



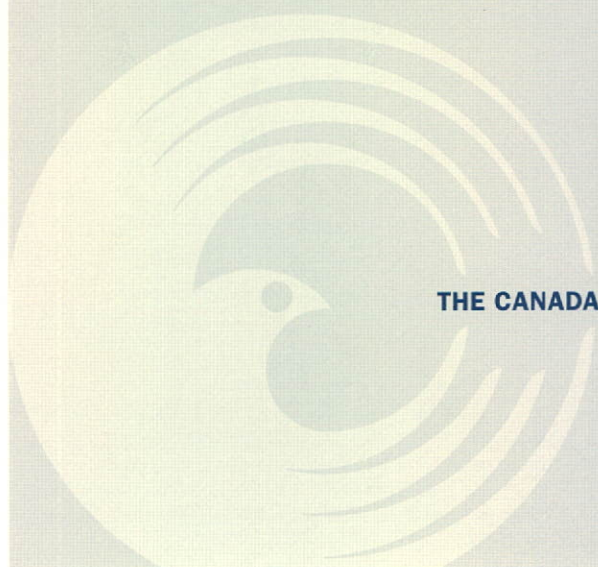
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ANNUAL REPORT



THE CANADA LIFE ASSURANCE COMPANY

## **FORWARD-LOOKING INFORMATION**

This report may contain 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 Company action, is also a forward-looking statement.

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 insurance industry generally. 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 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. The reader is also cautioned to consider these and other factors carefully and 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.

## **NON-GAAP FINANCIAL MEASURES**

This report may also contain non-GAAP financial measures. Terms by which non-GAAP financial measures are identified include but are not limited to "adjusted net income", "earnings before restructuring costs", "net income before restructuring costs" 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. Please 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 have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and presented in Canadian dollars unless otherwise indicated.

## CORPORATE PROFILE

Founded in 1847, The Canada Life Assurance Company (Canada Life or the Company) was the country's first domestic life insurance company. The Company has grown and prospered and today, Canada Life provides insurance and wealth management products and services from coast to coast in Canada, and internationally, in the United Kingdom, Isle of Man, the Republic of Ireland and Germany.

Canada Life is a subsidiary of The Great-West Life Assurance Company. Together with its subsidiaries London Life Insurance Company and Canada Life, Great-West Life has more than \$134 billion in assets under administration. Canada Life and Great-West Life are members of the Power Financial Corporation group of companies.

### Ratings

Rating Agency	Measurement	Rating
A.M. Best Company	Financial Strength	A+
Dominion Bond Rating Service	Claims Paying Ability	IC-1
Fitch Ratings	Insurer Financial Strength	AA+
Moody's Investors Service	Insurance Financial Strength	Aa3
Standard & Poor's Rating Services	Insurer Financial Strength	AA

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## DIRECTORS' REPORT



Robert Gratton



Raymond L. McFeetors

Canada Life's 2005 performance reflects our position as an important member of Canada's leading network for the delivery of financial products and services, and a strong international competitor in financial services.

For participating policyholders, net income before policyholder dividends was \$128 million. During the year, we paid \$118 million in policyholder dividends resulting in net income in the participating accounts of \$10 million.

For holders of participating policies of Canada Life, including policies originally sold through New York Life, we are pleased to report that the participating policyholder dividend scale will be maintained for 2006. The dividend scale for Canada Life participating policies originally sold through Crown Life will be reduced in 2006, due to sustained lower investment returns on the assets associated with this block of policies.

Total premiums and deposits for 2005 were essentially unchanged over 2004, at \$7.9 billion. We recorded strong gains in our individual insurance product lines due to enhancements to certain products and support for our distribution channels. Group insurance premiums declined due to the transfer of our traditional group insurance business to our parent, The Great-West Life Assurance Company. This transfer is part of our strategy to consolidate our group insurance businesses, other than creditor insurance, into Great-West Life.

Fee income increased by 7% to \$594 million in 2005, reflecting particularly strong segregated fund fee income growth in Europe. Total assets under administration remained stable at \$56.8 billion. The decline in segregated funds assets reflects the transfer of group segregated funds business to London Life, a sister company, which was offset by the acquisition of \$4.4 billion of payout annuity business from Phoenix and London Assurance Limited.

An indication of the financial strength of our Company is the very strong credit ratings Canada Life receives from the major rating agencies. In July 2003, with the acquisition of Canada Life by Great-West Life, the ratings of companies in the Great-West Life group had been downgraded and assigned a negative outlook by Standard & Poor's Rating Services and Moody's Investors Service. In 2005, the ratings for these companies, including Canada Life, were affirmed and the outlook was changed to stable from negative by both Moody's and Standard & Poor's.

As well, the strength of Canada Life is reflected in our MCCR (Minimum Continuing Capital and Surplus Requirements) ratio. At the end of 2005, our MCCR ratio was 231%, compared with 218% in 2004, well above regulatory requirements.

### Canada

Canada Life works hard to make it easy for clients and financial advisors to do business with us. Our strength in several key markets, plus our affiliation with the Great-West Life group of companies, gives us a strong base on which to continue to develop unique products designed to help clients meet their financial security goals.

While the rest of the Canadian market for individual life insurance remained basically flat in 2005, our life insurance sales enjoyed double-digit growth, most notably from enhancements to our universal life product.

Building on Canada Life's 40 plus years' experience in disability insurance, in 2005 we introduced four new programs for professionals, business owners, executives and employees in both the blue collar and white collar markets. These new programs helped us become even more competitive while providing our clients with industry-leading product features and innovations. In critical illness insurance, product enhancements made in 2004 helped sustain sales and reinforce our leadership role in 2005.

In 2005, we introduced new funds and investment managers to the Canada Life *Generations*<sup>™</sup> segregated fund product to offer investment clients a greater selection of investment options. Clients can now choose from 54 *Generations*<sup>™</sup> funds available. Changes at our investment management company, Laketon Investment Management Ltd., improved fund performance which helped to strengthen the competitiveness of *Generations*<sup>™</sup>. During 2005, we consolidated our ownership position in Laketon and instituted management change.

Canada Life also introduced investment and registered retirement savings plan (RRSP) loan programs through the National Bank of Canada. We worked to meet the needs of clients and financial advisors by improving the competitiveness of our guaranteed investment and payout annuity products.

In 2006, we plan to enhance our segregated funds offering, including more options to financial advisors and their clients, and increase our focus on marketing the value of Canada Life's guaranteed income products.

The substantial conversion of Canada Life insurance-based retirement plans to London Life's administrative system (Solium™) was completed in 2005. With Canada Life's contribution, Group Retirement Services has more than 17,000 group retirement and savings plans, 1.2 million plan members and over \$32 billion in assets under administration. We expect further growth in this business with the growing popularity of defined contribution plans.

Canada Life is a recognized leader in the creditor and direct marketing insurance business, providing effective benefit solutions for large financial institutions, credit card companies, auto dealers, alumni and association groups. Our strong business relationships combined with our low cost operations, extensive distribution network and reputation for service provide us with a significant competitive advantage. In 2005, we successfully integrated the creditor business of Great-West Life into our operation while achieving double-digit growth. We expect to grow this business in 2006 through innovative products and ongoing improvements to our processes through new technologies.

Strong relationships with business partners are key to Canada Life's multi-channel distribution strategy. Our relationship with Investors Group, launched in 2004, is a good example of how these relationships contribute directly to our sales growth for our insurance products.

The success of relationships such as these depends upon our ability to provide the best possible sales and marketing support for all our partners. One initiative in 2005 was the launch of innovative tools that allow advisors to quickly tailor presentations that link insurance solutions to specific client goals. We also streamlined our administration by simplifying our application processes and eBusiness programs, allowing advisors to spend more time focusing on their clients' needs. In 2006, we will move our secure advisor website, RepNet, to a new, portal-based technology. This will allow us to enhance our system to help advisors provide better service to their clients.

### **Europe**

Canada Life's European business is concentrated in several key markets in the United Kingdom, Republic of Ireland and Germany. Our product-focused strategy continues to generate solid operating results, and we see favourable prospects for ongoing growth in the niche markets in Germany and the U.K., where we are well positioned.

In 2005, one such opportunity was the acquisition of the payout annuity business of Phoenix and London Assurance Limited in the U.K. This nearly doubled our payout annuities portfolio, enhancing our position in this core European market. The acquisition contributed positively to net income as we began to focus on investment enhancement initiatives.

Canada Life's European operations benefited from Great-West Life's extensive experience in the North American group insurance and wealth management markets, which helped it achieve double digit-increases in premiums and deposits, and assets under administration.

In reinsurance, we continued to leverage our financial strength, creative product solutions and strong client relationships to achieve strong new business results and increase market share, despite slower growth in the life reinsurance industry.

### **Senior management developments**

In December 2005, we announced several senior management changes.

William L. Acton and Denis J. Devos assumed the newly-created positions of President and Chief Operating Officer for Canada Life in Europe and Canada respectively. These appointments are a natural progression of their roles and recognize the extensive experience these individuals have within the organization.

Raymond L. McFeetors continues in his role as President and Chief Executive Officer at Great-West Life, London Life, Canada Life, and Great-West Lifeco Inc. In addition, he has assumed the role of President and Chief Executive Officer of our affiliate in the United States, Great-West Life & Annuity Insurance Company.

These changes are a reflection of growth in the diversity of our organization in recent years. They establish a uniform focus of our senior management structure in the regions where we do business.

### **Position of trust**

As a member of the Great-West Life family of companies, we look forward to continued growth in our core markets in Canada and Europe. Our strong, well-known brand, supported by quality products and services and professional, knowledgeable people, will continue to contribute to the position of strength and trust we hold.

On behalf of the Board of Directors, we thank our distributors and clients for giving us the opportunity to help them plan for their financial future. We also thank our staff for their efforts and commitment.



**Robert Gratton**

Chairman of the Board



**Raymond L. McFeetors**

President and  
Chief Executive Officer

# FINANCIAL HIGHLIGHTS

(in \$ millions except per share amounts)

	2005	2004	% Change
<b>For the years ended December 31</b>			
Premiums:			
Life insurance, guaranteed annuities and insured health products	\$ 3,443	\$ 3,198	8%
Self-funded premium equivalents (ASO contracts)	2	270	-99%
Segregated funds deposits:			
Individual products	3,954	3,416	16%
Group products	484	945	-49%
Total premiums and deposits	7,883	7,829	1%
Fee and other income	594	555	7%
Paid or credited to policyholders	4,217	4,159	1%
Summary of net income attributable to:			
Participating policyholder	10	(9)	
Net income common shareholder before restructuring costs	613	342	79%
Restructuring costs after tax <sup>(1)</sup>	71	154	-54%
Net income common shareholder	542	188	188%

## Per Common Share

Net earnings before restructuring costs <sup>(1)</sup>	\$ 2.77	\$ 1.55	79%
Restructuring costs after tax <sup>(1)</sup>	0.32	0.70	-54%
Net earnings after restructuring costs	2.45	0.85	188%
Dividends paid	0.03	0.43	-93%
Book value	\$ 13.98	\$ 13.10	7%

## At December 31

Total assets	\$ 32,800	\$ 30,261	8%
Segregated funds assets	23,969	26,087	-8%
Total assets under administration	\$ 56,769	\$ 56,348	1%
Participating policyholder equity	\$ 25	\$ 17	47%
Shareholder equity	3,097	2,902	7%
Total policyholder and shareholder equity	\$ 3,122	\$ 2,919	7%

(1) Following the change of control of the Company's parent, Canada Life Financial Corporation, a plan was developed to restructure and exit selected operations of the Company (see note 2 in the Company's 2005 financial statements). Net income and basic earnings per common share are presented before restructuring in the interests of additional measures of performance. These are non-GAAP financial measures that do not have standard meanings and are not directly comparable to similar measures used by other insurers.

