



RBC Life Insurance Company

Participating policyholder disclosures – Participating Whole Life*

RBC Insurance dividend scale

Each year the dividend scale is reviewed in accordance with relevant regulations and our participating life insurance governance practices; our objective is to continue to execute on our long-term strategy of achieving strong risk-adjusted returns. This year, the RBC Life Insurance Company board of directors has approved the Appointed Actuary's recommendation to maintain the current dividend scale with dividend scale interest rate of 6.30% for the period of April 1, 2026 to March 31, 2027.

Dividends are based on the collective experience of the participating account. As such, they are subject to change and are not guaranteed.

Financial disclosures (as of October 31, 2025)

All numbers are in thousands of dollars, rounded to the nearest thousand.

The insurance contract liabilities held are \$68,854 (2024 – \$8,911, as restated) for the Participating Whole Life insurance portfolio, which was launched in 2021.

No dividend stabilization reserve was held in 2025.

A statement of the changes for the participating account in the last two financial years, *in thousands of dollars*, are shown below.

Sub-account name	2025 (\$)	2024 (\$)
i. Account surplus, start of year	52,707	54,892 ¹
ii. Currency adjustment	0	0
iii. Account net income	(9,095)	(2,041)
iv. Transfers from account surplus to shareholder account per Section 462(a) of the <i>Insurance Companies Act</i> (Canada) (ICA)	(231)	(94)
v. Other transfers to/from account surplus	(156)	(140)
vi. Account surplus, end of year	43,225	52,707 ¹
vii. Total account (Liabilities and Surplus), start of year	61,619	40,629 ²
viii. Total account (Liabilities and Surplus), end of year	112,078	61,619 ³
ix. Policyholder dividends (excluding experience rating refunds)		
Gross	4,261	2,081
Assumed	0	0
Ceded	0	0
Net	4,261	2,081
x. Transfers from account surplus to shareholder account per Section 462(a) of the ICA, if included in Net Income	0	0
xi. Calculation of Section 462(a) transfers to demonstrate compliance with Section 461 of the ICA	0	0

¹ Restated fiscal year 2024 opening balance of participating account surplus to include IFRS17 transitional impact of \$19,535 on liability.

² Restated fiscal year 2024 opening balance of total account to include restated liability of (\$14,378) under IFRS17.

³ Restated fiscal year 2024 ending balance of total account to include restated liability of \$8,911 under IFRS17.

For fiscal year 2025, \$4,261 policy dividends were paid to policyholders; approximately 73% is due to investment component and 27% due to insurance factors. Subject to board approval, a dividend of \$473 or 10% of the total distributable earnings will be transferred from the participating account surplus to the shareholder account.

The annual dividend scale interest rate has increased to 6.3% effective April 1, 2025, compared to 6.25% for the period of October 2024 to March 31, 2025.

The current year historical dividend scale interest rate, total participating account investment rate of return and total participating surplus investment rate of return are shown below. Transactional costs are included in the calculation of the rates of return. The investment expenses are approximately 0.01% of investment assets.

	2025 (%)	Historical average annual rate (%)		
		Since inception	10	20
Dividend scale interest rate	6.25 ¹ 6.30 ²	6.14	n/a	n/a
Participating account investment rate of return	11.60	7.07	n/a	n/a
Participating surplus investment rate of return	3.35	3.07	n/a	n/a

¹ Dividend scale interest rate from January 1, 2025 through March 31, 2025.

² Dividend scale interest rate starting April 1, 2025.

The actual and target asset mix of the investment portfolio is as follows:

Asset class		Permitted range (%)	Target mix (%)	Actual mix (%)
Fixed income	<ul style="list-style-type: none"> • Short term • Government bonds • Corporate bonds • Commercial mortgages • Private placement 	30-70	50.0	47.1
Non fixed income	<ul style="list-style-type: none"> • Equity • Commercial real estate 	0-50	27.5 22.5	29.5 23.4
Total			100	100

Policy disclosures

Participant Account Management Policy – Participating Whole Life Product (December 2025)

Per paragraph 165 (2) (e.1) of the Insurance Companies Act (ICA) the directors of a company shall “...establish a policy respecting the management of each of the participating accounts maintained under section 456”. This policy addresses the management of the participating account for the Participating Whole Life product launched by RBC Life Insurance Company in January 2021.

