



Savings



Transparency



Simplicity



LIFE INSURANCE THAT
LETS YOU BREATHE

Product guide

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1. TREND AT A GLANCE

Type of coverage	<ul style="list-style-type: none"> > Insured on an individual basis > Insured on a first-to-die joint basis 	
Death benefit	Face amount + Funds	
Face amount	\$10,000 - \$10,000,000*	
Premiums	<ul style="list-style-type: none"> > Fixed for the first 10 years 	<ul style="list-style-type: none"> > Adjustable every 5 years thereafter until age 70 (inclusively)
Ages	<ul style="list-style-type: none"> > On an individual basis > On a joint basis 	<ul style="list-style-type: none"> > Ages 0–60 > Minimum age: 15 > Maximum equivalent age: 60
Insurance bands	<ul style="list-style-type: none"> > B1: \$10,000 to \$49,999 > B2: \$50,000 to \$99,999 > B3: \$100,000 to \$199,999 	<ul style="list-style-type: none"> > B4: \$200,000 to \$499,999 > B5: \$500,000 to \$999,999 > B6: \$1,000,000 +
Number of insureds	One insured per contract	
Preferred underwriting	Not available	
Bonus	An investment bonus is allocated to clients who pay the guaranteed maximum premium.	
Additional benefits	<ul style="list-style-type: none"> > T10&T20 (R&C) > Child Module > Child Module PLUS > Critical Illness > Child Critical Illness > Hospitalization > Hospitalization and Home Care > Paramedical Care in the Event of an Accident 	<ul style="list-style-type: none"> > Supplementary Income (SI) > Accidental Death and Dismemberment (AD&D) > Accidental Fracture (AF) > Guaranteed Insurability (GI) > Contribution in the Event of the Insured's Disability (CID) or the Applicant's Disability (CAD) or Death (CADE)
Surrender charges	None	
Policy Fees	None	
Other features	<ul style="list-style-type: none"> > Partial withdrawals > Policy loans > Shuttle funds 	<ul style="list-style-type: none"> > Automatic optimization of the face amount (AOFA) > Disability benefit

*A volume of insurance of over \$10,000,000 requires a special quotation from Head Office.

Investment options		
Guaranteed interest accounts	<ul style="list-style-type: none"> > 5-year average account 	<ul style="list-style-type: none"> > Fixed term accounts (6 months, 1 to 5 years and 10 years)
Index accounts		
Market index	<ul style="list-style-type: none"> > Money Market 	
Diversified strategies	<ul style="list-style-type: none"> > Prudent Account > Moderate Account > Balanced Account 	<ul style="list-style-type: none"> > Growth Account > Aggressive Account
Active management	<ul style="list-style-type: none"> > Canadian Bonds IA > Diversified IA > Tactical Bonds Aston Hill > Canadian Balanced QV > Dividend Growth IA 	<ul style="list-style-type: none"> > Global Dividend Dynamic > Canadian Stocks Taylor AM > Canadian Stocks Small Cap. QV > Canadian Stocks Leon Frazer

2. INTRODUCTION TO THE TREND PRODUCT

DISCOVER OUR LATEST INNOVATION IN PERMANENT LIFE INSURANCE

Trend—get a head start on savings!

The Trend product is an attractive alternative to currently available permanent life insurance products on the market. It offers your clients protection while saving them money. Clients benefit from a guaranteed premium for the first ten years and also accrue additional savings if long-term interest rates increase afterwards.

With Trend, nothing is hidden and everything is guaranteed!

- ✓ The initial reduced premium is guaranteed.
- ✓ The maximum premium is guaranteed.
- ✓ The frequency and schedule of premium adjustments are known and guaranteed.

Simplicity

- ✓ No policy fees
- ✓ Easy for clients to understand
- ✓ No surrender charges

Other Trend features

- ✓ The ability to save tax free
- ✓ Access to investment vehicles that clients value
- ✓ An investment bonus for clients who invest the guaranteed maximum premium
- ✓ Competitive management fees
- ✓ A death benefit covering 100% of the amount invested in the contract
- ✓ Many riders and additional benefits

Trend combines transparency, simplicity and savings

3. INSURANCE COVERAGE

The principal insured must purchase basic Trend coverage.

COVERAGE	AGE AT ISSUE	FACE AMOUNT
Trend on an individual basis	0–60	\$10,000 –\$10,000,000
Trend on a joint basis	Minimum age:15 Maximum equivalent age: 60	\$10,000 –\$10,000,000

► **Individual insurance**

Insurance coverage is available for one life insured only. This coverage provides for payment of a benefit to the beneficiary upon the insured's death. It is a preferred choice for clients wanting to leave a legacy to future generations.

► **Joint insurance payable upon the first death**

This coverage can be issued for two life insureds. The death benefit is payable upon the first death. Coverage ends at that time. This is a good choice for clients wanting to insure loans or mortgages.

4. PREMIUMS

Trend insurance coverage comprises three different premiums. Understanding them is key to understanding the product.

4.1 CURRENT PREMIUM

The current premium is the minimum premium clients must initially pay to keep their contracts in force. The current premium includes taxes and administration fees.

