

Your guide to participating life insurance

SUN PAR PROTECTOR

SUN PAR ACCUMULATOR

Participate in your brighter future with Sun Life Financial

Participating life insurance is a powerful tool that protects your family and assets while helping you reach your long-term goals.

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SUN LIFE FINANCIAL PARTICIPATING PERMANENT LIFE INSURANCE

Sun Par Protector and Sun Par Accumulator are powerful participating permanent life insurance products that protect your family and assets to help you reach your long-term goals. Your decision to purchase a permanent participating life insurance policy will play an important part in your financial future.

We've developed this guide to help you better understand the benefits and features of these products. It's intended to provide a general overview of the features and benefits available with Sun Par Protector and Sun Par Accumulator. Your policy provides complete details of your coverage including the terms and conditions that apply.

Lifetime insurance protection

Get the peace of mind that comes from knowing that money will be available to provide for your family, continue your business or ensure that your assets transfer intact to the next generation. Participating permanent life insurance provides you with a combination of permanent life insurance protection and an opportunity for tax-preferred investment growth. The base insurance protection is guaranteed for life, as long you pay the premiums when they are due.

Your investment for the future

With Sun Par Protector and Sun Par Accumulator, your policy may be credited with policyholder dividends, determined by Sun Life Financial's Board of Directors. You can buy additional coverage, receive a cash payment, use them to reduce your annual premium or leave them on deposit with Sun Life Financial – the choice is yours.

Both products have cash values that build up over time on a tax-preferred basis. You can access this cash whenever you need it. You can also borrow against the cash value or use it to help pay your premiums. And if you ever decide to cancel your policy, we'll pay the total cash value in your policy at that time.

TAKE A CLOSER LOOK

Base insurance: The amount of insurance you choose is the death benefit, or base insurance amount. This amount is guaranteed to be paid upon your death provided all required premiums have been paid and there are no outstanding loans. It does not include any additional death benefit amounts payable under special provisions, or any additional amounts of coverage that may have been built up through the use of dividends, unless specifically noted as guaranteed in your policy. The guaranteed death benefit amount is provided in your policy.

A solution that's just for you

Your advisor helps you custom-design your Sun Par Protector or Sun Par Accumulator participating policy. You can choose from a wide range of features and options. Both products can be tailored to meet your unique needs:

- innovative and cost-effective ways to maximize your protection
- build your tax-preferred cash values
- increase your death benefit to keep pace with inflation and provide your family members with protection

With Sun Life Financial, you have the confidence of knowing your protection meets your needs today *and* in the future.

SUN PAR PROTECTOR

Sun Par Protector provides higher long-term total cash value and total death benefit than Sun Par Accumulator provides. With Sun Par Protector, you can choose from three premium payment options – Life pay, 20 pay and Pay to age 65. You also have the opportunity to choose from five dividend options:

- paid-up additional insurance
- enhanced insurance
- annual premium reduction
- dividends on deposit
- cash payment

The choice you make in both the premium payment option and the dividend option will affect the values in your policy. See page 8 for a description of the dividend options.

Sun Par Protector may be the right product solution for you if you:

- want long-term cash value and death benefit growth
- are interested in making sure that your estate transfers intact to your beneficiaries
- would like to access the cash values in the future to supplement your retirement income

SUN PAR ACCUMULATOR

Sun Par Accumulator provides you with higher cash values in the early years of your policy than Sun Par Protector provides. You have a choice of two premium payment options – Life pay and 20 pay. You also have the opportunity to choose from four dividend options:

- paid-up additional insurance
- annual premium reduction
- dividends on deposit
- cash payment

The choice you make in both the premium payment option and the dividend option will affect the values in your policy. See page 8 for a description of the dividend options.

Sun Par Accumulator may be the right product solution for you if you are:

- interested in accessing the cash value in the early years to bridge a retirement income gap, while ensuring that there is a death benefit in place to protect your estate
- a small business owner and need to protect your business from loss due to your untimely death, while providing the flexibility to meet the changing cash flows of your business

Participating life insurance from Sun Life Financial

When you purchase a participating life insurance policy from Sun Life Financial, you have the opportunity to participate in any policyholder dividends. Your policy comes with guaranteed lifetime protection and cash values, for which you pay a guaranteed premium. Your premium and other basic values are determined using long-term conservative assumptions for death claims, investment returns, expenses (including taxes), lapses and other factors.



