or from Money Manager Indexed Accounts. If we do not receive sufficient notice from You, Allocations, Transfers, Cash Withdrawals and policy surrenders may be delayed. We will notify You of any increase in these requirements.

**You do not purchase units in any index or a legal interest in any security.**

**The daily AIG management fee of each Money Manager Indexed Account is not guaranteed and may vary.**

#### 8. Custom Portfolio Indexed Accounts

A Custom Portfolio Indexed Account is an Investment Account that credits an interest amount mirroring the net rate of return of a portfolio of designated funds, as selected by You from a list of available funds as designated by Us from time to time. Returns, either positive or negative, are calculated between consecutive valuation days and a daily management fee will be subtracted each calendar day. The valuation day is any business day on which the underlying investment is publicly traded and Our head office is open.

In order to select the Custom Portfolio Indexed Account, the following two requirements must be met:

- a) a minimum of \$5,000 of premium; and
- b) a minimum investment allocation of the greater of \$1,000 or the minimum deposit requirement for the designated fund.

**You do not purchase units in any index or a legal interest in any security.**

**The maximum daily AIG management fee on each Custom Portfolio Indexed Account is 0.0075% and is guaranteed as long as this policy remains in force.**

#### Monthly Deduction

On each Policy Monthly Anniversary starting on the Policy Effective Date, We will calculate a Monthly Deduction equal to the sum of the following:

- 1) the monthly administration fee shown in the Policy Information Pages (The monthly administration fee is guaranteed for the duration of the policy and is payable until Insurance Age 100);
- 2) the monthly Cost of Insurance, which is equal to the Basic Amount at Risk multiplied by the Cost of Insurance rate divided by 1,000 for each Basic Coverage shown in the Policy Information Pages, divided by twelve;
- 3) any Additional Sum Insured multiplied by the rate, divided by 1,000, shown in the Additional Sum Insured Cost of Insurance Policy Information Page, that corresponds to the Attained Insurance Age, Smoker Status and sex, divided by twelve; and
- 4) the total of the monthly costs for any riders or substandard extras shown in the Policy Information Pages, where the initial monthly cost is one-twelfth of the respective annual premium. The cost for some riders may change as described in the provisions of the rider.

#### Account Deduction

An Account Deduction is the portion of the Monthly Deduction that is deducted each month from an Investment Account. The Account Deduction is determined by first subtracting the maximum possible amount from the Daily Interest Account, then proportionately from the Indexed Accounts, and then from the Guaranteed Interest Accounts, starting with the deposit closest to maturity.

## Account Value

The Account Value for the Daily Interest and Guaranteed Interest Accounts on the Policy Effective Date is the Premium Allocation less the corresponding Account Deduction. On each Policy Monthly Anniversary following the Policy Effective Date, interest earned during the previous month will be credited and We will deduct the applicable Account Deduction.

The Account Value for a Market Indexed Account on the Policy Effective Date is the Premium Allocation less the corresponding Account Deduction. The Account Value will increase or decrease based on the change in value of the respective index. On each Policy Monthly Anniversary following the Policy Effective Date, We will deduct the applicable Account Deduction.

The Account Value for a Managed Indexed Account, Managed Portfolio Indexed Account, Money Manager Indexed Account or Custom Portfolio Indexed Account on the Policy Effective Date is the Premium Allocation less the corresponding Account Deduction. The Account Value will increase or decrease based on the net rate of return of a designated fund or portfolio of designated funds. On each Policy Monthly Anniversary following the Policy Effective Date, We will deduct the applicable Account Deduction.

After the Policy Effective Date, all Account Values will reflect the sum of all the Premium Allocations, interest credited or debited, and transfers deposited to the account less the sum of Account Deductions, Cash Withdrawals and transfers from the account.

## Fund Value

The Fund Value for this policy equals the sum of the Account Values of the Investment Accounts.

## Allocated Fund Value

For each Life Insured, the Allocated Fund Value is the portion of the Fund Value determined by multiplying the Fund Value by the ratio of the Life Insured's Sum Insured to the total of all the Sums Insured.

## Cash Value

The Cash Value equals the Fund Value.

## Net Cash Value

The Net Cash Value is the Cash Value less the outstanding balance of all Policy Loans.