## 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, Shareholders and Directors 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, including the requirements of the Superintendent of Financial Institutions Canada.



**Raymond L. McFeetors**

President and Chief  
Executive Officer



**William W. Lovatt**

Executive Vice-President  
and Chief Financial Officer

February 16, 2006

# SUMMARY OF CONSOLIDATED OPERATIONS

(in \$ millions except per share amounts)

For the years ended December 31

	2005	2004
<b>Income</b>		
Premium income	\$ 3,443	\$ 3,198
Net investment income (note 3)	2,008	2,123
Fee and other income	594	555
	<u>6,045</u>	<u>5,876</u>
<b>Benefits and expenses</b>		
Policyholder benefits	4,178	3,823
Increase in actuarial liabilities	(103)	105
Policyholder dividends and experience refunds	142	231
Total paid or credited to policyholders	<u>4,217</u>	<u>4,159</u>
Commissions	419	405
Operating expenses	482	676
Premium taxes	68	93
Financing charges (note 8)	67	66
Amortization of intangible assets	1	1
Restructuring costs (note 2)	99	217
Goodwill impairment (note 5)	3	23
	<u>689</u>	<u>236</u>
<b>Net operating income before income taxes</b>	689	236
Income taxes – current	47	36
– future	90	21
	<u>552</u>	<u>179</u>
<b>Net income</b>	552	179
Net income (loss) – participating policyholder (note 12)	10	(9)
	<u>542</u>	<u>188</u>
<b>Net income – common shareholder</b>	\$ 542	\$ 188
<b>Earnings per common share</b>	<u>\$ 2.45</u>	<u>\$ 0.85</u>



# CONSOLIDATED BALANCE SHEET

(in \$ millions)

December 31

2005

2004

## Assets

Bonds (note 3)	\$ 21,026	\$ 18,188
Mortgage loans (note 3)	4,312	5,115
Stocks (note 3)	1,344	1,340
Real estate (note 3)	1,255	1,074
Loans to policyholders	632	624
Cash and certificates of deposit	2,238	1,847
Goodwill (note 5)	302	350
Intangible assets (note 5)	26	31
Other assets (note 6)	1,665	1,692
<b>General funds assets</b>	<b>\$ 32,800</b>	<b>\$ 30,261</b>
<b>Segregated funds assets</b>	<b>\$ 23,969</b>	<b>\$ 26,087</b>

## Liabilities

Policy liabilities		
Actuarial liabilities (note 7)	\$ 24,321	\$ 21,510
Provision for claims	411	428
Provision for policyholder dividends	123	187
Provision for experience rating refunds	13	30
Policyholder funds	280	274
	25,148	22,429
Debentures (note 9)	550	550
Funds held under reinsurance contracts	831	1,289
Other liabilities (note 10)	1,286	1,403
Repurchase agreements	47	–
Deferred net realized gains (note 3)	1,400	1,255
	29,262	26,926
Capital trust securities and debentures (note 11)	416	416
<b>Policyholder and shareholder equity</b>		
Participating surplus		
Accumulated surplus	25	17
Currency translation account	–	–
Share capital (note 13)	202	202
Shareholder surplus		
Accumulated surplus	3,351	2,813
Contributed surplus	81	81
Currency translation account	(537)	(194)
	3,122	2,919
<b>General funds liabilities, policyholder and shareholder equity</b>	<b>\$ 32,800</b>	<b>\$ 30,261</b>
<b>Segregated funds</b>	<b>\$ 23,969</b>	<b>\$ 26,087</b>

Approved by the Board:



Director



Director

# CONSOLIDATED STATEMENT OF SURPLUS

(in \$ millions)

For the years ended December 31

	2005	2004
<b>Participating surplus</b>		
<b>Accumulated surplus</b>		
Balance, beginning of year	\$ 17	\$ 47
Net income (loss)	10	(9)
Repatriation of seed capital from participating policyholder account (note 12)	(2)	(21)
<b>Balance, end of year</b>	<b>\$ 25</b>	<b>\$ 17</b>
<b>Currency translation account</b>		
Balance, beginning of year	\$ -	\$ 3
Changed during the year	-	(3)
<b>Balance, end of year</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Shareholder surplus</b>		
<b>Accumulated surplus</b>		
Balance, beginning of year	\$ 2,813	\$ 2,700
Net income	542	188
Repatriation of seed capital from participating policyholder account (note 12)	2	21
Common shareholder dividends	(6)	(96)
<b>Balance, end of year</b>	<b>\$ 3,351</b>	<b>\$ 2,813</b>
<b>Contributed surplus</b>		
<b>Balance, beginning and end of year</b>	<b>\$ 81</b>	<b>\$ 81</b>
<b>Currency translation account</b>		
Balance, beginning of year	\$ (194)	\$ (170)
Sale of subsidiaries	(9)	-
Changed during the year	(334)	(24)
<b>Balance, end of year</b>	<b>\$ (537)</b>	<b>\$ (194)</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

(in \$ millions)

For the years ended December 31

	2005	2004
<b>Operations</b>		
Net income	\$ 552	\$ 179
Adjustments for non-cash items:		
Change in policy liabilities	(178)	(70)
Change in funds held under reinsurance contracts	(440)	(278)
Change in current income taxes payable	13	22
Future income tax expense	90	21
Other	(19)	11
Cash flows from operations	18	(115)
<b>Financing activities</b>		
Dividends paid	(6)	(96)
	(6)	(96)
<b>Investment Activities</b>		
Bond sales and maturities	8,535	9,651
Mortgage loan repayments	1,219	1,060
Stock sales	597	642
Real estate sales	183	146
Change in loans to policyholders	(19)	(3)
Reinsurance transactions	-	(268)
Acquisition of business (note 18)	22	-
Investment in bonds	(8,075)	(9,188)
Investment in mortgage loans	(612)	(762)
Investment in stocks	(619)	(554)
Investment in real estate	(575)	(171)
	656	553
Effect of changes in exchange rates on cash and certificates of deposit	(277)	(18)
Increase in cash and certificates of deposit	391	324
Cash and certificates of deposit, beginning of year	1,847	1,523
Cash and certificates of deposit, end of year	\$ 2,238	\$ 1,847
<b>Supplementary Cash Flow Information</b>		
Income taxes paid	\$ 82	\$ 11
Interest paid	\$ 67	\$ 66

## SEGREGATED FUNDS – CONSOLIDATED ASSETS

(in \$ millions)

December 31	2005	2004
Bonds	\$ 2,163	\$ 4,281
Stocks	19,095	19,108
Real estate	1,219	1,023
Cash and certificates of deposit	1,456	1,553
Income due and accrued	84	82
Other assets (liabilities)	(48)	40
	<u>\$ 23,969</u>	<u>\$ 26,087</u>

## SEGREGATED FUNDS – CONSOLIDATED STATEMENT OF CHANGES IN ASSETS

(in \$ millions)

For the years ended December 31	2005	2004
<b>Segregated funds assets, beginning of year</b>	<b>\$ 26,087</b>	<b>\$ 23,770</b>
Additions (deductions):		
Policyholder deposits	4,438	4,361
Net investment income	569	504
Net realized capital gains on investments	964	845
Net unrealized capital gains on investments	1,576	201
Unrealized gains (losses) due to change in foreign exchange rates	(2,881)	(38)
Policyholder withdrawals	(6,788)	(3,565)
Net transfer from General Fund	4	9
	<u>(2,118)</u>	<u>2,317</u>
<b>Segregated funds assets, end of year</b>	<b>\$ 23,969</b>	<b>\$ 26,087</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 Canada Life Assurance Company (Canada Life or the Company) have been prepared in accordance with Subsection 331(4) of the Insurance Companies Act, which states that, except as otherwise specified by the Office of the Superintendent of Financial Institutions Canada (OSFI), the consolidated financial statements are to be prepared in accordance with Canadian generally accepted accounting principles for life insurance enterprises, including the accounting requirements of OSFI. 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. Actual results could differ from those estimates. The significant accounting policies are as follows:

### (a) Portfolio Investments

Investments in bonds and mortgage loans (debt securities) are carried at amortized cost net of any allowance for credit losses. The difference between the proceeds on the sale of a debt security and its amortized cost is considered to be an adjustment of future portfolio yield. Net realized gains and losses are included in Deferred Net Realized Gains and are deferred and amortized over the period to maturity of the security sold.

Investments in stocks (equity securities) are carried at cost plus a moving average market value adjustment of \$188 (\$207 in 2004). The carrying value is adjusted towards market value at a rate of 5% per quarter. Net realized gains and losses are included in Deferred Net Realized Gains and are deferred and amortized to income at 5% per quarter on a declining balance basis.

Investments in real estate are carried at cost net of write-downs and allowances for loss, plus a moving average market value adjustment of \$68 (\$80 in 2004). 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 and are deferred and amortized to income at 3% per quarter on a declining balance basis.

Market values for publicly traded bonds are determined using quoted market prices. Market values for bonds that are not actively traded and for mortgages are determined by discounting expected future cash flows related to the securities at market interest rates. Market values for public stocks are generally determined by the closing sale price of the security on the exchange where it is principally traded. Market values for stocks for which there is no active market are determined by management. Market values for all properties are determined annually by management based on a combination of the most recent independent appraisal and current market data available. Appraisals of all properties are conducted at least once every three years by independent qualified appraisers.

### (b) Cash and Certificates of Deposit

Cash and certificates of deposit in the Consolidated Statement of Cash Flows comprise cash, current operating accounts, overnight bank and term deposits with original maturity 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.

### (c) Derivative Financial Instruments

The Company uses derivative products as risk management instruments to hedge or manage asset, liability and capital positions, including revenues. Policy guidelines prohibit the use of derivative instruments for speculative trading purposes.

The Company documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are used in hedging transactions to specific assets and liabilities on the balance sheet or to specific firm commitments or transactions. The Company also assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are effective in offsetting changes in fair values or cash flows of hedged items.