TAKE A CLOSER LOOK

Guaranteed premium: The premium payable under a participating policy is based on several factors, including the guaranteed death benefit, your age, gender, smoking status and any additional benefits you may choose to add to your policy. You have the security of knowing that the premium schedule in your policy is guaranteed not to change.

Dividends may be credited to your policy when the experience in the Sun Life Participating Account is better than the assumptions we made for factors such as investment returns, mortality and expenses to support the guaranteed values in your policy. If the Board of Directors determines there is a surplus, a portion of this may be credited to your policy in the form of policyholder dividends. The amount available for dividends will increase or decrease depending on how the actual experience differs from what we assumed. The amount available is also dependent on a number of other factors such as:

- the need to keep earnings as surplus to
 - support financial security and stability of the participating account
 - finance new participating business growth
 - smooth fluctuations in experience (investment returns, mortality and expenses (including taxes), lapses and other factors)
- other practical considerations and limits
- legal requirements and industry practices

It is important to note that the *Insurance Companies Act (ICA) of Canada* contains a number of provisions that we must follow about managing the participating account.

WHAT COVERAGE OPTIONS ARE AVAILABLE?

Sun Par Protector and Sun Par Accumulator provide protection for one or two people. A single life policy provides guaranteed lifetime protection on one insured person. Joint life policies provide protection for two people and are available on either a “first-to-die” or “last-to-die” basis.

- With a joint first-to-die policy, we pay the death benefit on the first death of the persons insured. The surviving person may qualify for a special survivor benefit, which allows that person to buy additional coverage without providing medical information.

This option can help you meet financial obligations that may exist after the first death.

- With a joint last-to-die policy, we pay the death benefit on the last death of the persons insured. You have the option to pay premiums to the first death or the last death.

These options give you the flexibility you need and provide you with a means of maintaining insurance coverage, paying outstanding financial obligations and ensuring your estate is preserved for your beneficiaries.

WHAT PREMIUM PAYMENT OPTIONS ARE AVAILABLE?

You have the option to select one of three guaranteed premium payment options on Sun Par Protector, and one of two options for Sun Par Accumulator. This choice allows you to tailor payments to suit your needs. We guarantee that the premium amount for the guaranteed death benefit will not change.

- **Life pay** – You pay premiums for your base insurance amount for the life of the insured person (to a maximum of age 100), providing an affordable protection solution.
- **20 pay** – You pay premiums for your base insurance amount for 20 years. This gives you the peace of mind knowing that after 20 years no more premiums are required to guarantee your protection.
- **Pay to age 65** – This option is available on Sun Par Protector. You pay premiums for your base insurance amount until the insured person reaches age 65. This frees up additional income to help you enjoy your retirement.

You can choose whether to pay your premiums annually by cheque or monthly by pre-authorized chequing. If you pay monthly, premiums are slightly higher to help cover the additional costs for processing monthly transactions. To calculate monthly premiums, we multiply the total annual premium by .09. For example, if the annual premium is \$400, the monthly premium is $\$400 \times .09$, which equals \$36.

What happens if I don't pay my premiums?

If you don't pay your premium and there are no more funds in your withdrawable premium fund, your premiums will be paid using an automatic premium loan against the cash value of the policy. These loans are initiated by us and we will charge interest on the automatic premium loan. Both the cash value and the death benefit will be reduced by the outstanding loan balance.

If in the future, the amount borrowed against your policy with automatic premium loans is greater than the cash value of your policy, you will need to make a payment to keep your policy in effect. If you do not make a payment your policy will lapse (terminate).

The ***withdrawable premium fund*** is like a savings account and earns interest daily. You can withdraw money from this account when you need it or use it to cover future premium payments.

WHAT ARE DIVIDENDS?

