



The Great-West Life Assurance Company

**2008**

ANNUAL REPORT

HOWARD ROSS LIBRARY  
OF MANAGEMENT  
APR 02 2009  
MCGILL UNIVERSITY

THE  
**Great-West Life**  
ASSURANCE  COMPANY



#### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION**

This report contains some forward-looking statements about the Company, including its business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates” or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future action by the Company, including statements made by the Company with respect to the expected benefits of acquisitions or divestitures, are also forward-looking statements. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the financial services industry generally, including the insurance and mutual fund industries. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by the Company due to, but not limited to, important factors such as sales levels, premium income, fee income, expense levels, mortality experience, morbidity experience, policy lapse rates and taxes, as well as general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, catastrophic events, and the Company’s ability to complete strategic transactions and integrate acquisitions. The reader is cautioned that the foregoing list of important factors is not exhaustive, and there may be other factors, including factors set out herein under “Risk Management and Control Practices”, and any listed in other filings with securities regulators, which are available for review at [www.sedar.com](http://www.sedar.com). The reader is also cautioned to consider these and other factors carefully and to not place undue reliance on forward-looking statements. Other than as specifically required by applicable law, the Company has no intention to update any forward-looking statements whether as a result of new information, future events or otherwise.

#### **CAUTIONARY NOTE REGARDING NON-GAAP FINANCIAL MEASURES**

This report contains some non-GAAP financial measures. Terms by which non-GAAP financial measures are identified include, but are not limited to, “earnings before restructuring charges”, “adjusted net income”, “net income – adjusted”, “earnings before adjustments”, “constant currency basis”, “premiums and deposits”, “sales”, and other similar expressions. Non-GAAP financial measures are used to provide management and investors with additional measures of performance. However, non-GAAP financial measures do not have standard meanings prescribed by GAAP and are not directly comparable to similar measures used by other companies. Refer to the appropriate reconciliations of these non-GAAP financial measures to measures prescribed by GAAP.

#### **BASIS OF PRESENTATION AND SUMMARY OF ACCOUNTING POLICIES**

The consolidated financial statements of the Company, which are the basis for data presented in this report, have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are presented in Canadian dollars unless otherwise indicated.

## CORPORATE PROFILE

Great-West Life is a leading Canadian insurer, with interests in the life and health insurance, investment, retirement savings and reinsurance businesses, primarily in Canada and Europe.

In Canada, Great-West Life and its subsidiaries, London Life and Canada Life, offer a broad portfolio of financial and benefit plan solutions and serve the financial security needs of more than 12 million people.

Great-West Life's products include a wide range of investment, retirement savings and income plans, as well as life, disability, critical illness and health insurance for individuals and families. These products and services are distributed through a diverse network: financial security advisors and brokers associated with Great-West Life; financial security advisors associated with London Life's Freedom 55 Financial™ division and the Wealth & Estate Planning Group; and advisors, managing general agencies and national accounts associated with Canada Life.

For large and small businesses and organizations, Great-West Life offers a variety of benefit plan solutions featuring options such as group life, healthcare, dental care, wellness and group disability, critical illness and international benefits plans, plus convenient online services. We also offer group retirement and savings plans that are tailored to the unique needs of businesses and organizations. We distribute these products and services through financial security advisors associated with our companies, as well as independent advisors, brokers and consultants.

Great-West Life has operations in the United Kingdom, Isle of Man, Ireland and Germany through Canada Life. The Company participates in international reinsurance markets through Canada Life Reinsurance and London Reinsurance Group, providing life and property and casualty reinsurance in the United States and in international markets.

Great-West Life has more than \$162 billion\* in assets under administration and is a subsidiary of Great-West Lifeco Inc., a member of the Power Financial Corporation group of companies.

For more information on Great-West Life, including the Company's current ratings, visit [www.greatwestlife.com](http://www.greatwestlife.com).

\* as of December 31, 2008

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## DIRECTORS' REPORT

In 2008 Great-West Life and its subsidiaries in Canada and Europe delivered excellent results in a very difficult economic environment. Our conservative investment policies, strong risk-averse culture and disciplined expense management served us well during this challenging period.

Measures of Great-West Life's performance in 2008 include:

- Premiums and deposits at \$40.8 billion were up 19% over 2007. Fee income was down 1%.
- In Canada, mutual fund net deposits to the *Quadrus Group of Funds* remained strong at 15.2% of opening assets in 2008 despite difficult markets. This outpaced the mutual fund industry, which had zero net sales.
- Net income before adjustments at \$1.9 billion was up 9% over 2007.
- General account assets were \$100.5 billion, an increase of 9% from 2007.
- Segregated funds net assets decreased 16% from 2007, reflecting lower market values.

Net income attributable to participating policyholder accounts of Great-West Life and its subsidiaries, London Life and Canada Life, before policyholder dividends was \$1,086 million in 2008 and policyholder dividends were \$1,027 million, up 7% over 2007. Net income in the participating accounts after policyholder dividends was \$59 million.

Great-West Life's financial strength is reflected in its Minimum Continuing Capital and Surplus Requirements (MCCSR) ratio, which remained strong at December 31, 2008. Our MCCSR ratio of 210% remains at the upper end of our target operating range.

Ratings are another important indicator of our financial strength. In 2008, all five agencies which rate Great-West Life reaffirmed strong ratings for the company and its subsidiaries.

### Canada

In Canada, Great-West Life, together with London Life and Canada Life, maintained strong market positions in our individual and group businesses, despite troubled financial markets. Expense management was a key focus in all parts of the business.

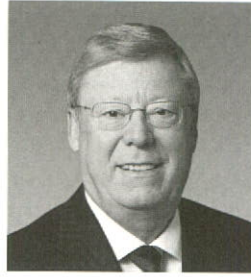
Our individual life insurance and living benefits businesses grew faster than the market; our group insurance and group retirement services businesses recorded strong growth; and our individual segregated fund and mutual fund businesses maintained positive net cash flows amidst the significant market turmoil.

### Individual businesses

The Canadian operations continued to focus on distribution support and development in 2008, both in the exclusive and independent distribution channels.

Our multi-channel distribution strategy supports the very strong persistency of our business, provides a strategic advantage for us and contributes to our strong market share across our multiple lines of business.

Together, Great-West Life, London Life and Canada Life remain Canada's number one provider of individual life insurance.



Raymond L. McFeetors



D. Allen Loney

We work to deliver solid dividend performance for our participating policyholders. We recently announced the 2008 dividend scale will continue to apply unchanged in 2009 for all open Canadian participating life insurance accounts of Great-West Life, London Life and Canada Life.

Great-West Life, London Life and Canada Life provide a broad choice of investment, income and savings products. These include segregated funds; and also mutual funds which are offered through Quadrus Investment Services Ltd., a mutual fund dealer affiliated with Great-West Life.

Great-West Life, together with Canada Life, remains a leading provider of individual disability and critical illness insurance in Canada. With over 65 years experience in the individual disability insurance market in Canada, Great-West Life continues to help Canadians meet their financial security planning needs.

### Group businesses

Great-West Life is a leading provider of group insurance solutions for organizations of all sizes in Canada. In recent years, technology has become a key enabler in the Group Insurance Division's competitive strategies of service leadership, innovation in products and services, and process excellence.

In 2008, we laid the technology groundwork for two service initiatives – *eSetUp* and *eClaims*. *eSetUp* will automate the plan setup process for small and mid-size plan sponsors. *eClaims* will expand the online claims submission options currently available, enhancing service and convenience for plan members and making more claims paper-free.

Other important 2008 Group insurance initiatives included:

- an enhanced fraud detection and prevention service to better help employers manage their benefit plans,
- a *Peak Performance* process excellence initiative which significantly reduced operating expenses and improved service in our health and dental claims organization, and
- expansion of *The Great-West Life Centre for Mental Health in the Workplace*, including commissioning a guide to help employers assess and address workplace factors affecting mental health.

Group capital accumulation plans are a core business for Great-West Life. In 2008, we redesigned our group retirement services secure transaction website, *GRS Access*, and introduced an innovative member investment selection service, giving plan members access to personalized investment advice.

In October, we entered into an agreement with Fidelity Investments Canada ULC in which Fidelity is transitioning its Canadian group retirement and savings plan record-keeping business to us, representing \$2.2 billion in assets under administration as at October 22, 2008.

## Europe

In Europe, Great-West Life, through its subsidiary Canada Life, has operations in the United Kingdom, Isle of Man, Ireland and Germany.

In 2008, challenging global credit, equity and foreign exchange markets and a loss of consumer confidence in the markets led to lower sales in the European operations. We maintain a continued focus on credit and expense controls and despite lower sales, our European operations are in a strong position to take advantage of opportunities.

In Germany, Canada Life launched a new suite of products to respond to the changing regulatory environment.

In February, Canada Life subsidiary Canada Life International Re Limited assumed by way of indemnity reinsurance, a large block of U.K. payout annuities. We continue to seek opportunities to expand our position in core European markets.

Great-West Life participates in international reinsurance markets through Canada Life Reinsurance and London Reinsurance Group, providing life and property and casualty reinsurance in the United States and in international markets. In 2008, we continued to leverage our financial strength, strong risk-averse culture and excellent client relationships to achieve strong business results. Our US ordinary life reinsurance business now reinsures 4.8 million people for US\$180 billion of insurance.

## Giving back to our communities

As an organization and individuals, we are proud to contribute to the development of stronger communities. The financial and voluntary support we provide to hundreds of charitable, non-profit and community-based organizations is aimed at meeting a high standard of corporate citizenship.

## Management appointments

In May 2008, following a distinguished career as President and Chief Executive Officer, Raymond L. McFeetors was appointed Chairman of the Board, succeeding Robert Gratton. D. Allen Loney, previously the Company's Chief Actuary, was appointed as President and CEO of Great-West Life, in succession to Mr. McFeetors.

Additionally, new senior management appointments were announced at the annual meeting, from amongst longstanding members of the current executive management team: William L. Acton as President and CEO of Canada Life Capital Corporation (CLCC), the holding company for the European operations; and Paul Mahon as President and Chief Operating Officer, Canada, following the retirement of Denis J. Devos after 35 years of distinguished service.

## Board of Directors

At Great-West Life's 2008 Annual Meeting of Shareholders and Policyholders, tribute was paid to Robert Gratton for his outstanding contribution to the growth and evolution of the organization during his six-year tenure as Chairman of the Board.

Also in 2008, Robert Gratton retired from the Board after serving as a Director since November 1989. Mr. Gratton made an outstanding contribution to Great-West Life and its subsidiaries through his vision, drive and determination to expand the Company through acquisitions; his skill in structuring the financing of these transactions, his cultivation of a multi-country governance structure and the wisdom he applied to business issues. The Board of Directors would like to express their sincere appreciation and gratitude to Mr. Gratton for his guidance and leadership throughout the years.

At the 2008 Annual Meeting it was also announced that Gail S. Asper, Gérard Veilleux and Peter Kruyt were retiring from the Board of Directors. Ms. Asper and Mr. Veilleux had served as Directors since 1998, and Mr. Kruyt had served as a Director since 2004. Through their participation on the Board and various Board Committees, each of these Directors made a valuable contribution to the affairs of the Corporation, and we thank them sincerely for their years of service.

At the annual meeting three new individuals were elected to the Board: Marc A. Bibeau, President of Beauward Shopping Centers Ltd.; Chaviva M. Hošek, President and Chief Executive Officer of The Canadian Institute for Advanced Research; and Philip K. Ryan, Executive Vice-President and Chief Financial Officer of Power Financial Corporation and Power Corporation of Canada.

William (Bill) T. McCallum, Vice-Chairman (and former President and Chief Executive Officer) of Great-West Life & Annuity Insurance Company and former Co-President and Chief Executive Officer of Lifeco, retired in 2008 after serving as a Director of Great-West for 15 years. The Board of Directors would like to sincerely thank Mr. McCallum for his many years of dedicated service. Allen Loney was appointed to Great-West's Board of Directors to fill the resulting vacancy.

On behalf of the Board of Directors, it is our pleasure to recognize the professionalism and continuing dedication of the people across our companies who serve our clients and distribution associates worldwide. We also thank our clients, distribution associates and shareholders for their continued support.



**Raymond L. McFeetors**  
Chairman of the Board



**D. Allen Loney**  
President and  
Chief Executive Officer

# FINANCIAL HIGHLIGHTS

(in \$ millions, except per share amounts)

	2008	2007	% Change
<b>For the years ended December 31</b>			
Premiums and deposits:			
Life insurance, guaranteed annuities and insured health products	\$ 27,425	\$ 19,221	43%
Self-funded premium equivalents (ASO contracts)	2,410	2,233	8%
Segregated funds deposits:			
Individual products	6,932	8,544	-19%
Group products	3,321	3,311	-
Proprietary mutual funds deposits	708	835	-15%
<b>Total premiums and deposits</b>	<b>40,796</b>	<b>34,144</b>	<b>19%</b>
Fee and other income	1,685	1,705	-1%
Paid or credited to policyholders	24,461	18,982	29%
Summary of net income attributable to:			
Participating account <sup>(1)</sup>	59	129	-54%
Preferred shareholders	9	11	-18%
Common shareholder – adjusted	1,894	1,733	9%
Adjustments after-tax <sup>(1)</sup>	-	97	-
Net income common shareholder <sup>(2)</sup>	1,894	1,636	16%

## Per common share

Basic earnings – adjusted	\$ 906.69	\$ 830.07	9%
Adjustments after-tax <sup>(1)</sup>	-	46.59	-
Basic earnings	906.69	783.48	16%
Dividends paid	465.83	412.26	13%
Book value	5,350.00	4,889.00	9%

## At December 31

Total assets	\$ 100,462	\$ 91,869	9%
Segregated funds net assets	59,924	71,614	-16%
Proprietary mutual funds net assets	2,172	2,432	-11%
<b>Total assets under administration</b>	<b>\$ 162,558</b>	<b>\$ 165,915</b>	<b>-2%</b>
Participating account surplus	\$ 1,997	\$ 1,917	4%
Shareholder equity	11,332	10,370	9%
<b>Total participating account surplus and shareholder equity</b>	<b>\$ 13,329</b>	<b>\$ 12,287</b>	<b>8%</b>

(1) During the year ended December 31, 2007, net income attributable to the common shareholder was reduced by \$97 after-tax, and net income attributable to the participating account was reduced by \$6 after-tax as a result of a provision for certain Canadian retirement plans. Net income and basic earnings per common share are presented before adjustments, as a non-GAAP financial measure of earnings performance.

(2) Net income attributable to the common shareholder for the year ended December 31, 2008 includes asset impairment charges of \$76 after-tax.

## FINANCIAL REPORTING RESPONSIBILITY

The consolidated financial statements are the responsibility of management and are prepared in accordance with Canadian generally accepted accounting principles for life insurance enterprises, including the accounting requirements of the Office of the Superintendent of Financial Institutions Canada. The financial information contained elsewhere in the annual report is consistent with that in the consolidated financial statements. The consolidated financial statements necessarily include amounts that are based on management's best estimates. These estimates are based on careful judgments and have been properly reflected in the consolidated financial statements. In the opinion of management, the accounting practices utilized are appropriate in the circumstances and the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its segregated funds and the results of its operations and its cash flows and the changes in assets of its segregated funds in accordance with Canadian generally accepted accounting principles, including the requirements of the Superintendent of Financial Institutions Canada.

In carrying out its responsibilities, management maintains appropriate internal control over financial reporting designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles, including the requirements of the Superintendent of Financial Institutions Canada.

The consolidated financial statements were approved by the Board of Directors which has oversight responsibilities with respect to financial reporting. The Board of Directors carries out this responsibility principally through the Audit Committee, which is comprised of non-management directors. The Audit Committee is charged with, among other things, the responsibility to:

- Review the interim and annual consolidated financial statements and report thereon to the Board of Directors.
- Review internal control procedures.
- Review the independence of the external auditors and the terms of their engagement and recommend the appointment and compensation of the external auditors to the Board of Directors.
- Review other audit, accounting and financial reporting matters as required.

In carrying out the above responsibilities, this Committee meets regularly with management, and with both the Company's external and internal auditors to review their respective audit plans and to review their audit findings. The Committee is readily accessible to external and internal auditors and to the Appointed Actuary.

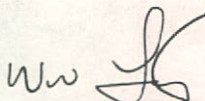
The Board of Directors of the Company, pursuant to the Insurance Companies Act (Canada), appoints an Actuary who is a Fellow of the Canadian Institute of Actuaries. The Actuary:

- Ensures that the assumptions and methods used in the valuation of policy liabilities are in accordance with accepted actuarial practice, applicable legislation and associated regulations and directives.
- Provides an opinion regarding the appropriateness of the policy liabilities at the balance sheet date to meet all policyholder obligations. Examination of supporting data for accuracy and completeness and analysis of assets for their ability to support the policy liabilities are important elements of the work required to form this opinion.
- Annually analyzes the financial condition of the Company and prepares a report for the Board of Directors. The analysis covers a five year period, and tests the projected capital adequacy of the Company, under adverse economic and business conditions.

Deloitte & Touche LLP Chartered Accountants, as the Company's external auditors, have audited the consolidated financial statements. The Auditors' Report to the Policyholders and Shareholders is presented following the consolidated financial statements. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary in order to obtain reasonable assurance that the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its segregated funds and the results of its operations and its cash flows and the changes in assets of its segregated funds in accordance with generally accepted accounting principles.