## Policy Loan

No Policy Loans are available during the first Policy Year.

The minimum loan amount at any time is \$500 and the minimum remaining Net Cash Value must be the greater of \$500 or the Monthly Deduction. The maximum Policy Loan is 85% of the portion of the Cash Value that is attributable to the Guaranteed Interest Accounts, less any outstanding Policy Loan balance.

The interest rate charged on Policy Loans will be determined by Us and may change from time to time. Interest will be compounded annually at the Policy Anniversary and accrued daily. At Our option, the granting of the loan may be deferred for a period not exceeding 60 days.

The Account Value of the Guaranteed Interest Accounts must be sufficient at all times to offset the outstanding Policy Loan balance. Therefore, transfers from the Guaranteed Interest Accounts may be restricted if there is an outstanding Policy Loan. Also, the Premium Allocation may need to be changed or You may need to transfer funds to the Guaranteed Interest Accounts. You will be advised in advance if any such adjustment is required.

If the Death Benefit Option is Sum Insured or Sum Insured plus Fund Value, the outstanding Allocated Policy Loan Balance will reduce any proceeds on death. If the Death Benefit Option is Sum Insured plus Multi Fund Value, the outstanding Policy Loan Balance will reduce any proceeds on death.

If there is an outstanding Policy Loan, the applicable amount owing will be deducted from the proceeds payable on death and will be applied to reduce the Policy Loan. Refer to Death Benefit Options.

A Policy Loan repayment may take place at any time.

## Allocated Policy Loan

For each Life Insured, the Allocated Policy Loan is the portion of the Policy Loan balance determined by multiplying the Policy Loan balance by the ratio of the

Life Insured's Sum Insured to the total of all of the Sums Insured.

### **Market Value Adjustment**

A Market Value Adjustment (MVA) is applicable to the Guaranteed Interest Accounts for Transfers or Cash Withdrawals or if You cancel this policy for the Cash Surrender Value. No Market Value Adjustment is applicable in respect of Account Deductions from the Guaranteed Interest Accounts. The Market Value Adjustment will be determined separately for each amount being withdrawn or transferred.

The MVA charged will be the greater of zero (0), and

the amount of the transaction X (10-year GIA interest rate at the time of the transaction plus 0.75% minus actual credited interest rate) X (the number of complete months to maturity, divided by 12).

### **Transfers**

At any time, You may elect to transfer all or part of the Account Value of one Investment Account to another or of one Side Account allocation to another. The minimum amount that can be transferred is the lesser of \$500 or the full amount of the Investment Account.

The effective date of any transfer will be the business day Your written request is received at Our head office, or later if so indicated by You. The Market Value Adjustment will apply to any transfers from the Guaranteed Interest Accounts. The administrative charge of \$50 for Cash Withdrawals will not apply. A \$30 fee will be charged for each transfer, except that this charge will be waived for the first three transfers in each Policy Year.

For transfers of amounts over \$200,000, We reserve the right to delay the processing of Your request by up to 30 days. Transfers may be restricted if there is an outstanding Policy Loan balance.

### **Cash Withdrawal**

You may request a Cash Withdrawal at any time, except during the first Policy Year, provided the Cash Surrender Value is greater than \$1,000.

The minimum amount that can be withdrawn is \$500 and the minimum remaining Cash Surrender Value must be the greater of \$500 or the Monthly Deduction. The effective date of any Cash Withdrawal will be the

business day Your written request is received at Our head office, or later if so indicated by You. Cash Withdrawals will first be made from the Side Account if applicable. You must indicate the Investment Account(s) from which the remaining funds are to be withdrawn. Otherwise, We will make withdrawals by first subtracting the maximum possible amount from the Daily Interest Account, then proportionately from the Indexed Accounts, and then from the Guaranteed Interest Accounts, starting with the deposit closest to maturity. The money withdrawn by You will reduce each Account Value. The Market Value Adjustment will also apply if funds are withdrawn from a Guaranteed Interest Account.

**A Cash Withdrawal Redemption Charge** will be assessed on all Cash Withdrawals that occur during the first three years that this Policy is in force. The Cash Withdrawal Redemption Charge will be 5% of the requested withdrawal amount. An administrative charge of \$50 will also be deducted from each Cash Withdrawal. These charges do not apply to cash withdrawals from the Side Account.