As mentioned earlier in this guide, we may credit your policy with dividends, based on a number of factors.

The premium you pay for your policy is pooled with those from other participating policies. We invest the amount that we don't use for benefits and expenses in an account to provide for future benefits. This account is the Sun Life Participating Account. As a participating policy owner, your policy shares in the experience of this account through the crediting of policyholder dividends to your policy.

A key feature of Sun Par Protector and Sun Par Accumulator is the opportunity to earn dividends on the base insurance amount on each policy anniversary. Dividends are a unique feature available only through participating life insurance policies. Our Board of Directors determines whether a policyholder dividend will be credited each year, based on experience factors such as investment earnings, mortality, expenses and taxes. In some years there may be no dividends credited.

Any dividends that are credited to your policy and held within your policy have a cash value associated with them. This cash value cannot be reduced or used in any way without your consent other than to pay the policy premium. For more details on dividends ask your advisor for a copy of *Understanding Sun Par Protector and Sun Par Accumulator Policyholder Dividends*.

Dividends are not guaranteed.

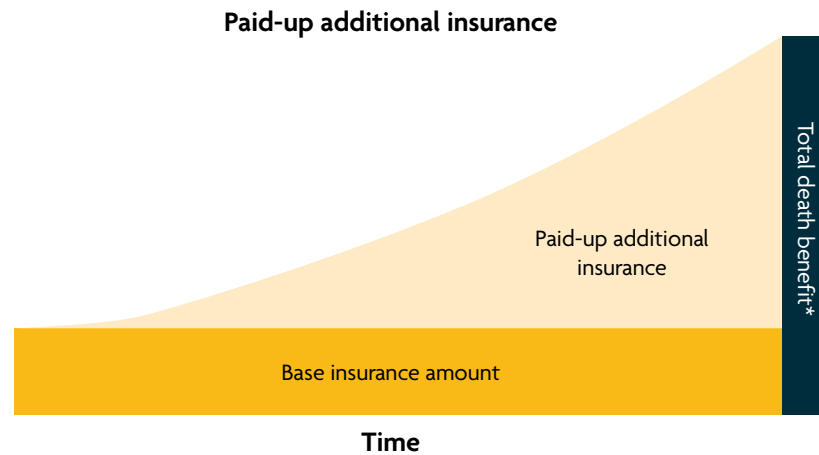
They may increase or decrease depending on the Sun Life Par Account's experience with investment earnings, mortality, expenses (including taxes), lapses and other factors.

WHAT DIVIDEND OPTIONS CAN I CHOOSE FROM?

You can select one of five dividend options to meet your unique goals with Sun Par Protector. With Sun Par Accumulator, you can choose one of four of these dividend options.

Paid-up additional insurance

Any dividends credited to your policy are used to purchase additional insurance, which is paid up, meaning you don't have to pay additional premiums for this extra insurance. This additional amount of insurance is also participating; it can also earn dividends and has a cash value. With this compounded growth, your death benefit and cash values can increase over time.

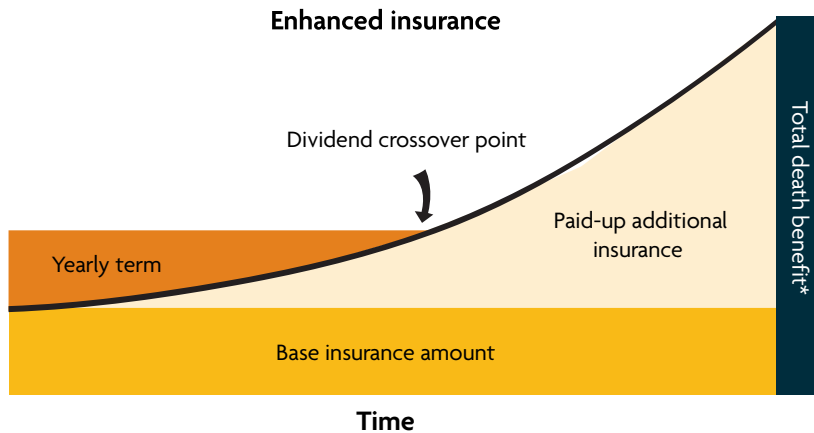


* The total death benefit is not guaranteed.