Derivative financial instruments used by the Company are summarized in note 17.

The accounting policies for derivative financial instruments used for hedging correspond to those used for the underlying hedge position. In the event a designated hedged item is sold, extinguished, matures or ceases to be effective prior to the termination of the related derivative instrument, any subsequent realized or unrealized gains or losses on such derivative instruments are recognized in income.

### (d) 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. The Currency Translation Account is presented separately on the Consolidated Balance Sheet. The Company has entered into certain daily average rate forward exchange contracts to manage volatility associated with the translation of a portion of revenues and investment in foreign operations into Canadian dollars. 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.

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

**(e) Loans to Policyholders**

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

**(f) 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 payable to the reinsurer representing the premium due.

**(g) 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 intangible assets of acquired subsidiaries of the Company. These intangible assets are amortized on a straight-line basis over 30 years. The Company tests goodwill for impairment on an annual basis by reviewing the fair value of the related businesses and the intangible assets. Goodwill is written down when impaired.

**(h) Revenue Recognition**

Premiums for all types of insurance contracts, and contracts with limited mortality or morbidity risk, are generally recognized as revenue when due. 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 to 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 and primarily includes fees earned from the management of the segregated fund assets, fees earned on the administration of administrative services only (ASO) Group health contracts and fees earned from investment management services.

**(i) 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 Summary of Consolidated Operations is \$22 (\$29 in 2004).

**(j) Actuarial Liabilities**

Actuarial liabilities represent the amounts equal to the carrying value of the assets that, taking into account the other pertinent items on the balance sheet, will be sufficient to discharge the Company's obligations over the term of the liability for its insurance policies and to pay expenses related to the administration of those policies. Actuarial liabilities are determined using generally accepted actuarial practices, according to standards established by the Canadian Institute of Actuaries. In accordance with these accepted practices, actuarial liabilities have been determined in accordance with the Canadian Asset Liability Method.

**(k) Participating Account**

The participating account is comprised of two main subdivisions. The liabilities for participating policies issued or assumed by the Company 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. Subject to approval by OSFI, 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 is recognized as income in the shareholder account and as an expense in the participating account when paid. \$23 of seed capital has been repaid to date (see note 12).

**(l) Income Taxes**

The Company uses the liability method of 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.

**(m) 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.

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

The Company maintains contributory and non-contributory defined benefit pension plans for certain of its employees and agents. The cost of pension benefits is charged to earnings using the projected benefit method prorated on services (see note 14).

The Company also provides post-retirement health, dental and life insurance benefits to eligible employees, agents 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 14).

**(o) New Accounting Requirements**

**Consolidation of Variable Interest Entities**

Effective January 1, 2005, the Company adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Accounting Guideline on Consolidation of Variable Interest Entities. As a result, the Company will no longer consolidate Canada Life Capital Trust (CLCT), but will recognize the related debentures, refer to note 11. There is no impact of this change in accounting policy to common shareholder net income or basic earnings per common share.

**Financial Instruments – Disclosure and Presentation**

Effective January 1, 2005, the CICA Handbook Section on Financial Instruments – Disclosure and Presentation was amended to require liability classification, for certain financial instruments. This change in accounting policy has been applied retroactively, refer to note 11. There is no impact of this change in accounting policy to common shareholder net income or basic earnings per common share.

**(p) 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 221,412,059 (221,412,059 in 2004).

**(q) Comparative Figures**

Certain of the 2004 amounts presented for comparative purposes have been reclassified to conform with the presentation adopted in the current year.

**2. Restructuring Costs**

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The plan to restructure and integrate the operations of the Company has been completed at the end of 2005 at a total cost of \$418. Restructuring costs related to the change in control of the Company incurred for the year ended December 31, 2005 were \$99 before tax (\$71 after tax) (\$217 before tax (\$154 after tax) in 2004). These restructuring costs are related to the elimination of duplicate systems, exiting and consolidating operations and compensation costs.

**3. Portfolio Investments**

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

	2005		2004	
	Carrying value	Market value	Carrying value	Market value
Bonds – government	\$ 8,394	\$ 9,039	\$ 7,499	\$ 7,996
– corporate	12,632	13,890	10,689	11,651
	21,026	22,929	18,188	19,647
Mortgage loans – residential	1,369	1,545	1,598	1,773
– non-residential	2,943	3,246	3,517	3,800
	4,312	4,791	5,115	5,573
Stocks	1,344	1,600	1,340	1,544
Real estate	1,255	1,448	1,074	1,186
	\$ 27,937	\$ 30,768	\$ 25,717	\$ 27,950

(b) The significant terms and conditions and interest rate ranges of applicable fixed-term portfolio investments gross of provisions are as follows:

2005	Carrying value				Principal amount	Effective interest rate ranges
	Term to maturity			Total		
	1 year or less	1–5 years	Over 5 years			
Short-term bonds	\$ 331	\$ –	\$ –	\$ 331	\$ 326	1.0%–3.0%
Bonds	934	3,576	16,213	20,723	20,231	1.3%–16.8%
Mortgage loans	69	843	3,412	4,324	4,323	3.0%–13.0%
	\$ 1,334	\$ 4,419	\$ 19,625	\$ 25,378	\$ 24,880	

2004	Carrying value				Principal amount	Effective interest rate ranges
	Term to maturity			Total		
	1 year or less	1–5 years	Over 5 years			
Short-term bonds	\$ 429	\$ –	\$ –	\$ 429	\$ 417	1.0%–3.0%
Bonds	893	3,770	13,150	17,813	18,570	1.3%–16.8%
Mortgage loans	42	1,331	3,756	5,129	5,116	3.0%–13.0%
	\$ 1,364	\$ 5,101	\$ 16,906	\$ 23,371	\$ 24,103	

(c) Included in portfolio investments are the following:

(i) Non-performing loans:

	2005	2004
Bonds	\$ 48	\$ 51
Mortgage loans	3	12
Foreclosed real estate	6	–
	\$ 57	\$ 63

Non-performing loans include non-accrual loans and foreclosed real estate held for sale. Bond and mortgage investments are reviewed on a loan by loan basis to determine non-performing status. Loans are classified as non-accrual when:

- (1) payments are 90 days or more in arrears, except in those cases where, in the opinion of management, there is justification to continue to accrue interest; or
- (2) the Company no longer has reasonable assurance of timely collection of the full amount of the principal and interest due; or
- (3) modified/restructured loans are not performing in accordance with the contract.

Where appropriate, provisions are established or write-offs made to adjust the carrying value to the net realizable amount. Whenever possible the fair value of collateral underlying the loans or observable market price is used to establish net realizable value.

(ii) Allowance for credit losses:

	2005	2004
Bonds & mortgage loans	\$ 40	\$ 68



(iii) Changes in the allowance for credit losses are as follows:

	2005	2004
Balance, beginning of year	\$ 68	\$ 71
Provision for credit losses	(6)	20
Recoveries of prior write-offs	(20)	(23)
Write-offs	(2)	–
Balance, end of year	<u>\$ 40</u>	<u>\$ 68</u>

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:

	2005				
	Investment income earned	Amortization of net realized and unrealized gains	Provision for credit losses	Investment expenses	Net investment income
Bonds	\$ 1,102	\$ 172	\$ 6	\$ –	\$ 1,280
Mortgage loans	324	69	–	–	393
Stocks	47	116	–	–	163
Real estate	70	32	–	–	102
Other	90	–	–	(20)	70
	<u>\$ 1,633</u>	<u>\$ 389</u>	<u>\$ 6</u>	<u>\$ (20)</u>	<u>\$ 2,008</u>

	2004				
	Investment income earned	Amortization of net realized and unrealized gains	Provision for credit losses	Investment expenses	Net investment income
Bonds	\$ 1,124	\$ 351	\$ (6)	\$ –	\$ 1,469
Mortgage loans	401	38	(14)	–	425
Stocks	69	49	–	–	118
Real estate	73	25	–	–	98
Other	37	–	–	(24)	13
	<u>\$ 1,704</u>	<u>\$ 463</u>	<u>\$ (20)</u>	<u>\$ (24)</u>	<u>\$ 2,123</u>

(e) The balance of deferred net realized gains is comprised of the following:

	2005	2004
Bonds	\$ 1,027	\$ 941
Mortgage loans	90	85
Stocks	172	126
Real estate	111	103
	<u>\$ 1,400</u>	<u>\$ 1,255</u>

#### 4. Pledging of Assets

The amount of assets which have a security interest by way of pledging is \$7 (\$5 in 2004), all of which is in respect of derivative transactions.

#### 5. Goodwill and Intangible Assets

(a) Goodwill

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

	2005	2004
Balance, beginning of year	\$ 350	\$ 400
Reclassification between goodwill and intangible assets	–	(31)
Reclassification between goodwill and future taxes	–	3
Sale of subsidiary	(2)	–
Goodwill impairment	(3)	(23)
Changes in foreign exchange rates	(43)	1
Balance, end of year	<u>\$ 302</u>	<u>\$ 350</u>
Shareholder	\$ 302	\$ 350
Participating	–	–
	<u>\$ 302</u>	<u>\$ 350</u>

## 5. Goodwill and Intangible Assets (cont'd)

During the fourth quarter of 2005, the Company, as part of its annual impairment test, determined that the value assigned to its Europe/Reinsurance business unit was impaired. The impairment in value reflects the fact that the businesses to which the goodwill related have been transferred by the Company as a result of the rationalization of its presence in certain international locations. The impairment resulted in a \$3 reduction to shareholder net income.

During the fourth quarter of 2004, the Company, as part of its annual impairment test, determined that the value of goodwill previously assigned to its United States business unit was impaired. The impairment in value reflects the fact that the businesses to which the goodwill related have been transferred by the Company as a result of transactions described in note 15 and note 19. The impairment resulted in a \$23 reduction to shareholder net income.

