



RBC Life Insurance Company

**Participating Policyholder Dividend
Policy – Participating Whole Life
Product**

This Policy applies to RBC Life Insurance Company

December 2023

- a. The participating Whole Life policies the Company sells starting January 2021 (open block of business) shall be eligible for the payment of policyholder dividends in accordance with this Policy. Policyholder dividends shall be determined annually and distributed annually.

The Company maintains a separate participating account for a closed block of participating life insurance policies that were previously acquired from Mutual of Omaha. This closed block is completely ringfenced and managed separately from the open block according to its own operating rules.

- b. This policy may be amended from time to time at the discretion of the Board of Directors of the Company and subject to changes in applicable law. The Policy may be reviewed and amended to reflect changes in the external environment such as legislative, regulatory, taxation, accounting rules, changes in professional guidelines, significant corporate restructurings, industry practices or other fundamental changes in circumstances including those which affect different policyholder classes or cohorts differently.
- c. Dividends may be declared by the Company from time to time, at the discretion of and pursuant to a resolution of the Board of Directors. The dividends so declared shall comply with all legislative and regulatory requirements and standards of practice of the Canadian Institute of Actuaries. The payment of dividends is not guaranteed. No terminal dividends are paid on the participating policies.
- d. Reasonable equity in terms of the consistency in distribution of dividends from one time period to another is an objective of this Policy. This implies that the dividends declared in any given year will reflect past and expected future experience over a longer period of time and will not necessarily fully reflect current emerging experience.
- e. The Company maintains a separate participating account with segmented assets for this participating Whole Life product. The source of earnings from which policyholder dividends shall be made is the retained earnings of the participating account. Earnings are comprised of participating policyholder-related sources of gains or losses and can include one or more of the following: investment returns, mortality, expenses, policyholder surrenders, policy loan utilization, taxes and other policyholder experience. Since actual levels of experience cannot be known in advance, dividends cannot be guaranteed. To the extent that emerging experience is better (or worse) than the levels assumed in the calculation of guaranteed policy values, a contribution to (or deduction from) earnings will be made by those policies. As a result of future experience improving or deteriorating over time, dividend payments may be increased or reduced, respectively.
- f. The dividends are calculated according to the Contribution Principle, which is a generally accepted method of determining dividends in Canada. Under this principle, dividends are allocated amongst policies and classes of policies, in proportion to the contributions made by the policies to the participating account earnings. Policyholder dividend scales will be determined on the basis of the difference between the actual rates of investment return, mortality, policyholder surrenders and expenses experienced and those expected rates assumed in the determination of guaranteed policy values. Differences among classes are reflected through differences in the guaranteed policy values at the time of premium determination. Practical considerations and limits may apply to the allocation in some circumstances.
- g. All experience factors contributing to gains or losses in the participating account may be passed back to policyholders, through changes in base dividends. The dividend scale reflects investment, claims and expense experience relative to those assumed in the guaranteed policy values, with a

placeholder for future policyholder surrender experience and any other miscellaneous contributors to experience (including, but not limited to, any policyholder behaviour, policy loans and taxes).

- h. The Company follows a permanent contribution to surplus philosophy which is described more fully in the Participating Account Management Policy. The Company retains a portion of participating account earnings which is consistent with the allowance set out in under section 461 of Insurance Companies Act, which prescribes the maximum amount that can be transferred to an account other than the participating account, be between 2.5% and 10% (based on the size of the participating account) of the total amount distributed. The Company intends to transfer the maximum amount allowed.
- i. This Policy is reviewed by the Appointed Actuary in accordance with generally accepted actuarial practice and pursuant to the guidance of the Superintendent of Financial Institutions. As per OSFI Guideline E16, a written opinion of the Appointed Actuary is provided annually to the Board on the fairness of the policy to the participating policyholders.

Policy Review

This Participating Policyholder Dividend Policy will be reviewed by the Board triennially. The Policy will be reviewed in 2023 and 2026, and in the interim if amended.

Policy Approval

Any establishment or amendment of the Policy shall be considered by The Board.