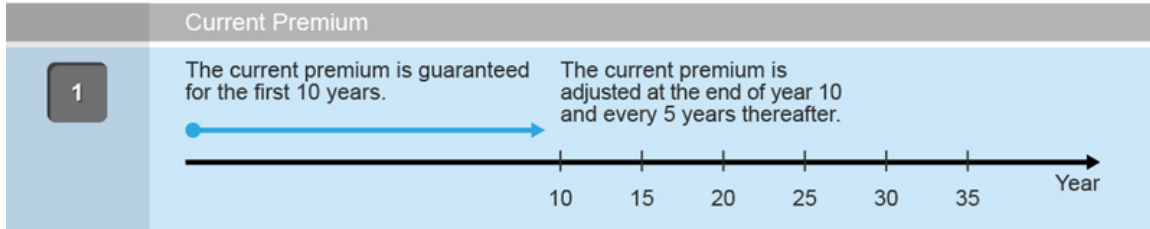
Years 1 to 10

The current premium is fixed and guaranteed for the first ten years of the contract. This premium is based on the insured's age, sex and risk category.

Years 11+

At the contract's tenth anniversary the premium is adjusted according to the contract's guaranteed current premium schedule. This new premium is guaranteed for the next 5-year term. The premium is adjusted every five years until the insured reaches the age of 71.

Initial current premium and current premium adjustments



4.1.1. TREND INDEX

The Trend Index is used to determine the current premium from the tenth anniversary of the contract onwards. It has no influence on the initial premium set when the contract is issued.

The Trend Index is equal to the 5-year long-term provincial bond return average as of September 30, rounded to the nearest 0.5%. The long-term provincial bond return average is determined by an index defined in the contract.

The Trend Index is published on inalco.com under the interest rate tab.

4.1.2 CURRENT PREMIUM SCHEDULE

The premiums shown in the schedule below are for a 30-year old non-smoking male with a \$100,000 death benefit. This schedule is personalized in the application software’s client illustration and can be viewed by the client on the specifications pages when the contract is issued.

Current Premium Schedule

3

Guaranteed maximum premium

Trend Index ¹ at Adjustment	Current Premium	Trend Index ¹ at Adjustment	Current Premium
2.5% or lower	\$880	6.0%	\$561
3.0%	\$814	6.5%	\$532
3.5%	\$762	7.0%	\$508
4.0%	\$709	7.5%	\$484
4.5%	\$667	8.0%	\$464
5.0%	\$629	8.5% or higher	\$445
5.5%	\$595		

Lowest possible premium

4.2 GUARANTEED MAXIMUM PREMIUM

The current premium schedule includes a guaranteed maximum premium representing the highest current premium clients would have to pay in the course of their coverage period. This maximum premium is guaranteed in the contract and can be found in the current premium schedule shown in the illustration and on the contract specifications page. The guaranteed maximum premium cannot be changed and is contractually guaranteed. It kicks in when the Trend Index reaches the lowest level specified in the current premium schedule, i.e., when the index is 2.5% or less.

4.3 MAXIMUM PREMIUM FOR TAX-EXEMPTION PURPOSES

The maximum premium for tax-exemption purposes is an indication of the highest amount clients can pay each year for their tax-sheltered accumulation funds. This tax room is determined by the *Income Tax Act* (ITA) and takes into account all life insurance coverage in effect under the contract.

4.4 PREMIUM PAYMENTS

The Trend universal life contract offers flexible premium payments in order to meet the specific needs of each client.

The client can choose to pay premiums on an annual basis or on a monthly pre-authorized cheque (PAC) basis. The monthly premium is calculated by dividing the current annual premium by 12.

Clients can also make additional deposits at any time or temporarily cease premium payments if they have the amounts available in their accumulation fund.

All sums paid in excess of the maximum established for the contract to remain exempt are accumulated in a shuttle fund while awaiting transfer to the accumulation fund as early as possible in the second year. Interest credited on the amounts transferred to the shuttle fund is subject to an annual tax and is treated as interest income, regardless of the client's investment choice. A loss in the shuttle fund can be considered for tax purposes only when it is realized (i.e., when the money is taken out of the shuttle fund).

4.5 TAXES AND ADMINISTRATION FEES

For all premiums paid into the accumulation fund, taxes and administration fees are collected and the balance (net premium) is deposited into the accumulation fund.

- A fee equivalent to 2.5% of the premium is charged irrespective of the province in which the contract is issued.
- This fee is fully covered under the contract.
- This fee includes the premium tax.
- No premium tax is levied on amounts transferred or paid into the shuttle fund.

5. JOINT INSURANCE

5.1 ISSUING CRITERIA

Available for the first death only, joint insurance insures the lives of two individuals and provides for payment of the face amount when one of the insured dies. Joint insurance can be underwritten for persons of the same sex or the opposite sex. Trend's first-to-die joint insurance coverage can be underwritten only to insure the lives of two individuals.

- Minimum age at issue is 15 for each insured.
- Coverage is paid up when the older of the insureds reaches age 100.
- Joint insurance premiums are calculated according to the equivalent age (Trend product) or according to the percentage rule (term product) (%); refer to the software for calculation of the premium.
- The percentage rule is used for joint term coverage. The individual premiums are totalled, and then a percentage discount is applied.
- Each insured is subject to the medical requirements corresponding to his or her real age (and not the equivalent age).