## (b) Intangible Assets

Carrying value of intangible assets relating to distribution channels and changes in the carrying value of intangible assets are as follows:

	2005	2004
Cost	\$ 31	\$ 31
Accumulated amortization	(2)	(1)
Changes in foreign exchange rates	(3)	1
Carrying value, end of year	\$ 26	\$ 31

## 6. Other Assets

Other assets consist of the following:

	2005	2004
Premiums in course of collection	\$ 98	\$ 94
Interest due and accrued	367	327
Future income taxes (note 16)	332	367
Fixed assets	45	74
Prepaid expenses	30	15
Accounts receivable	209	278
Accrued pension asset (note 14)	220	216
Other	364	321
	\$ 1,665	\$ 1,692

## 7. Actuarial Liabilities

## (a) Composition of Actuarial Liabilities and Related Supporting Assets

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

	Participating		Non-participating		Total	
	2005	2004	2005	2004	2005	2004
Group Insurance	\$ —	\$ —	\$ 212	\$ 613	\$ 212	\$ 613
Individual Insurance & Investment Products	3,350	3,097	5,952	6,951	9,302	10,048
Europe/Reinsurance	1,677	1,894	12,484	8,275	14,161	10,169
United States	227	210	419	470	646	680
Total	\$ 5,254	\$ 5,201	\$ 19,067	\$ 16,309	\$ 24,321	\$ 21,510

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

	2005					
	Bonds	Mortgage loans	Stocks	Real estate	Other	Total
Carrying value						
Participating	\$ 3,030	\$ 827	\$ 531	\$ 65	\$ 801	\$ 5,254
Non-participating						
Group Insurance	196	—	—	—	16	212
Individual Insurance & Investment Products	3,560	1,981	312	—	99	5,952
Europe/Reinsurance	10,142	631	154	655	902	12,484
United States	241	82	6	—	90	419
Other liabilities	2,935	787	155	210	1,270	5,357
Participating surplus	10	—	—	—	15	25
Capital and surplus	912	4	186	325	1,670	3,097
Total carrying value	\$ 21,026	\$ 4,312	\$ 1,344	\$ 1,255	\$ 4,863	\$ 32,800
Fair value	\$ 22,929	\$ 4,791	\$ 1,600	\$ 1,448	\$ 4,863	\$ 35,631

	2004					
	Bonds	Mortgage loans	Stocks	Real estate	Other	Total
<b>Carrying value</b>						
Participating	\$ 2,885	\$ 782	\$ 548	\$ 124	\$ 862	\$ 5,201
Non-Participating						
Group Insurance	394	142	–	–	77	613
Individual Insurance & Investment Products	3,857	2,438	215	–	441	6,951
Europe/Reinsurance	6,068	731	203	535	738	8,275
United States	252	62	2	–	154	470
Other liabilities	3,424	879	169	120	1,240	5,832
Participating surplus	4	–	–	–	13	17
Capital and surplus	1,304	81	203	295	1,019	2,902
<b>Total carrying value</b>	<b>\$ 18,188</b>	<b>\$ 5,115</b>	<b>\$ 1,340</b>	<b>\$ 1,074</b>	<b>\$ 4,544</b>	<b>\$ 30,261</b>
<b>Fair value</b>	<b>\$ 19,647</b>	<b>\$ 5,573</b>	<b>\$ 1,544</b>	<b>\$ 1,186</b>	<b>\$ 4,544</b>	<b>\$ 32,494</b>

Cash flows of assets supporting actuarial liabilities are matched within reasonable limits. Changes in the fair values of 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.

The carrying value of assets backing actuarial liabilities plus the portion of deferred gains associated with actuarial liabilities is \$25,376 (\$22,447 in 2004). The fair value of these assets is \$27,646 (\$24,162 in 2004).

#### (b) Changes in Actuarial Liabilities

The change in actuarial liabilities is as follows:

	Participating		Non-participating		Total	
	2005	2004	2005	2004	2005	2004
<b>Balance, beginning of year</b>	<b>\$ 5,201</b>	<b>\$ 5,079</b>	<b>\$ 16,309</b>	<b>\$ 16,471</b>	<b>\$ 21,510</b>	<b>\$ 21,550</b>
Normal change – new business	(8)	(6)	1,530	1,979	1,522	1,973
– in force	257	182	(351)	(967)	(94)	(785)
Valuation assumption changes	39	10	66	151	105	161
Business movement to/from affiliates	–	–	(1,657)	(1,244)	(1,657)	(1,244)
Business movement to/from external parties	–	–	4,803	–	4,803	–
Foreign exchange rate changes	(235)	(64)	(1,633)	(81)	(1,868)	(145)
<b>Balance, end of year</b>	<b>\$ 5,254</b>	<b>\$ 5,201</b>	<b>\$ 19,067</b>	<b>\$ 16,309</b>	<b>\$ 24,321</b>	<b>\$ 21,510</b>

In 2005, actuarial liabilities for participating business reflect an increase due to moving the unearned portion of the dividend liability in to the actuarial liability, consistent with industry norms. The dividend liability continues to reflect the earned portion of the dividend. Actuarial liabilities for non-participating business reflect strengthened mortality assumptions in the annuity and reinsurance lines partially offset by improvements in the asset liability matching. The acquisition of a large block of annuity business in the UK, partially offset by transfers of Group Life and Health business and Group Retirement business transfers to affiliates was the major contributor to the growth.

Non-participating liabilities for Canadian individual life insurance were increased primarily related to revised expense and reinvestment assumptions partially offset by improved mortality and improved lapse experience; liabilities were increased in the reinsurance assumed business primarily related to reinvestment assumptions; liabilities were increased in Canada and reduced in the UK for changes in asset/liability matching positions; liabilities were updated for annuitant longevity assumptions resulting in an increase in the UK and a decrease in Canada; liabilities were reduced by improved termination experience on UK group health claims; and liabilities were increased to cover UK endowment mortgage issues.

#### (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. Where 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.

## 7. Actuarial Liabilities (cont'd)

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.

**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.

**Investment Returns** – The assets which correspond to the liability categories are segmented. For each segment, projected cash flows from the current assets and liabilities are used in the Canadian Asset Liability Method 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.

**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.

**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.

**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.

**(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 .21% (.21% in 2004).

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:

	2005	2004
Participating	\$ 110	\$ 115
Non-participating	383	288
	<u>\$ 493</u>	<u>\$ 403</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, which include the reinsurance transactions described in notes 15 and 19:

	2005	2004
Participating	\$ 1,088	\$ 1,049
Non-participating	6,407	6,823
	<u>\$ 7,495</u>	<u>\$ 7,872</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 75% of policy liabilities are non-cashable prior to maturity or subject to market value adjustments.

## (e) Sensitivity of Actuarial Assumptions

The actuarial assumption most susceptible to change in the short run is future investment returns. 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 1% increase or an immediate 1% decrease in the level of interest rates. These interest rate changes will also impact the projected cash flows. When the change to the projected cash flows is included in the calculation, the effect of an immediate 1% increase in interest rates would be to decrease the present value of these projected cash flows by \$12 and the effect of an immediate 1% decrease in interest rates would be to decrease the present value of these projected cash flows by \$20. The level of actuarial liabilities established under the Canadian Asset Liability Method of valuation provides for interest rate movements significantly greater than the 1% shifts shown above.

## (f) Minimum Continuing Capital and Surplus Requirements

The Appointed Actuary reviews the calculation of the Company's Canadian Minimum Continuing Capital and Surplus Requirements (MCCSR) ratio, which is calculated on its worldwide insurance operations. The MCCSR ratio at December 31, 2005, was well in excess of the minimum requirement. In addition, foreign operations and foreign subsidiaries of the Company must comply with local capital requirements in each of the jurisdictions in which they operate. These regulatory requirements constrain the Company's ability to distribute its accumulated surplus.

**8. Financing Charges**

Financing charges include interest on debentures, previously classified as part of net investment income, together with distributions and interest on capital trust securities and debentures now classified as liabilities as described in note 11 to the financial statements.

	2005	2004
Interest on debentures	\$ 38	\$ 38
Distributions and interest on capital trust securities and debentures	31	31
Distributions and interest on capital trust securities held as temporary investments	(2)	(3)
Total	<u>\$ 67</u>	<u>\$ 66</u>

**9. Debentures**

## (a) Debentures consist of the following:

	2005		2004	
	Carrying value	Fair value	Carrying value	Fair value
<b>Long term</b>				
<b>Capital:</b>				
Subordinated debentures due September 19, 2011 bearing a fixed rate of 8% until 2006 and, thereafter, at a rate equal to the Canadian 90-day Bankers' Acceptance Rate plus 1%, unsecured	\$ 250	\$ 257	\$ 250	\$ 270
Subordinated debentures due December 11, 2013 bearing a fixed rate of 5.8% until 2008 and, thereafter, at a rate equal to the Canadian 90-day Bankers' Acceptance Rate plus 1%, unsecured	200	208	200	214
6.4% Subordinated debentures due December 11, 2028, unsecured	100	119	100	107
	<u>\$ 550</u>	<u>\$ 584</u>	<u>\$ 550</u>	<u>\$ 591</u>

## (b) Principal Repayments on Long-Term Debentures

	Operating	Capital	Total
2006	\$ -	\$ -	\$ -
2007	-	-	-
2008	-	-	-
2009	-	-	-
2010	-	-	-
2011 and thereafter	-	550	550
	<u>\$ -</u>	<u>\$ 550</u>	<u>\$ 550</u>

**10. Other Liabilities**

Other liabilities consist of the following:

	2005	2004
Current income taxes	\$ 74	\$ 56
Accounts payable	146	153
Post-retirement benefits provision (note 14)	105	125
Bank overdraft	48	71
Future income taxes (note 16)	268	227
Other	645	771
	<u>\$ 1,286</u>	<u>\$ 1,403</u>

**11. Capital Trust Securities and Debentures**

	2005	2004
Capital trust securities issued by CLCT	\$ –	\$ 450
Capital trust debentures:		
6.679% Senior debentures due June 30, 2052, unsecured	300	–
7.529% Senior debentures due June 30, 2052, unsecured	150	–
	<u>450</u>	<u>–</u>
Capital trust securities held as temporary investments	(34)	(34)
Total	<u>\$ 416</u>	<u>\$ 416</u>

CLCT, a trust established by Canada Life, has issued \$450 of capital trust securities, the proceeds of which were used by CLCT to purchase Canada Life senior debentures in the amounts of \$450. Effective January 1, 2005, the Company does not consolidate CLCT. The impact of this is to not consolidate the capital trust securities issued by CLCT and to recognize the debentures issued to the trusts by Canada Life. As a result, distributions and interest on the capital trust securities have been reclassified to financing charges on the Summary of Consolidated Operations (refer to note 8).

**12. Participating Policyholder**

Income attributable to the participating policyholder reflected in the Summary of Consolidated Operations is as follows:

	2005	2004
Net income participating policyholder before policyholder dividends	\$ 128	\$ 185
Policyholder dividends	(118)	(194)
Net income – participating policyholder	<u>\$ 10</u>	<u>\$ (9)</u>

During 2005, following OSFI approval, \$2 of seed capital related to the Bahamas open block of the participating policyholder account was transferred from the participating account to the shareholder account. The repatriation resulted in an increase in shareholder surplus of \$2 and a decrease in participating policyholder surplus of \$2. During 2004, following OSFI approval, \$21 of seed capital related to the Irish open block of the participating policyholder account, together with accrued interest of \$5 after tax, was transferred from the participating account to the shareholder account. The repatriation resulted in an increase in shareholder surplus of \$21 and a decrease in participating policyholder surplus of \$21.