**D. Allen Loney**  
President and  
Chief Executive Officer



**William W. Lovatt**  
Executive Vice-President and  
Chief Financial Officer

February 12, 2009

## SUMMARIES OF CONSOLIDATED OPERATIONS

(in \$ millions except per share amounts)

For the years ended December 31

	2008	2007
<b>Income</b>		
Premium income	\$ 27,425	\$ 19,221
Net investment income (note 3)		
Regular net investment income	4,802	4,321
Changes in fair value on held for trading assets	(4,056)	(1,015)
Total net investment income	746	3,306
Fee and other income	1,685	1,705
	<u>29,856</u>	<u>24,232</u>
<b>Benefits and expenses</b>		
Policyholder benefits	14,471	14,180
Policyholder dividends and experience refunds	1,175	921
Change in actuarial liabilities	8,815	3,881
Total paid or credited to policyholders	24,461	18,982
Commissions	1,203	1,222
Operating expenses	1,397	1,502
Premium taxes	195	204
Financing charges (note 9)	70	71
Amortization of finite life intangible assets	18	18
<b>Net income before income taxes</b>	<u>2,512</u>	<u>2,233</u>
Income taxes – current (note 21)	335	582
– future (note 21)	208	(132)
<b>Net income before non-controlling interests</b>	<u>1,969</u>	<u>1,783</u>
Non-controlling interests	7	7
<b>Net income</b>	<u>1,962</u>	<u>1,776</u>
Net income – participating account (note 14)	59	129
<b>Net income – shareholders</b>	<u>1,903</u>	<u>1,647</u>
Preferred share dividends	9	11
<b>Net income – common shareholder</b>	<u>\$ 1,894</u>	<u>\$ 1,636</u>
<b>Earnings per common share</b>	<u>\$ 906.69</u>	<u>\$ 783.48</u>



# CONSOLIDATED BALANCE SHEETS

(in \$ millions)

December 31

2008

2007

## Assets

Bonds (note 3)	\$ 50,113	\$ 51,311
Mortgage loans (note 3)	15,730	14,649
Stocks (note 3)	4,705	5,913
Real estate (note 3)	3,023	2,419
Loans to policyholders	2,768	2,587
Cash and cash equivalents	2,561	3,203
Funds held by ceding insurers	11,447	1,518
Goodwill (note 6)	5,270	5,269
Intangible assets (note 6)	1,419	1,419
Other assets (note 7)	3,426	3,581
<b>General funds assets</b>	<b>\$ 100,462</b>	<b>\$ 91,869</b>
<b>Segregated funds net assets</b>	<b>\$ 59,924</b>	<b>\$ 71,614</b>

## Liabilities

### Policy liabilities

Actuarial liabilities (note 8)	\$ 77,572	\$ 70,850
Provision for claims	1,339	1,231
Provision for policyholder dividends	586	560
Provision for experience rating refunds	186	192
Policyholder funds	2,059	1,985

**81,742**      **74,818**

Debentures and other debt instruments (note 10)

307      509

Funds held under reinsurance contracts

651      494

Other liabilities (note 11)

3,389      2,593

Repurchase agreements

87      207

Deferred net realized gains

149      170

**86,325**      **78,791**

Capital trust securities and debentures (note 13)

658      639

Non-controlling interests (note 12)

Perpetual preferred shares issued by subsidiary

150      152

### Participating account surplus and shareholder equity

#### Participating account surplus (note 14)

Accumulated surplus	1,992	1,938
Accumulated other comprehensive income (loss)	5	(21)

#### Share capital (note 15)

Preferred shares	158	158
Common shares	6,116	6,116

#### Shareholder surplus

Accumulated surplus	5,399	4,473
Accumulated other comprehensive income (loss)	(546)	(576)
Contributed surplus	205	199

**13,329**      **12,287**

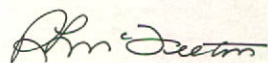
### General funds liabilities, participating account surplus and shareholder equity

**\$ 100,462**      **\$ 91,869**

### Segregated funds

**\$ 59,924**      **\$ 71,614**

Approved by the Board:



Director



Director

## CONSOLIDATED STATEMENTS OF SURPLUS

(in \$ millions)

For the years ended December 31

	2008	2007
<b>Participating account surplus</b>		
<b>Accumulated surplus</b>		
Balance, beginning of year	\$ 1,938	\$ 1,696
Change in accounting policy (note 1(a))	–	113
Net income	59	129
Repatriation of Canada Life seed capital to shareholder account (note 14)	(5)	–
<b>Balance, end of year</b>	<b>\$ 1,992</b>	<b>\$ 1,938</b>
<b>Accumulated other comprehensive income (loss), net of income taxes (note 19)</b>		
Balance, beginning of year	\$ (21)	\$ (16)
Change in accounting policy (note 1(a))	–	13
Other comprehensive income (loss)	26	(18)
<b>Balance, end of year</b>	<b>\$ 5</b>	<b>\$ (21)</b>
<b>Shareholder surplus</b>		
<b>Accumulated surplus</b>		
Balance, beginning of year	\$ 4,473	\$ 3,939
Change in accounting policy (note 1(a))	–	(241)
Net income	1,903	1,647
Repatriation of Canada Life seed capital from participating policyholder account (note 14)	5	–
Dividends to shareholders		
Perpetual preferred shareholders	(9)	(11)
Common shareholder	(973)	(861)
<b>Balance, end of year</b>	<b>\$ 5,399</b>	<b>\$ 4,473</b>
<b>Accumulated other comprehensive income (loss), net of income taxes (note 19)</b>		
Balance, beginning of year	\$ (576)	\$ (167)
Change in accounting policy (note 1(a))	–	219
Other comprehensive income (loss)	30	(628)
<b>Balance, end of year</b>	<b>\$ (546)</b>	<b>\$ (576)</b>
<b>Contributed surplus</b>		
Balance, beginning of year	\$ 199	\$ 193
Stock option expense (note 17)	6	6
<b>Balance, end of year</b>	<b>\$ 205</b>	<b>\$ 199</b>

## SUMMARIES OF CONSOLIDATED COMPREHENSIVE INCOME

(in \$ millions)

For the years ended December 31

	2008	2007
<b>Net income</b>	<b>\$ 1,962</b>	<b>\$ 1,776</b>
<b>Other comprehensive income (loss), net of income taxes</b>		
Unrealized foreign exchange gains (losses) on translation of foreign operations	137	(560)
Unrealized gains (losses) on available-for-sale assets	(47)	(55)
Realized gains (losses) on available-for-sale assets	(34)	(33)
Unrealized gains (losses) on cash flow hedges	–	2
	56	(646)
<b>Comprehensive income</b>	<b>\$ 2,018</b>	<b>\$ 1,130</b>
<b>Income tax (expense) benefit included in other comprehensive income</b>		
For the years ended December 31		
	2008	2007
Unrealized foreign exchange gains (losses) on translation of foreign operations	\$ (1)	\$ –
Unrealized gains (losses) on available-for-sale assets	19	16
Realized (gains) losses on available-for-sale assets	12	14
Unrealized gains (losses) on cash flow hedges	–	–
	\$ 30	\$ 30

# CONSOLIDATED STATEMENTS OF CASH FLOWS

(in \$ millions)

For the years ended December 31

	2008	2007
<b>Operations</b>		
Net income	\$ 1,962	\$ 1,776
Adjustments:		
Change in policy liabilities	(3,106)	79
Change in funds held by ceding insurers	1,299	665
Change in funds held under reinsurance contracts	95	155
Change in current income taxes payable	(285)	(103)
Future income tax expense	208	(132)
Change in fair value of financial instruments	4,056	1,015
Other	(392)	(37)
Cash flows from operations	<u>3,837</u>	<u>3,418</u>
<b>Financing activities</b>		
Redemption of preferred shares	-	(52)
Repayment of debentures and other debt instruments	(201)	(2)
Dividends paid	(982)	(872)
	<u>(1,183)</u>	<u>(926)</u>
<b>Investment activities</b>		
Bond sales and maturities	12,585	19,227
Mortgage loan repayments	1,834	1,659
Stock sales	2,109	2,391
Real estate sales	84	168
Change in loans to policyholders	(99)	(65)
Acquisition and disposal of businesses (note 2)	-	11
Acquisition of intangible assets (note 6)	(20)	-
Investment in bonds	(13,342)	(18,034)
Investment in mortgage loans	(3,047)	(2,987)
Investment in stocks	(2,606)	(3,529)
Investment in real estate	(871)	(737)
	<u>(3,373)</u>	<u>(1,896)</u>
Effect of changes in exchange rates on cash and cash equivalents	77	(338)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(642)</b>	<b>258</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>3,203</b>	<b>2,945</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,561</b>	<b>\$ 3,203</b>
<b>Supplementary cash flow information</b>		
Income taxes paid	\$ 688	\$ 729
Interest paid	\$ 75	\$ 78

## SEGREGATED FUNDS – CONSOLIDATED NET ASSETS

(in \$ millions)

December 31	2008	2007
Bonds	\$ 7,584	\$ 8,163
Mortgage loans	1,952	1,949
Stocks	38,658	50,447
Real estate	6,744	6,821
Cash and cash equivalents	5,718	5,048
Income due and accrued	270	220
Other assets (liabilities)	(1,002)	(1,034)
	<u>\$ 59,924</u>	<u>\$ 71,614</u>

## SEGREGATED FUNDS – CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(in \$ millions)

For the years ended December 31	2008	2007
<b>Segregated funds net assets, beginning of year</b>	<b>\$ 71,614</b>	<b>\$ 71,288</b>
Additions (deductions):		
Policyholder deposits	10,253	11,855
Net investment income	978	2,677
Net realized capital gains (losses) on investments	(2,866)	712
Net unrealized capital gains (losses) on investments	(11,198)	(1,602)
Unrealized gains (losses) due to change in foreign exchange rates	(422)	(3,602)
Policyholder withdrawals	(8,645)	(9,887)
Net transfer from General Fund	210	173
	<u>(11,690)</u>	<u>326</u>
<b>Segregated funds net assets, end of year</b>	<b>\$ 59,924</b>	<b>\$ 71,614</b>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in \$ millions except per share amounts)

## 1. Basis of Presentation and Summary of Accounting Policies

The consolidated financial statements of The Great-West Life Assurance Company (Great-West Life or the Company) include the accounts of its subsidiary companies and have been prepared in accordance with Subsection 331(4) of the Insurance Companies Act, which states that, except as otherwise specified by the Superintendent of Financial Institutions Canada (OSFI), the consolidated financial statements are to be prepared in accordance with Canadian generally accepted accounting principles, including the accounting requirements of OSFI. The principal subsidiaries at December 31, 2008 are:

London Insurance Group Inc. (LIG)  
Canada Life Financial Corporation (CLFC)  
GWL Investment Management Ltd. (GWLIM)  
GWL Realty Advisors Inc.

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. The valuation of actuarial liabilities, certain financial assets and liabilities, goodwill and indefinite life intangible assets, income taxes and pension plans and other post-retirement benefits are the most significant components of the Company's financial statements subject to management estimates.

The year to date results of the Company reflect management's judgments regarding the impact of prevailing global credit, equity and foreign exchange market conditions. Financial instrument carrying values currently reflect the illiquidity of the markets and the liquidity premiums embedded in the market pricing methods the Company relies upon.

The estimation of actuarial liabilities relies upon investment credit ratings. The Company's practice is to use third party independent credit ratings where available. Credit rating changes may lag developments in the current environment. Subsequent credit rating adjustments will impact actuarial liabilities.

In addition to the Company's direct investments in certain financial institutions, the Company has contractual business relationships with these financial institutions. Given the current uncertainty associated with these entities, normal business conditions do not prevail and the Company's contractual business relationships may be impacted.

Given the uncertainty surrounding the continued volatility in these markets, and the general lack of liquidity in financial markets, the actual financial results could differ from those estimates.

The significant accounting policies are as follows:

### (a) Changes in Accounting Policy

#### *Capital Disclosures*

Effective January 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1535, *Capital Disclosures*. The section establishes standards for disclosing information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital. The new requirements are for disclosure only and did not impact the financial results of the Company.

#### *Financial Instrument Disclosure and Presentation*

Effective January 1, 2008, the Company adopted the CICA Handbook Section 3862, *Financial Instruments – Disclosures*, and Section 3863, *Financial Instruments – Presentation*. These sections replace existing Section 3861, *Financial Instruments – Disclosure and Presentation*. Presentation standards are carried forward unchanged. Disclosure standards are enhanced and expanded to complement the changes in accounting policy adopted in accordance with Section 3855, *Financial Instruments – Recognition and Measurement* during 2007.

#### *Financial Instruments Recognition and Measurement*

On January 1, 2007, the Company adopted the following new accounting standards issued by CICA: Handbook Section 1530, *Comprehensive Income*, Section 3855, *Financial Instruments – Recognition and Measurement*; Section 3865, *Hedges*; and Section 4211, *Life Insurance Enterprises*. The Company also adopted The Office of the Superintendent of Financial Institutions Canada Guideline D-10, *Accounting for Financial Instruments Designated as "Held for Trading" (Fair Value Option)* (OSFI D-10), which provides additional guidance to certain federally regulated financial institutions, including life insurance companies.

Under the new guidance, all financial assets, must be classified as available for sale, held for trading, held to maturity, or loans and receivables. All financial liabilities, including derivatives, must be classified as held for trading or other. Derivatives are classified as held for trading or other if it is a designated and effective hedging instrument. All financial instruments classified as available for sale or held for trading are recognized at fair value on the Consolidated Balance Sheets while financial instruments classified as loans and receivables or other will continue to be measured at amortized cost using the effective interest rate method. The standards allow the Company to designate certain financial instruments, on initial recognition, as held for trading. This option has been limited by the requirements of OSFI D-10.

Changes in the fair value of financial instruments classified as held for trading are reported in net income. Unrealized gains or losses on financial instruments classified as available for sale are reported in other comprehensive income (OCI) and will be reported in net income when they are realized by the Company.

## 1. Basis of Presentation and Summary of Accounting Policies (cont'd)

The Company is required to present a new statement of comprehensive income and its components, as well as the components of accumulated other comprehensive income (AOCI), in its financial statements. Comprehensive income includes both net income and OCI. Major components of OCI include changes in unrealized gains and losses on financial assets classified as available for sale, changes in fair value on certain derivative instruments and currency translation gains and losses on self-sustaining foreign subsidiary operations.

Unless otherwise stated below, financial assets and liabilities will remain on the Consolidated Balance Sheets at amortized cost.

Certain investments, primarily investments normally actively traded in a public market are measured at their fair value. Investments backing actuarial liabilities, and investments backing participating account surplus in The Canada Life Assurance Company (Canada Life), are designated as held for trading using the fair value option. Changes in the fair value of these investments flow through net income. This impact is largely offset by corresponding changes in the actuarial liabilities which also flow through net income. Investments backing shareholder capital and surplus, with the exception of the investments backing participating account surplus in Canada Life, are classified as available for sale. Unrealized gains and losses on these investments flow through OCI until they are realized. Certain investment portfolios are classified as held for trading as a reflection of their underlying nature. Changes in the fair value of these investments flow through net income. There has been no change to the Company's method of accounting for real estate or loans.

Derivative instruments, previously off-balance sheet, are recognized at their fair value on the Consolidated Balance Sheets. Changes in the fair value of derivatives are recognized in net income except for derivatives designated as effective cash flow hedges.

Derivatives embedded in financial instruments, or other contracts, which are not closely related to the host financial instrument, or contract, must be bifurcated and recognized independently. The Company chose a transition date of January 1, 2003 for embedded derivatives and therefore will only be required to account separately for those embedded derivatives in hybrid instruments issued, acquired or substantially modified after that date. The change in accounting policy related to embedded derivatives did not have a significant impact on the financial statements of the Company.

Three types of hedging relationships are permitted under the new guidance: fair value hedges, cash flow hedges, and hedges of net investments in self-sustaining foreign operations. Changes in fair value hedges are recognized in net income. The effective portion of cash flow hedges and hedges of net investments in self-sustaining foreign operations is recorded in OCI until the variability in cash flows being hedged is recognized in net income.

Trade-date accounting will be used to account for all purchase or sale of investments traded on a public market and derivative instruments. Settlement-date accounting will be used to account for all purchase or sale of investments not traded on a public market.

Transaction costs for financial assets and liabilities classified or designated as held for trading will be recognized immediately in net income. Transaction costs for financial assets classified as available for sale or loans and receivables will be added to the value of the instrument at acquisition and be taken into net income using the effective interest rate method. Transaction costs for financial liabilities classified as other than held for trading will be recognized immediately in net income.

On January 1, 2007, transition adjustments were made to certain existing financial instruments to adjust their carrying value to market, to recognize derivative financial instruments on the balance sheet, to eliminate the recognition of deferred realized gains with corresponding adjustments to actuarial liabilities and opening accumulated surplus. The transition adjustments resulted in an increase in total assets of \$1,577, an increase in policy and other liabilities of \$1,473, an increase in participating accumulated surplus of \$113, an increase in the participating account AOCI of \$13, a decrease in shareholder accumulated surplus of \$241 and an increase in shareholder AOCI of \$219.

**(b) Portfolio Investments**

Portfolio investments are classified as held for trading, available for sale, held to maturity, loans and receivables or as non-financial instruments based on management's intention or characteristics of the investment. The Company currently has not classified any investments as held to maturity.

Investments in bonds and stocks normally actively traded on a public market are designated or classified as either held for trading or available for sale on a trade date basis, based on management's intention. Held for trading investments are recognized at fair value on the Consolidated Balance Sheets with realized and unrealized gains and losses reported in the Summaries of Consolidated Operations. Available for sale investments are recognized at fair value on the Consolidated Balance Sheets with unrealized gains and losses recorded in OCI. Realized gains and losses are reclassified from OCI and recorded in the Summaries of Consolidated Operations when the available for sale investment is sold. Interest income earned on both held for trading and available for sale bonds is recorded as investment income earned in the Summaries of Consolidated Operations.

Investments in equity instruments where a market value cannot be measured reliably are classified as available for sale and carried at cost. Investments in stocks for which the company exerts significant influence over but does not control are accounted for using the equity method of accounting (see note 3).

Investments in mortgages and bonds not normally actively traded on a public market are classified as loans and receivables and are carried at amortized cost net of any allowance for credit losses. Interest income earned and realized gains and losses on the sale of investments classified as loans and receivables are recorded in the Summaries of Consolidated Operations and included in investment income earned.

Investments in real estate are carried at cost net of write-downs and allowances for loss, plus a moving average market value adjustment of \$215 (\$213 in 2007) on the Consolidated Balance Sheets. The carrying value is adjusted towards market value at a rate of 3% per quarter. Net realized gains and losses are included in Deferred Net Realized Gains on the Consolidated Balance Sheets and are deferred and amortized to income at a rate of 3% per quarter on a declining-balance basis.

#### ***Fair Value Measurement***

Financial instrument carrying values necessarily reflect the prevailing market liquidity and the liquidity premiums embedded in the market pricing methods the Company relies upon.

Fair values for bonds classified as held for trading or available for sale are determined using quoted market prices. Where prices are not quoted in a normally active market, fair values are determined by valuation models primarily using observable market data inputs. Market values for bonds and mortgages classified as loans and receivables are determined by discounting expected future cash flows using current market rates.

Fair values for public stocks are generally determined by the last bid price for the security from the exchange where it is principally traded. Fair values for stocks for which there is no active market are determined by discounting expected future cash flows. Where market value cannot be measured reliably, fair value is estimated to be equal to cost. Market values for real estate are determined using independent appraisal services and include management adjustments for material changes in property cash flows, capital expenditures or general market conditions in the interim period between appraisals.

#### ***Impairment***

Investments are reviewed regularly on an individual basis to determine impairment status. The Company considers various factors in the impairment evaluation process, including, but not limited to, the financial condition of the issuer, specific adverse conditions affecting an industry or region, decline in fair value not related to interest rates, bankruptcy or defaults and delinquency in payments of interest or principal. Investments are deemed to have an other than temporary impairment when there is no longer reasonable assurance of timely collection of the full amount of the principal and interest due or the Company does not have the intent to hold the investment until the value has recovered. The market value of an investment is not a definitive indicator of impairment, as it may be significantly influenced by other factors including the remaining term to maturity and liquidity of the asset. However market price must be taken into consideration when evaluating other than temporary impairment.