If the Death Benefit Option is Sum Insured, the Sum Insured will be reduced by the amount withdrawn from the Fund Value, except that no such reduction will occur while the cumulative Cash Withdrawals to date are below \$15,000 and the Sum Insured will not be reduced to an amount below \$15,000. If the Death Benefit Option is Sum Insured Plus Fund Value or Sum Insured Plus Multi Fund Value the Basic Amount at Risk immediately after a withdrawal will equal the Basic Amount at Risk immediately before the withdrawal.

For withdrawals of amounts over \$200,000, We reserve the right to delay the processing of Your request by up to 30 days.

### **Cash Surrender Value**

The Cash Surrender Value is the Net Cash Value less any applicable Market Value Adjustment. You may cancel this policy at any time for the Cash Surrender Value by returning Your Policy to Us, together with a written request for the Cash Surrender Value. However, if this policy is surrendered, it may not be reinstated. The effective date of any surrender will be the business day Your written request is received at Our head office, or later if so indicated by You.

For surrenders of amounts over \$ 200,000, We reserve the right to delay the processing of Your

request by up to 30 days from the date your written request is received in Our head office.

### **Earned Rate**

We will declare an Earned Rate, intended to reflect a total twelve-month rolling average investment return of the Daily Interest Account and the Guaranteed Interest Accounts, from time to time.

### **Investment Bonus**

#### **Daily Interest Account**

Beginning on the 1<sup>st</sup> Policy Anniversary and on each subsequent Policy Anniversary, an Investment Bonus will be credited to the Daily Interest Account. The Investment Bonus is the effective annualized rate that is equal to the lesser of:

- 1% of the average Account Value over the twelve-month period before the Policy Anniversary, and
- 15% of the Earned Rate, multiplied by the average Account Value over the twelve-month period before the Policy Anniversary.

### **Guaranteed Interest Accounts**

Beginning on the 1<sup>st</sup> Policy Anniversary and on each subsequent Policy Anniversary, an Investment Bonus based on each Guaranteed Interest Account will be calculated. Bonus amounts of at least \$50 will be credited to a Guaranteed Interest Account of the same term while lesser amounts will be credited to the Daily Interest Account. The Investment Bonus is the effective annualized rate that is equal to:

- 1.5 % of the average Account Value over the twelve-month period before the Policy Anniversary.

### **Indexed Accounts**

Beginning on the 6<sup>th</sup> Policy Anniversary and on each subsequent Policy Anniversary, an Investment Bonus will be credited to each Market Indexed Account, Managed Indexed Account, Managed Portfolio Indexed Account, Money Manager Indexed Account and Custom Portfolio Indexed Account. The investment bonus is applied to each Account Value and is credited to the Indexed Investment Account(s) according to the most recent Premium Allocation filed with Us. The Investment Bonus is the effective annualized rate equal to:

- 1.5 % of the average Account Value over the twelve-month period before the Policy Anniversary.

## General Provisions

### Lapse

This policy will terminate without value after a grace period of 30 days if any one of the following lapse conditions is met.

- 1) The Cash Value is less than zero, and the total premiums paid less any Cash Withdrawals are less than the cumulative minimum premiums.
- 2) If there is a policy loan and the Net Cash Value is less than zero.
- 3) The Fund Value is less than the Monthly Deduction at a Policy Monthly Anniversary date.

The policy will continue in force during the grace period. If sufficient premium is paid during the grace period, the policy will remain in force. The amount in the Side Account, if any, will be applied toward satisfying the sufficient premium payment for the policy to remain in force.

### Contract

Your contract consists of this policy, the application for this policy, any document attached to this policy when issued, any application for reinstatement of this policy and any written policy amendments and/or endorsements agreed upon in writing after this policy has been issued.

Changes to or waiver of any policy provision must be in writing and must be authorized by one of Our officers and initialed by one of Our policy analysts. We will not be bound by any change, waiver, promise or representation made by any other person. This policy is subject to applicable law.