**13. Share Capital****Authorized**

Unlimited preferred shares

Unlimited common shares

	2005		2004	
	Number	Stated value	Number	Stated value
Issued and outstanding:				
Classified as equity				
Perpetual preferred shares				
Class A Series 1 Non-Cumulative	18,000	\$ –	18,000	\$ –
Common Shares	221,412,059	202	221,412,059	202
		<u>\$ 202</u>		<u>\$ 202</u>

The Class A Series 1 Non-Cumulative Preferred Shares are redeemable at the option of the Company for a price of \$25 per share on the later of 2007 and the date on which there are no CLiCS (note 10) outstanding, subject to regulatory approval.

**14. Pension Plans and Other Post-retirement Benefits**

The Company maintains contributory and non-contributory defined benefit pension plans for certain of its employees and agents. The defined benefit plans provide pensions based on length of service and final average pay. Certain pension payments are indexed either on an ad hoc basis or on a guaranteed basis. As future salary levels affect the amount of employee future benefits, the projected benefit method prorated on services has been used to determine the accrued benefit obligation. The assets supporting the trustee pension plans of the Company are held in separate trustee pension funds. The remaining benefits are included in other liabilities and are supported by general assets of the Company. The recognized current cost of pension benefits is charged to earnings.

The Company also provides post-retirement health, dental and life insurance benefits to eligible employees, agents 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. The amount of the obligation for these benefits is included in other liabilities and is supported by general assets of the Company. The recognized current cost of post-retirement non-pension benefits is charged to earnings. Effective November 30, 2005, the terms of the Canadian post-retirement health, dental and life insurance plans were amended. The amendment reduced the level of post-retirement benefits to be provided to certain active employees and revised the eligibility requirements for receiving benefits for certain other active employees. This results in the establishment of a negative past service cost that is being amortized over the average remaining service lives of these certain active employees. A curtailment has been recognized to reflect the impact of the changes in the plan's eligibility requirements. Effective January 1, 2005, the United States post-retirement benefit plan was settled, with no resulting settlement gain or loss.

Past service costs, transitional assets and transitional obligations are amortized over the expected average remaining service life of the employee/agent group. Prior years' cumulative experience gains or losses in excess of the greater of 10% of the beginning of year plan assets or accrued benefit obligation are amortized over the expected average remaining service life of the employee/agent group.

The Company has declared a partial wind-up in respect of an Ontario defined benefit pension plan. This partial wind-up will likely not be completed for some time and, as a result of the July 2004 Supreme Court of Canada decision in *Monsanto Canada Inc. v. Ontario (Superintendent of Financial Services)*, could involve the distribution of the amount of actuarial surplus, if any, attributable to the wound up portion of the plan. However, many issues remain unclear, including the basis of surplus measurement and entitlement and the method by which any surplus distribution would be implemented.

Based on information presently known, it is not expected that any application of the Monsanto decision to this partial windup will have a material adverse effect on the consolidated financial position of the Company.

The following tables reflect the financial position of the Company's contributory and non-contributory defined benefit pension plans at December 31, 2005 and 2004:

**(a) Costs Recognized**

	All pension plans		Other post-retirement benefits	
	2005	2004	2005	2004
<b>Amounts arising from events in the period</b>				
Defined benefit service cost	\$ 35	\$ 39	\$ 2	\$ 3
Employee contributions	(3)	(4)	-	-
Employer service cost	32	35	2	3
Past service costs	-	-	(7)	-
Interest cost on the accrued benefit obligation	68	65	6	7
Actual return on plan assets	(186)	(73)	-	-
Actuarial (gain) loss on accrued benefit obligation	100	70	(1)	7
Curtailed gain	-	(29)	(14)	(8)
Settlement loss	4	-	-	-
Cost incurred	18	68	(14)	9
<b>Adjustments to reflect costs recognized</b>				
Difference between actual and expected return on plan assets	104	(9)	-	-
Difference between actuarial gains (losses) arising during the period and actuarial gains (losses) amortized	(77)	(36)	1	(4)
Amortization of transitional asset	(21)	(21)	-	-
Difference between past service cost arising in period and past service costs amortized	-	-	7	-
Increase (decrease) in valuation allowance	(11)	63	-	-
Net benefit cost recognized for the period	\$ 13	\$ 65	\$ (6)	\$ 5

## Notes to Consolidated Financial Statements

### 14. Pension Plans and Other Post-retirement Benefits (cont'd)

#### (b) Status

	Defined benefit pension plans		Other post-retirement benefits	
	2005	2004	2005	2004
Fair value of plan assets	\$ 1,399	\$ 1,294	\$ –	\$ –
Accrued benefit obligation	(1,259)	(1,170)	(93)	(121)
Funded status	140	124	(93)	(121)
Employer contributions after the measurement date	2	1	–	–
Unamortized past service costs	–	–	(7)	–
Unamortized net (gains) losses	308	359	(2)	(1)
Unamortized transitional asset	(178)	(205)	(3)	(3)
Valuation allowance	(52)	(63)	–	–
Accrued benefit asset (liability)	\$ 220	\$ 216	\$ (105)	\$ (125)
Recorded in:				
Other assets	\$ 220	\$ 216	\$ –	\$ –
Other liabilities	–	–	(105)	(125)
Accrued benefit asset (liability)	\$ 220	\$ 216	\$ (105)	\$ (125)

#### (c) Plans with Accrued Benefit Obligations in Excess of Plan Assets

	Defined benefit pension plans		Other post-retirement benefits	
	2005	2004	2005	2004
<b>Plans with plan assets</b>				
Fair value of plan assets	\$ 321	\$ 311		
Accrued benefit obligation	(456)	(436)		
Plan deficit	\$ (135)	\$ (125)		
<b>Plans without plan assets</b>				
Fair value of plan assets	\$ –	\$ –	\$ –	\$ –
Accrued benefit obligation	(79)	(63)	(93)	(121)
Plan deficit	\$ (79)	\$ (63)	\$ (93)	\$ (121)

The above plans' assets and accrued benefit obligation 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.

#### (d) Measurement and Valuation

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

Most recent valuation	% of plans
December 31, 2002	43%
April 1, 2004	9%
December 31, 2004	48%
Next required valuation	% of plans
December 31, 2005	57%
April 1, 2007	9%
December 31, 2007	34%

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

#### (e) Cash Payments

	All pension plans		Other post-retirement benefits	
	2005	2004	2005	2004
Contributions – Funded defined benefit plans	\$ 13	\$ 13	\$ –	\$ –
Benefits paid for unfunded plans	4	2	14	5
Total cash payment	\$ 17	\$ 15	\$ 14	\$ 5



**(f) Reconciliations**

	Defined benefit pension plans		Other post-retirement benefits	
	2005	2004	2005	2004
(i) Accrued benefit obligation, beginning of year	\$ 1,170	\$ 1,079	\$ 121	\$ 140
Reclassified as Other Liabilities	–	–	–	(22)
Employer current service cost	32	35	2	3
Employee contributions	3	4	–	–
Interest on accrued pension obligation	68	65	6	7
Actuarial (gains) losses	100	70	(1)	7
Benefits paid	(48)	(41)	(5)	(5)
Past service costs	–	–	(7)	–
Curtailement gain	–	(29)	(14)	(8)
Settlement	(14)	–	(9)	–
Foreign exchange rate changes	(52)	(13)	–	(1)
Accrued benefit obligation, end of year	\$ 1,259	\$ 1,170	\$ 93	\$ 121
(ii) Fair value of assets, beginning of year	\$ 1,294	\$ 1,255	\$ –	\$ –
Employee contributions	3	4	–	–
Employer contributions	16	13	14	5
Return on plan assets	186	73	–	–
Benefits paid	(48)	(41)	(5)	(5)
Settlement	(18)	–	(9)	–
Foreign exchange rate changes	(34)	(10)	–	–
Fair value of assets, end of year	\$ 1,399	\$ 1,294	\$ –	\$ –

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

	Defined benefit pension plans	
	2005	2004
Equity securities	49%	46%
Debt securities	41%	43%
All other assets	10%	11%
	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.

**(h) Significant Assumption**

	Defined benefit pension plans		Other post-retirement benefits	
	2005	2004	2005	2004
<b>Weighted average assumptions used to determine benefit cost</b>				
Discount rate	5.81%	6.02%	6.08%	6.25%
Expected long-term rate of return on plan assets	6.42%	6.56%	–	–
Rate of compensation increase	4.86%	4.75%	5.18%	4.94%
<b>Weighted average assumptions used to determine accrued benefit obligation</b>				
Discount rate	5.13%	5.81%	5.18%	6.08%
Rate of compensation increase	4.13%	4.86%	4.50%	5.18%

**Weighted average health care trend rates**

In determining the expected cost of health care benefits, health care costs were assumed to increase at the initial trend rate which would gradually decrease to an ultimate trend rate

Initial health care trend rate	7.50%	7.40%
Ultimate health care trend rate	4.80%	4.77%
Initial year	2005	2004
Year ultimate trend rate is reached	2010	2009

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

	Impact on end of year accrued post-retirement benefit obligation		Impact on post-retirement benefit service and interest cost	
	2005	2004	2005	2004
1% increase in assumed health care cost trend rate	\$ 7	\$ 12	\$ 1	\$ 2
1% decrease in assumed health care cost trend rate	(6)	(10)	(1)	(1)

## 15. Related Party Transactions

### *Reinsurance Transactions*

Effective January 1, 2005, the Company and its parent, The Great-West Life Assurance Company (Great-West), entered into an Indemnity Reinsurance Agreement pursuant to which the Company ceded by coinsurance, certain non-participating group life and health insurance policies. The transactions resulted in a decrease in premium income of \$503, ceding commission income of \$35, a decrease in actuarial liabilities of \$441, an increase in policyholder funds of \$57, a decrease in provision for claims of \$21, a decrease of invested assets of \$574, a decrease in deferred net realized gains of \$26, and an increase in investment income of \$62. The effect of these transactions on after tax earnings was an increase in net income of \$23. The transaction was at market terms and conditions.

On December 30, 2005, the Company and Great-West Life & Annuity Insurance Company of South Carolina (GWSC), a subsidiary of Great-West Life & Annuity Insurance Company (GWL&A), an affiliated company, entered into an Indemnity Reinsurance Agreement pursuant to which the Company retroceded on a coinsurance basis with funds withheld, certain of its U.S. term life reinsurance business. The ceded premiums of \$202 associated with this transaction have been recorded in the Summary of Consolidated Operations as a reduction to premium income with a corresponding reduction to the change in actuarial liabilities. For the Consolidated Balance Sheet, this transaction resulted in the reduction of actuarial liabilities of \$195 and a corresponding increase in funds held under reinsurance contracts. The transaction was at market terms and conditions.

During 2005, the Company recognized income of \$6 before tax (\$4 after tax), related to an adjustment of the ceding commission on the October 1, 2004 Indemnity Reinsurance Agreement of certain group life and health insurance policies with Great-West.

During 2005, the Company transferred \$615 of invested assets to GWL&A, an affiliate company, under an existing coinsurance agreement. The transfer resulted in a corresponding decrease in funds held under reinsurance contracts on the Consolidated Balance Sheet.