Enhanced insurance – available with Sun Par Protector only

With this dividend option, on each policy anniversary any dividend we credit to your policy is used to purchase a combination of yearly term insurance and paid-up additional insurance. This combined amount of insurance is equal to the enhanced insurance amount in your policy.

Over time, the yearly term insurance is replaced by permanent paid-up additional insurance. In the future, once all of the yearly term insurance has been replaced, any dividends credited to your policy will be used to buy more paid-up additional insurance. At this point your death benefit will begin increasing.



* The total death benefit is not guaranteed.

With enhanced insurance you can choose from two guarantee periods. The guarantee periods guarantee your enhanced insurance amount for the guarantee period regardless of the performance of dividends. You can choose either a lifetime or a 10-year guarantee:

- **Lifetime** – The enhanced insurance amount is guaranteed for life. This means that we will guarantee both the enhanced insurance amount and the base insurance amount, even if dividends in the future are not enough to pay the cost of the yearly term insurance. It is important to remember that even with this guarantee, you must pay all of the premiums required for your policy.
- **10-year guarantee** – The enhanced insurance amount is guaranteed for the first 10 years of the policy. If the dividends we credit to the policy are not enough to pay for the yearly term insurance required, we will surrender any previously purchased paid-up additional insurance for its cash value to make up the amount owing. At any time during the first 10 years, if the combination of surrendered paid-up additional insurance and dividends can't cover the cost of the yearly term insurance, we guarantee the total death benefit will remain intact during that time. Starting on the 11th policy anniversary, if the combination of dividends and surrendered paid-up additional insurance are not enough to cover the cost of yearly term insurance, we will reduce the remaining yearly term insurance to the amount that may be purchased at that time. Your death benefit will decrease. We will let you know in advance if the projected dividend will not be enough to pay for the yearly term insurance needed to maintain your death benefit. This will give you the opportunity to pay the additional premium needed to maintain your death benefit amount.

The enhanced insurance dividend option also gives you the flexibility to convert the yearly term insurance portion of the enhanced insurance to a permanent insurance policy. After you convert your yearly term insurance, the dividend option automatically changes to paid-up additional insurance. We use any future dividends we credit to your policy to purchase more paid-up additional insurance.

Premium offset

Premium offset may provide you with premium payment flexibility at some point in the future. This is not guaranteed and is dependent on the performance of future dividends.

If you select paid-up additional insurance or enhanced insurance with the 10-year enhancement guarantee as your dividend option, you may be eligible, in future, to choose premium offset.

After you have paid your premiums for a number of years, the annual dividends we credit to your policy and the surrendering of paid-up additional insurance may be enough to pay for your premiums. When this happens you can choose to have your policy go on premium offset.

If you've chosen the paid-up additional insurance dividend option, premium offset may occur earlier than if you have enhanced insurance with the 10-year guarantee as your dividend option. This is because, with paid-up additional insurance, all of the dividends credited to your policy are used to purchase paid-up additional insurance. This makes the values in your policy grow more quickly than with the enhanced insurance dividend option, where the dividends are being used to pay for yearly term and paid-up additional insurance.

It is important to remember that even small changes in the dividend scale can have a significant impact on the premium offset date regardless of the dividend option you choose. However, if you choose enhanced insurance with a 10-year guarantee as your dividend option, there will probably be a greater impact to the premium offset date than if you choose paid-up additional insurance.

Once you have chosen to have your policy go on premium offset it is important to keep the following in mind:

- if the dividend scale is reduced in the future you may have to resume paying premiums to maintain your coverage or if you don't, the policy death benefit will decrease
- other policy values such as increasing death benefits and cash values may not increase as much as if you had continued paying premiums and these values may decrease due to surrendering paid-up additional insurance to pay premiums
- while dividends play an important part in determining the policy offset date, other factors such as cash withdrawals, additional benefits and changes to your dividend option will also have an impact

Annual premium reduction

This dividend option is available if you choose to pay your premiums annually. It can provide a cost-effective way for you to pay the policy premiums. We use dividends we credit to your policy to reduce your premiums for the next policy year. If the dividends we credit are more than the premium amount, we will deposit the excess into a withdrawable premium fund.

