

How Values Work

Cash surrender values and reduced paid-up values are determined based on the Company's long-term outlook or expectations on what will happen with a number of pricing factors, including:

- Company investment income
- Lapse rates
- Mortality rates
- Company expenses

Generally speaking, Company investment income is what we earn over the lifetime of the policies we issue; lapse rates are the frequency and timing at which policies terminate; mortality rates are the frequency and time at which people die and Company expenses are the costs associated with underwriting, issuing and administering policies.

Each factor involves complex reviews and calculations by Empire Life. This product is designed to provide very competitive guaranteed minimum values for the duration of your policy, regardless of re-forecasted long-term trends.

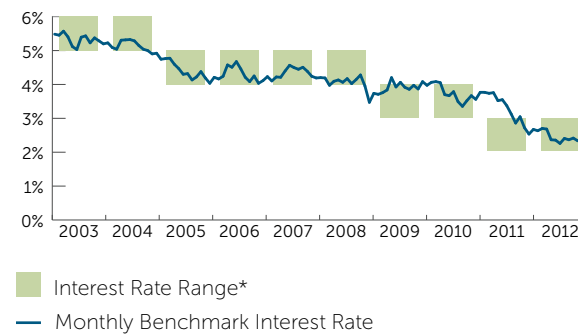
Changes to values are independent of any premium changes and may occur at different times. Having minimum guaranteed values that are competitive should provide you with peace of mind.

Your Premium

Each year Empire Life will determine an annual interest rate by calculating the average for the last six months of the previous calendar year of a monthly benchmark interest rate. This rate is used to determine the interest rate range used to establish your premium for the year. Details of the benchmark interest rate and how the annual interest rate is calculated are available in your Hybrid Solution 100 policy.

Using the six-month average interest rate together with an interest rate range helps to smooth out variations in the benchmark interest rate. Allowing annual changes to your premium and using the average interest rate for the last six months each year keeps your policy currently priced.

Past Benchmark Performance



Data source: Bank of Canada, Data and Statistics Office. The rates are based on actual mid-market closing yields of selected Canada bond issues that mature approximately in the indicated term areas.

* Interest Rate Ranges that would have applied for the years shown based on the annual interest rate calculated using the Monthly Benchmark Interest Rate.

The Empire Life Insurance Company (Empire Life) offers competitive individual and group life and health insurance, investment and retirement products to help you build wealth and protect your financial security.

Empire Life is among the top 10 life insurance companies in Canada¹ and is rated A (Excellent) by A.M. Best Company². Our vision is to be the leading, independently-owned, Canadian financial services company committed to simplicity, being easy to do business with and having a personal touch.

¹ Source: Office of the Superintendent of Financial Institutions (OSFI) and company annual reports, based on general and segregated fund assets
² As at June 29, 2012

Past performance is no guarantee of future results. The information in this document is for general information purposes only and is not to be construed as providing legal, tax, financial or professional advice. The Empire Life Insurance Company assumes no responsibility for any reliance made on or misuse or omissions of the information contained in this document. Please seek professional advice before making any decision.

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Understanding Hybrid Solution 100