During 2005, the Company entered into an agreement with London Reinsurance Group Inc. (LRG) (a subsidiary of London Life Insurance Company (London Life)) to cede certain investment fund guaranteed products of the Company. The transaction was at market terms and conditions.

During 2005, the Company entered into certain reinsurance agreements with its parent, Great-West and London Life, a subsidiary of Great-West, covering unit-linked pension policies issued in Germany. The transactions resulted in an increase of \$60 in actuarial liabilities (\$110 in 2004) and an increase of \$60 in invested assets (\$110 in 2004).

On October 1, 2004, the Company and its parent, Great-West, entered into an Indemnity Reinsurance Agreement pursuant to which the Company ceded by coinsurance, certain non-participating group life and health insurance policies. The transactions resulted in a decrease in premium income of \$529, ceding commission income of \$35, a decrease in actuarial liabilities of \$475, a decrease in policyholder funds of \$49, a decrease in provision for claims of \$9, a decrease of invested assets of \$593, an increase in other assets of \$69, a decrease in deferred net realized gains of \$26, and investment income of \$54. The effect of these transactions on after tax earnings was an increase in net income of \$23. The transaction was at market terms and conditions.

On December 4, 2004, the Company and its parent, Great-West, entered into an Indemnity Reinsurance Agreement pursuant to which the Company ceded by coinsurance, certain non-participating individual life insurance policies. The transactions resulted in a decrease in premium income of \$747, ceding commission of \$20, a decrease in actuarial liabilities of \$569, a decrease of invested assets of \$640, an increase in other liabilities of \$20, a decrease in deferred net realized gain of \$71, and investment income of \$177. The effect of these transactions on after tax earnings was a decrease in net income of \$13. The transaction was at market terms and conditions.

During 2004, the Company recaptured all of the U.S. group insurance business that had been ceded to GWL&A in 2003. The acquired premiums of \$332 associated with the recapture transaction have been recorded in the Summary of Consolidated Operations as an increase of premium income with a corresponding increase to the change in actuarial liabilities. For the Consolidated Balance Sheet, the transaction resulted in an increase in cash and other assets of \$170, an increase in policyholder liabilities of \$308 and a decrease to the liability for funds held under reinsurance contracts of \$138.

### *Other Related Party Transactions*

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

During the year, GWL&A provided certain administrative services to the Company's U.S. operations. The expense to the Company for these services was \$2 (\$3 in 2004). The Company has non-interest bearing notes payable due to GWL&A, which have an outstanding balance of \$15 at December 31, 2005.

During the year, the Company received from IGM Financial Inc. and its subsidiaries, a member of the Power Financial Corporation group of companies, certain administrative services. As well, certain administrative services were provided to and received from Great-West and London Life, the net of which was income to the Company of \$1 (\$51 in 2004). The Company also obtained property management and leasing services from GWL Realty Advisors Inc., a wholly owned subsidiary of Great-West. All services were provided on terms and conditions at least as favourable as market terms and conditions.

At December 31, 2005, the Company had a temporary outstanding balance of \$1 (\$37 in 2004) payable to Great-West and \$26 (\$16 in 2004) payable to London Life. These amounts are included in other liabilities.

During the year, the Company purchased residential mortgages of \$60 (\$88 in 2004) from London Life and sold commercial mortgages of \$211 (\$227 in 2004) to Great-West and \$401 (\$103 in 2004) to London Life. All transactions were at market terms and conditions.

The Company has interest bearing notes receivable from Great-West, which have an outstanding balance of \$400 (\$400 in 2004). The notes mature on December 31, 2013 and bear interest at 5.4%. Interest income of \$22 is included in the Summary of Consolidated Operations (\$22 in 2004).

At December 31, 2005, \$109 (\$109 in 2004) in temporary investments in trust securities issued by Canada Life were held by Great-West and London Life.

At December 31, 2005, \$75 (\$57 in 2004) was receivable from Canada Life Financial Corporation for costs it incurred on Canada Life Financial Corporation's behalf.

During the fourth quarter of 2005, the Company entered into a \$12 principal amount surplus note receivable with LRG. The note matures on December 15, 2025 and bears interest of 5.98%.

## 16. Income Taxes

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

	2005	2004
Policy liabilities	\$ 299	\$ 170
Portfolio investments	(75)	50
Other	(160)	(80)
Future income taxes receivable	\$ 64	\$ 140
Recorded in:		
Other assets	\$ 332	\$ 367
Other liabilities	(268)	(227)
	\$ 64	\$ 140

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

	2005	2004
Combined basic Canadian federal and provincial tax rate	35.5%	35.5%
Increase (decrease) in the income tax rate resulting from:		
Non-taxable investment income	(1.1)	(6.5)
Lower effective tax rates on income not subject to tax in Canada	(11.9)	(19.7)
Large corporations tax	0.6	1.7
Miscellaneous	(3.1)	12.7
Effective income tax rate	20.0%	23.7%

At December 31, 2005, the Company has tax loss carryforwards, primarily in Canada, totalling \$981 (\$996 in 2004). 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 \$348 (\$354 in 2004) in future tax assets. The Company will realize this benefit in future years through a reduction in current income taxes payable.

## 17. Off Balance Sheet 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 that are not reported on the balance sheet. Contracts are either exchange traded or over-the-counter traded with counterparties that are highly rated financial institutions.

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

2005	Notional amount	Maximum credit risk	Future credit exposure	Credit risk equivalent	Risk weighted equivalent
<b>Interest rate contracts</b>					
Futures	\$ 289	\$ -	\$ -	\$ -	\$ -
Swaps	458	-	2	2	-
Options purchased	548	73	8	81	16
	1,295	73	10	83	16
<b>Foreign exchange contracts</b>					
Forward contracts	775	10	8	18	4
Cross-currency swaps	1,330	204	90	294	76
	2,105	214	98	312	80
<b>Other derivative contracts</b>					
Equity contracts	171	7	8	15	3
	\$ 3,571	\$ 294	\$ 116	\$ 410	\$ 99

Notes to Consolidated Financial Statements

17. Off Balance Sheet Financial Instruments (cont'd)

2004	Notional amount	Maximum credit risk	Future credit exposure	Credit risk equivalent	Risk weighted equivalent
<b>Interest rate contracts</b>					
Futures	\$ 126	\$ —	\$ —	\$ —	\$ —
Swaps	443	1	2	3	—
Options purchased	655	59	10	69	14
	1,224	60	12	72	14
<b>Foreign exchange contracts</b>					
Forward contracts	842	1	8	9	2
Cross-currency swaps	1,124	150	74	224	77
	1,966	151	82	233	79
<b>Other derivative contracts</b>					
Equity contracts	219	13	9	22	5
	\$ 3,409	\$ 224	\$ 103	\$ 327	\$ 98

(b) The following table provides the use, notional amount and estimated fair value of the Company's derivative portfolio:

2005	Contracts held for asset/liability management				Contracts held for other purposes			
	Notional amount			Total estimated fair value	Notional amount			Total estimated fair value
	1 year or less	1-5 years	Over 5 years		1 year or less	1-5 years	Over 5 years	
<b>Interest rate contracts</b>								
Futures	\$ 289	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Swaps	251	120	87	(6)	—	—	—	—
Options purchased	—	—	548	72	—	—	—	—
	540	120	635	66	—	—	—	—
<b>Foreign exchange contracts</b>								
Forward contracts	39	—	—	—	736	—	—	6
Cross-currency swaps	15	225	995	163	20	75	—	21
	54	225	995	163	756	75	—	27
<b>Other derivative contracts</b>								
Equity contracts	152	—	—	7	19	—	—	—
	\$ 746	\$ 345	\$ 1,630	\$ 236	\$ 775	\$ 75	\$ —	\$ 27

2004	Contracts held for asset/liability management				Contracts held for other purposes			
	Notional amount			Total estimated fair value	Notional amount			Total estimated fair value
	1 year or less	1-5 years	Over 5 years		1 year or less	1-5 years	Over 5 years	
<b>Interest rate contracts</b>								
Futures	\$ 126	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Swaps	243	145	55	(6)	—	—	—	—
Options purchased	—	—	655	59	—	—	—	—
	369	145	710	53	—	—	—	—
<b>Foreign exchange contracts</b>								
Forward contracts	46	—	—	—	796	—	—	(34)
Cross-currency swaps	47	171	792	129	19	95	—	13
	93	171	792	129	815	95	—	(21)
<b>Other derivative contracts</b>								
Equity contracts	219	—	—	12	—	—	—	—
	\$ 681	\$ 316	\$ 1,502	\$ 194	\$ 815	\$ 95	\$ —	\$ (21)

**(c) Interest Rate Contracts**

Interest rate swaps and options are used as a 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. Interest income is adjusted to reflect the interest receivable and interest payable under the interest rate swaps. Realized gains and losses associated with these derivatives are deferred and amortized to net investment income.

Put options are purchased to protect against significant drops in equity markets. Premiums paid are amortized to net investment income over the life of the options. Gains and losses realized upon exercise of the options are recognized in net investment income.

**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 and floating interest payments may be exchanged in different currencies. The carrying value on the balance sheet is adjusted to reflect the amount of the currency swapped and interest income is adjusted to reflect the interest receivable and interest payable under the swaps. The Company also enters into certain foreign exchange forward contracts to hedge certain product liabilities and to hedge a portion of the translation of its foreign revenues as well as a portion of both operating results and net investment in its foreign operations. The realized and unrealized gains and losses on contracts for product liabilities are included in net investment income offsetting the respective realized and unrealized gains and losses on the underlying product liabilities and a corresponding market value adjustment in the amounts paid or credited to policyholders. Realized and unrealized gains and losses on the contracts related to revenues are recognized in net investment income. The gains and losses on contracts related to net investment in foreign operations are included in the currency translation account, which is part of policyholder and shareholder equity. Hedge effectiveness is reviewed quarterly through critical terms matching and correlation testing.

**Other Derivative Contracts**

Equity index swaps and futures are used to hedge certain product liabilities and are marked to market with realized and unrealized gains and losses included in net investment income offsetting the respective realized and unrealized gains and losses on the underlying product liabilities and a corresponding market value adjustment in the amounts paid or credited to policyholders. Equity index swaps are also used as substitutes for cash instruments and are marked to market with realized and unrealized gains and losses included in net investment income.

**18. Acquisition of Business**

During 2005, Canada Life, through its wholly owned United Kingdom subsidiary, Canada Life Limited, acquired the assets and liabilities associated with the in-force annuity in payment business of Phoenix and London Assurance Limited, part of the Resolution Life Group which is based in the United Kingdom. The transaction resulted in an increase in invested assets and a corresponding increase in policyholder liabilities of \$4.4 billion on the Consolidated Balance Sheet.

