

UNIVERSAL WHOLE LIFE - LEVEL LIFE PAY, 15 & 20 QUICK PAY

SAMPLE CONTRACT PROVISIONS

INTRODUCTION

This is a universal life insurance policy that provides both insurance and savings benefits.

All Premiums received less any Premium Taxes are deposited to the Daily Interest Account within the Savings Component of the policy. Premium Taxes include provincial premium tax or any other similar type of tax levied under federal or provincial legislation. An amount representing the Monthly Cost of Insurance and Monthly Administration Fee is withdrawn from the Daily Interest Account every month. Subject to certain requirements, any amounts within the Savings Component of the policy may be directed to other Savings Options at the discretion of the Policy Owner. The policy will remain in force provided sufficient premiums are paid to keep the Account Value positive.

GENERAL PROVISIONS

1. The Contract

The contract consists of this policy, the application for insurance and any amendments agreed upon in writing. Any change in this contract may only be made with the written consent of the Policy Owner and the Company. Only the President, the Vice-President, the Secretary or the Actuary of the Company has the authority to waive or agree to change any of the conditions or provisions of this policy.

2. Incontestability

In the absence of fraud, the Company will not contest the validity of this policy after it has been in force during the lifetime of the Life Insured for two years from later of the Issue Date or from the date of the last reinstatement. In issuing or reinstating this policy, the Company has relied on statements made in connection with the application for issue or reinstatement. No statement will be used by the Company to void this policy or to deny a claim unless that statement is a material misrepresentation and is part of the application. This provision does not apply to any disability provision.

3. Policy Owner

The Policy Owner will have full control of and all rights in this policy while the Life Insured is living. If the Life Insured is not the Policy Owner, the Policy Owner may name a Contingent Policy Owner to whom this policy will be transferred upon the death of the Policy Owner. On the death of the Contingent Policy Owner, the executors or the administrators of his or her estate will be the Policy Owner. Any appointment of a Contingent Policy Owner may be changed or revoked.

4. Beneficiary

If the Beneficiary dies while the Life Insured is living, and if there is no other legally designated Beneficiary or Contingent Beneficiary, the Policy Owner will become the Beneficiary. The Policy Owner may change any revocable Beneficiary or Contingent Beneficiary by filing written notice at the Head Office of the Company.

5. Payment of Premiums

The Premium is the amount that the Policy Owner pays for this policy. The Policy Owner selects the amount of the Premium, subject to the minimum and maximum Premium amounts as determined by the Company. An amount for Premium Tax or any other similar type of tax levied under federal or provincial legislation is deducted from every Premium. Premiums are payable annually on or before their due dates, commencing on the Issue Date. Premiums are payable at the Head Office of the Company or elsewhere with the consent of the Company. Premiums may be paid other than annually with the consent of the Company.

6. Grace Period/Lapse

A grace period of 30 days is provided after the date on which the Account Value becomes zero. The policy will remain in force during the Grace Period. If the Life Insured dies during the Grace Period, any Monthly Cost of Insurance and Monthly Administration Fees due but unpaid will be deducted from the Life Insurance Proceeds. If the minimum Premium required to maintain the policy in force is not paid by the end of the grace period, the policy will lapse unless the Automatic Premium Loan applies.

7. Reinstatement

This policy may be reinstated while the Life Insured is alive, within two years after the date it lapsed. The requirements to reinstate are:

- a. a written application for reinstatement,
- b. evidence of insurability of all Lives Insured satisfactory to the Company,
- c. payment of all overdue Monthly Cost of Insurance and Administration Fees and any indebtedness to the date of reinstatement, together with interest at a rate to be determined by the Company.

8. Suicide

The Life Insurance Proceeds will not be paid if the Life Insured commits suicide, while sane or insane within two years from the Issue Date or the date of the last reinstatement of this policy or within two years of the effective date for any increase in Sum Insured. In that event, the Premiums paid, less any withdrawals paid to the Policy Owner under the terms of the policy, will be refunded.