For impaired mortgages and bonds classified as loans and receivables, provisions are established or write-offs made to adjust the carrying value to the net realizable amount. Wherever possible the fair value of collateral underlying the loans or observable market price is used to establish net realizable value. For impaired available for sale loans, recorded at fair value, the accumulated loss recorded in AOCI is reclassified to net investment income. Once an impairment loss on an available for sale asset is recorded in income it is not reversed. All gains and losses on bonds classified or designated as held for trading are already recorded in income. As well, when determined to be impaired, interest is no longer accrued and previous interest accruals are reversed.

#### **(c) Transaction Costs**

Transaction costs are expensed as incurred for financial instruments classified or designated as held for trading. Transaction costs for financial assets classified as available for sale or loans and receivables are added to the value of the instrument at acquisition and taken into net income using the effective interest rate method. Transaction costs for financial liabilities classified as other than held for trading are recognized immediately in net income.

#### **(d) Cash and Cash Equivalents**

Cash and cash equivalents are comprised of cash, current operating accounts, overnight bank and term deposits with original maturities of three months or less, and fixed-income securities with an original term to maturity of three months or less. Net payments in transit and overdraft bank balances are included in other liabilities. The carrying value of cash and cash equivalents approximates their fair value.

#### **(e) Financial Liabilities**

Financial liabilities, other than actuarial liabilities, are classified as other liabilities. Other liabilities are initially recorded on the Consolidated Balance Sheets at fair value and subsequently carried at amortized cost using the effective interest rate method with amortization expense recorded in the Summaries of Consolidated Operations.

#### **(f) Derivative Financial Instruments**

The Company uses derivative products as risk management instruments to hedge or manage asset, liability and capital positions, including revenues. The Company's policy guidelines prohibit the use of derivative instruments for speculative trading purposes. Derivative financial instruments used by the Company are summarized in note 22, which includes disclosure of the maximum credit risk, future credit exposure, credit risk equivalent and risk weighted equivalent as prescribed by OSFI.

All derivatives including those that are embedded in financial and non-financial contracts that are not closely related to the host contracts are recorded at fair value on the Consolidated Balance Sheets in other assets and other liabilities (notes 7 and 11). The method of recognizing unrealized and realized fair value gains and losses depends on whether the derivatives are designated as hedging instruments. For derivatives that are not designated as hedging instruments, unrealized and realized gains and losses are recorded in net investment income on the Summaries of Consolidated Operations. For derivatives designated as hedging instruments, unrealized and realized gains and losses are recognized according to the nature of the hedged item.

## 1. Basis of Presentation and Summary of Accounting Policies (cont'd)

To qualify for hedge accounting, the relationship between the hedged item and the hedging instrument must meet several strict conditions on documentation, probability of occurrence, hedge effectiveness and reliability of measurement. If these conditions are not met, then the relationship does not qualify for hedge accounting treatment and both the hedged item and the hedging instrument are reported independently as if there was no hedging relationship.

Where a hedging relationship exists, the Company documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. This process includes linking derivatives that are used in hedging transactions to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. The Company also assesses, both at the hedge's inception and on an ongoing basis, whether derivatives that are used in hedging transactions are effective in offsetting changes in fair values or cash flows of hedged items. Hedge effectiveness is reviewed quarterly through a combination of critical terms matching and correlation testing.

***Derivatives not designated as hedges for accounting purposes***

For derivative investments not designated as accounting hedges, changes in fair value are recorded in net investment income.

***Fair value hedges***

For fair value hedges, changes in fair value of both the hedging instrument and the hedged item are recorded in net investment income and consequently any ineffective portion of the hedge is recorded immediately to net investment income.

The Company currently has interest rate futures designated as fair value hedges.

***Cash flow hedges***

Certain interest rate futures, interest rate swaps and cross-currency swaps are used to hedge cash flows. For cash flow hedges, the effective portion of the changes in fair value of the hedging instrument are recorded in the same manner as the hedged item in either net investment income or OCI while the ineffective portion is recognized immediately in net investment income. Gains and losses that accumulate in OCI are recorded in net investment income in the same period the hedged item affects net income. Gains and losses on cash flow hedges are immediately reclassified from OCI to net investment income if and when it is probable that a forecasted transaction is no longer expected to occur.

The Company currently has no derivatives designated as cash flow hedges.

***Net Investment Hedges***

Foreign exchange forward contracts are used to hedge the net investment in the Company's foreign operations. Changes in the fair value of these hedges are recorded in OCI. Hedge accounting is discontinued when the hedging instrument no longer qualifies for hedge accounting.

The Company currently has no derivatives designated as net investment hedges.

**(g) Foreign Currency Translation**

The Company follows the current rate method of foreign currency translation for its net investment in its self-sustaining foreign operations. Under this method, assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet dates and all income and expense items are translated at an average of daily rates. Unrealized foreign currency translation gains and losses on the Company's net investment in its self-sustaining foreign operations are presented separately as a component of OCI. Unrealized gains and losses will be recognized proportionately in net investment income on the Summaries of Consolidated Operations when there has been a net permanent disinvestment in the foreign operations. Foreign currency translation gains and losses on foreign currency transactions of the Company are included in net investment income and are not material to the financial statements of the Company.

**(h) Loans to Policyholders**

Loans to policyholders are shown at their unpaid balance and are fully secured by the cash surrender values of the policies. Carrying value of loans to policyholders approximates their fair value.

**(i) Funds Held by Ceding Insurers/Funds Held Under Reinsurance Contracts**

Under certain forms of reinsurance contracts, it is customary for the ceding insurer to retain possession of the assets supporting the liabilities ceded. The Company records an amount receivable from the ceding insurer or payable to the reinsurer representing the premium due. Investment revenue on these funds withheld is credited by the ceding insurer.

**(j) Goodwill and Intangible Assets**

Goodwill represents the excess of purchase consideration over the fair value of net assets of acquired subsidiaries of the Company. Intangible assets represent finite life and indefinite life intangible assets of acquired subsidiaries of the Company. Finite life intangible assets include the value of customer contracts and distribution channels. These finite life intangible assets are amortized over their estimated useful lives, generally not exceeding 20 years and 30 years respectively. The Company tests goodwill and indefinite life intangible assets for impairment using a two-step fair value-based test annually, and when an event or change in circumstances indicates that the asset might be impaired. Goodwill and intangible assets are written down when impaired to the extent that the carrying value exceeds the estimated fair value.



**Impairment Testing***Goodwill*

In the first test, goodwill is assessed for impairment by determining whether the fair value of the reporting unit to which the goodwill is associated is less than its carrying value. When the fair value of the reporting unit is less than its carrying value, the second test compares the fair value of the goodwill in that reporting unit to its carrying value. If the fair value of goodwill is less than its carrying value, goodwill is considered to be impaired and a charge for impairment is recognized immediately. The fair value of the reporting units is derived from internally developed valuation models consistent with those used when the company is acquiring businesses, using a market or income approach. The discount rates used are based on an industry weighted cost of capital and consider the risk free rate, market equity risk premium, size premium and operational risk premium for possible variations from projections.

*Indefinite life intangibles*

The fair value of intangible assets for customer contracts and the Shareholder portion of acquired future Participating account profits are estimated using an income approach as described for goodwill above. The fair value of brands and trademarks is estimated using a relief-from-royalty approach using the present value of expected after-tax royalty cash flows through licensing agreements.

**(k) Revenue Recognition**

Premiums for all types of insurance contracts, and contracts with limited mortality or morbidity risk, are generally recognized as revenue when due and collection is reasonably assured. When premiums are recognized, actuarial liabilities are computed, with the result that benefits and expenses are matched with such revenue.

The Company's premium revenues, total paid or credited policyholders and policy liabilities are all shown net of reinsurance amounts ceded to, or including amounts assumed from, other insurers.

Fee and other income is recognized when earned, collectible and the amount can be reasonably estimated. Fee and other income primarily includes fees earned from the management of segregated fund assets, proprietary mutual funds assets, fees earned on the administration of administrative services only (ASO) Group health contracts and fees earned from investment management services.

**(l) Fixed Assets**

Included in other assets are fixed assets that are carried at cost less accumulated amortization computed on a straight-line basis over their estimated useful lives, which vary from 3 to 15 years. Amortization of fixed assets included in the Summaries of Consolidated Operations is \$44 (\$55 in 2007).

**(m) Actuarial Liabilities**

Actuarial liabilities represent the amounts required, in addition to future premiums and investment income, to provide for future benefit payments, policyholder dividends, commission and policy administrative expenses for all insurance and annuity policies in force with the Company. The Appointed Actuary of the Company is responsible for determining the amount of the actuarial liabilities to make appropriate provision for the Company's obligations to policyholders. The Appointed Actuary determines the actuarial liabilities using generally accepted actuarial practices, according to standards established by the Canadian Institute of Actuaries. The valuation uses the Canadian Asset Liability Method (CALM). This method involves the projection of future events in order to determine the amount of assets that must be set aside currently to provide for all future obligations and involves a significant amount of judgment. Actuarial liabilities of the Company are discussed in note 8.

**(n) Participating Account**

The shareholder portion of participating earnings represents, as restricted by law, a portion of net income before policyholder dividends of the participating account, \$67 in 2008 (\$40 in 2007). The actual payment of the shareholder portion of participating earnings is legally determined as a percentage of policyholder dividends paid. \$51 of shareholder surplus (\$49 in 2007) that has been recognized but not paid is dependent on future payment of dividends to participating policyholders.

Canada Life's participating account is comprised of two main subdivisions. The liabilities for participating policies issued or assumed by Canada Life prior to demutualization are held in closed block sub-accounts. These liabilities for guaranteed and other non-guaranteed benefits are determined using best estimate assumptions. If at any time the value of the assets allocated to these policies were, in the opinion of the Appointed Actuary, less than the assets required in the long term to support the liabilities of these policies and the future reasonable expectations of the policyholders, assets having a sufficient value to rectify the situation would be transferred first from the additional ancillary sub-accounts maintained in the participating account for this purpose and then, if the deficiency is expected to be permanent, from the shareholder account. Any such transfers from the shareholder account would be recorded as a charge to shareholder net income.

The second main subdivision comprises the open block sub-accounts containing all liabilities in respect of new participating policies issued on or after demutualization. On demutualization, \$50 of seed capital was transferred from shareholder surplus to the participating account. The seed capital amount, together with a reasonable rate of return, may be transferred to the shareholder account if the seed capital is no longer required to support the new participating policies. Transfers of seed capital to the shareholder account would be returns of capital and would be recorded as adjustments to shareholder surplus. A reasonable rate of return on seed capital will be recognized as income in the shareholder account and as an expense in the participating account when paid. \$28 of seed capital has been repaid to date.

## 1. Basis of Presentation and Summary of Accounting Policies (cont'd)

**(o) Income Taxes**

The Company uses the liability method of income tax allocation. Current income taxes are based on taxable income and future income taxes are based on taxable temporary differences. The income tax rates used to measure income tax assets and liabilities are those rates enacted or substantively enacted at the balance sheet date (see note 21).

**(p) Repurchase Agreements**

The Company enters into repurchase agreements with third-party broker-dealers in which the Company sells securities and agrees to repurchase substantially similar securities at a specified date and price. Such agreements are accounted for as investment financings.

**(q) Pension Plans and Other Post-Retirement Benefits**

The Company and its subsidiaries maintain contributory and non-contributory defined benefit pension plans for certain employees and advisors. The Company and its subsidiaries also maintain defined contribution pension plans for certain employees and advisors. The cost of defined pension benefits is charged to earnings using the projected benefit method prorated on services (see note 18).

The Company and its subsidiaries also provide post-retirement health, dental and life insurance benefits to eligible employees, advisors and their dependents. The cost of post-retirement health, dental and life insurance benefits is charged to earnings using the projected benefit method prorated on services (see note 18).

**(r) Stock Based Compensation**

Great-West Lifeco Inc. (Lifeco), the Company's parent, has a stock option plan that provides for the granting of options on common shares of Lifeco to certain officers and employees of Lifeco and its affiliates, which is described in note 17. The Company follows the fair value method of accounting for the valuation of compensation expense for options granted to employees under its stock option plan. Compensation expense is recognized as an increase to compensation expense in the Summaries of Consolidated Operations and an increase to contributed surplus over the vesting period of granted options.

**(s) Earnings Per Common Share**

Earnings per common share is calculated using net income after preferred share dividends and the weighted average number of common shares outstanding of 2,088,655 in 2008 (2,088,655 in 2007).

**(t) Geographic Segmentation**

The Company has significant operations in Canada, the United States, and Europe. Reinsurance operations and operations in all countries other than Canada and the United States are reported as part of the Europe/Reinsurance operations.

**(u) Consolidation of Variable Interest Entities**

The Company adopted the Emerging Issues Committee (EIC) of the CICA EIC-163, *Determining the Variability to be Considered in Applying AcG-15* on January 1, 2007. EIC-163 provides additional guidance on consolidation of variable interest entities. This change in accounting policy did not have a material impact to the financial statements of the Company.

**(v) Comparative Figures**

Certain of the 2007 amounts presented for comparative purposes have been reclassified to conform to the presentation adopted in the current year. This reclassification has resulted in a decrease in other assets of \$169 at December 31, 2007 with a corresponding change in policy liabilities on the Consolidated Balance Sheets. On the Summaries of Consolidated Operations this reclassification resulted in a decrease in total paid or credited to policyholders of \$97 for the year ended December 31, 2007 with a corresponding increase in income tax expense.

**(w) Future Accounting Policies*****Goodwill and Intangible Assets***

Effective January 1, 2009, the Company will adopt the CICA Handbook Section 3064, *Goodwill and Intangible Assets*. This section replaces existing section 3062, *Goodwill and Other intangible assets*, and Section 3450, *Research and Development Costs*. This section establishes new standards for the recognition and measurement of intangible assets, but does not affect the accounting for goodwill. The Company does not anticipate that this standard will have a material impact to the financial results of the Company.

**2. Acquisitions and Disposals**

- (a)** On October 22, 2008, Great-West Life entered into an agreement with Fidelity Investments Canada ULC (Fidelity) whereby Fidelity will transition its Canadian group retirement and savings plan record-keeping business to Great-West Life, representing \$2.2 billion in assets under administration. The financial statements of the Company do not include the assets, liabilities, deposits and withdrawals or claims payments related to this business, however the Company will earn fee and other income from it.

- (b) On July 5, 2007, Canada Life acquired all of the outstanding common shares of Crown Life Insurance Company (Crown Life) for cash consideration of \$118, including transaction costs. The acquisition was pursuant to the terms of the 1999 acquisition of the majority of the insurance operations of Crown Life by Canada Life.

The acquisition resulted in an initial increase in invested assets of \$459, an increase in other assets of \$24, an increase in policyholder liabilities of \$336, an increase in other liabilities of \$48, and estimated goodwill of \$19. The amounts assigned to the assets acquired and liabilities assumed and associated goodwill may be adjusted when the allocation process has been finalized.

Results of Crown Life are included in the Summaries of Consolidated Operations from the date of acquisition.

- (c) On August 3, 2007, Great-West Life acquired a 25% interest in T.H. Lee Partners (T.H. Lee), from Putnam Investment Trust for \$388 (U.S. \$350). The Company's 25% interest in T.H. Lee has been classified as an available-for-sale financial asset measured at cost.

### 3. Portfolio Investments

- (a) Carrying values and estimated market values of portfolio investments are as follows:

	2008							
	Carrying Value & Market Value			Amortized Cost				Total
	Available for sale	Held for trading <sup>(1)</sup>		Carrying Value Loans and receivables	Market Value Loans and receivables	Carrying Value Non-financial instruments	Market Value Non-financial instruments	Carrying value
	Designated	Classified						
<b>Bonds</b>								
– government	\$ 2,101	\$ 13,392	\$ 811	\$ 310	\$ 327	\$ –	\$ –	\$ 16,614
– corporate	1,193	25,689	825	5,792	5,437	–	–	33,499
	3,294	39,081	1,636	6,102	5,764	–	–	50,113
<b>Mortgage loans</b>								
– residential	–	–	–	6,530	6,716	–	–	6,530
– non-residential	–	–	–	9,200	9,180	–	–	9,200
	–	–	–	15,730	15,896	–	–	15,730
<b>Stocks</b>	722	3,653	–	–	–	330	326	4,705
<b>Real estate</b>	–	–	–	–	–	3,023	2,858	3,023
	\$ 4,016	\$ 42,734	\$ 1,636	\$ 21,832	\$ 21,660	\$ 3,353	\$ 3,184	\$ 73,571

	2007							
	Carrying Value & Market Value			Amortized Cost				Total
	Available for sale	Held for trading <sup>(1)</sup>		Carrying Value Loans and receivables	Market Value Loans and receivables	Carrying Value Non-financial instruments	Market Value Non-financial instruments	Carrying value
	Designated	Classified						
<b>Bonds</b>								
– government	\$ 1,386	\$ 14,016	\$ 611	\$ 409	\$ 446	\$ –	\$ –	\$ 16,422
– corporate	1,215	27,460	1,006	5,208	5,262	–	–	34,889
	2,601	41,476	1,617	5,617	5,708	–	–	51,311
<b>Mortgage loans</b>								
– residential	–	–	–	6,723	6,685	–	–	6,723
– non-residential	–	–	–	7,926	8,120	–	–	7,926
	–	–	–	14,649	14,805	–	–	14,649
<b>Stocks</b>	802	4,791	–	–	–	320	461	5,913
<b>Real estate</b>	–	–	–	–	–	2,419	2,702	2,419
	\$ 3,403	\$ 46,267	\$ 1,617	\$ 20,266	\$ 20,513	\$ 2,739	\$ 3,163	\$ 74,292

(1) Investments can be held for trading in two ways: designated as held for trading at the option of management; or, classified as held for trading if they are actively traded for the purpose of earning investment income.

During the period, the Company concluded that an internal model would result in a more representative measurement of fair market value for a portfolio of bonds. An external valuation source was previously used. Utilizing the internal model to value these securities, which have a fair market value of \$50, resulted in an increase in carrying value of \$21.

3. Portfolio Investments (cont'd)

- (b) Stocks include the Company's investment in an affiliated company, IGM Financial Inc. (IGM), a member of the Power Financial Corporation group of companies, over which it exerts significant influence but does not control. The investment is accounted for using the equity method of accounting.

	2008	2007
Carrying value, beginning of year	\$ 320	\$ 306
Equity method earnings	28	30
Dividends	(18)	(16)
<b>Carrying value, end of year</b>	<b>\$ 330</b>	<b>\$ 320</b>
<b>Share of equity, end of year</b>	<b>\$ 148</b>	<b>\$ 142</b>
<b>Fair value, end of year</b>	<b>\$ 326</b>	<b>\$ 461</b>

The Company owns 9,205,897 shares of IGM at December 31, 2008 (9,206,401 at December 31, 2007) representing a 3.51% ownership interest (3.48% at December 31, 2007).

- (c) Included in portfolio investments are the following:

- (i) Impaired investments

	2008	2007
Bonds	\$ 23	\$ 13
Mortgage loans	20	(1)
	<b>\$ 43</b>	<b>\$ 12</b>

Impaired investments reflect gross amounts of \$176 (\$31 in 2007) reduced by other than temporary loss amounts of \$133 (\$19 in 2007). Included in the other than temporary loss amounts are portfolio provisions of \$13 (\$11 in 2007).