**19. Reinsurance Transactions**

During 2004, the Company ceded 100% of its U.S. group insurance business to a third party on an indemnity reinsurance basis. The ceded premiums of \$416 associated with the transaction have been recorded in the Summary of Consolidated Operations as a reduction of premium income with a corresponding reduction to the change in actuarial liabilities. For the Consolidated Balance Sheet, this transaction resulted in a reduction of cash and other assets of \$416, a reduction of policyholder liabilities of \$384 and a reduction of other liabilities of \$32.

**20. Contingent Liabilities**

The Company and its subsidiaries are subject to legal actions, including proposed class actions, arising in the normal course of business. It is not expected that any of these legal actions will have a material adverse effect on the consolidated financial position of the Company. The Company has declared a partial windup in respect of an Ontario defined benefit pension plan which will not likely be completed for some time. The partial windup could involve the distribution of the amount of actuarial surplus, if any, attributable to the wound up portion of the plan. 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 this partial windup, a related proposed class action proceeding has been commenced in Ontario. Based on information presently known, the Company has not established a provision for this matter, due to the significant uncertainty with regard to the issues and likely outcome. It is not expected that this matter will have a material adverse effect on the consolidated financial position of the Company.

The Company is involved in an arbitration proceeding with the vendor of a block of business, which was acquired by the Company in the United Kingdom in 1995, over certain cost sharing arrangements. It is not expected that this matter will have a material adverse effect on the consolidated financial position of the Company.

**21. The Event of September 11, 2001**

As part of its reinsurance business, the Company has special risk reinsurance contracts with other insurers and reinsurers on which it has incurred losses as a result of the event of September 11, 2001. In 2001, the Company set up a total provision of \$131 pre tax (\$85 after tax) relating to these claims. The Company's remaining net provision is \$43 pre tax as at December 31, 2005 (\$79 pre tax as at December 31, 2004). The provision is recorded net of estimated reinsurance recoveries and catastrophe coverage.

The Company has entered into, and may in the future enter into, negotiations, arbitration proceedings or litigation with certain of its retrocessionaires in order to collect all amounts owed by such parties. Based on information and developments to date, the Company believes that it will succeed in enforcing its rights in respect of each of its reinsurance agreements.

**22. Commitments****(a) Disclosure of Guarantees**

The Company issues letters of credit in the normal course of business. Letters of credit in the amount of \$2 were outstanding at December 31, 2005 (\$1 at December 31, 2004), none of which had been drawn upon at that date.

**(b) Crown Life Acquisition Arrangements**

As part of the 1999 acquisition of the majority of Crown Life Insurance Company's (Crown Life) insurance operations, the Company has the option, or may be obligated, to acquire the common shares of Crown Life and, through assumption reinsurance, the remaining insurance business of Crown Life at any time after January 1, 2004, subject to certain conditions, in which case the Company would receive assets with a value equal to the liabilities assumed. The purchase price for the shares would be the fair value of the assets backing Crown Life's common shareholders' equity.

**(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.

	2006	2007	2008	2009	2010	2011 and thereafter	Total
Future lease payments	\$ 25	18	18	12	12	56	\$ 141

**23. Segmented Information**

The major reportable segments are the participating and shareholder operations of the Company

The major business units within the segments are:

Group Insurance	– creditor and direct marketing businesses offering benefit solutions for plan sponsors and their members.
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.
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 and accident and health reinsurance.
United States	– life, health and disability insurance for group clients. Saving products for public, private and non-profit employers, corporations and individuals (including 401, 401(k), 403 (b), 408 and 457 plans), and life insurance products for individual and businesses.
Corporate	– business activities and operations that are not associated with the above business units.

**(a) Consolidated Operations**

For the year ended December 31, 2005	Shareholder					Participating		Total company
	Group insurance	Individual insurance & investment products	Europe/ Reinsurance	Corporate	United States	Total	Total	
<b>Income:</b>								
Premium income	\$ (277)	\$ 747	\$ 2,486	\$ –	\$ 25	\$ 2,981	\$ 462	\$ 3,443
Net investment income	72	557	804	87	53	1,573	435	2,008
Fee and other income	2	101	491	–	–	594	–	594
<b>Total income</b>	<b>(203)</b>	<b>1,405</b>	<b>3,781</b>	<b>87</b>	<b>78</b>	<b>5,148</b>	<b>897</b>	<b>6,045</b>
<b>Benefits and expenses:</b>								
Paid or credited to policyholders	(350)	978	2,758	6	52	3,444	773	4,217
Other	61	205	601	66	(1)	932	104	1,036
Amortization of intangible assets	–	–	1	–	–	1	–	1
Restructuring costs	–	–	14	85	–	99	–	99
Goodwill impairment	–	–	3	–	–	3	–	3
<b>Net operating income before income taxes</b>	<b>86</b>	<b>222</b>	<b>404</b>	<b>(70)</b>	<b>27</b>	<b>669</b>	<b>20</b>	<b>689</b>
Income taxes	28	73	89	(52)	(11)	127	10	137
<b>Net income</b>	<b>58</b>	<b>149</b>	<b>315</b>	<b>(18)</b>	<b>38</b>	<b>542</b>	<b>10</b>	<b>552</b>
Net income (loss) – participating policyholder	–	–	–	–	–	–	10	10
<b>Net income – common shareholder</b>	<b>\$ 58</b>	<b>\$ 149</b>	<b>\$ 315</b>	<b>\$ (18)</b>	<b>\$ 38</b>	<b>\$ 542</b>	<b>\$ –</b>	<b>\$ 542</b>

Notes to Consolidated Financial Statements

For the year ended December 31, 2004	Shareholder					Participating		Total company	
	Group insurance	Individual insurance & investment products	Europe/ Reinsurance	Corporate	United States	Total	Total		
<b>Income:</b>									
Premium income	\$ 60	\$ 28	\$ 2,645	\$ –	\$ (41)	\$ 2,692	\$ 506	\$ 3,198	
Net investment income	130	795	632	87	66	1,710	413	2,123	
Fee and other income	27	127	400	–	–	554	1	555	
<b>Total income</b>	<b>217</b>	<b>950</b>	<b>3,677</b>	<b>87</b>	<b>25</b>	<b>4,956</b>	<b>920</b>	<b>5,876</b>	
<b>Benefits and expenses:</b>									
Paid or credited to policyholders	(50)	550	2,849	6	–	3,355	804	4,159	
Other	181	251	541	141	2	1,116	124	1,240	
Amortization of intangible assets	–	–	1	–	–	1	–	1	
Restructuring Costs	–	–	30	162	25	217	–	217	
Goodwill impairment	–	–	–	–	23	23	–	23	
<b>Net operating income before income taxes</b>	<b>86</b>	<b>149</b>	<b>256</b>	<b>(222)</b>	<b>(25)</b>	<b>244</b>	<b>(8)</b>	<b>236</b>	
Income taxes	29	42	56	(76)	5	56	1	57	
<b>Net income</b>	<b>57</b>	<b>107</b>	<b>200</b>	<b>(146)</b>	<b>(30)</b>	<b>188</b>	<b>(9)</b>	<b>179</b>	
Net income (loss) – participating policyholder	–	–	–	–	–	–	(9)	(9)	
<b>Net income – common shareholder</b>	<b>\$ 57</b>	<b>\$ 107</b>	<b>\$ 200</b>	<b>\$ (146)</b>	<b>\$ (30)</b>	<b>\$ 188</b>	<b>\$ –</b>	<b>\$ 188</b>	

(b) Consolidated Total Assets:

	2005			2004		
	Shareholder	Participating	Total	Shareholder	Participating	Total
<b>Assets</b>						
Invested assets	\$ 24,303	\$ 6,504	\$ 30,807	\$ 21,459	\$ 6,729	\$ 28,188
Goodwill and intangible assets	328	–	328	381	–	381
Other assets	1,544	121	1,665	1,604	88	1,692
<b>Total assets</b>	<b>\$ 26,175</b>	<b>\$ 6,625</b>	<b>\$ 32,800</b>	<b>\$ 23,444</b>	<b>\$ 6,817</b>	<b>\$ 30,261</b>
Segregated funds assets			23,969			26,087
<b>Total assets under administration</b>			<b>\$ 56,769</b>			<b>\$ 56,348</b>

(c) Geographic Distribution:

	2005		2004	
	Income	Assets	Income	Assets
Canada	\$ 1,834	\$ 12,137	\$ 1,790	\$ 13,114
Europe/Reinsurance	4,081	18,971	3,998	14,756
United States	130	1,692	88	2,391
	<b>\$ 6,045</b>	<b>\$ 32,800</b>	<b>\$ 5,876</b>	<b>\$ 30,261</b>

## AUDITORS' REPORT

### To the Policyholders, Shareholders and Directors, The Canada Life Assurance Company

We have audited the consolidated balance sheets of The Canada Life Assurance Company and the statements of segregated funds consolidated assets as at December 31, 2005 and 2004 and the summaries of consolidated operations, the consolidated statements of surplus, the consolidated statements of cash flows and the segregated funds consolidated changes in 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, 2005 and 2004 and the results of the Company's operations and its cash flows and the changes of its segregated funds for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

Winnipeg, Manitoba

February 16, 2006

## APPOINTED ACTUARY'S REPORT

### To the Policyholders, Shareholders and Directors of The Canada Life Assurance Company

I have valued the policy liabilities of The Canada Life Assurance Company for its consolidated balance sheet as at December 31, 2005 and their change in its consolidated statement of 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.



**D. Allen Loney**

Fellow, Canadian Institute of Actuaries

Toronto, Ontario

February 16, 2006



## 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. Canada 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 others, 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.

Canada Life maintains separate Closed Funds for certain specific blocks of participating insurance policies in many of the jurisdictions in which it operates. The Closed Funds are within Canada Life's participating account and are managed according to the Closed Block Operating Rules. The Closed Funds are each managed separately to distribute over time the full amount of the earnings of the particular Closed Fund to the participating policyholders of that Closed Fund. The amount available for distribution as policyholder dividends for policies in each Closed Fund is determined as indicated above with reference to the experience of only that particular Closed Fund. An additional consideration for each Closed Fund is whether the existing assets and expected experience of that Closed Fund are sufficient to provide for policyholder dividends into the future.

The assets supporting liabilities in a Closed Fund may be managed as part of an investment pool which includes assets supporting liabilities that are not in that particular Closed Fund. When this is done, the assets will have similar investment objectives and the investment income of the Closed Fund will be tracked separately for that Closed Fund.

The amount available for distribution as policyholder dividends is divided among classes of policyholders by setting the policyholder dividend scale. Canada 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.

In addition to the policyholder dividends described above, terminal dividends are payable on certain policies when those policies are terminated through death, surrender, or maturity. Whether a terminal dividend is payable, and, if payable, the amount of the terminal dividend, is affected by such factors as the type of policy, the length of time the policy has been in force and when the policy was issued.