AVAILABILITY JOINT INSURANCE PAYABLE		
Coverage	Calculation method	Upon first death
Trend permanent insurance	Equivalent age (Male non-smoker)	✓
T10 (R&C) and T20 (R&C)	% rule (See table below)	✓

Joint insurance T10/T20	Premium discount (%)
Age difference:	First death
• 0 to 10 years	10%
• 11 years and over	5%

5.2 OPTIONS AVAILABLE FOLLOWING A DEATH

(JOINT INSURANCE – FIRST DEATH ONLY)

► New contract

Within 45 days following the death of one of the insureds, the surviving insured under age 70 can request to convert the insurance into a permanent individual insurance contract, without evidence of insurability, if the joint coverage was for two lives. The face amount of the new contract must not exceed the face amount of the previous joint insurance contract. The new coverage is issued for the surviving insured's attained age according to the terms of the joint insurance coverage, the initial risk category and the initial smoking status.

► **Coverage extension**

In addition, if within 45 days following the first death, the surviving insured dies and is under age 70, the Company will pay an additional amount equal to the death benefit.

Should both life insureds die simultaneously or if circumstances make it impossible to determine who died first for the purpose of death benefit payments, the younger life insured will be deemed to have survived the other.

Death #1 : Day 0	Death #2 : Day 1 to 45	Face Amount
Insured 1 or 2	None	1 time
Insured 1 or 2	Insured 1 or 2 is younger than 70 years old	2 times
Insured 1 and 2	Insured 1 or 2 if one of the insured is younger than 70 years old	2 times
Insured 1 and 2	If both insured are older than 70 years old	1 time

5.3 DISSOLUTION

(JOINT INSURANCE – FIRST DEATH ONLY)

With the Trend product, insureds can convert their joint coverage into new life insurance coverage on the life of each of the insureds, without evidence of insurability. Refer to Section 14 for conversion option details.

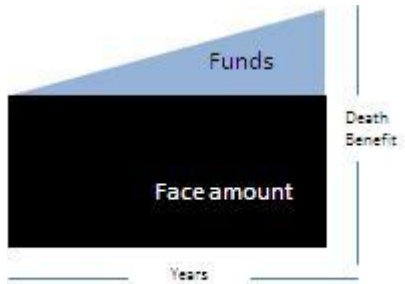
5.4 CONVERSION PRIVILEGE – TERM COVERAGE

T10 (R&C) and T20 (R&C) insurance coverage is convertible, before the insured reaches age 71, into any traditional whole life or universal life coverage, including Trend, offered by the Company at the time of conversion.

- Individual life coverage can only be converted into individual whole life coverage. Similarly, joint life insurance payable at the first death can be converted into whole life joint life insurance payable at the first death.
- The premiums are based on the insured's age at the time of conversion. They are determined by maintaining the initial risk category and the initial smoking status.
- The conversion can proceed without evidence of insurability when
 - The face amount is equal to or less than the baseline face amount of the insurance in effect
- The conversion is carried out with evidence of insurability when
 - The insured wants to increase his/her face amount, change the initial risk category or initial smoking status

6. DEATH BENEFIT

The Trend contract provides for a death benefit + funds. The accumulation fund is added to the face amount.



At the death of the principal insured, the death benefit is paid as follows:

- The face amount is paid tax free to the beneficiary of the deceased insured.
- The accumulation fund, net of any amount needed to maintain the contract in force in accordance with the lapse clause, is paid tax free to the beneficiary according to the fund's beneficiary designation.

7. ACCUMULATION FUND

Each Trend contract has an accumulation fund where all financial transactions are carried out and the amounts paid by the client are accumulated up to the maximum allowed by law to maintain the contract's tax-exempt status.

The **accumulation fund** is comprised of the portfolio account and the various investment accounts selected by the client.

The accumulation fund is owned by the applicant. However, following the death of the insured, all or a part of the accumulation fund, net of any amount required to maintain the contract in force in accordance with the lapse clause, can be paid tax free to the applicant or any other beneficiary according to the designation made.

The shuttle fund receives any excess amounts necessary to maintain the contract's tax-exempt status.

When the applicant dies, all rights in the contract, including the accumulation fund and the shuttle fund, belong to his/her heirs, unless a contingent policy owner has been designated.

7.1 MARKET VALUES OF THE ACCUMULATION AND SHUTTLE FUNDS

The market values of the accumulation fund and the shuttle fund are equal, for their respective accounts, to

- The balance of the portfolio account, plus
- The balance of the 5-year average account, plus
- The balance of the fixed term accounts, plus
- The balance of the index accounts, less
- The market value adjustment (MVA) on the 5-year average account and the fixed term accounts, if applicable. The market value adjustment is calculated based on the current interest rate plus 1% except for