Dividends on deposit

Any dividends we credit to the policy are automatically deposited to an account that is similar to a savings account with Sun Life Financial. You have access to these dividends at any time. Dividends on deposit earn interest daily and are compounded annually, at an interest rate we set.

Cash payment

This option gives you the opportunity to receive annual dividends in cash.

CASH VALUES

Sun Par Protector and Sun Par Accumulator provide you with access to cash when you need it most. The total cash value of your policy is made up of guaranteed cash values, as well as non-guaranteed cash values:

- **Guaranteed cash value** – Both Sun Par Protector and Sun Par Accumulator will provide you with a guaranteed cash value. Your guaranteed cash values are based on several factors including whether you have chosen Sun Par Protector or Sun Par Accumulator, the guaranteed death benefit, your age, gender and smoking status. A schedule of guaranteed cash values is included in your policy.

With Sun Par Protector, guaranteed cash values will typically begin at the end of year five. If you choose Sun Par Accumulator, the guaranteed cash values will typically begin at the end of year one because the premiums for this product are higher. With both products, the longer you keep your policy, the greater the guaranteed cash value will become.

- **Non-guaranteed cash value** – Depending on the dividend option you choose, non-guaranteed cash values will build up in your policy on a tax-preferred basis. These cash values are created by dividends used to purchase paid-up additional insurance or when dividends are left on deposit. Non-guaranteed cash values also include the value of the paid-up additional insurance purchased by any plus premium benefit payments. See page 13 for a description of this option.

How can I access my cash values?

Policy loans

Policy loans are an easy way to access the cash value of your policy. You can request a policy loan at any time provided there is enough total cash value in your policy. The maximum policy loan you can take is 100% of the total cash value of your policy, less one year's interest. A variable interest rate is charged on the amount you borrow. You can repay your loan at any time without penalty. If you do not repay the policy loan, the outstanding loan balance will be deducted from the total death benefit of your policy.

Withdrawals

You can also access the cash value of your policy through a withdrawal, if you have selected paid-up additional insurance or dividends on deposit as your dividend option.

- **Paid-up additional insurance** – The paid-up additional insurance that was purchased as a result of the dividends credited to your policy has a cash value associated with it. Surrendering the paid-up additional insurance allows you to access this cash value. When you take a withdrawal, both the total cash value and the total death benefit will be reduced. You will notice that the death benefit is reduced by more than the cash value. This is because for every dollar of dividend credited or plus premium benefit payment made, several dollars of paid-up additional insurance is purchased. In contrast, the cash value increases by an amount closer to the dividend paid.
- **Dividends on deposit** – Withdrawals from dividends on deposit are made from the savings account held outside your policy. It includes accumulated dividends we credit to the policy and any accrued interest.

The total cash value of your policy is the combination of guaranteed and non-guaranteed cash values.

TAX IMPLICATIONS

The tax information is based on current Canadian legislation when we printed this guide.

The tax rules may change at any time and the administration of the policy and its features will change as required based on the new rules. This information is general in nature. You should discuss the tax implications of your policy with your own accountant or tax advisor.

Adjusted cost basis (ACB)

The ACB of a life insurance policy is calculated using an actuarial formula that takes into account all payments, withdrawals, loans, and cost of insurance charges. For example, premium payments increase the ACB, while cash withdrawals or loans decrease the ACB.

Policy loans and withdrawals may be subject to taxation. Ask your advisor for further details.

Sun Par Protector and Sun Par Accumulator are considered exempt life insurance policies under the Income Tax Act (Canada). This means that cash values grow within your policy on a tax-preferred basis, within limits as prescribed under the Income Tax Act (Canada).