9. Issue Age

Issue Age is the age of the Life Insured on the birthday nearest the Issue Date of the policy.

10. Misstatement of Age or Sex

If the age or sex of the Life Insured is misstated, the benefits provided by this policy will be adjusted to those which the Monthly Cost of Insurance would have purchased at the correct age and sex.

11. Assignment

No assignment of this policy will be binding on the Company unless it is in writing and received by the Company at its Head Office. The Company will not be responsible for the validity or effect of any assignment.

12. Currency

All payments made in connection with this policy will be in Canadian currency.

13. Taxation Information

The Income Tax Act (Canada) requires the annual reporting of income on life insurance policies except for Exempt plans. This plan is issued as an Exempt plan. It is exempt from annual reporting of income. Any gain built up in the policy will only become taxable on policy surrender or partial withdrawal of Account Values. Provided there are no relevant changes to the Income Tax Act (Canada), the Company will ensure the policy retains its Exempt status. An Exemption test will be done annually to determine the maximum Account Value allowed under the Income Tax Act (Canada). Any excess over the maximum will be paid to the Policy Owner.

INSURANCE PROVISIONS

14. Life Insurance Proceeds

The Company will pay the Life Insurance Proceeds to the Beneficiary if the Life Insured dies while this policy is in force. These Proceeds will be the Sum Insured shown in the Policy Schedule plus the Account Value as of the date of death of the Life Insured less any unpaid Monthly Cost of Insurance and Monthly Administration Fees.

15. Monthly Cost of Insurance and Administration Fees

The Monthly Cost of Insurance will be deducted from the Daily Interest Account each month. If there are not sufficient funds in the Daily Interest Account, the remaining Cost of Insurance will be deducted from balances in other Savings Options in accordance with instructions provided by the Policy Owner. If no instructions are received, the Company will deduct, at its discretion, the Monthly Cost of Insurance from balances in other Savings Options in a reasonable manner.

16. Guaranteed Monthly Administration Fee

The Monthly Administration Fee will be deducted from the Daily Interest Account each month. If there are not sufficient funds in the Daily Interest Account, the remaining Administration Fee will be deducted from balances in other Savings Options in accordance with instructions provided by the Policy Owner. If no instructions are received, the Company will deduct, at its discretion, the Monthly Administration Fee from balances in other Savings Options in a reasonable manner.

The Monthly Administration Fee is guaranteed at \$9.00 per month.

17. Participating

Dividends will be determined by the Company. The amount of the dividend will be credited annually to the Daily Interest Account. The amount of the dividend will depend on future levels of investment earnings, mortality, expenses, taxes and other factors.

18. Settlement

Claims - The Company will pay the Life Insurance Proceeds to the Beneficiary after receiving satisfactory proof of the death of the Life Insured, the age and sex of the Life Insured and the right of the claimant to receive any proceeds. The Company will also require return of the policy.

Options - The Company will pay the Life Insurance Proceeds either in a lump sum or under a Payment Option agreed to by the Company. The Payment Options include:

- a. payment of the Proceeds in the form of an annuity,
- b. leaving the Proceeds on deposit with interest with the right to withdrawal.

Upon request, the Company will provide details of the Payment Options available.

Election of Options –

- a. the Policy Owner may elect or change a Payment Option while the Life Insured is living and before the Proceeds become payable subject to agreement by the Company,
- b. at the time the Proceeds become payable, the person entitled to payment in a lump sum may elect or change a Payment Option.

19. Disability Benefit Payment

If the Life Insured becomes disabled for a period of at least 90 days, the Account Value, or a portion thereof, may be paid to the Policy Owner during the period of disability. It will be paid out as a lump sum withdrawal, once per

occurrence of disability. The payment must be at least equal to the lesser of the Account Value and \$2,500. All Disability Benefit Payments are processed from the Daily Interest Account. If insufficient funds exist in the Daily Interest Account, the Policy Owner will designate the other Savings Options from which to transfer the remaining funds.