- (ii) The allowance for credit losses and changes in the allowance for credit losses related to investments classified as loans and receivables are as follows:

	2008			2007		
	Bonds	Mortgage Loans	Total	Bonds	Mortgage Loans	Total
Balance, beginning of year	\$ 9	\$ 10	\$ 19	\$ 12	\$ 12	\$ 24
Net provision (recoveries) for credit losses – in year	1	4	5	(2)	–	(2)
Write-offs, net of recoveries	(3)	2	(1)	1	–	1
Other (including foreign exchange rate changes)	1	2	3	(2)	(2)	(4)
Balance, end of period	<b>\$ 8</b>	<b>\$ 18</b>	<b>\$ 26</b>	<b>\$ 9</b>	<b>\$ 10</b>	<b>\$ 19</b>

The allowance for credit losses is supplemented by the provision for future credit losses included in actuarial liabilities.

- (d) Net investment income is comprised of the following:

	2008					
	Bonds	Mortgage loans	Stocks	Real estate	Other	Total
Regular net investment income:						
Investment income earned	\$ 3,331	\$ 865	\$ 253	\$ 159	\$ 152	\$ 4,760
Net realized gains (losses) (available for sale)	45	–	(12)	–	–	33
Net realized gains (losses) (other classifications)	21	21	–	–	–	42
Amortization of net realized/unrealized gains (non-financial instruments)	–	–	–	23	–	23
Net (provision) recovery of credit losses (loans and receivables)	(1)	(4)	–	–	–	(5)
Other income and expenses	–	–	–	–	(51)	(51)
	<b>3,396</b>	<b>882</b>	<b>241</b>	<b>182</b>	<b>101</b>	<b>4,802</b>
Changes in fair value on held for trading assets:						
Net realized/unrealized gains (losses) (classified held for trading)	11	–	–	–	–	11
Net realized/unrealized gains (losses) (designated held for trading)	(2,546)	–	(1,632)	–	111	(4,067)
	<b>(2,535)</b>	<b>–</b>	<b>(1,632)</b>	<b>–</b>	<b>111</b>	<b>(4,056)</b>
<b>Net investment income</b>	<b>\$ 861</b>	<b>\$ 882</b>	<b>\$ (1,391)</b>	<b>\$ 182</b>	<b>\$ 212</b>	<b>\$ 746</b>

	2007					
	Bonds	Mortgage loans	Stocks	Real estate	Other	Total
Regular net investment income:						
Investment income earned	\$ 2,762	\$ 799	\$ 237	\$ 118	\$ 307	\$ 4,223
Net realized gains (losses) <i>(available for sale)</i>	42	—	5	—	—	47
Net realized gains (losses) <i>(other classifications)</i>	12	19	—	—	—	31
Net impairment recoveries	2	—	—	—	—	2
Amortization of deferred net realized gains	—	—	—	70	—	70
Other income and expenses	—	—	—	—	(52)	(52)
	2,818	818	242	188	255	4,321
Changes in fair value on held for trading assets:						
Net realized/unrealized gains (losses) <i>(classified held for trading)</i>	(13)	—	—	—	—	(13)
Net realized/unrealized gains (losses) <i>(designated held for trading)</i>	(999)	—	132	—	(135)	(1,002)
	(1,012)	—	132	—	(135)	(1,015)
Net investment income	\$ 1,806	\$ 818	\$ 374	\$ 188	\$ 120	\$ 3,306

(e) Also included in portfolio investments are modified/restructured loans of \$1 (\$2 in 2007) that are performing in accordance with their current terms.

#### 4. Financial Instrument Risk Management

The Company has policies relating to the identification, measurement, monitoring, mitigating, and controlling of risks associated with financial instruments. The key risks related to financial instruments are credit risk, liquidity risk and market risk (currency, interest rate and equity). The following sections describe how the Company manages each of these risks.

##### (a) Credit Risk

Credit risk is the risk of financial loss resulting from the failure of debtors making payments when due. The following policies and procedures are in place to manage this risk:

- Investment guidelines are in place that require only the purchase of investment-grade assets and minimize undue concentration of assets in any single geographic area, industry and company.
- Investment guidelines specify minimum and maximum limits for each asset class. Credit ratings are determined by recognized external credit rating agencies and/or internal credit review.
- Investment guidelines also specify collateral requirements.
- Portfolios are monitored continuously, and reviewed regularly with the Boards of Directors or the Investment Committees of the Boards of Directors.
- Credit risk associated with derivative instruments is evaluated quarterly based on conditions that existed at the balance sheet date, using practices that are at least as conservative as those recommended by regulators.
- The Company is exposed to credit risk relating to premiums due from policyholders during the grace period specified by the insurance policy or until the policy is paid up or terminated. Commissions paid to agents and brokers are netted against amounts receivable, if any.
- Reinsurance is placed with counterparties that have a good credit rating and concentration of credit risk is managed by following policy guidelines set each year by the Board of Directors. Management continuously monitors and performs an assessment of creditworthiness of reinsurers.

##### (i) Maximum Exposure to Credit Risk

The following table summarizes the Company's maximum exposure to credit risk related to financial instruments. The maximum credit exposure is the carrying value of the asset net of any allowances for losses.

	2008	2007
Cash and cash equivalents	\$ 2,561	\$ 3,203
Bonds		
Held for trading	40,717	43,093
Available for sale	3,294	2,601
Amortized cost	6,102	5,617
Mortgage loans	15,730	14,649
Loans to policyholders	2,768	2,587
Other financial assets	13,648	3,540
Derivative assets	564	885
Total balance sheet maximum credit exposure	\$ 85,384	\$ 76,175

4. Financial Instrument Risk Management (cont'd)

Credit risk is also mitigated by entering into collateral agreements. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters. Management monitors the value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable.

(ii) Concentration of Credit Risk

Concentrations of credit risk arise from exposures to a single debtor, a group of related debtors or groups of debtors that have similar credit risk characteristics in that they operate in the same geographic region or in similar industries. The characteristics are similar in that changes in economic or political environments may impact their ability to meet obligations as they come due.

The following table provides details of the carrying value of bonds by industry sector and geographic distribution:

	2008
Bonds issued or guaranteed by:	
Canadian federal government	\$ 1,865
Canadian provincial and municipal governments	4,600
U.S. Treasury and other U.S. agencies	1,862
Other foreign governments	6,854
Government related	1,563
Sovereign	1,739
Asset-backed securities	4,006
Residential mortgage backed securities	281
Banks	4,646
Other financial institutions	2,616
Basic materials	413
Communications	956
Consumer products	3,169
Industrial products/services	1,387
Natural resources	1,479
Real estate	1,645
Transportation	2,038
Utilities	5,616
Miscellaneous	1,594
Total long term bonds	48,329
Short term bonds	1,784
	<u>\$ 50,113</u>
Canada	\$ 25,016
United States	2,560
Europe/Reinsurance	22,537
	<u>\$ 50,113</u>

The following table provides details of the carrying value of mortgage loans by geographic location:

	2008			
	Single family residential	Multi-family residential	Commercial	Total
Canada	\$ 1,850	\$ 4,524	\$ 6,144	\$ 12,518
United States	-	120	323	443
Europe/Reinsurance	-	36	2,733	2,769
<b>Total mortgages</b>	<u>\$ 1,850</u>	<u>\$ 4,680</u>	<u>\$ 9,200</u>	<u>\$ 15,730</u>
	2007			
	Single family residential	Multi-family residential	Commercial	Total
Canada	\$ 1,794	\$ 4,783	\$ 5,403	\$ 11,980
United States	-	116	303	419
Europe/Reinsurance	-	30	2,220	2,250
<b>Total mortgages</b>	<u>\$ 1,794</u>	<u>\$ 4,929</u>	<u>\$ 7,926</u>	<u>\$ 14,649</u>

(iii) Asset Quality

<b>Bond Portfolio Quality</b>		2008	2007
AAA		\$ 17,775	\$ 20,176
AA		9,386	9,839
A		15,027	14,528
BBB		6,016	5,234
BB and lower		125	233
		48,329	50,010
Short term bonds		1,784	1,301
<b>Total bonds</b>		<b>\$ 50,113</b>	<b>\$ 51,311</b>

<b>Derivative Portfolio Quality</b>		2008	2007
Over-the-counter contracts (counterparty ratings):			
AA		\$ 162	\$ 583
A		377	351
<b>Total</b>		<b>\$ 539</b>	<b>\$ 934</b>

(iv) Loans Past Due, But Not Impaired

Loans that are past due but not considered impaired are loans for which scheduled payments have not been received, but management has reasonable assurance of timely collection of the full amount of principal and interest due. The following table provides carrying values of the loans past due, but not impaired:

	2008	2007
Less than 30 days	\$ 50	\$ 87
30-90 days	2	1
90 days and greater	1	1
<b>Total</b>	<b>\$ 53</b>	<b>\$ 89</b>

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet all cash outflow obligations as they come due. The following policies and procedures are in place to manage this risk:

- The Company closely manages operating liquidity through cash flow matching of assets and liabilities.
- Management monitors the use of line of credit on a regular basis, and assesses the ongoing availability of these and alternative forms of operating credit.
- Management closely monitors the solvency and capital positions of its principal subsidiaries opposite liquidity requirements of the Company.

In the normal course of business the Company enters into contracts that give rise to commitments of future minimum payments that impact short-term and long-term liquidity. The following table summarizes the principal repayment schedule of certain of the Company's financial liabilities.

	Payments due by period						
	Total	1 year	2 years	3 years	4 years	5 years	over 5 years
Debentures and other debt instruments	\$ 306	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 301
Capital trust debentures <sup>(1)</sup>	800	—	—	—	—	—	800
Purchase obligations	39	19	10	10	—	—	—
Pension contributions	67	67	—	—	—	—	—
	<b>\$ 1,212</b>	<b>\$ 87</b>	<b>\$ 11</b>	<b>\$ 11</b>	<b>\$ 1</b>	<b>\$ 1</b>	<b>\$ 1,101</b>

(1) Payments due have not been reduced to reflect the Company held capital trust securities of \$175 principal amount (\$167 carrying value).

## 4. Financial Instrument Risk Management (cont'd)

**(c) Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors. Market factors include three types of risks: currency risk, interest rate risk and equity risk.

**(i) Currency Risk**

Currency risk relates to the Company operating in different currencies and converting non-Canadian earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur. The following policies and procedures are in place to mitigate the Company's exposure to currency risk.

- The Company uses financial measures such as constant currency calculations to monitor the effect of currency translation fluctuations.
- Investments are normally made in the same currency as the liabilities supported by those investments.
- Foreign currency assets acquired to back liabilities are normally converted back to the currency of the liability using foreign exchange contracts.
- A 10% increase in foreign currency rates would be expected to have minimal impact on non-participating actuarial liabilities. A 10% decrease in foreign currency rates would be expected to have minimal impact on non-participating actuarial liabilities.

**(ii) Interest Rate Risk**

Interest rate risk exists if asset and liability cash flows are not closely matched and interest rates change causing a difference in value between the asset and liability. The following policies and procedures are in place to mitigate the Company's exposure to interest rate risk.

- The Company utilizes a formal process for managing the matching of assets and liabilities. This involves grouping general fund assets and liabilities into segments. Assets in each segment are managed in relation to the liabilities in the segment.
- Interest rate risk is managed by investing in assets that are suitable for the products sold.
- For products with fixed and highly predictable benefit payments, investments are made in fixed income assets that closely match the liability product cash flows. Protection against interest rate change is achieved as any change in the fair market value of the assets will be offset by a similar change in the fair market value of the liabilities.
- For products with less predictable timing of benefit payments, investments are made in fixed income assets with cash flows of a shorter duration than the anticipated timing of benefit payments, or equities as described below.
- The risk associated with the mismatch in portfolio duration and cash flow, asset prepayment exposure and the pace of asset acquisition are quantified and reviewed regularly.

Projected cash flows from the current assets and liabilities are used in CALM to determine actuarial liabilities. Cash flows from assets are reduced to provide for potential asset default losses. Testing under several interest rate scenarios (including increasing and decreasing rates) is done to assess reinvestment risk.

One way of measuring the interest rate risk associated with this assumption is to determine the effect on the present value of the projected net asset and liability cash flows of the non-participating business of the Company of an immediate and permanent 1% increase and 1% decrease in interest rates at each future duration. These interest rate changes will impact the projected cash flows.

- The effect of an immediate and permanent 1% increase in interest rates at each future duration would be to decrease the present value of these net projected cash flows by approximately \$31.
- The effect of an immediate and permanent 1% decrease in interest rates at each future duration would be to decrease the present value of these net projected cash flows by approximately \$118.

**(iii) Equity Risk**

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. To mitigate price risk, the Company has investment policy guidelines in place that provide for prudent investment in equity markets within clearly defined limits.

Some policy liabilities are supported by equities, for example segregated fund products and products with long-tail liabilities. Generally these liabilities will fluctuate in line with equity market values. There will be additional impacts on these liabilities as equity market values fluctuate. A 10% increase in equity markets would be expected to additionally decrease non-participating actuarial liabilities by approximately \$41. A 10% decrease in equity markets would be expected to additionally increase non-participating actuarial liabilities by approximately \$244.

**5. Pledging of Assets**

The amount of assets which have a security interest by way of pledging is \$6 (\$6 in 2007) in respect of derivative transactions and \$600 (\$733 in 2007) in respect of reinsurance agreements.



**6. Goodwill and Intangible Assets****(a) Goodwill**

The carrying value of goodwill, all in the shareholder account, and changes in carrying value of goodwill are as follows:

	2008	2007
Balance, beginning of year	\$ 5,269	\$ 5,250
Acquisition of Crown Life (note 2)	-	19
Other acquisitions by subsidiaries	-	1
Changes in foreign exchange rates	1	(1)
Balance, end of year	<u>\$ 5,270</u>	<u>\$ 5,269</u>

**(b) Intangible Assets**

The carrying value of intangible assets and changes in the carrying value of intangible assets are as follows:

	2008			
	Cost	Accumulated amortization	Changes in foreign exchange rates	Carrying value, end of year
Indefinite life intangible assets				
– Brands and trademarks	\$ 410	\$ –	\$ (19)	\$ 391
– Customer contract related	354	–	–	354
– Shareholder portion of acquired future Participating account profits	354	–	–	354
	<u>1,118</u>	<u>–</u>	<u>(19)</u>	<u>1,099</u>
Finite life intangible assets				
– Customer contract related	304	(77)	(4)	223
– Distribution channels	127	(20)	(10)	97
	<u>431</u>	<u>(97)</u>	<u>(14)</u>	<u>320</u>
Total	<u>\$ 1,549</u>	<u>\$ (97)</u>	<u>\$ (33)</u>	<u>\$ 1,419</u>
	2007			
	Cost	Accumulated amortization	Changes in foreign exchange rates	Carrying value, end of year
Indefinite life intangible assets				
– Brands and trademarks	\$ 410	\$ –	\$ (16)	\$ 394
– Customer contract related	354	–	–	354
– Shareholder portion of acquired future Participating account profits	354	–	–	354
	<u>1,118</u>	<u>–</u>	<u>(16)</u>	<u>1,102</u>
Finite life intangible assets				
– Customer contract related	284	(63)	(3)	218
– Distribution channels	127	(16)	(12)	99
	<u>411</u>	<u>(79)</u>	<u>(15)</u>	<u>317</u>
Total	<u>\$ 1,529</u>	<u>\$ (79)</u>	<u>\$ (31)</u>	<u>\$ 1,419</u>

During 2008, in connection with the transition of the Canadian group retirement and savings plan record-keeping business of Fidelity (note 2), the Company acquired approximately \$20 of finite life intangible assets relating to customer contract related intangible assets. The value assigned to these intangible assets will be adjusted in 2009 as part of the finalization of the transaction in 2009.

**7. Other Assets**

Other assets consist of the following:

	2008	2007
Premiums in course of collection	\$ 450	\$ 453
Interest due and accrued	890	873
Derivative financial instruments	564	885
Other investment receivables	90	218
Current income taxes	382	–
Future income taxes (note 21)	92	186
Fixed assets	199	168
Prepaid expenses	58	54
Accounts receivable	281	415
Accrued pension asset (note 18)	258	220
Other	162	109
	<u>\$ 3,426</u>	<u>\$ 3,581</u>

**8. Actuarial Liabilities****(a) Composition of Actuarial Liabilities and Related Supporting Assets**

(i) The composition of actuarial liabilities is as follows:

	Participating		Non-participating		Total	
	2008	2007	2008	2007	2008	2007
Individual Insurance & Investment Products	\$ 19,194	\$ 19,733	\$ 15,344	\$ 16,096	\$ 34,538	\$ 35,829
Group Insurance	–	–	4,508	4,580	4,508	4,580
Europe/Reinsurance	1,571	1,739	33,908	25,986	35,479	27,725
Corporate	1,558	1,296	1,489	1,420	3,047	2,716
Total	<u>\$ 22,323</u>	<u>\$ 22,768</u>	<u>\$ 55,249</u>	<u>\$ 48,082</u>	<u>\$ 77,572</u>	<u>\$ 70,850</u>

(ii) The composition of the assets supporting liabilities and surplus is as follows:

	2008					
	Bonds	Mortgage loans	Stocks	Real estate	Other	Total
<b>Carrying value</b>						
Participating	\$ 10,855	\$ 5,684	\$ 2,512	\$ 257	\$ 3,016	\$ 22,324
Non-participating						
Individual Insurance & Investment Products	9,298	3,908	692	8	1,437	15,343
Group Insurance	2,590	1,374	48	–	496	4,508
Europe/Reinsurance	16,714	2,302	152	1,809	12,931	33,908
Corporate	962	229	–	–	298	1,489
Other liabilities	4,687	1,562	916	270	2,126	9,561
Participating account surplus	1,338	395	2	38	224	1,997
Capital and surplus	3,669	276	383	641	6,363	11,332
<b>Total carrying value</b>	<u>\$ 50,113</u>	<u>\$ 15,730</u>	<u>\$ 4,705</u>	<u>\$ 3,023</u>	<u>\$ 26,891</u>	<u>\$ 100,462</u>
<b>Market value</b>	<u>\$ 49,775</u>	<u>\$ 15,896</u>	<u>\$ 4,701</u>	<u>\$ 2,858</u>	<u>\$ 26,891</u>	<u>\$ 100,121</u>

	2007					
	Bonds	Mortgage loans	Stocks	Real estate	Other	Total
Carrying value						
Participating	\$ 10,664	\$ 5,299	\$ 3,383	\$ 225	\$ 3,197	\$ 22,768
Non-participating						
Individual Insurance & Investment Products	9,955	3,993	800	5	1,343	16,096
Group Insurance	2,572	1,393	79	–	536	4,580
Europe/Reinsurance	19,036	1,984	183	1,326	3,457	25,986
Corporate	1,045	337	–	–	38	1,420
Other liabilities	3,614	1,265	538	213	3,102	8,732
Participating account surplus	1,268	303	4	44	298	1,917
Capital and surplus	3,157	75	926	606	5,606	10,370
Total carrying value	\$ 51,311	\$ 14,649	\$ 5,913	\$ 2,419	\$ 17,577	\$ 91,869
Market value	\$ 51,402	\$ 14,805	\$ 6,054	\$ 2,702	\$ 17,577	\$ 92,540

Cash flows of assets supporting actuarial liabilities are matched within reasonable limits. Changes in the fair value of these assets are essentially offset by changes in the fair value of actuarial liabilities.