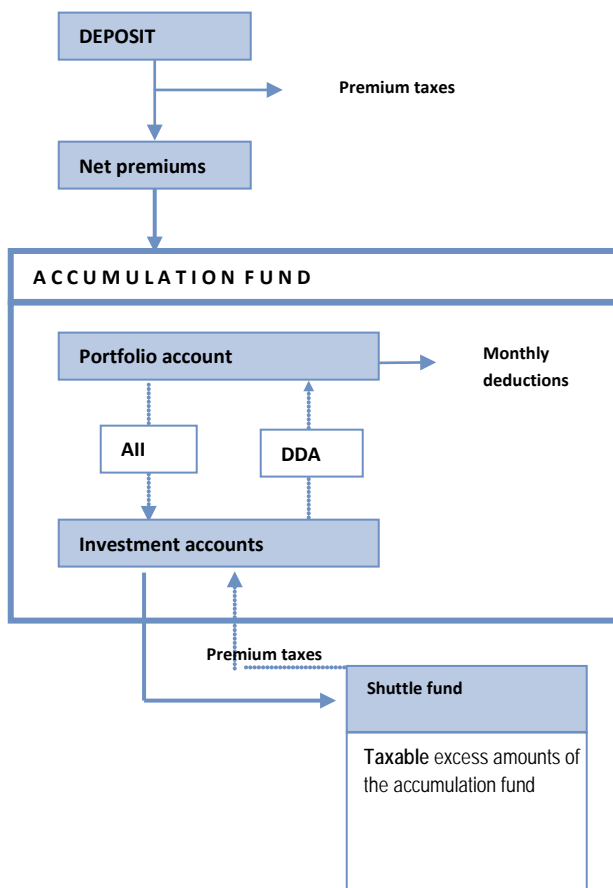
- The market value adjustment (MVA) on the 5-year average account and the fixed term accounts, if applicable. The market value adjustment is calculated based on the current interest rate plus 1% except for the 1- and 2-year term accounts (see the contract for the complete formula). For the 5-year average account, the time before term expiration is always 2 years and 6 months.

No market value adjustment applies to monthly charges (taxes and administration fees) deducted from the investment options noted in the DDAs.

No market value adjustment applies to transfers from the shuttle fund to the accumulation fund.

No market value adjustments apply to the 5-year average account for amounts withdrawn by the client that are less than 10% of the account balance for each year.

7.2 HOW THE ACCUMULATION FUND WORKS



7.3 THE ACCUMULATION FUND PORTFOLIO ACCOUNT

The portfolio account is an integral part of the accumulation fund and is the account in which all transactions are carried out.

How it works:

- Premiums are paid into and monthly deductions are withdrawn from the accumulation fund portfolio account.
- On each monthly anniversary, we withdraw the monthly deduction from the accumulation fund portfolio account.
- On each monthly anniversary, we deduct the following from the portfolio account
 - The current premium for Trend permanent protection, net of taxes and administration fees
 - The premiums for riders, net of taxes and administration fees
 - The premiums for additional benefits, net of taxes and administration fees
 - Extra premiums, net of taxes and administration fees

Monthly payment method

An amount equivalent to a monthly deduction is kept in the portfolio account. If the portfolio account balance proves to be insufficient, we will transfer an adequate amount based on the DDA up to the equivalent of one monthly deduction.

Annual payment method

If the portfolio account balance is **less than or equal to** two annual current premiums, the new premium received will be paid into the portfolio account in which an amount equivalent to the monthly deductions (taxes and administration fees) will be kept until the next annual anniversary. The excess amount is invested according to the automatic investment instructions (AII) or the instructions given with the deposit. This practice is designed to avoid placing at risk the portion of the annual premium intended to cover the monthly deductions.

If the funds accumulated **exceed** two annual current premiums, the new premium is paid into the portfolio account in which only one monthly deduction (taxes and administration fees) is kept. The excess amount is invested according to the automatic investment instructions (AII) or the instructions given with the deposit.

By keeping only one monthly deduction in the portfolio account, it is understood that we will, from time to time, withdraw sums from the investment accounts to replenish the portfolio account. These withdrawals will be made when the portfolio account balance is less than or equal to zero and we withdraw an amount sufficient to cover the portfolio account deficit and bring its balance up to the equivalent of a monthly deduction.

It should be noted that we require a minimum investment of \$500 in fixed term accounts. No minimum applies to the 5-year average account and index accounts. This type of account is not an option for automatic investment instructions (AII) or designated deduction accounts (DDA).

7.4 AUTOMATIC MANAGEMENT OF INVESTMENTS

7.4.1 AUTOMATIC INVESTMENT INSTRUCTIONS (AII)

AII are available to allow clients to rapidly invest amounts accumulated in the portfolio account into investment accounts of their choice. Clients can choose to invest directly in an investment account, regardless of the AII in force.

Automatic management of investments allows clients to use up to 10 investment options concurrently. The amounts are transferred from the portfolio account to the options selected based on the proportions determined by the client. However, an amount could be kept in the portfolio account before applying the AII.

The AII must be specified on the insurance application. The client can modify the AII at any time afterwards free of charge. By default, the AII for the portfolio account is set at 100%.

The amounts deposited in the shuttle fund are invested according to the AII specified by the client or according to the AII established for the accumulation fund. However, among the guaranteed interest accounts, only the 1-year fixed term account is offered in the shuttle fund.

7.4.2. DDA - DESIGNATED DEDUCTION ACCOUNT

The DDA enables you to have taxes and administration fees deducted directly from certain investment accounts when these costs cannot be covered by the accumulation fund portfolio account.

No more than 10 investment accounts can be designated as DDAs. Deductions are made according to the percentages you indicated in your insurance application or according to subsequent changes made. The deduction percentages under the DDA may differ from those specified for the AII.

If you did not specify a DDA when you signed your insurance application, by default it will be the same as in the current AII.