- a. This management policy is for the Participating Whole Life policies issued by RBC Life Insurance Company. This is an open block of business – and includes all policies sold since the launch date. This participating account is managed with regard to Company’s enterprise risk management framework.

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. The Company’s Investment Policy provides governance for assets in the participating account. Changes to the Investment Policy require approval of the Company’s Investment Committee and Board of Directors. Further details of the Investment Policy for this account are provided in Appendix 1.
- c. The Company maintains a separate participating account for the purpose of measurement of the earnings attributable to the participating account. The assets backing the participating account are segmented; no allocation methodology is required to split investment income between par accounts or with the shareholder. The participating account is credited with investment income earned on the segmented assets and charged with investment losses on those same assets. The actuarial liabilities charged to the account include best estimate liabilities and include provision for adverse deviation. Liabilities are determined using assumptions appropriate for the participating block in accordance with standards of practice set by the Canadian Institute of Actuaries.
- d. Investment expenses, investment income tax, and policy administration expenses pertaining to the sale and administration of these policies are charged to the participating account. Expenses associated with the development and set up of this new product will also be charged to the participating account but amortized so as not to penalize those policyholders who purchased their policy in the early stages of the product launch. The Company allocates expenses including overhead expenses in accordance with infrastructure and services provided in administering that line of business including participating accounts. Expenses are allocated to participating accounts and other lines of businesses in proportion to appropriate business statistics. Certain expenses such as but not limited to agent compensation can be directly allocated.

In certain instances, the Company may decide to invest in projects and development outside the normal course of administering policies. These expenses may include, but are not limited to, capital expenditures such as IT infrastructure, restructurings, product developments and acquisitions. The principle for allocating these expenses would include as appropriate the contribution made by that line of business in incurring the expense and the future benefit derived by that line of business. The decision to incur such expenses and the resulting allocation will be reported and justified to the Appointed Actuary and reported to the Board.

Taxes are allocated to the participating account using the relevant characteristics of the participating and non-participating accounts that are determinative of the tax costs under consideration.

- e. The Company manages the participating account on the permanent contribution to surplus principle. Permanent contribution means that any earnings of the participating account which are not distributed to participating policies or transferred to an account other than the participating account, as allowed by legislation become a permanent part of the participating account surplus.

The surplus is managed with the goal of ensuring that the Company can meet its obligations to participating policyholders, help ensure financial strength and stability of the Company, finance new business growth and acquisitions which may benefit the participating account, provide for transitions during periods of major change, and avoid undue fluctuations in dividends; subject to items such as practical considerations and limits, legal and regulatory requirements, and industry practices. A portion of earnings for each financial period is retained in the participating account surplus. The participating account surplus position is reviewed annually, having regard for the specific circumstances of the participating account. Based on the review, policyholders' future contributions to surplus may be adjusted by increasing or decreasing the dividend scale. There are currently no constraints or limits on the level of surplus. Transfers of surplus to an account other than a participating account are limited by the ICA.

- f. The participating account is managed in accordance with the commitments made to policyholders at the time this product was launched. The Company is committed to make additional investment into the participating account at the initial launch of this product, to fund initial development costs, strengthen the surplus position and ensure stability in dividends during the start-up period. Under the ICA, the Company has the right to transfer its initial investment with reasonable rate of return accrued back to the company when it is no longer required to support the participating business with the permission of the Office of the Superintendent of Financial Institutions (OSFI).
- g. Per section 461 of the ICA, "A company that has share capital may, from a participating account maintained pursuant to section 456, in a financial year and at any time within six months after the end of that financial year, make a payment to its shareholders, or transfer an amount to an account (other than a participating shareholder account...". The Appointed Actuary will inform the Board of Directors and seek their approval with regards to Company's intention of making a transfer to an account other than a participating account and that the proposed transfer is permitted under the ICA. The Company intends to transfer the maximum amount allowed under section 461 of the ICA every year.
- h. The Board of Directors may amend this policy from time to time due to changes in the external environment such as legislative, regulatory, taxation, accounting rules or other fundamental changes in circumstances.
- i. This Policy is reviewed by the Appointed Actuary in accordance with generally accepted actuarial practice and pursuant to OSFI guidance. As per OSFI Guideline E-16, 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 Account Management Policy will be reviewed by the Board triennially. The Policy will be reviewed in 2028, and in the interim if amended.