Each dividend option is subject to different tax treatments:

- With **paid-up additional insurance**, dividends are used to purchase paid-up additional insurance and are not tax reportable.
- With **enhanced insurance**, dividends are used to purchase a combination of yearly term insurance and paid-up additional insurance and are not tax reportable.
- With **annual premium reduction**, there is no tax reported until the cumulative dividends we credit to the policy exceed the adjusted cost basis (ACB) of the policy, at which time all future dividends would be taxable.
- With **dividends on deposit**, any interest earned on the dividends left on deposit is subject to annual tax reporting. If the cumulative dividends we credit exceed the ACB of the policy, those dividends will also be subject to taxation.
- With **cash payments**, tax reporting is required once the cumulative policy dividends paid exceed the ACB of the policy.

If you choose to access the cash from your policy through either a policy loan or withdrawal, all or a portion of the transaction may be subject to tax reporting. Both policy loans and withdrawals taken from your policy are considered a disposition for tax purposes. Any amount you withdraw or borrow up to the ACB of your policy is not subject to tax reporting. The taxable portion of the policy loan or withdrawal is the amount above the ACB of the policy when you access the cash. The tax payable on the taxable portion of the policy loan or withdrawal is based on your marginal tax rate.

Living benefit

As a policy holder, if you are diagnosed with a terminal illness, you may be eligible to take a lump sum advance equal to 50% of the death benefit, to a maximum of \$100,000. This is a non-contractual benefit offered by Sun Life Financial at our discretion.

OPTIONAL BENEFITS

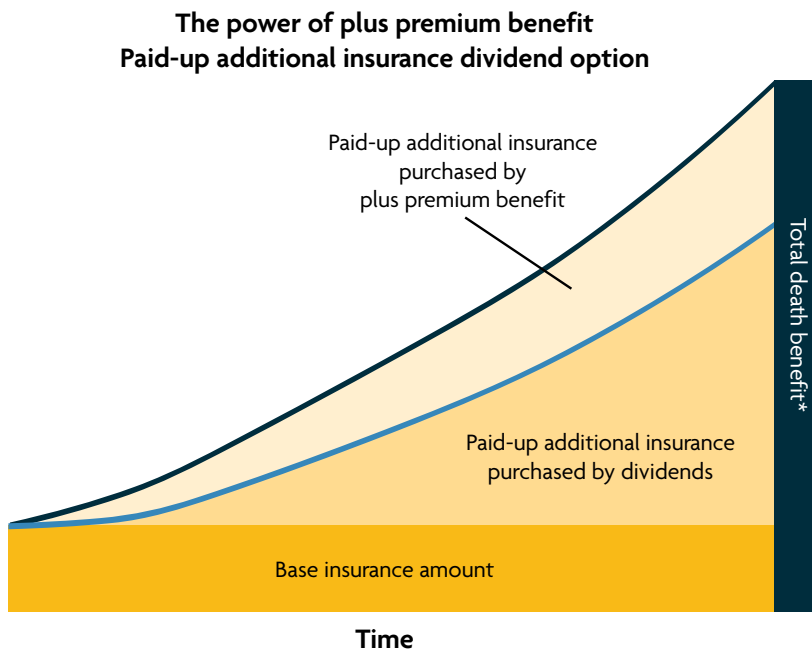
To help you design your policy to meet your goals, we offer a variety of optional benefits with Sun Par Protector and Sun Par Accumulator. Ask your advisor for complete details on each benefit and availability depending on the plan you select.

Plus premium benefit

The plus premium benefit allows you to pay an additional premium to make the most of tax-preferred cash value growth. Any plus premium benefit payment you make is used to buy paid-up additional insurance. This amount is in addition to the paid-up additional insurance being purchased by dividends.

This benefit is participating and is available with all guaranteed premium payment options on Sun Par Protector, when you select either paid-up additional insurance or enhanced insurance as your dividend option. It is also available with the Life pay option on Sun Par Accumulator, when you select paid-up additional insurance as your dividend option.