Changes in the fair values of assets backing capital and surplus, less related income taxes, would result in a corresponding change in surplus over time in accordance with investment accounting policies.

#### (b) Changes in Actuarial Liabilities

The change in actuarial liabilities during the year was the result of the following business activities and changes in actuarial estimates:

	Participating		Non-participating		Total	
	2008	2007	2008	2007	2008	2007
Balance, end of previous year	\$ 22,768	\$ 19,882	\$ 48,082	\$ 47,729	\$ 70,850	\$ 67,611
Fair value adjustment	–	1,708	–	2,113	–	3,821
Balance, beginning of year	22,768	21,590	48,082	49,842	70,850	71,432
Impact of new business	(8)	7	2,920	2,872	2,912	2,879
Normal change in force	(876)	426	(5,566)	(3,120)	(6,442)	(2,694)
Management action and changes in assumptions	41	(3)	59	60	100	57
Business movement from/to affiliates	–	1,031	–	875	–	1,906
Business movement from/to external parties	–	76	12,162	1,903	12,162	1,979
Impact of foreign exchange rate changes	398	(359)	(2,408)	(4,350)	(2,010)	(4,709)
Balance, end of year	\$ 22,323	\$ 22,768	\$ 55,249	\$ 48,082	\$ 77,572	\$ 70,850

The 2007 amounts presented above for comparative purposes have reflected the reclassification of liabilities between tax liabilities and actuarial liabilities to conform to the presentation adopted in the current year.

With the adoption of fair value accounting in 2007, movement in the market value of the supporting assets has become a major factor in the movement of actuarial liabilities. The movement in the actuarial liabilities on introduction of fair value is noted in the Fair Value Adjustment line above. The movement during 2007 and 2008 is included in the Normal Change In Force above.

In 2008 the major contributors to the increase in actuarial liabilities were the reinsurance of a large block of UK payout annuities from Standard Life Assurance Limited and the impact of new business, partially offset by the normal change in the in force business and the impact of foreign exchange rates.

Non-participating actuarial liabilities increased by \$59 in 2008 due to management actions and assumption changes. This increase was primarily due to strengthened life annuitant mortality in Europe (\$203 increase), strengthened provisions for asset default (\$108 increase) and strengthened provisions for asset liability matching (\$123 increase), partially offset by improved morbidity (\$158 decrease), Canadian Individual Life mortality (\$105 decrease) and two annuitant mortality risk transfer agreements (\$98 decrease).

Participating actuarial liabilities increased by \$41 in 2008 due to management actions and assumption changes. This increase was primarily due to lowered investment returns (\$76 increase) and an increase in the provision for future policyholder dividends (\$93 increase), partially offset by improved life mortality (\$66 decrease) and improved expenses and taxes (\$62 decrease).

In 2007 the major contributors to the growth in actuarial liabilities, in addition to the impact of the opening fair value adjustment, were the recapture of the US life and annuity business originally ceded from Canada Life US Branch to Great-West Life & Annuity Insurance Company (GWL&A), the recapture from an external reinsurer of the remainder of the group business not recaptured in 2006 and the acquisition of all of the outstanding common shares of Crown Life partially offset by the impact of foreign exchange rates.

Non-participating actuarial liabilities increased by \$60 in 2007 due to management actions and assumption changes. This increase was primarily due to strengthened provisions for asset liability matching (\$146 increase), and life annuitant mortality strengthening (\$88 increase), partially offset by improved life mortality (\$70 decrease), reduced expense and tax provisions (\$57 decrease) and reduced Group waiver and LTD provisions (\$51 decrease).

## 8. Actuarial Liabilities (cont'd)

Participating actuarial liabilities decreased by \$3 in 2007 due to management actions and assumption changes. This decrease was primarily due to improved investment returns (\$265 decrease), reduced expense and tax provisions (\$188 decrease) and improved life mortality (\$149 decrease), partially offset by an increase in the provision for future policyholder dividends (\$558 increase).

**(c) Actuarial Assumptions**

In the computation of actuarial liabilities, valuation assumptions have been made regarding rates of mortality/morbidity, investment returns, levels of operating expenses and rates of policy termination. The valuation assumptions use best estimates of future experience together with a margin for misestimation and experience deterioration. These margins have been set in accordance with guidelines established by the Canadian Institute of Actuaries and are necessary to provide reasonable assurance that actuarial liabilities cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

The methods for arriving at these valuation assumptions are outlined below:

***Mortality***

A life insurance mortality study is carried out annually for each major block of insurance business. The results of each study are used to update the Company's experience valuation mortality tables for that business. When there is insufficient data, use is made of the latest industry experience to derive an appropriate valuation mortality assumption. Although mortality improvements have been observed for many years, for life insurance valuation the mortality provisions (including margin) do not allow for future improvements. A 1% increase in the best estimate assumption would increase non-participating actuarial liabilities by approximately \$82.

Annuitant mortality is also studied regularly and the results used to modify established industry experience annuitant mortality tables. Mortality improvement has been projected to occur throughout future years for annuitants. A 1% decrease in the best estimate assumption would increase non-participating actuarial liabilities by approximately \$123.

***Morbidity***

The Company uses industry developed experience tables modified to reflect emerging company experience. Both claim incidence and termination are monitored regularly and emerging experience is factored into the current valuation. For products for which morbidity is a significant assumption a 1% adverse change in the best estimate assumptions would increase non-participating actuarial liabilities by approximately \$60.

***Property and casualty reinsurance***

Actuarial liabilities for property and casualty reinsurance written by LRG, a subsidiary of London Life Insurance Company (London Life), are determined using accepted actuarial practices for life insurers in Canada. Reflecting the long-term nature of the business, reserves have been established using cash flow valuation techniques including discounting. The reserves are based on cession statements provided by ceding companies. In certain instances, LRG management adjusts cession statement amounts to reflect management's interpretation of the treaty. Differences will be resolved via audits and other loss mitigation activities. In addition, reserves also include an amount for incurred but not reported losses (IBNR) which may differ significantly from the ultimate loss development. The estimates and underlying methodology are continually reviewed and updated and adjustments to estimates are reflected in income. LRG analyzes the emergence of claims experience against expected assumptions for each reinsurance contract separately and at the portfolio level. If necessary, a more in depth analysis is undertaken of the cedant experience.

***Investment returns***

The assets which correspond to the different liability categories are segmented. For each segment, projected cash flows from the current assets and liabilities are used in CALM to determine actuarial liabilities. Cash flows from assets are reduced to provide for asset default losses. Testing under several interest rate scenarios (including increasing and decreasing rates) is done to provide for reinvestment risk (see note 4(c)).

***Expenses***

Unit expense studies are updated regularly to determine an appropriate estimate of future expenses for the liability type being valued. Expense improvements are not projected. An inflation assumption is incorporated in the estimate of future expenses consistent with the interest rate scenarios projected under CALM. A 10% increase in the best estimate maintenance unit expense assumption Company wide would increase the non-participating actuarial liabilities by approximately \$141.

***Policy termination***

Studies to determine rates of policy termination are updated regularly to form the basis of this estimate. Industry data is also available and is useful where the Company has no experience with specific types of policies or its exposure is limited. A 10% adverse change in the best estimate policy termination assumption would increase non-participating actuarial liabilities by approximately \$257.

***Policyholder dividends***

Future policyholder dividends are included in the determination of actuarial liabilities for participating policies, with the assumption that policyholder dividends will change in the future to reflect the experience of the respective participating accounts, consistent with the participating policyholder dividend policies. It is our expectation that associated with changes in the best estimate assumptions for participating business would be corresponding changes in policyholder dividend scales, resulting in an immaterial net change in actuarial liabilities for participating business.

**(d) Risk Management**

(i) Interest rate risk

Interest rate risk is managed by effectively matching portfolio investments with liability characteristics. Hedging instruments are employed where necessary when there is a lack of suitable permanent investments to minimize loss exposure to interest rate changes.

(ii) Credit risk

Credit risk is managed through an emphasis on quality in the investment portfolio and by maintenance of issuer, industry and geographic diversification standards.

Projected investment returns are reduced to provide for future credit losses on assets. The net effective yield rate reduction averaged .19% (.16% in 2007). The calculation for future credit losses on assets is based on the credit quality of the underlying asset portfolio.

The following outlines the future asset credit losses provided for in actuarial liabilities. These amounts are in addition to the allowance for asset losses included with assets:

	2008	2007
Participating	\$ 533	\$ 536
Non-participating	1,040	734
	<u>\$ 1,573</u>	<u>\$ 1,270</u>

(iii) Reinsurance risk

Maximum benefit amount limits per insured life (which vary by line of business) are established for life and health insurance and reinsurance is purchased for amounts in excess of those limits.

Reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honour their obligations could result in losses to the Company. The Company evaluates the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

As a result of reinsurance, actuarial liabilities have been reduced by the following amounts:

	2008	2007
Participating	\$ 34	\$ 33
Non-participating	5,359	4,756
	<u>\$ 5,393</u>	<u>\$ 4,789</u>

Certain of the reinsurance contracts are on a funds withheld basis where the Company retains the assets supporting the reinsured actuarial liabilities, thus minimizing the exposure to significant losses from reinsurer insolvency on those contracts.

(iv) Foreign exchange risk

If the assets backing actuarial liabilities are not matched by currency, changes in foreign exchange rates can expose the Company to the risk of foreign exchange losses not offset by liability decreases.

Foreign exchange risk is managed whenever possible by matching assets with related liabilities by currency and through the use of derivative instruments such as forward contracts and cross-currency swaps. These financial instruments allow the Company to modify an asset position to more closely match actual or committed liability currency.

(v) Liquidity risk

Liquidity risk is the risk that the Company will have difficulty raising funds to meet commitments. The liquidity needs of the Company are closely managed through cash flow matching of assets and liabilities and forecasting earned and required yields, to ensure consistency between policyholder requirements and the yield of assets. Approximately 71% of policy liabilities are non-cashable prior to maturity or subject to market value adjustments.

**9. Financing Charges**

Financing charges consist of the following:

	2008	2007
Interest on long-term debentures and other debt instruments	\$ 30	\$ 31
Interest on capital trust debentures	49	49
Other	3	3
Distributions on capital trust securities held by consolidated group as temporary investments	(12)	(12)
<b>Total</b>	<u>\$ 70</u>	<u>\$ 71</u>

**10. Debentures and Other Debt Instruments**

Debentures and other debt instruments consist of the following:

	2008		2007	
	Carrying value	Market value	Carrying value	Market value
<b>Long term</b>				
<b>Operating:</b>				
Notes payable with interest of 8.0% due May 6, 2014, unsecured	\$ 6	\$ 6	\$ 6	\$ 6
<b>Capital:</b>				
<b>Great-West</b>				
6.74% debentures due November 24, 2036, unsecured (note 20)	200	200	200	200
<b>Canada Life</b>				
Subordinated debentures due December 11, 2013 bearing a fixed rate of 5.8% until December 11, 2008 and, thereafter, at a rate equal to the Canadian 90-day Bankers' Acceptance rate plus 1%, unsecured	–	–	200	202
6.40% subordinated debentures due December 11, 2028, unsecured	100	86	100	111
Acquisition related fair market value adjustment	1	–	3	–
	<u>101</u>	<u>86</u>	<u>303</u>	<u>313</u>
	<u>301</u>	<u>286</u>	<u>503</u>	<u>513</u>
<b>Total debentures and other debt instruments</b>	<b>\$ 307</b>	<b>\$ 292</b>	<b>\$ 509</b>	<b>\$ 519</b>

On December 11, 2008, Canada Life repaid the \$200 principal amount of the 5.8% subordinated debentures.

**11. Other Liabilities**

Other liabilities consist of the following:

	2008	2007
Current income taxes	\$ 153	\$ 109
Accounts payable	487	336
Pension and other post-retirement benefits (note 18)	446	438
Future income taxes (note 21)	304	256
Derivative financial instruments	780	88
Other	1,219	1,366
	<u>\$ 3,389</u>	<u>\$ 2,593</u>

**12. Perpetual Preferred Shares Issued by Subsidiary**

	2008	2007
<b>Perpetual preferred shares:</b>		
Classified as non-controlling interests		
CLFC Series B, 6.25% Non-Cumulative	\$ 145	\$ 145
Acquisition related fair market value adjustment	5	7
	<u>\$ 150</u>	<u>\$ 152</u>

**13. Capital Trust Securities and Debentures**

	2008		2007	
	Carrying value	Market value	Carrying value	Market value
<b>Capital trust debentures:</b>				
5.995% Senior Debentures due December 31, 2052, unsecured (GWLCT)	\$ 350	\$ 361	\$ 350	\$ 368
6.679% Senior Debentures due June 30, 2052, unsecured (CLCT)	300	315	300	322
7.529% Senior Debentures due June 30, 2052, unsecured (CLCT)	150	156	150	194
	<u>800</u>	<u>832</u>	<u>800</u>	<u>884</u>
Acquisition related fair market value adjustment	25	–	28	–
Trust securities held by consolidated group as temporary investments	(167)	(165)	(189)	(190)
<b>Total</b>	<b>\$ 658</b>	<b>\$ 667</b>	<b>\$ 639</b>	<b>\$ 694</b>

Great-West Life Capital Trust (GWLCT), a trust established by the Company, had issued \$350 of capital trust securities, the proceeds of which were used by GWLCT to purchase Great-West Life senior debentures in the amount of \$350, and Canada Life Capital Trust (CLCT), a trust established by Canada Life, had issued \$450 of capital trust securities, the proceeds of which were used by CLCT to purchase Canada Life senior debentures in the amount of \$450. Distributions and interest on the capital trust securities are classified as financing charges on the Summaries of Consolidated Operations (see note 9).

#### 14. Participating Account

The Company controls a 100% equity interest in London Life and Canada Life at December 31, 2008 and December 31, 2007. The participating operations and the participating balance sheets are presented as combined or consolidated in the operations in the Company's financial statements. The following tables provide additional information related to the operations and financial position of each entity.

On demutualization, \$50 of seed capital was transferred from the shareholder account to the participating policyholder account of The Canada Life Assurance Company (Canada Life). In accordance with the Conversion Proposal of Canada Life, the seed capital amount, together with a reasonable rate of return, may be transferred back to the shareholder account if the seed capital is no longer required to support the new participating policies.

In 2008, \$5 of seed capital related to the Canadian open block of the participating policyholder account, together with accrued interest of \$3 after-tax, was transferred from the participating policyholder account to the shareholder account. The repatriation (exclusive of interest) resulted in an increase in shareholder surplus of \$5 and a decrease in participating policyholder surplus of \$5. \$28 of seed capital has been repaid to date.

##### (a) Net Income, participating account:

	2008	2007
Net income attributable to participating account before policyholder dividends		
Great-West Life	\$ 129	\$ 114
London Life	745	746
Canada Life	212	225
	<u>1,086</u>	<u>1,085</u>
Policyholder dividends		
Great-West Life	(122)	(113)
London Life	(679)	(623)
Canada Life	(226)	(220)
	<u>(1,027)</u>	<u>(956)</u>
Net income – participating account	<u>\$ 59</u>	<u>\$ 129</u>

##### (b) Participating account surplus:

	2008	2007
(i) Participating account accumulated surplus		
Great-West Life	\$ 410	\$ 403
London Life	1,568	1,502
Canada Life	14	33
	<u>1,992</u>	<u>1,938</u>
(ii) Participating account accumulated other comprehensive income (loss):		
Great-West Life	7	8
London Life	(19)	(32)
Canada Life	17	3
	<u>5</u>	<u>(21)</u>
Accumulated other comprehensive income – participating account	<u>\$ 1,997</u>	<u>\$ 1,917</u>

##### (c) Participating account – Other comprehensive income:

	2008	2007
Other comprehensive income (loss) attributable to participating account		
Great-West Life	\$ (1)	\$ (2)
London Life	13	(17)
Canada Life	14	1
Other comprehensive income (loss) – participating account	<u>\$ 26</u>	<u>\$ (18)</u>

**15. Share Capital****Authorized:**

Unlimited Preferred Shares  
Unlimited Common Shares

	2008		2007	
	Number	Amount	Number	Amount
<b>Issued and outstanding:</b>				
Preferred shares:				
Series O, 5.55% Non-Cumulative Preferred Shares	6,278,671	\$ 157	6,278,671	\$ 157
Series Q, 5.00% Non-Cumulative Preferred Shares	40,000	1	40,000	1
Balance, end of year	6,318,671	\$ 158	6,318,671	\$ 158
Common shares	2,088,655	\$ 6,116	2,088,655	\$ 6,116
Total share capital		\$ 6,274		\$ 6,274

**Preferred shares**

The Series O, 5.55% Non-Cumulative Preferred Shares are redeemable at the option of the Company for \$25 per share and are convertible into Series P Preferred Shares at the option of the holder on October 31, 2010 and on October 31 in every fifth year thereafter, subject to the regulatory approval.

The Series Q, 5.00% Non-Cumulative Preferred Shares are redeemable at the option of the Company for \$25 per share on the later of December 31, 2007 and the date on which there are no Great-West Life Capital Trust Securities outstanding in GWLCT, subject to regulatory approval.

During 2007 the Company redeemed the Series L, 5.20% Non-Cumulative preferred shares at a price of \$25 per share.

**16. Capital Management**

At the consolidated company level, the Company monitors the amount of consolidated capital available, and the amounts deployed in its various operating subsidiaries. The amount of capital deployed in any particular company or country is dependent upon local regulatory requirements as well as the Company's internal assessment of capital requirements in the context of its operational risks and requirements, and strategic plans.

Since the timing of available funds cannot always be matched precisely to commitments, imbalances may arise when demands for funds exceed those on hand. Also, a demand for funds may arise as a result of the Company taking advantage of current investment opportunities. The sources of the funds that may be required in such situations include bank financing and the issuance of debentures and equity securities.

The Company's practice is to maintain the capitalization of its regulated operating subsidiaries at a level that will exceed the relevant minimum regulatory capital requirements in the jurisdictions in which they operate.

In Canada, OSFI has established a capital adequacy measurement for life insurance companies incorporated under the Insurance Companies Act (Canada) and their subsidiaries, known as the Minimum Continuing Capital and Surplus Requirements (MCCSR).

For Canadian regulatory reporting purposes, capital is defined by OSFI in its MCCSR guideline.



