



Manulife Fund of Canada Life Limited Annual report 2008

This report has been produced to update you on the Manulife Fund of Canada Life at the end of 2008 and to explain how we used our discretion when making key decisions.

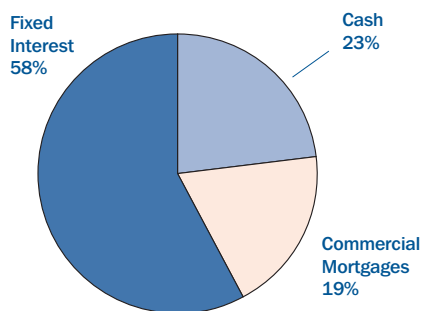
It covers:

- how the fund is invested
- how the fund has performed
- regular bonuses
- final bonuses
- expenses
- principles and practices of financial management
- independent review, and
- the opinion of the Canada Life Board and the With-Profits Actuary.

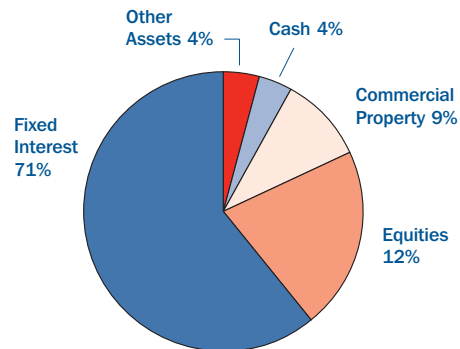
How the fund is invested

The fund has both non profit policies (around 20% of the fund) and with-profit policies (around 80% of the fund). Only the with-profit policies share the gains and losses arising in the fund. The split of the fund's investments on 31 December 2008 is shown in the charts below.

Non profit investment split



With profit investment split



The Manulife Fund has a wide range of investments including bonds (which are loans to companies or governments, shown in the charts as Fixed Interest), Commercial Mortgages, Equities (shares in companies), Commercial Property, Policy Loans (shown in the chart as Other Assets) and Cash.

How the fund has performed

During 2008, the investment returns (for the whole fund) were:

	Income	Capital Gain/(Loss)	Total
Fixed Interest	6.2%	2.4%	8.6%
Equities	2.9%	-34.3%	-31.4%
Commercial Mortgages	5.3%	-22.9%	-17.6%
Commercial Property	5.3%	-18.3%	-13.0%
Cash	5.4%	0.0%	5.4%
Other Assets	6.7%	0.0%	6.7%
Total (overall return)	5.5%	-6.4%	-0.9%

For each of the investment types, we compare the actual return with the average return across the UK market for similar investments. The fixed interest return was above the benchmark. The equity return on the fund was slightly under the benchmark FTSE All Share index which lost nearly 33% over 2008. The commercial mortgage return was impacted by a write down. The property return was significantly better than the relevant benchmark return of -22.1%. The overall fund return was -0.9% which was slightly better than the overall investment benchmark.

Regular bonus (also known as annual bonus)

We increase the value of your policy by adding bonuses. We add regular bonuses every year. We calculate these based on the income from the fund's investments plus other sources of gains or losses. For example, the gains or losses arising from the level of death claims, expenses charged to the fund and the gains from other policyholders cashing in their policies early.

The regular bonus allocation rate we will use in 2009 is unchanged from the 2008 level. This is one of the key areas where we use our discretion.

Regular bonuses already added cannot be reduced at any time whilst premiums continue to be paid. Future rates of regular bonus are not fixed and may be higher or lower than the current rates or could even be zero.

Final bonus (also known as terminal bonus)

A final bonus is added when your policy pays out. We use the final bonus to make sure that we share out the Manulife Fund fairly. Future rates of final bonus are not fixed and may be higher or lower than current rates or can be zero.

The current (March 2009) final bonus rate, varies from 12% for a 20 year policy to 30% for a policy with a term of 35 years (and over), for maturity and death claims in 2009. These rates are lower than those paid in 2008 reflecting the poor investment performance in 2008.

All policies with the same number of years from the start date to the payout date (known as the policy term) get the same final bonus rate. We apply different rates to policies with longer or shorter policy terms. If a policy is cashed in early, the policy term used is the number of years the policy was actually held, rather than the original policy term.

We calculate the final bonus rate by taking into account:

- the total value of the Manulife Fund
- the expected future investment return
- the expected premiums to be paid in
- the expected pay outs due to maturities and deaths, and
- the number of policies that are likely to be cashed in early.

We use these figures to predict the level of payouts on all the remaining policies to make sure the fund is shared out fairly.

We regularly review final bonus rates and we can change these at short notice so that payouts reflect changes to the value of the fund's investments. During 2008, we changed the rates twice to reflect the falling equity and property values. This makes sure all policyholders are treated fairly by setting policy returns in line with the investment return. This is another key area where we use our discretion.

The final bonus rates for policies being cashed in early are a proportion of the final bonus scale appropriate for a maturity or death claim on a policy with the same term. This final bonus is not guaranteed, may be changed at short notice and can be zero.

Charges and expenses

We deduct a charge of £42.98 per policy per year (as at 1 January 2009) from the fund. This charge is updated in line with changes in the Retail Price Index. Investment management charges are made at the rate of approximately 0.21% per year of the average market value of funds under management. Investment dealing charges are paid directly out of the fund as these happen.

Principles and practices of financial management

Canada Life has published the Principles and Practices of Financial Management (PPFM), a detailed and technical document which describes how we manage the Manulife Fund. If you would like a copy of the PPFM, please call us on **0845 6060708**.

We have also produced a document called 'The Manulife Fund – A guide to how your fund and policy are managed', which provides a summary of the PPFM. This document is also available on our website www.canadalife.co.uk or by calling us on **0845 6060708**.

Independent review

An independent review is carried out annually to make sure the management of the Manulife Fund complies with the PPFM. The review is carried out by an independent expert who reports directly to the Board of Canada Life Limited.

Canada Life employs a With-Profits Actuary to give actuarial advice to the Board in connection with the management of this fund.

Canada Life Board's and With-Profits Actuary's view

It is the Board's opinion that the management of this fund has been in accordance with the PPFM and that the different categories of policyholders have been treated in a reasonable and proportionate manner. The Board is also satisfied that appropriate discretion was used when reviewing regular and final bonus rates. This opinion is shared by the With-Profits Actuary (see Appendix for his opinion).

About Canada Life

The Canada Life Assurance Company provides insurance and wealth management products and services through domestic operations in Canada and international operations in the Republic of Ireland, Isle of Man, Germany and the U.K. as well as branch and subsidiary operations in other countries. Canada Life is a subsidiary of The Great-West Life Assurance Company and a member of the Power Financial Corporation group of companies.

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Appendix – annual report from the With-Profits Actuary

In my opinion, for the financial year 2008, the management of the fund has complied with the PPFM. There are areas where discretion has been exercised by the company and I believe that this has reflected the interests of the different categories of policyholders in a reasonable and proportionate manner.

Hitesh Shah
With Profits Actuary
26 March 2009



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