If you choose paid-up additional insurance as your dividend option both your total cash value and total death benefit increase faster than they would with dividends alone. If you choose enhanced insurance as your dividend option, the yearly term insurance will be replaced by paid-up additional insurance more quickly than if only the dividends we credit to your policy were purchasing the yearly term and paid-up additional insurance.



* The total death benefit is not guaranteed.

Non-participating benefits

While the base insurance amount and any additional coverage provided through the dividend option you choose is participating, the following optional benefits are not participating. The premiums for these benefits are not taken into account when we make decisions about dividends.

Term insurance benefit – Provides you with the opportunity to purchase additional protection to cover a temporary need. You can also purchase this benefit to cover another person, such as a spouse, family member or business partner. You can renew this benefit and convert it to another eligible life plan.

Child term insurance benefit – Provides insurance protection for your children and future children until each child reaches age 25. Your children insured under this benefit will be able to purchase additional insurance for an amount of up to five times the amount of the child term insurance benefit, without providing additional medical information.

Accidental death benefit – Provides an additional death benefit to the beneficiary if the insured person dies due to an accident.

Total disability benefit – This benefit continues coverage if the insured person becomes totally disabled. You will not have to pay premiums for the base insurance amount and any additional benefits.

This benefit is automatically included for juvenile plans, ages 0-17. Premiums and coverage will begin on the policy anniversary nearest to the child's 21st birthday.

Owner waiver on disability benefit – With this benefit, if the policy owner becomes totally disabled, we will pay premiums on the base insurance amount and any optional non-participating benefits.

Owner waiver on death benefit – With this benefit, if the policy owner dies, we will pay premiums for the base insurance amount and any optional non-participating benefits.

Guaranteed insurability benefit – Provides you with the option to buy additional insurance protection without providing medical information. You can purchase coverage every three years or with family changes such as marriage or the birth of a child.

When will my coverage begin?

If you pay for your policy at the time you apply, you may receive immediate coverage under a certificate of temporary insurance while your application is being processed. The terms, conditions and exclusions of that temporary insurance are set out in the certificate. Coverage under the certificate would end the instant the insurance applied for becomes effective.

If you don't pay at the time you apply and are not covered under a certificate of temporary insurance, then your coverage won't take effect until:

- your policy is delivered, and
- you make your first payment, and
- (when required) you have given us sufficient evidence that there's been no change in your insurability between the time you applied for insurance and the time your policy is delivered.

Change in insurability

We may need you to provide us with evidence of any change in your health or insurability that takes place between the time you apply for insurance and the time your policy is delivered.

Why choose Sun Life Financial for participating life insurance?

Sun Life Financial is a leading international financial services organization with over 140 years experience in participating life insurance. Our first participating policy was issued in 1871 and policyholder dividends have been paid every year since 1877.

As of March 31, 2010 we have over 1.6 million participating policies in force, with a total face amount of \$87.6 billion and over \$16 billion in assets in our participating account. These well-established and well-managed participating accounts are based on Sun Life Financial's effective management style. This style is critical to our overall profitability, competitive market positioning and long-term financial viability.

Along with our experience and financial stability, Sun Life Financial is the most trusted life insurance company in Canada according to a Harris/Decima poll. Commissioned by Readers Digest for its 2010 Trusted Brand awards program and conducted October 2-15, 2009, the poll asked Canadians, unprompted, which brands they trusted most.

Product quality, customer service and brand experience scored high among poll respondents who chose Sun Life as their most trusted brand of life insurance.

- **Product quality:** 97% of respondents who selected Sun Life as a trusted brand believe that offering a high quality product is important to the reputation of a brand; 94% indicated that offering products/services that are good value for the money is important.
- **Customer service:** 94% said that offering good customer service and product and service backing (i.e. standing behind the product) is important.
- **Brand experience:** having a positive personal experience with the brand was important to 93%, while 89% felt that the trustworthiness of the brand impacted brand reputation.



Questions? We're here to help.

Talk to your advisor about Sun Life Financial today!

For more information and resources visit www.sunlife.ca | Call 1 877 SUN-LIFE / 1 877 786 5433

We're dedicated to helping you achieve lifetime financial security.

Life's brighter under the sun