The following table provides the MCCR information and ratios for Great-West Life:

	2008	2007
<b>Capital Available:</b>		
<b>Tier 1 Capital</b>		
Common shares	\$ 6,116	\$ 6,116
Shareholder surplus	5,604	4,672
Qualifying non-controlling interests	150	152
Innovative instruments	648	636
Other Tier 1 Capital Elements	1,513	1,337
Gross Tier 1 Capital	<u>14,031</u>	<u>12,913</u>
<b>Deductions from Tier 1:</b>		
Goodwill & intangible assets in excess of limit	5,673	5,724
Other deductions	1,697	1,219
<b>Net Tier 1 Capital</b>	<u>6,661</u>	<u>5,970</u>
<b>Tier 2 Capital</b>		
Tier 2A	345	456
Tier 2B allowed	300	502
Tier 2C	1,550	1,262
<b>Tier 2 Capital Allowed</b>	<u>2,195</u>	<u>2,220</u>
<b>Total Tier 1 and Tier 2 Capital</b>	<u>8,856</u>	<u>8,190</u>
<b>Less: Deductions/Adjustments</b>	<u>124</u>	<u>101</u>
<b>Total Available Capital</b>	<u>\$ 8,732</u>	<u>\$ 8,089</u>
<b>Capital Required:</b>		
Assets Default & market risk	\$ 1,510	\$ 1,457
Insurance Risks	1,800	1,675
Interest Rate Risks	803	888
Other	50	(76)
<b>Total Capital Required</b>	<u>\$ 4,163</u>	<u>\$ 3,944</u>
<b>MCCR ratios:</b>		
<b>Tier 1</b>	<u>160%</u>	<u>151%</u>
<b>Total</b>	<u>210%</u>	<u>205%</u>

As at December 31, 2008 and 2007 the Company maintained capital levels above the minimum local requirements in its other foreign operations.

The capitalization of the Company and its operating subsidiaries will also take into account the views expressed by the various credit rating agencies that provide financial strength and other ratings to the Company.

The Company is both a user and a provider of reinsurance, including both traditional reinsurance, which is undertaken primarily to mitigate against assumed insurance risks, and financial or finite reinsurance, under which the amount of insurance risk passed to the reinsurer or its reinsureds may be more limited.

The Company has also established policies and procedures designed to identify, measure and report all material risks. Management is responsible for establishing capital management procedures for implementing and monitoring the capital plan. The Board of Directors reviews and approves all capital transactions undertaken by management.

## 17. Stock Based Compensation

Lifeco has a stock option plan (the Plan) pursuant to which options to subscribe for common shares of Lifeco may be granted to certain officers and employees of Great-West Life and its affiliates. Lifeco's Compensation Committee (the Committee) administers the Plan and, subject to the specific provisions of the Plan, fixes the terms and conditions upon which options are granted. The exercise price of each option granted under the Plan is fixed by the Committee, but cannot under any circumstances be less than the weighted-average trading price per Lifeco common share on the Toronto Stock Exchange for the five trading days preceding the date of the grant. Termination of employment may, in certain circumstances, result in forfeiture of the options, unless otherwise determined by the Committee.

To date, four categories of options have been granted under the Plan. The exercise of the options in three of these four categories is subject to the attainment of certain financial targets of the Company. In two of these categories the financial targets have been attained. All of the options have a maximum exercise period of ten years. The maximum number of Lifeco common shares that may be issued under the Plan is currently 52,600,000.

## 17. Stock Based Compensation (cont'd)

The following table summarizes the status of, and changes in, options outstanding and the weighted-average exercise price:

	2008		2007	
	Options	Weighted-average exercise price	Options	Weighted-average exercise price
Outstanding, beginning of year	10,618,774	\$ 21.11	11,090,332	\$ 18.23
Granted	2,690,000	31.27	1,153,000	37.02
Exercised	(1,251,496)	13.27	(1,491,358)	11.44
Forfeited	(67,624)	29.84	(133,200)	27.95
Outstanding, end of year	11,989,654	\$ 24.16	10,618,774	\$ 21.11
Options exercisable at end of year	7,240,974	\$ 18.95	7,726,974	\$ 17.36

The weighted average fair value of options granted during 2008 was \$3.23 per option (\$7.43 per option granted during 2007). The fair value of each option was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions used for those options granted in 2008 and 2007 respectively: dividend yield 3.73% (2.86%), expected volatility 13.84% (19.24%), risk-free interest rate 3.32% (4.04%), and expected life of 7 years (8 years).

In accordance with the fair value based method of accounting, compensation expense of \$6 after-tax in 2008 (\$6 in 2007) has been recognized in the Summaries of Consolidated Operations.

The following table summarizes information on the ranges of exercise prices including weighted-average remaining contractual life at December 31, 2008:

Exercise price ranges	Outstanding		Exercisable			
	Options	Weighted-average remaining contractual life	Weighted-average exercise price	Options	Weighted-average exercise price	Expiry
\$13.63	93,250	0.24	13.63	93,250	13.63	2009
\$11.14 – \$13.22	2,794,472	1.55	13.11	2,794,472	13.11	2010
\$17.14	624,632	3.92	17.14	624,632	17.14	2011
\$19.42	2,032,800	4.52	19.42	1,971,200	19.42	2013
\$24.36 – \$26.00	569,000	5.34	25.23	507,600	25.22	2014
\$29.84	2,052,500	6.95	29.84	1,204,500	29.84	2015
\$35.36 – \$37.22	1,133,000	8.21	37.02	45,320	37.02	2017
\$31.27	2,690,000	9.37	31.27	–	–	2018

## 18. Pension Plans and Other Post-Retirement Benefits

The Company and its subsidiaries maintain contributory and non-contributory defined benefit pension plans for certain employees and advisors. The Company and its subsidiaries also maintain defined contribution pension plans for certain employees and advisors.

The defined benefit pension plans provide pensions based on length of service and final average pay. Certain pension payments are indexed either on an ad hoc basis or a guaranteed basis. The determination of the accrued benefit obligation reflects only pension benefits guaranteed under the terms of the plans. As future salary levels affect the amount of future employee benefits, the projected benefit method prorated on service has been used to determine the accrued benefit obligation. The assets supporting the funded pension plans are held in separate trustee pension funds and are valued at fair value. The obligations for the unfunded plans are included in other liabilities and are supported by general assets. The recognized current cost of pension benefits is charged to earnings.

The defined contribution pension plans provide pension benefits based on accumulated employee and Company contributions. Company contributions to these plans are a set percentage of employees' annual income and may be subject to certain vesting requirements.

The Company and its subsidiaries also provide post-retirement health, dental and life insurance benefits to eligible employees, advisors and their dependents. Retirees share in the cost of benefits through deductibles, co-insurance and caps on benefits. As the amount of some of the post-retirement benefits other than pensions depend on future salary levels and future cost escalation, the projected benefit method prorated on services has been used to determine the accrued benefit obligation. These post-retirement benefits are not pre-funded and the amount of the obligation for these benefits is included in other liabilities and is supported by general assets. The recognized current cost of post-retirement non-pension benefits is charged to earnings.

Past service costs for pension plans and other post-retirement benefits are amortized over the period in which the economic benefit is realized, usually over the expected average remaining service life of the affected employee/advisor group. Transitional assets and transitional obligations are amortized over the expected average remaining service life of the employee/advisor group. Prior years' cumulative experience gains or losses in excess of the greater of 10% of the beginning of year plan assets and accrued benefit obligation are amortized over the expected average remaining service life of the employee/advisor group.

Subsidiaries of the Company have declared partial windups in respect of certain defined benefit pension plans, the impact of which has not been reflected in the pension plan accounts.

The following tables reflect the financial information on the Company's contributory and non-contributory defined benefit and defined contribution plans at December 31, 2008 and 2007.

(a) **Plan Assets, Benefit Obligation and Funded Status**

	Defined benefit pension plans		Other post-retirement benefits	
	2008	2007	2008	2007
<b>Change in Plan Assets</b>				
Fair value of assets, beginning of year	\$ 2,870	\$ 2,918	\$ -	\$ -
Employee contributions	15	13	-	-
Employer contributions	36	24	15	15
Return on plan assets	(383)	91	-	-
Benefits paid	(131)	(125)	(15)	(15)
Acquisitions	-	2	-	-
Foreign exchange rate changes	3	(53)	-	-
Fair value of assets, end of year	\$ 2,410	\$ 2,870	\$ -	\$ -
<b>Change in Accrued Benefit Obligation</b>				
Accrued benefit obligation, beginning of year	\$ 2,464	\$ 2,625	\$ 350	\$ 368
Reclassification of liability	-	13	-	-
Employer current service cost	52	62	1	2
Employee contributions	15	13	-	-
Interest on accrued benefit obligation	141	130	19	18
Actuarial (gains) losses	(331)	(190)	(60)	(23)
Benefits paid	(131)	(125)	(15)	(15)
Past service cost	(1)	(6)	-	-
Acquisitions	-	6	-	-
Foreign exchange rate changes	3	(64)	-	-
Accrued benefit obligation, end of year	\$ 2,212	\$ 2,464	\$ 295	\$ 350
<b>Net funded status</b>				
Employer contributions after measurement date	7	2	1	1
Unamortized past service costs	(132)	(143)	(42)	(48)
Unamortized net (losses) gains	176	(65)	(30)	32
Unamortized transitional obligation	2	3	-	-
Valuation allowance	(73)	(56)	-	-
Accrued benefit asset (liability)	\$ 178	\$ 147	\$ (366)	\$ (365)
Recorded in:				
Other assets	\$ 258	\$ 220	\$ -	\$ -
Other liabilities	(80)	(73)	(366)	(365)
Accrued benefit asset (liability)	\$ 178	\$ 147	\$ (366)	\$ (365)
<b>Plans with accrued benefit obligations in excess of plan assets <sup>(1)</sup>:</b>				
<b>Plans with plan assets</b>				
Fair value of plan assets	\$ 289	\$ 311		
Accrued benefit obligation	(375)	(395)		
Plan deficit	\$ (86)	\$ (84)		
<b>Plans without plan assets</b>				
Accrued benefit obligation – Plan deficit	\$ (119)	\$ (141)	\$ (295)	\$ (350)

(1) The above plans' assets and accrued benefit obligations are disclosed separately as the accrued benefit obligations exceed the fair value of the plans' assets. These amounts have been included in previously aggregated results.

18. Pension Plans and Other Post-Retirement Benefits (cont'd)

(b) **Benefit Expense and Cash Payments**

	All pension plans		Other post-retirement benefits	
	2008	2007	2008	2007
<b>Costs Recognized</b>				
<b>Amounts arising from events in the period</b>				
Defined benefit service cost	\$ 67	\$ 75	\$ 1	\$ 2
Defined contribution service cost	3	1	–	–
Employee contributions	(15)	(13)	–	–
Employer service cost	55	63	1	2
Past service cost	(1)	(6)	–	–
Interest cost on accrued benefit obligation	141	130	19	18
Actual return on plan assets	383	(91)	–	–
Actuarial (gain) loss on accrued benefit obligation	(331)	(190)	(60)	(23)
Cost incurred	247	(94)	(40)	(3)
<b>Adjustments to reflect costs recognized</b>				
Difference between actual and expected return on plan assets	(565)	(96)	–	–
Difference between actuarial gains (losses) arising during the period and actuarial gains (losses) amortized	324	192	62	27
Amortization of transitional obligations	1	1	–	–
Difference between past service costs arising in period and past service costs amortized	(11)	(6)	(6)	(6)
Increase (decrease) in valuation allowance	17	–	–	–
Net benefit cost recognized for the period	\$ 13	\$ (3)	\$ 16	\$ 18
<b>Cash payments</b>				
Contributions – Funded defined benefit plans	\$ 34	\$ 14	\$ –	\$ –
– Funded defined contribution plans	3	1	–	–
Benefits paid for unfunded plans	7	6	15	15
Total cash payment	\$ 44	\$ 21	\$ 15	\$ 15

(c) **Measurement and Valuation**

Measurement date is November 30. The dates of the actuarial valuations for funding purposes for the funded defined benefit pension plans (weighted by accrued benefit obligation) are:

Most recent valuation	% of plans	Next required valuation	% of plans
December 31, 2005	25%	December 31, 2008	31%
December 31, 2006	34%	December 31, 2009	34%
April 1, 2007	5%	April 1, 2010	6%
December 31, 2007	36%	December 31, 2010	29%

The fair value of assets is used to determine the expected return on assets.

(d) **Asset Allocation by Major Category Weighted by Plan Assets**

	Defined benefit pension plans	
	2008	2007
Equity securities	42%	51%
Debt securities	42%	38%
Real estate	5%	5%
Cash and cash equivalents	11%	6%
	100%	100%

No plan assets are directly invested in the Company's or related parties' securities. Nominal amounts may be invested in the Company's or related parties' securities through investment in pooled funds.

(e) Significant Weighted Average Assumptions

	Defined benefit pension plans		Other post-retirement benefits	
	2008	2007	2008	2007
<b>To determine benefit cost:</b>				
Discount rate	5.8%	5.0%	5.7%	5.0%
Expected long-term rate of return on plan assets	6.4%	6.6%	–	–
Rate of compensation increase	4.3%	4.2%	4.2%	4.2%
<b>To determine accrued benefit obligation:</b>				
Discount rate	6.6%	5.8%	7.1%	5.7%
Rate of compensation increase	4.1%	4.3%	3.9%	4.2%
<b>Health care trend rates:</b>				
Initial health care trend rate			7.1%	6.5%
Ultimate health care trend rate			5.0%	4.7%
Year ultimate trend rate is reached			2012	2012

(f) Impact of Changes to Assumed Health Care Rates – Other Post-Retirement Benefits

	1% increase		1% decrease	
	2008	2007	2008	2007
Impact on accrued benefit obligation	\$ 26	\$ 37	\$ (22)	\$ (31)
Impact on service and interest cost	\$ 2	\$ 2	\$ (2)	\$ (2)

19. Accumulated Other Comprehensive Income (Loss)

	2008					
	Unrealized foreign exchange gains (losses) on translation of foreign operations	Unrealized gains (losses) on available-for-sale assets	Unrealized gains (losses) on cash flow hedges	Total	Participating account	Shareholder
Balance, beginning of year	\$ (743)	\$ 145	\$ 1	\$ (597)	\$ (21)	\$ (576)
Other comprehensive income (loss)	138	(112)	–	26	25	1
Income tax	(1)	31	–	30	1	29
	137	(81)	–	56	26	30
Balance, end of year	\$ (606)	\$ 64	\$ 1	\$ (541)	\$ 5	\$ (546)

	2007					
	Unrealized foreign exchange gains (losses) on translation of foreign operations	Unrealized gains (losses) on available-for-sale assets	Unrealized gains (losses) on cash flow hedges	Total	Participating account	Shareholder
Balance, beginning of year	\$ (183)	\$ –	\$ –	\$ (183)	\$ (16)	\$ (167)
Opening transition adjustment	–	323	(1)	322	19	303
Income tax	–	(90)	–	(90)	(6)	(84)
	–	233	(1)	232	13	219
Other comprehensive income (loss)	(560)	(118)	2	(676)	(22)	(654)
Income tax	–	30	–	30	4	26
	(560)	(88)	2	(646)	(18)	(628)
Balance, end of year	\$ (743)	\$ 145	\$ 1	\$ (597)	\$ (21)	\$ (576)

**20. Related Party Transactions****Reinsurance Transactions**

During 2007, GWL&A, an affiliated company, reinsured on a co-insurance with funds withheld basis, certain stop loss and excess of loss insurance business to a subsidiary of LRG, a wholly-owned subsidiary of London Life. In 2008, for the Summaries of Consolidated Operations, this transaction resulted in an increase in premiums of \$84 (\$363 in 2007), an increase in policyholder benefits of \$82 (\$324 in 2007) and a decrease in the change in actuarial liabilities of \$6 (an increase of \$9 in 2007). This transaction was recaptured on March 31, 2008.

During 2005, Great-West Life & Annuity Insurance Company of South Carolina (GWSC), a subsidiary of GWL&A assumed on a coinsurance basis with funds withheld, certain of the Canada Life's U.S. term life reinsurance business. During 2007, an additional amount of U.S. term life reinsurance business was retroceded by Canada Life to GWSC. In 2008, for the Summaries of Consolidated Operations, this transaction resulted in a reduction of premium income of \$156 (\$176 in 2007) policyholder benefits of \$98 (\$78 in 2007), change in actuarial liabilities of \$33 (\$50 in 2007) and commissions of \$34 (\$31 in 2007). This transaction was at market terms and conditions.

Effective June 1, 2007, Canada Life recaptured all of the U.S. life and annuity business that had been ceded to GWL&A, in 2003. For 2007, this recapture transaction resulted in an increase in acquired premiums with a corresponding change in actuarial liabilities on the Summaries of Consolidated Operations of \$2,055 (U.S. \$1,868). For the Consolidated Balance Sheets, the transaction resulted in an increase in invested assets of \$1,578 (U.S. \$1,594), an increase in other assets of \$24 (U.S. \$25), an increase in policyholder liabilities of \$1,946 (U.S. \$1,966) and a decrease in funds held under reinsurance contracts of \$344 (U.S. \$347).

**Other Related Party Transactions**

In the normal course of business, the Company provided insurance benefits to other companies within the Power Financial Corporation group of companies. In all cases, transactions were at market terms and conditions.

On July 31, 2008, the Company issued \$2.0 billion of 7.127% debentures to Lifeco. The Company made a corresponding investment of \$2.0 billion in preferred shares of a wholly-owned subsidiary of Lifeco. The Company also issued \$1.2 billion of 5.75% debentures to Lifeco in 2003. The Company made a corresponding investment of \$1.2 billion in preferred shares of a wholly-owned subsidiary of Lifeco. The Company has legally enforceable rights to settle these financial instruments on a net basis, and the Company intends to exercise these rights. Accordingly the investments and debentures will be offset in the consolidated financial statements of the Company.

During 2008, the Company provided and received from IGM certain administrative services. The Company also provided life insurance, annuity and disability insurance products under a distribution agreement with IGM. London Life provided distribution services to IGM. All services were provided on terms and conditions at least as favourable as market terms and conditions.

At December 31, 2008 the Company held \$30 (\$13 in 2007) of debentures issued by IGM.

During 2008, the Company and segregated funds maintained by the Company purchased residential mortgages of \$144 from IGM (\$154 in 2007). The Company sold residential mortgages of \$3 (\$4 in 2007) to segregated funds maintained by the Company and \$66 (\$98 in 2007) to segregated funds maintained by London Life. All transactions were at market terms and conditions.

During the year, GWL&A provided certain administrative services to the Company. The expense to the Company for these services was \$5 (\$5 in 2007).

The Company has 6.74% Debentures due to Lifeco, its parent, which have an outstanding balance of \$200 (\$200 in 2007). Financing charges of \$13 is included in the Summaries of Consolidated Operations (\$13 in 2007).