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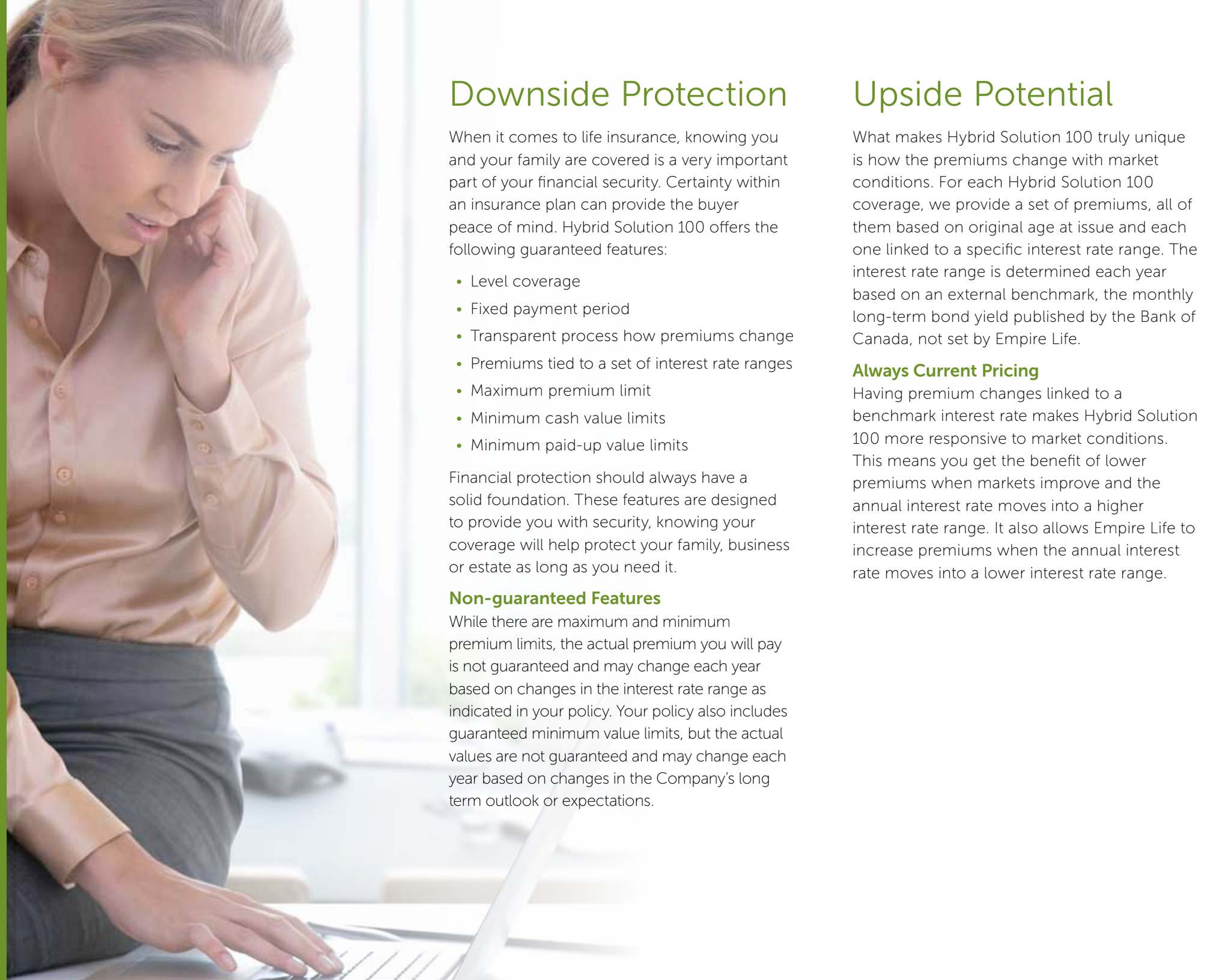


What is Hybrid Life Insurance?

Hybrid life insurance is a union of guaranteed and variable features providing a uniquely competitive permanent life insurance product. Hybrid life insurance is designed for contemporary consumers who believe long-term interest rates in Canada will increase in the future. They also believe the insurance they purchase today should remain competitive throughout their lifetime.

Introducing Hybrid Solution 100

Hybrid Solution 100 is a unique product that provides the safety of guaranteed minimum value limits and a guaranteed maximum premium limit with the flexibility to remain competitively priced throughout the lifetime of the policy.



Downside Protection

When it comes to life insurance, knowing you and your family are covered is a very important part of your financial security. Certainty within an insurance plan can provide the buyer peace of mind. Hybrid Solution 100 offers the following guaranteed features:

- Level coverage
- Fixed payment period
- Transparent process how premiums change
- Premiums tied to a set of interest rate ranges
- Maximum premium limit
- Minimum cash value limits
- Minimum paid-up value limits

Financial protection should always have a solid foundation. These features are designed to provide you with security, knowing your coverage will help protect your family, business or estate as long as you need it.

Non-guaranteed Features

While there are maximum and minimum premium limits, the actual premium you will pay is not guaranteed and may change each year based on changes in the interest rate range as indicated in your policy. Your policy also includes guaranteed minimum value limits, but the actual values are not guaranteed and may change each year based on changes in the Company's long term outlook or expectations.

Upside Potential

What makes Hybrid Solution 100 truly unique is how the premiums change with market conditions. For each Hybrid Solution 100 coverage, we provide a set of premiums, all of them based on original age at issue and each one linked to a specific interest rate range. The interest rate range is determined each year based on an external benchmark, the monthly long-term bond yield published by the Bank of Canada, not set by Empire Life.

Always Current Pricing

Having premium changes linked to a benchmark interest rate makes Hybrid Solution 100 more responsive to market conditions. This means you get the benefit of lower premiums when markets improve and the annual interest rate moves into a higher interest rate range. It also allows Empire Life to increase premiums when the annual interest rate moves into a lower interest rate range.