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 (Canada), Canada Life may distribute to the shareholder account a percentage of the amount distributed to policyholders in respect of a financial year. Under the terms of the Closed Block Operating Rules, no such distribution to the shareholder account may be made from the Closed Funds.

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

Approved by the Board of Directors

October 28, 2004

Effective December 31, 2004

# SUBSIDIARIES OF THE CANADA LIFE ASSURANCE COMPANY

December 31, 2005

Name	Principal Office Address	Carrying Value (1) (\$ millions)	Voting Share Ownership (%)
Laketon Investment Management Ltd.	Toronto, Ontario	4	100.0%
Canada Life Capital Corporation Inc.	Toronto, Ontario	2,471	100.0%
The Canada Life Group (U.K.) Limited	Potters Bar, Hertfordshire, England	1,355	100.0%
Canada Life International Limited	Castletown, Isle of Man	94	100.0%
Canada Life Irish Holding Company Limited	Dublin, Republic of Ireland	585	100.0%
Canada Life International Re Limited	Dublin, Republic of Ireland	516	100.0%

(1) The carrying value of shares is shown at the Company's equity interest in the subsidiaries

# FIVE YEAR SUMMARY

(in millions of dollars except per common share amounts)

	2005	2004	2003	2002	2001
<b>At December 31</b>					
Total assets under administration	\$ 56,769	\$ 56,348	\$ 54,476	\$ 60,080	\$ 57,028
<b>For the Year Ended December 31</b>					
Premiums:					
Life insurance, guaranteed annuities and insured health products	\$ 3,443	\$ 3,198	\$ 5,580	\$ 5,915	\$ 5,358
Self-funded premium equivalents (ASO contracts)	2	270	418	409	378
Segregated funds deposits:					
Individual products	3,954	3,416	2,718	2,774	2,771
Group products	484	945	1,046	947	1,057
Total premiums and deposits	7,883	7,829	9,762	10,045	9,564
Bulk reinsurance – initial ceded premium	–	–	(3,563)	–	–
Net premiums and deposits	\$ 7,883	\$ 7,829	\$ 6,199	\$ 10,045	\$ 9,564
<b>Condensed Summary of Operations</b>					
<b>Income</b>					
Premium income	\$ 3,443	\$ 3,198	\$ 5,580	\$ 5,915	\$ 5,358
Bulk reinsurance – initial ceded premium	–	–	(3,563)	–	–
	3,443	3,198	2,017	5,915	5,358
Net investment income	2,008	2,123	2,165	2,154	2,241
Fee and other income	594	555	480	529	465
	6,045	5,876	4,662	8,598	8,064
<b>Benefits and Expenses</b>					
Paid or credited to policyholders	4,217	4,159	3,020	6,399	6,190
Other	969	1,174	1,501	1,497	1,313
Restructuring costs	99	217	102	–	–
Amortization of finite life intangible assets	1	1	–	–	–
Financing charges	67	66	69	63	39
Goodwill impairment	3	23	–	–	–
	689	236	(30)	639	522
Net operating income before income taxes	689	236	(30)	639	522
Income taxes	137	57	(31)	134	155
	552	179	1	505	367
Net income before amortization of goodwill	552	179	1	505	367
Amortization of goodwill	–	–	–	–	25
	552	179	1	505	342
Net income	552	179	1	505	342
Net income (loss) – participating policyholder	10	(9)	(2)	3	(4)
Net income – common shareholder	\$ 542	\$ 188	\$ 3	\$ 502	\$ 346
Earnings per common share	\$ 2.45	\$ 0.85	\$ 0.01	\$ 2.27	\$ 1.59
Book value per common share	\$ 13.98	\$ 13.10	\$ 12.71	\$ 17.66	\$ 15.53
Dividends to common shareholder – per share regular	\$ 0.03	\$ 0.43	\$ 0.71	\$ 0.48	\$ 0.40
– per share special	\$ –	\$ –	\$ 3.13	\$ –	\$ –

# DIRECTORS AND OFFICERS

## Board Of Directors

### **Robert Gratton** <sup>3, 4, 5, 6</sup>

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

### **Gail S. Asper** <sup>1</sup>

Corporate Secretary,  
CanWest Global Communications Corporation

### **James W. Burns, O.C.** <sup>3, 4</sup>

Director Emeritus,  
Power Corporation of Canada

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

Corporate Director

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

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

Deputy 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

### **Daniel Johnson** <sup>2, 3, 5</sup>

Of Counsel to McCarthy Tétrault LLP

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

Corporate Director  
Chancellor Emeritus, Brandon University

### **Peter Kruyt**

Vice-President, Power Corporation of Canada

### **J. Blair MacAulay** <sup>4</sup>

Corporate Director

### **The Right Honourable**

### **Donald F. Mazankowski, P.C., O.C.** <sup>3, 4</sup>

Senior Advisor to  
Gowling Lafleur Henderson LLP

### **William T. McCallum**

Vice-Chairman,  
Great-West Life & Annuity Insurance  
Company

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

President and Chief Executive Officer of the  
Company

Canada Life Financial Corporation,

Great-West Lifeco Inc.,

The Great-West Life Assurance Company,

London Life Insurance Company,

Great-West Life & Annuity Insurance

Company

### **Randall L. Moffat** <sup>1, 2, 5</sup>

Corporate Director

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

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

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

Corporate Director

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

President and Chief Executive Officer,  
Power Financial Corporation

### **Gordon F. Osbaldeston, P.C., C.C.** <sup>2, 3, 6</sup>

Corporate Director

### **Michel Plessis-Bélair, FCA** <sup>1, 3, 4</sup>

Vice-Chairman and Chief Financial Officer,  
Power Corporation of Canada

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

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

President, Placements Laugerma Inc.

### **Gérard Veilleux, O.C.** <sup>1</sup>

Vice-President, Power Corporation of Canada

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

### **Raymond L. McFeetors**

President and Chief Executive Officer

### **William L. Acton**

President and Chief Operating Officer,  
Europe

### **Denis J. Devos**

President and Chief Operating Officer,  
Canada

### **Andrew D. Brands**

Senior Vice-President and  
General Counsel

### **Elwood C. Haas**

Senior Vice-President and  
Chief Internal Auditor

### **D. Allen Loney**

Executive Vice-President, Chief  
Actuary/Capital Management

### **William W. Lovatt**

Executive Vice-President and  
Chief Financial Officer

### **Peter G. Munro**

Executive Vice-President and  
Chief Investment Officer

### **Sheila A. Wagar**

Senior Vice-President  
and Secretary

# POLICYHOLDER AND SHAREHOLDER INFORMATION

## Corporate Address

The Canada Life Assurance Company  
330 University Avenue, Toronto, Ontario, Canada M5G 1R8  
Phone: 416-597-1456  
Internet: [www.canadalife.com](http://www.canadalife.com)  
E-mail: [info@canadalife.com](mailto:info@canadalife.com)

## Financial Information

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

For copies of the Annual Report, please contact the Corporate Secretary's Office at 204-946-8366 or visit our website: [www.canadalife.com](http://www.canadalife.com)

## Operating Divisions

### Canada

330 University Avenue, Toronto, Ontario, Canada M5G 1R8  
Phone: 416-597-1456  
Internet: [www.canadalife.ca](http://www.canadalife.ca)

### United Kingdom

Canada Life Place  
Potter's Bar, Hertfordshire, England EN6 5BA  
Phone: 44 1707 651122  
Internet: [www.canadalife.co.uk](http://www.canadalife.co.uk)

### United States

8515 E. Orchard Road, Greenwood Village, Colorado 80111  
Phone: 1-800-537-2033  
Internet: [www.canadalifeus.com](http://www.canadalifeus.com)

### Republic of Ireland

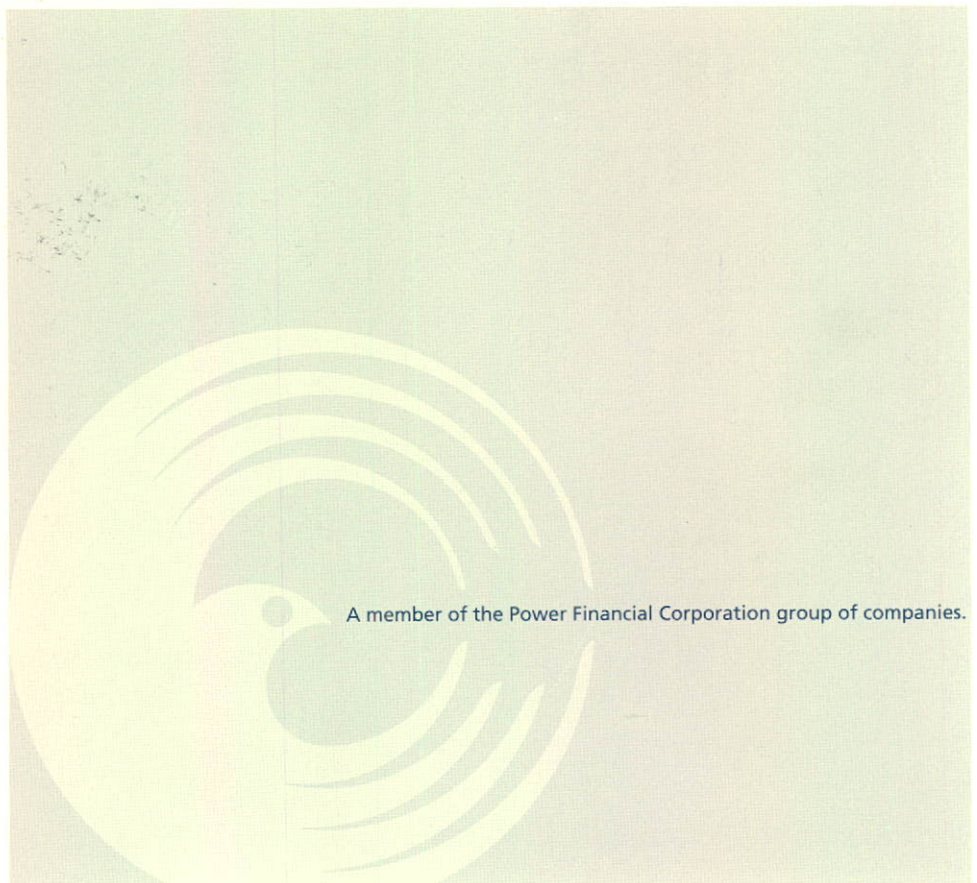
Canada Life House  
Temple Road, Blackrock County, Dublin, Republic of Ireland  
Phone: 353 1 210 2000  
Internet: [www.canadalife.ie](http://www.canadalife.ie)

### Reinsurance

330 University Avenue, 10th floor, Toronto, Ontario, Canada M5G 1R8  
Phone: 416-597-1456  
Internet: [www.canadalife.com/reinsurance](http://www.canadalife.com/reinsurance)

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A member of the Power Financial Corporation group of companies.