If the accounts selected for the DDA do not have sufficient funds to cover the deductions, we will proportionately withdraw the deductions from all accumulation fund investment accounts.

8. INVESTMENT OPTIONS

With Trend, clients can invest deposited sums in the following investment vehicles.

8.1 GUARANTEED INTEREST ACCOUNTS

8.1.1 5-YEAR AVERAGE ACCOUNTS

Monthly interest credited to these accounts is deposited into the fund's portfolio account. No minimum amount is required to invest in this account.

A market value adjustment may apply in the event of withdrawals. See Section 11, "Withdrawal, Surrender and Policy Loans," for further details.

8.1.2 FIXED TERM ACCOUNTS (6 MONTHS, 1 TO 5 OR 10 YEARS)

Sums invested in these accounts are credited with a guaranteed interest rate for terms of 6 months and 1 to 5 or 10 years (note that only the 1-year term is available for the shuttle fund). Interest is credited monthly and is compounded.

A minimum of \$500 is required to invest in these accounts.

A market value adjustment may apply in the event of withdrawals. See Section "Withdrawal, Surrender, and Policy Loans," for further details.

8.2 INDEX ACCOUNTS

Sums invested in index accounts allow insureds to benefit from the higher long-term returns available in the stock market. The various Trend index accounts generate returns based on an external index specific to each account. There are three subcategories of Trend index accounts: the diversified strategy index, the active management index and the market index.

8.2.1 DIVERSIFIED STRATEGY INDICES

These are designed to address client needs for financial diversification by offering a target asset allocation (market indices) that is rebalanced monthly to maintain the desired allocation. These index accounts are specifically designed for your client's investor profile.

Target Allocation % of Each Diversified Strategy Account						
ACCOUNTS	Income		Stocks			Total %
	Money Market	Bonds	Canadian Stocks	U.S. Stocks	International Stocks	
Prudent Account	12	60	10	9	9	100
Moderate Account	10	50	14	13	13	100
Balanced Account	8	40	18	17	17	100
Growth Account	6	30	22	21	21	100
Aggressive Account	4	20	26	25	25	100

8.2.2 MARKET INDEX

- Money Market

8.2.3 ACTIVE MANAGEMENT INDICES

They seek to outperform the reference index.

Active management indices

- Canadian Bonds (IA)
- Diversified (IA)
- Tactical Bonds (Aston Hill)
- Canadian Balanced (QV)
- Dividend Growth (IA)
- Global Dividend (Dynamic)
- Canadian Stocks (Fidelity)
- Canadian Stocks (small cap) (QV)
- Canadian Stocks (Leon Frazer)

8.2.4 AVAILABILITY OF INVESTMENT OPTIONS

The Company guarantees it will always make available **at least** one guaranteed interest account and three index accounts.

All of these investment options are available both in the accumulation fund and the shuttle fund except for the 6-month, 2- to 5-year, and 10-year fixed term accounts, which are not available in the shuttle fund.

8.3 INDEX ACCOUNT DEATH BENEFIT

Index accounts include a **death benefit**. In fact, the death benefit from these accounts will be equal to at least 100% percent of the premiums paid into them, adjusted proportionally for all withdrawals and monthly deductions.

8.4 FIXED TERM ACCOUNT MINIMUM RATE GUARANTEES

All investment options available in the Trend contract come with a guaranteed return based on recognized external indices.

Guaranteed interest accounts	Guaranteed return
5-year average account	The minimum guaranteed rate for this account is the higher of <ul style="list-style-type: none">• The 60-month weighted average yield, expressed annually, of Government of Canada 3- to 5-year bonds less 1.25% or <ul style="list-style-type: none">• 0%
6-month fixed term account	The minimum guaranteed rate for this account is the higher of <ul style="list-style-type: none">• 100% of the 6-month CDOR (Canadian Dealer Offered Rate) reference index less 1.05% or <ul style="list-style-type: none">• 0%
Fixed term account (1 to 5 years)	The minimum guaranteed rate for this account is the higher of <ul style="list-style-type: none">• The return on Government of Canada bonds for a period of the same term less 1.25% or <ul style="list-style-type: none">• 0%
10-year fixed term account	The minimum guaranteed rate for this account is the higher of <ul style="list-style-type: none">• The return on Government of Canada bonds for a 10-year period less 1.00% or <ul style="list-style-type: none">• 0%
Portfolio account	The minimum guaranteed rate for this account is the higher of <ul style="list-style-type: none">• The 60-month weighted average yield, expressed annually, of Government of Canada 3- to 5-year bonds less 1.25% or <ul style="list-style-type: none">• 0%
Shuttle fund	The minimum guaranteed rate for this account is the higher of <ul style="list-style-type: none">• The 60-month weighted average yield, expressed annually, of Government of Canada 3- to 5-year bonds less 2.50% or <ul style="list-style-type: none">• 0%

8.5 INDEX ACCOUNTS

The current fees applicable to Trend index accounts are the same that apply to mutual funds. The current fees are published in the Trend financial bulletin available on our corporate website. Please note that the current fees are equivalent to those for the accumulation fund and shuttle fund.

In addition, annual fees will not exceed the level indicated in the table below for each index account. The annual fees are compounded daily and the net return is converted into Canadian dollars, if necessary.