In the event that in any legal proceedings in any jurisdiction, it is determined that any section, paragraph or sub-paragraph of this contract or any part of the same is invalid, that section, paragraph, or sub-paragraph or part thereof shall be deemed to be severed from the remainder of this contract for the purpose only of the particular legal proceedings in question, and this contract shall in every other respect continue in full force and effect.

### Disclosure

You and each Life Insured must disclose in the application for this policy, on any medical examination, in any written statement or answer, in any application for reinstatement or in any proof of claim, every fact that is material to the contract. Subject to the Incontestability provision, failure to do so or misrepresenting any material fact furnished as evidence of insurability, will entitle Us to void the coverage. If there is more than one Life Insured under this policy and a coverage is voided, We will consider continuing coverage on the remaining Life Insured(s), subject to insurability.

### Incontestability

Statements made in the application for this policy, other than fraudulent statements, will be considered incontestable after the coverage has been in force for two years. Similarly, statements made in an application for reinstatement or change, other than fraudulent statements, will be considered incontestable after two years from the date the request is approved by Us. However, these statements are contestable if the Life Insured dies within two years of the effective date of coverage or reinstatement.

If a Life Insured is substituted or added to the policy, the two-year Incontestability period for the new Life Insured will start at the substitution or addition date.

### Payment of Premiums

The initial planned premium, as shown in the Policy Information Pages, is due on the Policy Effective Date and must be paid before any coverage becomes effective. You may then pay premiums annually, or by a monthly automatic payment system. You may make additional premium payments at any time while this policy is in force. We will not refuse any premium payment required to prevent the policy from terminating as described in the Lapse provision.

## Currency

Amounts payable to and by Us will be in Canadian currency.

## Assignment

No assignment of this policy will be binding on Us until notice of assignment has been filed at Our head office. We are not responsible for the validity or legal effect of any assignment or actions taken by Us before receiving notice of the assignment.

## Misstatement of Age and Sex

The rates for this policy depend, in part, on the age and sex of the Life Insured(s) as stated in the application. If the date of birth or sex of a Life Insured has been misstated, We will recalculate the Insurance Age and adjust the amount of coverage so that the Monthly Deductions for the new amount of coverage equals the Monthly Deductions that should have been applied if the proper age had been declared. If We accept a premium for a period beyond the date coverage would have ceased according to the correct date of birth, or if at the correct date the coverage would not have become effective, Our liability will be limited to the refund of all premiums paid for the period during which coverage would not have been in effect.

## Substitution of Life Insured

You may request that a new person be substituted for an existing Life Insured by sending Us Your written request. We must receive satisfactory evidence of insurability of the new Life Insured and payment by You for any incurred administrative expenses. On approval of the request for substitution, coverage on the existing Life Insured will cease. The Monthly Deduction will be adjusted to reflect the Smoker Status, Insurance Age and sex of the new Life Insured. The Cost of Insurance rates applicable to the new Life Insured will be Our rates in use on the effective date of the substitution.

## Addition of Life Insured

You may request that coverage for a new person be added during the lifetime of an existing Life Insured.

We must receive satisfactory evidence of insurability of the new Life Insured and payment by You for any incurred administrative expenses. The Monthly Deduction will be increased to reflect the additional coverage, based on the Sum Insured, Smoker Status, Insurance Age and sex of the new Life Insured. The Cost of Insurance rates applicable to the new Life Insured will be Our rates in use on the effective date of the added coverage.

## Non-Participating

This policy will not participate in Our surplus or profits.

## Reinstatement

This policy may be reinstated at any time within two years from the date of lapse, as defined in the Lapse provision, subject to the following conditions:

- a) You must provide evidence satisfactory to Us of the good health and insurability of the Life Insured, which will be determined on the same basis as when the coverage was issued; and
- b) You must pay an amount sufficient to cover the Monthly Deductions, with interest determined by Us, that were not made during the period immediately preceding the date of reinstatement; and
- c) You must pay an amount greater than or equal to the Monthly Deductions that will be made during the one-month period following the date of reinstatement.

## Policy Statements

We will send You Policy Statements at least annually. The statements will show the status of this Policy as of the Statement reporting period.



## Index

The following terms have specific meanings when used in the policy. Please note the appropriate reference as You read the policy.

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