**21. Income Taxes**

(a) Future income taxes consist of the following taxable temporary differences on:

	2008	2007
Policy liabilities	\$ 726	\$ 201
Portfolio investments	(762)	(25)
Other	(176)	(246)
Future income taxes receivable (payable)	\$ (212)	\$ (70)
Recorded in:		
Other assets	\$ 92	\$ 186
Other liabilities	(304)	(256)
	\$ (212)	\$ (70)

(b) The Company's effective income tax rate is derived as follows:

	2008		2007	
Combined basic Canadian federal and provincial tax rate	\$ 816	32.5%	\$ 782	35.0%
Increase (decrease) in the income tax rate resulting from:				
Non-taxable investment income	(135)	(5.4)	(160)	(7.1)
Lower effective tax rates on income not subject to tax in Canada	(165)	(6.6)	(154)	(6.9)
Miscellaneous	27	1.1	(37)	(1.7)
Impact of rate changes on future income taxes	–	–	19	0.9
Effective income tax rate applicable to current year	\$ 543	21.6%	\$ 450	20.2%

At December 31, 2008, the Company had tax loss carryforwards, totalling \$2,619 (\$1,888 in 2007). Of this amount, \$36 expire between 2009 and 2028, while \$2,583 have no expiry date. The future tax benefit of these tax loss carryforwards has been recognized, to the extent that they are more likely than not to be realized, in the amount of \$654 (\$454 in 2007) in future tax assets. The Company will realize this benefit in future years through a reduction in current income taxes payable.

## 22. Derivative Financial Instruments

In the normal course of managing exposure to fluctuations in interest and foreign exchange rates, and to market risks, the Company is an end user of various derivative financial instruments. It is the Company's policy to transact in derivatives only with the most creditworthy financial intermediaries. Note 4 illustrates the credit quality of the Company's exposure to counterparties.

(a) The following table summarizes the Company's derivative portfolio and related credit exposure:

	2008				
	Notional amount	Maximum credit risk*	Future credit exposure	Credit risk equivalent	Risk weighted equivalent
<b>Interest rate contracts</b>					
Futures – long	\$ 119	\$ –	\$ –	\$ –	\$ –
Futures – short	49	–	–	–	–
Swaps	2,029	270	13	283	51
Options purchased	308	54	5	59	12
	2,505	324	18	342	63
<b>Foreign exchange contracts</b>					
Forward contracts	140	2	1	3	1
Cross-currency swaps	5,129	212	347	559	110
	5,269	214	348	562	111
<b>Other derivative contracts</b>					
Equity contracts	89	1	5	6	1
Credit default swaps	67	–	–	–	2
	156	1	5	6	3
	\$ 7,930	\$ 539	\$ 371	\$ 910	\$ 177

\* Maximum credit risk does not include collateral paid of \$25.

## 22. Derivative Financial Instruments (cont'd)

	2007				
	Notional amount	Maximum credit risk*	Future credit exposure	Credit risk equivalent	Risk weighted equivalent
<b>Interest rate contracts</b>					
Futures – long	\$ 160	\$ –	\$ –	\$ –	\$ –
Futures – short	47	–	–	–	–
Interest rate swaps	1,565	127	7	134	37
Options purchased	536	38	8	46	9
	2,308	165	15	180	46
<b>Foreign exchange contracts</b>					
Forward contracts	1,486	8	15	23	5
Cross-currency swaps	4,488	761	304	1,065	207
	5,974	769	319	1,088	212
<b>Other derivative contracts</b>					
Equity contracts	131	–	7	7	2
Credit default swaps	55	–	–	–	1
	186	–	7	7	3
	\$ 8,468	\$ 934	\$ 341	\$ 1,275	\$ 261

\* Maximum credit risk does not include a reduction for collateral received of \$49.

- (b) The following table provides the notional amount, term to maturity and estimated fair value of the Company's derivative portfolio by category:

	2008				
	Notional amount				Total estimated market value
	1 year or less	1–5 years	Over 5 years	Total	
<b>Derivatives not designated as accounting hedges</b>					
<b>Interest rate contracts</b>					
Futures – long	\$ 119	\$ –	\$ –	\$ 119	\$ –
Futures – short	39	–	–	39	–
Swaps	709	687	633	2,029	234
Options purchased	–	–	308	308	54
	867	687	941	2,495	288
<b>Foreign exchange contracts</b>					
Forward contracts	140	–	–	140	2
Cross-currency swaps	234	898	3,997	5,129	(511)
	374	898	3,997	5,269	(509)
<b>Other derivative contracts</b>					
Equity contracts	61	17	11	89	(18)
Credit default swaps	67	–	–	67	(2)
	128	17	11	156	(20)
	1,369	1,602	4,949	7,920	(241)
<b>Fair value hedges</b>					
<b>Interest rate contracts</b>					
Futures – short	10	–	–	10	–
<b>Total</b>	\$ 1,379	\$ 1,602	\$ 4,949	\$ 7,930	\$ (241)



	2007				Total estimated market value
	Notional amount			Total	
	1 year or less	1-5 years	Over 5 years		
<b>Derivatives not designated as accounting hedges</b>					
<b>Interest rate contracts</b>					
Futures – long	\$ 160	\$ –	\$ –	\$ 160	\$ –
Futures – short	47	–	–	47	–
Interest rate swaps	797	426	342	1,565	123
Options purchased	–	–	536	536	38
	<u>1,004</u>	<u>426</u>	<u>878</u>	<u>2,308</u>	<u>161</u>
<b>Foreign exchange contracts</b>					
Forward contracts	38	–	–	38	–
Cross-currency swaps	123	934	3,421	4,478	739
	<u>161</u>	<u>934</u>	<u>3,421</u>	<u>4,516</u>	<u>739</u>
<b>Other derivative contracts</b>					
Equity contracts	95	15	21	131	(36)
Credit default swaps	–	55	–	55	–
	<u>95</u>	<u>70</u>	<u>21</u>	<u>186</u>	<u>(36)</u>
	<u>1,260</u>	<u>1,430</u>	<u>4,320</u>	<u>7,010</u>	<u>864</u>
<b>Cash flow hedges</b>					
<b>Foreign exchange contracts</b>					
Cross-currency swaps	10	–	–	10	–
<b>Net investment hedges</b>					
<b>Foreign exchange contracts</b>					
Forward contracts	1,448	–	–	1,448	(18)
<b>Total</b>	<b>\$ 2,718</b>	<b>\$ 1,430</b>	<b>\$ 4,320</b>	<b>\$ 8,468</b>	<b>\$ 846</b>

(c) **Interest Rate Contracts**

Interest rate swaps, futures and options are used as part of a portfolio of assets to manage interest rate risk associated with actuarial liabilities. Interest rate swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which payments are based. Written call options are used with interest rate swaps to effectively convert convertible, fixed rate bonds to non-convertible variable rate securities as part of the Company's overall asset/liability matching program. The written call option hedges the Company's exposure to the convertibility feature on the bonds.

**Foreign Exchange Contracts**

Cross-currency swaps are used in combination with other investments to manage foreign currency risk associated with actuarial liabilities. Under these swaps principal amounts and fixed or floating interest payments may be exchanged in different currencies. The Company also enters into certain foreign exchange forward contracts to hedge certain product liabilities and to hedge a portion of the translation of the net investment in its foreign operations.

**Other Derivative Contracts**

Equity index swaps, futures and options are used to hedge certain product liabilities. Equity index swaps are also used as substitutes for cash instruments and are used to hedge the market risk associated with certain fee income.

The Company uses credit derivatives to manage its credit exposures and for risk diversification in its investment portfolio.

**23. Reinsurance Transactions**

- (a) On February 14, 2008, the Company's indirect wholly-owned Irish reinsurance subsidiary, Canada Life International Re Limited, signed an agreement with Standard Life Assurance Limited, a U.K. based provider of life, pension and investment products, to assume by way of indemnity reinsurance, a large block of U.K. payout annuities. The reinsurance transaction increased premium income, paid or credited to policyholders, funds held by ceding insurers and policy liabilities by \$12.5 billion.
- (b) During 2008, the Company's indirect wholly-owned U.K. subsidiary, Canada Life Limited, entered into two agreements with two financial institutions to provide long-term mortality exposure management on an in-force block of payout annuity business representing \$2.8 billion of actuarial liabilities. These agreements exchange variable annuitant payments for a schedule of fixed payments. One of the agreements has no end date while the other matures in 40 years.
- (c) During 2007, Great-West Life and London Life recaptured the remaining 50% of a reinsurance agreement on certain blocks of group life and long-term disability business. The recaptured premiums of \$1,574 associated with the transaction have been recorded in the Summaries of Consolidated Operations as an increase to premium income with a corresponding increase to the change in actuarial liabilities and provision for claims. For the Consolidated Balance Sheets, this transaction resulted in a reduction of \$1,831 to funds held under reinsurance contracts with a corresponding increase in policyholder liabilities.

**24. Contingent Liabilities**

The Company and its subsidiaries are from time to time subject to legal actions, including arbitrations and class actions, arising in the normal course of business. It is not expected that any of the existing legal actions will have a material adverse effect on the consolidated financial position of the Company.

In addition, there are class proceedings in Ontario regarding the participation of the London Life and Great-West Life participating accounts in the financing of the acquisition of LIG in 1997 by Great-West Life. It is difficult to predict the outcome of these proceedings with certainty. However, based on information presently known, these proceedings are not expected to have a material adverse effect on the consolidated financial position of the Company.

Subsidiaries of the Company have declared partial windups in respect of certain Ontario defined benefit pension plans which will not likely be completed for some time. The partial windups could involve the distribution of the amount of actuarial surplus, if any, attributable to the wound up portion of the plans. However, many issues remain unclear, including the basis of surplus measurement and entitlement, and the method by which any surplus distribution would be implemented. In addition to the regulatory proceedings involving these partial windups, related proposed class action proceedings have been commenced in Ontario related to certain of the partial windups. In the third quarter, 2007 the Company and a subsidiary established provisions for certain Canadian retirement plans in the amount of \$97 after-tax. Actual results could differ from these estimates.

A subsidiary of the Company is involved in an ongoing arbitration relating to the interpretation of certain provisions of reinsurance treaties. In addition, certain reinsurance client loss statements relating to other reinsurance treaties are in dispute and may become subject to arbitration or other legal action in the future. While there is retrocession coverage in place for these other treaties, payment of amounts due under these retrocession treaties is contingent upon collection by the retrocessionaire under a separate financial arrangement with another party. We understand that the provisions of this separate financial arrangement are also in dispute. The Company's subsidiary has established an actuarial provision for these two matters. Based on information presently known, it is difficult to predict the outcome of these matters with certainty. These matters are not expected to have a material adverse effect on the consolidated financial position of the Company.

Legal proceedings have been commenced against a private equity vehicle in which the Company and one of its subsidiaries, Canada Life, have an ownership interest. An affiliate of the Company, Putnam Investments, LLC has agreed to indemnify the Company and its subsidiary, to a specified maximum amount, in the event an unfavourable outcome in these proceedings results in a loss to the Company or its subsidiary. These proceedings are in their early stages, and it is difficult to predict the outcome with certainty. Based on information presently known, it is expected that the amount of the indemnification would be sufficient in the event of an unfavourable outcome and these proceedings are not expected to have a material adverse effect on the consolidated financial position of the Company.

**25. Commitments****(a) Syndicated Letters of Credit**

Clients residing in the United States are required pursuant to their insurance laws to obtain letters of credit issued on LRG's behalf from approved banks in order to further secure LRG's obligations under certain reinsurance contracts.

LRG has a syndicated letter of credit facility providing U.S. \$650 in letters of credit capacity. The facility was arranged in 2005 for a five year term expiring November 15, 2010. Under the terms and conditions of the facility, collateralization may be required if a default under the letter of credit agreement occurs. LRG has issued U.S. \$622 in letters of credit under the facility as at December 31, 2008 (U.S. \$591 as at December 31, 2007).

In addition, LRG has other bilateral letter of credit facilities totalling U.S. \$18 (2007 – U.S. \$18). LRG has issued U.S. \$7 in letters of credit under these facilities as at December 31, 2008.

**(b) Other Letters of Credit**

Canada Life issues letters of credit in the normal course of business. Letters of credit in the amount of \$1 were outstanding at December 31, 2008 (\$1 at December 31, 2007), none of which have been drawn upon at that date.

**(c) Lease Obligations**

The Company enters into operating leases for office space and certain equipment used in the normal course of operations. Lease payments are charged to operations over the period of use. The future minimum lease payments in aggregate and by year are as follows:

	2009	2010	2011	2012	2013	2014 and thereafter	Total
Future lease payments	\$ 65	53	44	36	25	84	\$ 307

**26. Segmented Information**

The major reportable segments are the participating and shareholder operations of the Company. The Company operates through Great-West Life and its wholly owned subsidiaries LIG and CLFC.

The major business units within the segments are:

- Individual Insurance & Investment Products – life insurance and disability insurance products for individual clients, and accumulation and payout annuity products for both group and individual clients.
- Group Insurance – life, health and disability insurance products for group clients.
- Europe/Reinsurance – life, health and disability insurance products for individual and group clients and accumulation and payout annuity products in the United Kingdom, Ireland and Germany, as well as life, property and casualty, accident and health and annuity.
- Corporate – business activities and operations that are not associated with the above business units.

**(a) Consolidated Operations**

	2008						
	Shareholder					Participating	
	Individual insurance & investment products	Group insurance	Europe/ Reinsurance	Corporate	Total	Total	Total company
<b>Income:</b>							
Premium income	\$ 2,061	\$ 4,053	\$ 18,971	\$ 83	\$ 25,168	\$ 2,257	\$ 27,425
Net investment income							
Regular net investment income	717	280	2,114	258	3,369	1,433	4,802
Changes in fair value on held for trading assets	(657)	(117)	(1,579)	(120)	(2,473)	(1,583)	(4,056)
Total net investment income	60	163	535	138	896	(150)	746
Fee and other income	841	142	647	55	1,685	–	1,685
<b>Total income</b>	<b>2,962</b>	<b>4,358</b>	<b>20,153</b>	<b>276</b>	<b>27,749</b>	<b>2,107</b>	<b>29,856</b>
<b>Benefits and expenses:</b>							
Paid or credited to policyholders	1,262	3,031	18,545	24	22,862	1,599	24,461
Other	801	776	708	122	2,407	458	2,865
Amortization of finite life intangible assets	–	–	4	14	18	–	18
<b>Net operating income before income taxes</b>	<b>899</b>	<b>551</b>	<b>896</b>	<b>116</b>	<b>2,462</b>	<b>50</b>	<b>2,512</b>
Income taxes	226	160	159	7	552	(9)	543
<b>Net income before non-controlling interests</b>	<b>673</b>	<b>391</b>	<b>737</b>	<b>109</b>	<b>1,910</b>	<b>59</b>	<b>1,969</b>
Non-controlling interests	–	–	–	7	7	–	7
<b>Net income</b>	<b>673</b>	<b>391</b>	<b>737</b>	<b>102</b>	<b>1,903</b>	<b>59</b>	<b>1,962</b>
Net income – participating policyholder	–	–	–	–	–	59	59
<b>Net income – shareholders</b>	<b>673</b>	<b>391</b>	<b>737</b>	<b>102</b>	<b>1,903</b>	<b>–</b>	<b>1,903</b>
Perpetual preferred share dividends	–	–	–	9	9	–	9
<b>Net income – common shareholder</b>	<b>\$ 673</b>	<b>\$ 391</b>	<b>\$ 737</b>	<b>\$ 93</b>	<b>\$ 1,894</b>	<b>\$ –</b>	<b>\$ 1,894</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 26. Segmented Information (cont'd)

	2007						
	Shareholder					Participating	
	Individual insurance & investment products	Group insurance	Europe/ Reinsurance	Corporate	Total	Total	Total company
<b>Income:</b>							
Premium income	\$ 2,065	\$ 4,915	\$ 7,987	\$ 1,146	\$ 16,113	\$ 3,108	\$ 19,221
Net investment income							
Regular net investment income	916	311	1,527	189	2,943	1,378	4,321
Changes in fair value on held for trading assets	(288)	(59)	(582)	17	(912)	(103)	(1,015)
Total net investment income	628	252	945	206	2,031	1,275	3,306
Fee and other income	851	131	671	51	1,704	1	1,705
<b>Total income</b>	<b>3,544</b>	<b>5,298</b>	<b>9,603</b>	<b>1,403</b>	<b>19,848</b>	<b>4,384</b>	<b>24,232</b>
<b>Benefits and expenses:</b>							
Paid or credited to policyholders	1,851	4,006	8,163	1,163	15,183	3,799	18,982
Other	864	742	711	281	2,598	401	2,999
Amortization of finite life intangible assets	–	–	4	14	18	–	18
Net operating income before income taxes	829	550	725	(55)	2,049	184	2,233
Income taxes	192	166	126	(89)	395	55	450
Net income before non-controlling interests	637	384	599	34	1,654	129	1,783
Non-controlling interests	–	–	–	7	7	–	7
Net income	637	384	599	27	1,647	129	1,776
Net income – participating policyholder	–	–	–	–	–	129	129
Net income – shareholders	637	384	599	27	1,647	–	1,647
Perpetual preferred share dividends	–	–	–	11	11	–	11
Net income – common shareholder	\$ 637	\$ 384	\$ 599	\$ 16	\$ 1,636	\$ –	\$ 1,636

## (b) Consolidated Total Assets:

	2008			2007		
	Shareholder	Participating account	Total	Shareholder	Participating account	Total
<b>Assets</b>						
Invested assets	\$ 52,679	\$ 26,221	\$ 78,900	\$ 53,458	\$ 26,624	\$ 80,082
Goodwill and intangible assets	6,689	–	6,689	6,688	–	6,688
Other	14,178	695	14,873	4,359	740	5,099
<b>Total assets</b>	<b>\$ 73,546</b>	<b>\$ 26,916</b>	<b>\$ 100,462</b>	<b>\$ 64,505</b>	<b>\$ 27,364</b>	<b>\$ 91,869</b>
Segregated funds net assets			59,924			71,614
<b>Total general fund and segregated fund assets under administration</b>			<b>\$ 160,386</b>			<b>\$ 163,483</b>

## (c) Geographic Distribution of Total Assets and Income:

	2008		2007	
	Income	Assets	Income	Assets
Canada	\$ 9,431	\$ 51,944	\$ 12,071	\$ 52,490
International	20,425	48,518	12,161	39,379
	<b>\$ 29,856</b>	<b>\$ 100,462</b>	<b>\$ 24,232</b>	<b>\$ 91,869</b>

## AUDITORS' REPORT

To the Policyholders and Shareholders  
The Great-West Life Assurance Company

We have audited the consolidated balance sheets of The Great-West Life Assurance Company and the statements of segregated funds consolidated net assets as at December 31, 2008 and 2007 and the summaries of consolidated operations, the summaries of consolidated comprehensive income, the consolidated statements of surplus, the consolidated statements of cash flows and the segregated funds consolidated statements of changes in net assets for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company and its segregated funds as at December 31, 2008 and 2007 and the results of its operations and its cash flows and the changes in net assets of its segregated funds for the years then ended in accordance with Canadian generally accepted accounting principles.