Index accounts	Return	Current fees
Market indices		Maximum guaranteed annual fees
Money Market	100% of the return of the Bank of Canada's target for the overnight rate, less current annual fees	1.55%

		Maximum guaranteed annual fees
Diversified strategy		
Prudent Account	100% of the compound return of index accounts found in the reference portfolio (including dividends), converted into Canadian currency, less annual fees charged in proportion to the allocation of each account	2.50%
Moderate Account		2.50%
Balanced Account		2.50%
Growth Account		2.60%
Aggressive Account		2.60%

Active management

Canadian Bonds (IA)	100% of the return of IA Clarington Bond Fund Series A ¹ , less current annual fees	0.50%
Diversified (IA)	100% of the return of the IA Clarington Monthly Income Balanced Fund Series T6 ¹ , less current annual fees	0.50%
Tactical Bonds (Aston Hill)	100% of the return of the Tactical Bond Fund Series A ¹ , less current annual fees	0.50%
Canadian Balanced (QV)	100% of the return of the IA Clarington Canadian Balanced Fund Series A ¹ , less current annual fees	0.50%
Dividend Growth (IA)	100% of the return of the IA Clarington Canadian Dividend Growth Fund Series T6 ¹ , less current annual fees	0.50%
Global Dividend (Dynamic)	100% of the return of the Dynamic Global Dividend Fund Series A ¹ , less current annual fees	0.50%
Canadian Stocks (Taylor AM)	100% of the return of the Focused Canadian Equity Fund Series A ¹ , less current annual fees	0.50%
Canadian Stocks (small cap) (QV)	100% of the return of the IA Clarington Canadian Small Cap Fund Series A ¹ , less current annual fees	0.50%
Canadian Stocks (Leon Frazer)	100% of the return of the IA Clarington Canadian Conservative Fund Series A ¹ , less current annual fees	0.50%

¹The return is net of the external management fees of the underlying fund.

Note: The Trend contract is not an external manager product and external managers offer no guarantee on returns under this contract. The applicant has no direct or indirect rights regarding the underlying funds listed under "Active management index accounts" or with respect to any other fund of the same family.

Refer to the quarterly **Trend** bulletin for the current annual fees for index accounts. This bulletin is on our website at www.inalco.com, as well as on the financial advisor extranet.

9. INVESTMENT BONUS

In addition to the attractive returns they enjoy on the various investment options, Trend clients can earn an investment bonus credited to their accumulation fund. This bonus is paid, as applicable, at the end of the first contract year and at the end of each year thereafter.

The bonus is paid in proportion to each **index account** (excluding the money market account). The bonus is only payable in the accumulation fund. No bonus is payable in the shuttle fund.

INVESTMENT BONUS

This bonus is specifically designed to reward investors who pay the guaranteed annual maximum premium, i.e., the highest premium on the premium schedule.

- The bonus rate is 0.50%, if the cumulative sum of premiums paid into the accumulation fund (less withdrawals, advances and disability benefits) is **equal to or greater than** the cumulative sum of the contract's guaranteed annual maximum premiums.
- The calculation of the target amount for awarding the investment bonus **does not take into account** amounts invested in **guaranteed interest fixed term accounts or money market accounts**.

No bonus is payable in the shuttle fund.

10. TAXATION (CONTRACT TAX-EXEMPT STATUS)

The Trend universal life contract also includes a savings component that allows savings to grow in a tax-efficient manner. Interest accrued in the accumulation fund is not subject to annual income tax as long as the accumulation fund balance does not exceed the maximum permitted under the *Income Tax Act*.

At each yearly anniversary, we verify the contract still complies with tax-exempt criteria. If we determine that the contract's accumulation fund balance exceeds the maximum allowed under the Act, adjustments are made in the order indicated below, unless the client provides instructions to the contrary.

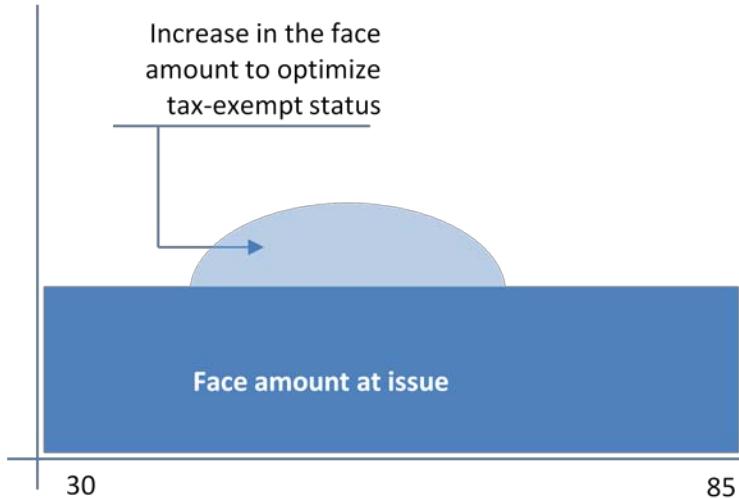
10.1 AUTOMATIC OPTIMIZATION OF THE FACE AMOUNT (AOFA)

At the contract anniversary, if the balance of the accumulation fund exceeds the maximum allowed under the Act, the Company will automatically increase the face amount of Trend permanent coverage if the client so requested at the time the contract was issued. The annual increase in the death benefit cannot exceed 8% and the total increase in the face amount is limited to the lesser of the following two figures:

- Three times the initial face amount
- \$25 million, less the initial face amount

For example, for a \$100,000 face amount, the total face amount would increase to \$300,000.