Definition of Disability

Written proof of the Life Insured's disability must be provided by a licensed medical practitioner. The Life Insured will be considered to be disabled if he/she is suffering from an illness or bodily injury which

A. i. prevents the Life Insured, if normally employed, from performing all of the essential duties of his or her occupation or employment, or

ii. prevents the Life Insured, if not normally employed, from performing all of the essential duties of any occupation or employment for which he or she is reasonably suited by education, training or experience, or

iii. prevents the Life Insured, if normally responsible for the maintenance of a home or care of immediate family members, from performing the essential duties of maintaining that home or caring for those individuals, or

B. has resulted in the total and permanent loss of sight in both eyes, or the use of both hands, feet, or of one hand and one foot, or

C. must be expected by a licensed practitioner to result in the death of that Life Insured within 24 months of the date of diagnosis.

SAVINGS PROVISIONS

20. Savings Options

All premiums received less any Premium Taxes are deposited to the Daily Interest Account. Amounts in excess of the minimum required in the Daily Interest Account may, at the Policy Owner's discretion, be invested in one or more of the Savings Options.

Daily Interest Account

Amounts paid to the Daily Interest Account will earn interest at rates determined by the Company from time to time. Interest is calculated and compounded in the Daily Interest Account on a daily basis. The Daily Interest Account interest rates are guaranteed to be at least 90 percent of the yield of a Government of Canada 91 day Treasury Bill less 1.5 percent. Amounts in excess of the Monthly Cost of Insurance and Monthly Administration Fee falling due prior to the next Scheduled Premium due date may be transferred from the Daily Interest Account into one of the following Savings Options:

Investment Accounts

Amounts may be directed to purchase Investment Accounts for fixed terms at guaranteed rates of interest, subject to the Company's minimum amount. Investment Account interest is calculated daily and compounded annually. At the end of the term and unless the Company is otherwise notified, the Account Value will be used to establish a new Investment Account for the same term at a rate of interest then being offered by the Company. The Investment Account interest rates are determined by the Company from time to time and are guaranteed to be at least 90 percent of the yield of a Government of Canada bond for the same term as the Investment Account less 1.5 percent.

The following interest rate guarantees will also be applicable to these investment accounts

1 year term 1.5%

2 year term 2.0%

3 year term 2.5%

5, 7 & 10 year term 3.0%

Canadian Equity Index-Linked Account

Amounts directed to the Canadian Equity Index-Linked Account will earn an Investment Return that will reflect the change in the S&P/TSX Composite Index plus an estimate of the dividend yield on that Index less an expense charge that will not exceed 2.75 percent per annum. The Investment Return may be positive or negative. The Company reserves the right to substitute a different index should the S&P/TSX Composite Index cease to be available.

U.S. Equity Index-Linked Account

Amounts directed to the U.S. Equity Index-Linked Account will earn an Investment Return that will reflect the change in the Standard & Poor's 500 Index plus an estimate of the dividend yield on that Index less an expense charge that will not exceed 2.75 percent per annum. The Investment Return may be positive or negative. In determining the Investment Return, the Standard & Poor's 500 Index will be converted to Canadian dollars. The Company reserves the right to substitute a different index should the Standard & Poor's 500 Index cease to be available.

International Equity Index-Linked Account

Amounts directed to the International Equity Index-Linked Account will earn an Investment Return that will reflect the change in the Morgan Stanley Capital International Europe, Australasia and Far East Index plus an estimate of the dividend yield on the Index less an expense charge that will not exceed 2.75 percent per annum. The Investment Return may be positive or negative. In determining the Investment Return, the Morgan Stanley Capital International Europe, Australasia and Far East Index will be converted to Canadian dollars. The Company reserves the right to substitute a different index should the Morgan Stanley Capital International Europe, Australasia and Far East Index cease to be available.

Canadian Bond Index-Linked Account

Amounts directed to the Canadian Bond Index-Linked Account will earn an Investment Return that will reflect the change in the Scotia Capital Universe Bond Index less an expense charge that will not exceed 2.75 percent per annum. The Investment Return may be positive or negative. The Company reserves the right to substitute a different index should the Scotia Capital Universe Bond Index cease to be available.