*Deloitte & Touche LLP*

Chartered Accountants

Winnipeg, Manitoba  
February 12, 2009

## APPOINTED ACTUARY'S REPORT

To the Policyholders, Shareholders and Directors of The Great-West Life Assurance Company

I have valued the policy liabilities of The Great-West Life Assurance Company for its consolidated balance sheet at December 31, 2008 and their change in its summary of consolidated operations for the year then ended in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

In my opinion, the amount of policy liabilities makes appropriate provision for all policyholder obligations and the consolidated financial statements fairly present the results of the valuation.

*A. Jamal*

**Arshil Jamal**  
Fellow, Canadian Institute of Actuaries

Winnipeg, Manitoba  
February 12, 2009

## PARTICIPATING POLICYHOLDER DIVIDEND POLICY

This policyholder dividend policy has been established by the Board of Directors and is subject to change from time to time. It applies to participating insurance policies.

Earnings are generated in the participating account when the experience in the participating account for factors such as investment income, asset defaults, mortality, lapses, expenses and taxes is collectively more favourable than the assumptions for these factors used when establishing the guaranteed values associated with participating insurance policies. Great-West Life may distribute a portion of the earnings as declared by the Board of Directors in accordance with this policyholder dividend policy.

Participating insurance policies are eligible for a periodic policyholder dividend. The amount available for distribution from the participating account as policyholder dividends is determined at least annually following a review of the actual and expected experience of the participating account, taking into account significant changes in factors such as investment income, asset defaults, mortality, lapses, expenses and taxes. The amount available for distribution in any year will vary upwards or downwards depending on the actual and expected experience. The amount available is also influenced by considerations such as: the need to retain earnings as surplus to, among other purposes, ensure financial strength and stability, finance new business growth, provide for transitions during periods of major change and smooth fluctuations in experience; practical considerations and limits; legal requirements; and prevailing industry practices.

The amount available for distribution as policyholder dividends is divided among classes of policyholders by setting the policyholder dividend scale. Great-West Life follows the contribution principle when setting the policyholder dividend scale. This means the amount available for distribution as policyholder dividends is divided among classes of policyholders over the long term in proportion to their contribution to earnings. A contribution to earnings will be made from a particular class of policies to the extent that the experience for that particular class is different from the assumptions that were used when establishing the guaranteed values for that class.

When applying the contribution principle, attention is paid to ensuring reasonable equity is achieved between classes of policyholders and between generations of policyholders, taking into account practical considerations and limits, legal requirements and prevailing industry practices. For certain blocks of policies, the policyholder dividend scale may be determined using methods which are designed to approximate the contribution to earnings of those blocks.

Termination dividends are not payable under any participating insurance policies issued by Great-West Life.

The policyholder dividends are credited according to the terms of each policy.

Prior to the declaration of policyholder dividends by the Board, the actuary of the Company will confirm that: the proposed policyholder dividends are in accordance with this policyholder dividend policy and in compliance with applicable legislative and regulatory requirements; and applicable professional practice standards have been followed.

As permitted by the Insurance Companies Act, Great-West Life may distribute to the shareholder account a percentage of the amount distributed to policyholders in respect of a financial year.

Policy illustrations will reflect changes to the policyholder dividend scale as soon as practical.

Approved by The Great-West Life Assurance Company Board of Directors

October 28, 2004

Effective December 31, 2004

## SOURCES OF EARNINGS

The following is provided in accordance with the OSFI guideline requiring Sources of Earnings (SOE) disclosure. SOE is not a Canadian generally accepted accounting principles (GAAP) measure. There is no standard SOE methodology. The calculation of SOE is dependent on, and sensitive to, the methodology, estimates and assumptions used.

SOE identifies various sources of Canadian GAAP net income. It provides an analysis of the difference between actual net income and expected net income based on assumptions made at the beginning of the reporting period. The terminology used in the discussion of sources of earnings is described below:

### Expected Profit on In-Force Business

This component represents the portion of the consolidated net income on business in-force at the start of the reporting period that was expected to be realized based on the achievement of the best-estimate assumptions. It includes releases of provisions for adverse deviations, expected net earnings on deposits, and expected net management fees.

### Impact of New Business

This component represents the point-of-sale impact on net income of writing new business during the reporting period. This is the difference between the premium received and the sum of the expenses incurred as a result of the sale and the new liabilities established at the point of sale.

### Experience Gains and Losses

This component represents gains and losses that are due to differences between the actual experience during the reporting period and the best-estimate assumptions at the start of the reporting period.

### Management Actions and Changes in Assumptions

This component represents the impact on net income resulting from management actions, changes in actuarial assumptions or methodology, changes in margins for adverse deviations, and correction of errors.

### Other

This component represents the amounts not included in any other line of the sources of earnings.

### Earnings on Surplus

This component represents the earnings on the Company's surplus funds.

Great-West Life's sources of earnings are shown below for 2008 and 2007. The 2007 amounts reflect the reclassification of liabilities between tax liabilities and actuarial liabilities and the reclassification of some experience gains in to expected profit to conform to the presentation adopted in the current year.

(in \$ millions)

For year to date at December 31, 2008	Shareholder net income				Total
	Group insurance	Individual insurance & investment products	Europe/ Reinsurance	Corporate	
Expected profit on in-force business	\$ 503	\$ 579	\$ 537	\$ 22	\$ 1,641
Impact of new business	–	(8)	18	–	10
Experience gains and losses	(8)	164	447	3	606
Management actions and changes in assumptions	49	164	(239)	16	(10)
Other	–	–	–	–	–
Earnings on surplus	7	–	133	75	215
<b>Net income before tax</b>	<b>551</b>	<b>899</b>	<b>896</b>	<b>116</b>	<b>2,462</b>
Taxes	(160)	(226)	(159)	(7)	(552)
<b>Net income before non-controlling interests</b>	<b>391</b>	<b>673</b>	<b>737</b>	<b>109</b>	<b>1,910</b>
Non-controlling interests	–	–	–	(7)	(7)
<b>Net income – shareholders</b>	<b>391</b>	<b>673</b>	<b>737</b>	<b>102</b>	<b>1,903</b>
Perpetual preferred share dividends	–	–	–	(9)	(9)
<b>Net income – common shareholder before adjustments</b>	<b>391</b>	<b>673</b>	<b>737</b>	<b>93</b>	<b>1,894</b>
Adjustments after tax	–	–	–	–	–
<b>Net income – common shareholders</b>	<b>\$ 391</b>	<b>\$ 673</b>	<b>\$ 737</b>	<b>\$ 93</b>	<b>\$ 1,894</b>

## SOURCES OF EARNINGS (CONT.)

(in \$ millions)	Shareholder net income				
	Group insurance	Individual insurance & investment products	Europe/ Reinsurance	Corporate	Total
For year to date at December 31, 2007					
Expected profit on in-force business	\$ 444	\$ 529	\$ 401	\$ 23	\$ 1,397
Impact of new business	–	(34)	36	–	2
Experience gains and losses	46	241	354	(137)	504
Management actions and changes in assumptions	48	93	(197)	7	(49)
Other	–	–	–	–	–
Earnings on surplus	12	–	131	52	195
<b>Net income before tax</b>	<b>550</b>	<b>829</b>	<b>725</b>	<b>(55)</b>	<b>2,049</b>
Taxes	(166)	(192)	(126)	89	(395)
<b>Net income before non-controlling interests</b>	<b>384</b>	<b>637</b>	<b>599</b>	<b>34</b>	<b>1,654</b>
Non-controlling interests	–	–	–	(7)	(7)
<b>Net income – shareholders</b>	<b>384</b>	<b>637</b>	<b>599</b>	<b>27</b>	<b>1,647</b>
Perpetual preferred share dividends	–	–	–	(11)	(11)
<b>Net income – common shareholder before adjustments</b>	<b>384</b>	<b>637</b>	<b>599</b>	<b>16</b>	<b>1,636</b>
Adjustments after tax	–	–	–	–	–
<b>Net income – common shareholders</b>	<b>\$ 384</b>	<b>\$ 637</b>	<b>\$ 599</b>	<b>\$ 16</b>	<b>\$ 1,636</b>

### Analysis of Results

Expected profit on in-force business is the major driver of earnings and accounted for 67% of pre-tax earnings in 2008. The expected profit on in-force business of \$1,641 in 2008 was \$244 higher than the 2007 level. The increase in expected profit reflected business growth across the company.

New business issued in 2008 led to gains of \$10 at issue compared to gains of \$2 in 2007. The difference was largely due to a more favourable mix of business and lower volumes of products with strain in Canada in 2008.

Experience gains in 2007 and 2008 were primarily due to favourable mortality, morbidity, and investment experience in Europe and Canada Individual Insurance & Investment Products. The gains in 2008 were more than in 2007 primarily due to favourable mortality experience for the Standard Life Payout Annuity business (reinsurance assumed in 2008).

In 2008 management actions and changes in assumptions contributed \$(10) to pre-tax earnings, including \$22 due to a reduction in non-actuarial policy liabilities (mainly Canada Group), \$9 related to the termination of an aggregate reinsurance agreement, \$7 related to the sale of US Healthcare, and \$(59) due to valuation assumption changes and management actions for actuarial liabilities. The most significant contributors to valuation assumption changes and management actions for actuarial liabilities were \$(203) due to strengthened life annuitant mortality in Europe, \$(108) due to strengthened provisions for asset default, \$(123) due to strengthened provisions for asset liability matching, \$158 due to improved morbidity, \$105 due to Canadian Individual life mortality, and \$98 due to two annuitant mortality risk transfer agreements.

In 2007 management actions and changes in assumptions contributed \$(49) to pre-tax earnings, including \$25 related to the reclassification of tax provisions, \$(11) related to the recapture of business from CLIRE and \$(60) due to valuation assumption changes and management actions for actuarial liabilities. The most significant contributors to valuation assumption changes and management actions for actuarial liabilities were \$(146) due to strengthened provisions for asset liability matching, \$(88) due to life annuitant mortality strengthening, \$70 due to improved life mortality, \$57 due to reduced expense and tax provisions, and \$51 due to reduced Group waiver and LTD provisions.

Earnings on surplus increased by \$20 in 2008 compared to 2007.

## SUBSIDIARIES OF THE GREAT-WEST LIFE ASSURANCE COMPANY\*

Name	Principal Office Address	Carrying Value (\$ millions)	Voting Share Ownership
Gold Circle Insurance Company	Winnipeg, Manitoba	4	100.0%
GWL Investment Management Ltd.	Winnipeg, Manitoba	2	100.0%
GWL Realty Advisors Inc.	Winnipeg, Manitoba	–	100.0%
CGWLL Inc.	Winnipeg, Manitoba	11	100.0%
London Insurance Group Inc.	London, Ontario	3,581	100.0%
Canada Life Financial Corporation	Toronto, Ontario	9,221	100.0%

\* The table above depicts the material and certain other subsidiaries of the Company as at December 31, 2008.



## FIVE YEAR SUMMARY

(in \$ millions except per share amounts)

	2008	2007	2006	2005	2004
<b>At December 31</b>					
Total assets under administration	\$ 162,558	\$ 165,915	\$ 165,843	\$ 136,158	\$ 124,328
<b>For the Year Ended December 31</b>					
Premiums:					
Life insurance, guaranteed annuities and insured health products	\$ 27,425	\$ 19,221	\$ 15,288	\$ 13,154	\$ 12,543
Self-funded premium equivalents (ASO contracts)	2,410	2,233	2,145	1,955	1,863
Segregated funds deposits:					
Individual products	6,932	8,544	7,959	6,046	5,270
Group products	3,321	3,311	3,008	2,682	4,064
Proprietary mutual funds deposits	708	835	629	440	260
Total premiums and deposits	\$ 40,796	\$ 34,144	\$ 29,029	\$ 24,277	\$ 24,000
<b>Condensed Summary of Operations</b>					
<b>Income</b>					
Premium income	\$ 27,425	\$ 19,221	\$ 15,288	\$ 13,154	\$ 12,543
Net investment income					
Regular net investment income	4,802	4,321	4,534	3,991	3,785
Changes in fair value on held for trading assets	(4,056)	(1,015)	–	–	–
Total net investment income	746	3,306	4,534	3,991	3,785
Fee and other income	1,685	1,705	1,508	1,257	1,084
Total income	29,856	24,232	21,330	18,402	17,412
<b>Benefits and Expenses</b>					
Paid or credited to policyholders	24,461	18,982	16,456	13,989	13,234
Other	2,865	2,999	2,762	2,625	2,621
Amortization of finite life intangible assets	18	18	18	18	18
Restructuring costs	–	–	–	22	42
Net operating income before income taxes	2,512	2,233	2,094	1,748	1,497
Income taxes	543	450	385	323	264
Net income before non-controlling interests	1,969	1,783	1,709	1,425	1,233
Non-controlling interests	7	7	7	7	7
Net income	1,962	1,776	1,702	1,418	1,226
Net income – participating account	59	129	132	94	107
Net income – shareholders	1,903	1,647	1,570	1,324	1,119
Preferred share dividends	9	11	11	11	11
Net income – common shareholder	\$ 1,894	\$ 1,636	\$ 1,559	\$ 1,313	\$ 1,108
Earnings per common share	\$ 906.69	\$ 783.48	\$ 746.64	\$ 632.75	\$ 544.90
Book value per common share	\$5,350.00	\$ 4,889.00	\$ 4,827.00	\$ 4,173.00	\$ 3,958.00
Dividends to common shareholder – per share	\$ 465.83	\$ 412.26	\$ 237.64	\$ 290.00	\$ 227.87

## DIRECTORS AND OFFICERS

As of December 31, 2008

### BOARD OF DIRECTORS

**Raymond L. McFeetors** <sup>3,4,5,6</sup>

Chairman of the Board of the Company  
Vice-Chairman, Power Financial Corporation

**Marc A. Bibeau** <sup>1,2</sup>

President,  
Beauward Shopping Centres Ltd.

**Marcel R. Coutu** <sup>1</sup>

President and Chief Executive Officer,  
Canadian Oil Sands Limited

**Orest T. Dackow** <sup>3,4</sup>

Corporate Director

**André Desmarais, O.C.** <sup>3,4,5,6</sup>

Deputy Chairman, President and  
Co-Chief Executive Officer,  
Power Corporation of Canada

Co-Chairman,

Power Financial Corporation

**Paul Desmarais, Jr., O.C.** <sup>3,4,5,6</sup>

Chairman and Co-Chief Executive Officer,  
Power Corporation of Canada

Co-Chairman,

Power Financial Corporation

**H. David Graves** <sup>5</sup>

Chairman, President and  
Chief Executive Officer, IMRIS Inc.

**V. Peter Harder** <sup>2</sup>

Senior Policy Advisor,  
Fraser Milner Casgrain LLP

**Michael L. Hepher** <sup>1,5</sup>

Corporate Director

**Chaviva M. Hošek** <sup>1,2</sup>

President and Chief Executive Officer,  
The Canadian Institute for Advanced Research

**Daniel Johnson** <sup>3,4,5</sup>

Of Counsel to McCarthy Tétrault LLP

**Kevin P. Kavanagh, C.M.** <sup>2,3,6</sup>

Corporate Director  
Chancellor Emeritus, Brandon University

**The Right Honourable Donald F.  
Mazankowski, P.C., O.C., A.O.E.** <sup>3,4,6</sup>

Senior Advisor to  
Gowling Lafleur Henderson LLP

**D. Allen Loney** <sup>3,4</sup>

President and Chief Executive Officer  
of the Company,  
Great-West Lifeco Inc.,  
London Life Insurance Company,  
Canada Life Financial Corporation,  
The Canada Life Assurance Company,  
Crown Life Insurance Company

**Jerry E.A. Nickerson** <sup>1</sup>

Chairman of the Board,  
H.B. Nickerson & Sons Limited

**David A. Nield** <sup>2,3,4,5,6</sup>

Corporate Director

**R. Jeffrey Orr** <sup>3,4,5,6</sup>

President and Chief Executive Officer,  
Power Financial Corporation

**Michel Plessis-Bélair, FCA** <sup>1</sup>

Vice-Chairman,  
Power Corporation of Canada

**Philip K. Ryan** <sup>1,3,4</sup>

Executive Vice-President and  
Chief Financial Officer,  
Power Corporation of Canada and  
Power Financial Corporation

**Guy St-Germain, C.M.** <sup>1,3,4</sup>

President, Placements Laugerma Inc.

**Dr. Emőke J. E. Szathmáry, C.M., Ph.D.** <sup>2,3</sup>

President Emeritus,  
University of Manitoba

**Murray J. Taylor**

Co-President and Chief Executive Officer,  
IGM Financial Inc.

President and Chief Executive Officer,  
Investors Group Inc.

1 member of the Audit Committee

2 member of the Conduct Review Committee

3 member of the Executive Committee

4 member of the Investment Committee

5 member of the Compensation Committee

6 member of the Governance and Nominating Committee

### EXECUTIVE OFFICERS

**D. Allen Loney**

President and Chief Executive Officer

**Paul A. Mahon**

President and Chief Operating Officer,  
Canada

**Andrew D. Brands**

Senior Vice-President and  
General Counsel, Europe,  
Reinsurance and Litigation (Canada)

**Elwood C. Haas**

Senior Vice-President,  
Corporate Resources

**Arshil Jamal**

Senior Vice-President, Chief  
Actuary/Capital Management

**Helen R. Kasdorf**

Vice-President and  
Chief Internal Auditor

**William W. Lovatt**

Executive Vice-President and  
Chief Financial Officer

**Peter G. Munro**

Executive Vice-President and  
Chief Investment Officer

**Ronald D. Saull**

Executive Vice-President,  
Chief Information Officer

**Sheila A. Wagar**

Senior Vice-President,  
General Counsel and Secretary

## POLICYHOLDER AND SHAREHOLDER INFORMATION

### Head Office

100 Osborne Street North, Winnipeg, Manitoba, Canada R3C 3A5

### Stock Exchange

**Stock Exchange Listings Symbol: GWL.PR.O**

The Preferred Shares Series O are listed on the Toronto Stock Exchange.

### Transfer Agent and Registrar

The transfer agent and registrar of Great-West Life is **Computershare Investor Services Inc.**

In Canada, the Non-Cumulative First Preferred Shares, Series O are transferable at the following locations:

9th Floor, 100 University Avenue, Toronto, Ontario, Canada M5J 2Y1

6th Floor, 530 8th Avenue S.W., Calgary, Alberta, Canada T2P 3S8

### Dividends

**The Preferred Shares Series O** – Dividend record dates are usually between the 1st and 4th of January, April, July and October.

Dividends are usually paid the last day of January, April, July and October.

### Financial Information

For financial information about Great-West Life, please contact the Chief Financial Officer at 204-946-7341.

For copies of the annual or quarterly reports, please contact the Corporate Secretary's Office at 204-946-4388 or visit our website: [www.greatwestlife.com](http://www.greatwestlife.com).



A member of the Power Financial Corporation group of companies.