In this way, the total face amount following AOFA will never exceed \$25 million (this amount is not guaranteed and is subject to change without notice).



AOFA also applies when an additional premium is applied to the insured's coverage. Any increases are applied without evidence of insurability and YRT insurance costs are charged according to the insured's attained age and risk class ("\$500,000 and over" band rate).

If, however, the face amount is less than \$200,000, the \$500,000 non-preferred risk class rate band is used to calculate increases.

This option is applied starting the first year of insurance. Until then, excess amounts are credited directly to the shuttle fund.

However, if on a subsequent anniversary the balance of the contract's surrender value is lower than the maximum allowed under the Act, the Company will automatically reduce the insurance additions made for the principal insured, without going below the face amount at issue. In this way, a maximum amount of funds accumulates tax free while the costs of insurance are kept to a minimum.

The applicant can also refuse application of AOFA after the contract is issued. In that event, AOFA can never be used in the future. Moreover, the applicant cannot request a levelling of coverage via AOFA.

10.2 TRANSFERS TO THE SHUTTLE FUND

After the automatic increase in the face amount, the sums accumulated in the accumulation fund in excess of the maximum allowed under the Act are transferred to the shuttle fund and held there until they can be returned to the accumulation fund as soon as possible. This transfer is considered a disposition and may result in a taxable gain.

All investment income is treated as interest income.

Also, no market value adjustment is applied to sums transferred from the shuttle fund to the accumulation fund; the premium tax will apply to these amounts.

11. WITHDRAWAL, SURRENDER AND POLICY LOANS

The amounts accumulated in the Trend contract's accumulation fund give the applicant or client the ability to access funds via a withdrawal or a policy loan.

11.1 POLICY LOANS

The applicant can obtain loans against the amounts accumulated in the accumulation fund.

Loans of up to 90% of the contract's accumulation fund value are permitted, excluding amounts accumulated in the index accounts (except the money market) and in the shuttle fund.

The interest rate charged on policy loans varies each month and is tied to the average interest rate, before any bonus, credited during the month on sums invested by the client (excluding index accounts and the shuttle fund), plus 3%.

For a policy loan, the taxable amount corresponds to the value of the accumulation fund less the adjusted cost basis (ACB; see explanation in a short presentation in the extranet documentation centre).

Policy loan repayments are not subject to the tax on premiums paid. In the event the client dies before paying back the loan, the amount due will be deducted from the death benefit.

11.2 WITHDRAWAL

The applicant can make partial withdrawals from the accumulation fund or the shuttle fund at any time. The amount withdrawn cannot exceed the value of the accumulation fund or shuttle fund. Withdrawals are taken from investment accounts specified by the client.

Some fees (taxes and/or administration fees) may apply.

11.3 TOTAL SURRENDER

The applicant can request to surrender the contract at any time.

The contract is equal to

- > The market value of the accumulation fund, plus
- > The market value of the shuttle fund, less
- > The balance of any loans

For a partial withdrawal or a surrender, the taxable amount is calculated based on the proportion of the ACB versus the surrender value:

$$\% \text{ of taxable amount} = 1 - (\text{ACB}/\text{surrender value})$$

See the explanation of ACB in a short presentation in the extranet documentation centre.

12. DISABILITY BENEFIT

Disability benefits are not subject to taxation and do not affect the contract's adjusted cost basis (ACB), unlike a partial withdrawal.

Amount and frequency of benefits

When an insured is disabled, the applicant can request payment of a benefit up to 100% of the accumulation fund value. The minimum payment is \$500.

The applicant may receive up to four payments in the course of a calendar year. Each payment is subject to the market value adjustment and transaction fees.

All disability benefit payments, as well as market value adjustments and fees, are deducted from the death benefit and the accumulation fund value.

Conditions leading to a disability

A disability benefit will be paid if an insured exhibits one of the following conditions for a continuous period of at least 90 days, as diagnosed in writing by a qualified and licensed medical practitioner:

For a benefit to be payable, the life insured must be disabled by one of the following conditions:

- Before age 65, the total and continuous inability of the life insured to perform the duties of his/her regular occupation as a result of an illness or injury, for an insured who practices a remunerated occupation at the onset of disability
- Before age 65, as a result of an illness or injury, the total and continuous inability to perform the duties of any occupation for which the life insured is reasonably qualified, regardless of the availability of employment, for an insured who is temporarily unemployed or on employment insurance at the onset of disability
- At any age, the continued inability of the life insured to perform by himself/herself any one of the basic activities of daily living as defined below:

Activities of daily living include the following:

- Walking
- Eating—the ability to consume food or drink already been prepared and served, with or without adapted utensils
- Dressing—the ability to put on and remove necessary clothing, including braces, artificial limbs or other surgical appliances
- Bladder and bowel continence—the ability to manage bowel and bladder function
- Bathing—the ability to wash oneself in a bathtub, shower or by sponge bath, with or without the aid of equipment
- Talking—to make oneself understood by an acquaintance, in a quiet place
- Hearing—to understand an acquaintance in a quiet place
- Using mental functions required for everyday activities such as:
 - Memory
 - Problem solving, goal-setting and decision making (taken together)
 - Adaptive functioning
 - At any age, 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 according to the diagnosis of a medical practitioner
 - At any age, the continued inability caused by an illness or injury which, according to the diagnosis of a medical practitioner, is expected to result in the death of the insured within 24 months of the date of the diagnosis

13. RIDERS AND ADDITIONAL BENEFITS

Complete insurance coverage adapted to the specific needs of each individual is the cornerstone of a solid financial program. That's why we encourage you to offer the following additional benefits to your clients, in accordance with their needs, so they are thoroughly covered when difficult situations arise.