21. Account Values

The Account Value of the policy at any time is the sum of the Account Values at the time of each Savings Option in effect.

Daily Interest Account

The Account Value of the Daily Interest Account is defined as:

premiums received less Premium Taxes,

plus: amounts transferred into this account from other Savings Options,

dividends declared,

interest earned,

less: cash withdrawals,

amounts transferred to other Savings Options,
amounts charged for Monthly Cost of Insurance and Monthly Administration Fees,
Transaction Fees.

Investment Accounts

The Account Value of each Investment Account is defined as:

amounts transferred from other Savings Options,
plus: interest earned,
less: amounts transferred to other Savings Options,
amounts charged for Monthly Cost of Insurance and Monthly Administration Fees.

Index-Linked Accounts

The Account Value of the Index-Linked Accounts is defined as:

amounts transferred from other Savings Options,
plus: Investment Return (which may be positive or negative),
less: amounts transferred to other Savings Options,
amounts charged for Monthly Cost of Insurance and Monthly Administration Fees,
Transaction Fees.

The value of any Index-Linked Account is not guaranteed as it may fluctuate with the change in a particular index to which it is linked.

22. Transfer Between Savings Options

The Policy Owner may transfer all or part of the Account Value of any Savings Option to one or more other Savings Options, subject to any minimum amounts specified by the Company from time to time, provided a written request is filed with the Company at its Head Office. Market Value Adjustments may apply if all or part of the Account Value of an Investment Account is transferred to another Savings Option.

23. Policy Surrender

The Policy Owner may surrender the policy for its Cash Surrender Value at any time, subject to the rights of any Beneficiary or assignee for value provided a written request is filed with the Company at its Head Office. The insurance protection will terminate upon surrender of the policy.

24. Guaranteed Cash Value

Cash Values are shown in the Table of Guaranteed Values included in the policy. The Cash Value is dependent on the Issue age and the number of completed policy years.

25. Automatic Premium Loan

If the Account Value becomes zero and the monthly charges are not paid within the days of grace, the Company will advance the monthly cost of insurance and administration fee as a loan provided there is sufficient Cash Surrender Value in the policy. If the Cash Surrender Value is less than the unpaid cost of insurance plus the monthly administration fee, the loan will be used to keep the policy in force for a pro-rated part of the cost of insurance period. The policy will remain in force until the Cash Surrender Value becomes zero. Any future

payments made in excess of the cost of insurance and monthly administration fee will be applied first to repayment of the loan before any amounts are added to the account value.

26. Cash Surrender Value

The Cash Surrender Value of the policy at the time is the Account Value plus the Guaranteed Cash Value of the policy at that time less any Market Value Adjustments and policy loans.

27. Cash Withdrawal

The Policy Owner may withdraw part of the Account Value of the policy, subject to a minimum amount specified by the Company, provided a written request is filed with the Company at its Head Office. All Cash Withdrawals are processed from the Daily Interest Account. If insufficient funds exist in the Daily Interest Account, the Policy Owner will designate the other Savings Options from which to transfer the remaining funds. If the Account Value remaining in the policy after a Cash Withdrawal is processed is not at least \$500, the policy will be terminated.

28. Market Value Adjustments

A Market Value Adjustment is the amount, if any, by which the Account Value of an Investment Account at any time exceeds the Account Value at that time accumulated to the end of the investment term at the interest rate guaranteed for that Investment Account and discounted to that time at the rate which is the guaranteed interest rate being offered by the Company at that time on new Investment Accounts for the same investment term plus an amount not to exceed ½%.

29. Transaction Fees

A Transaction Fee will be assessed for each Cash Withdrawal request after the first in a policy year. A Transaction Fee will be assessed for each Equity Index-Linked Account transfer after the first in a policy year. The Maximum Transaction Fee is \$50. Transaction Fees will be waived upon Policy Surrender or death of the Life Insured.