The Trend contract provides insureds with many additional benefit options.

13.1 ADDITIONAL BENEFIT OPTIONS

- ✓ Term Life Insurance
- ✓ Accidental Death (AD)
- ✓ Accidental Death and Dismemberment (AD&D)
- ✓ Supplementary Income (SI)
- ✓ Accidental Fracture (AF)
- ✓ Guaranteed Insurability (GI)
- ✓ Hospitalization
- ✓ Hospitalization and Home Care
- ✓ Paramedical Care in the Event of an Accident
- ✓ Contribution in the Event of the Applicant's Disability (CAD)
- ✓ Contribution in the Event of the Insured's Disability (CID)
- ✓ Contribution in the Event of the Applicant's Death (CADE)
- ✓ Child Module
- ✓ Child Module PLUS
- ✓ Critical Illness
- ✓ Child Critical Illness

Term insurance options are presented in Section 14.3. For full details about additional benefit options, see the Riders and Additional Benefits Guide.

13.2 ADDITIONAL BENEFIT PREMIUM PAYMENTS

Additional benefit premiums are always payable until the benefit expiration date.

14. CONVERSIONS

This section covers conversions that are possible without terminating the contract.

	AT ISSUE	CONVERSION	MEDICAL REQUIREMENTS
1	Individual	▶ Joint, first to die	Yes
2	Joint, first to die	▶ Individual contracts	No

14.1 CONVERSION- INDIVIDUAL TO JOINT FIRST TO DIE

At any time, following the second coverage anniversary, the client can request in writing to have individual coverage converted, in whole or in part, to joint coverage payable on the first death.

CONVERSION TERMS AND CONDITIONS

Face amount:

- The face amount can be completely or partially converted.
- Under no circumstances can the face amount after conversion exceed the face amount before conversion.
- Conversion could be limited to \$5,000,000 subject to acceptance by re-insurers.
- When conversion takes place, evidence of insurability and financial proof will be required of the insured being added. The total death benefit could be limited, depending on underwriting decisions.
- All persons insured under the new joint coverage must be over 15 years of age and under 75 years of age.
- No conversion is allowed when benefits are being paid under CID, CAD or CADE coverage.
- Transaction fees will be charged to the contract.
- The insurer reserves the right to terminate any additional benefit when conversion occurs.
- Under current laws a conversion can have tax consequences—the insurer is not responsible for predicting these.
- The insurer cannot guarantee there will be no shuttle fund following the conversion.
- Any request for conversion is conditional on acceptance by the re-insurers involved.

FURTHER TO CONVERSION, AN AMENDED CONTRACT WITH THE FOLLOWING FEATURES WILL BE ISSUED:

- The contract number and issue date will remain the same as before conversion since it is a continuation of the initial contract.
- After conversion, the surrender fee structure will remain the same as before.
- The equivalent age for the new joint coverage will be calculated according to the ages at the time of issue, using the current calculation method.
- The cost of insurance for new joint coverage will equal the cost of coverage with identical features and parameters for the **initial age** and **rates in effect** at the time of conversion.
- A new additional premium could be applicable, depending on underwriting decisions.
- As of the conversion date, the provisions relating to suicide and incontestability will be reapplied for the new insured for a two-year period. In the event the insured commits suicide, coverage will be re-established on an individual basis as before conversion, and insurance costs in arrears may be charged.
 - The other general conditions of the contract will remain the same as before conversion.

14.2 DISSOLUTION: JOINT FIRST TO DIE CONVERTED TO INDIVIDUAL

Trend gives insureds (spouses or business associates) the ability to convert their joint insurance coverage to individual coverage on the life of each insured without evidence of insurability.

Upon dissolution

- The new contracts are issued without evidence of insurability
 - On an individual basis on the date the request is received
 - According to the risk class and smoking status of both insureds at the date of issue of the original joint insurance contract

- Each insured's coverage is equal to 50% of the face amount of the previous joint contract if there are two insureds. If there are more than two insureds, coverage is based on the joint insurance face amount divided by the number of insureds.
- Premiums are set according to
 - The age of each insured and the rates in effect on the date the joint contract is issued
 - The rate band corresponding to the new insurance amount
- The individual contract effective date is the same as that of the corresponding joint contract.

14.3 DECREASE IN FACE AMOUNT

When you submit a written request to decrease the face amount, the following apply:

- > The current premium is adjusted in accordance with the new face amount.
- > A transfer to the shuttle fund may occur, incurring a possible tax liability.
- > AOFA, if any, no longer applies.

15. SERVICE CHARGES

Please refer to the section on life insurance administration in the Policies and Procedures Guide in the extranet document centre.