Policy Approval

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

Appendix 1: Summary of Investment Policy for Participating Whole Life Account

The investment policy for the participating account is set based on the specific objectives and liability characteristics of the participating account. The Board of Directors are required to approve any changes to the investment policy.

Asset Segmentation

Instead of being fully segregated, assets for the participating account are segmented. Cash premium payments and cash benefit payments for the participating policies are processed using the same Company bank account as for the non-participating policies. Strict accounting controls are in place to ensure that participating policy transactions are identified separately from non-participating policy transactions, so that money is appropriately applied to the participating segment's assets. Transactions are reconciled monthly. This ensures that the participating segment is being credited with the appropriate amount of investment income.

Within the par segment, there are two distinct accounts. The Par Fund holds the assets backing par liabilities. The Par Surplus Fund holds the assets backing the accumulated par surplus and seed capital. Investment philosophies differ between the Par Fund and Par Surplus Fund as described in this policy.

Investment Philosophy for Par Fund

Policyholder expectations for investment returns in a par fund are generally established by the Dividend Scale Interest Rate (DSIR). Investment strategy and ALM implications arise from the observations that (a) the DSIR represents a long-term target investment yield, (b) the magnitude of the DSIR is dictated in part by competitive pressure, and (c) management intends to put mechanisms in place to stabilize policyholder dividends against the impact of short-term investment yield variances (and other insurance experience variances).

Competitive pressure tends to make the DSIR target higher than typical investment-grade fixed income asset yields. Therefore, the investment objective for this participating account is to construct a well-diversified portfolio of long-term assets consisting of a combination of high-quality fixed income and non-fixed income (NFI) investments. The objective of the NFI portion of the portfolio is to add incremental yield over investment-grade fixed income yield, as historically NFI assets generate higher returns than bonds over a long holding period.

Description of Assets

The Board has approved a 50/50 target allocation between fixed income assets and NFI assets. The target allocation to specific asset classes within the fixed income and NFI categories is delegated by the Board to the Company's management team.

The fixed income assets will mainly consist of investments with defined cash flows including but not limited to investment grade government and corporate bonds, term-loans, private debt, structured products, and commercial mortgages. The non-fixed income assets will mainly consist of investments in alternative assets without defined cash flows, including but not limited to public equities, commercial real estate, infrastructure debt and equity, and structured credit funds. No derivatives are used.

The Company's asset mix will reflect a prudent risk management approach, including but not limited to management of the following risks:

- credit risk: the fixed income asset portfolio will consist primarily of investment-grade assets
- interest rate risk and reinvestment risk: maturities of the fixed-income assets will be staggered
- concentration risk: the asset portfolio will be diversified in terms of single name and sector exposures

- market risk: the NFI asset portfolio will be diversified by sector and region to protect against market volatility and/or market cycles.
- liquidity risk: a separate par surplus account will be maintained to ensure sufficient liquidity exists to protect par cash flow requirements against adverse short-term experience variances.

Investment Objectives for Par Surplus Fund

The investment philosophy for the par surplus fund including any seed capital is significantly more conservative than the philosophy for the par policyholder fund. The asset mix will consist entirely of fixed income assets with a short duration, similar to the investment strategy for the Company's general surplus. This strategy will provide short-term liquidity to support the par account, if needed, and also provide investment income consistent with the terms of the eventual payback of the seed capital.

Participating Policyholder Dividend Policy – Participating Whole Life Product (December 2024)

- 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.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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).
- 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 participating accounts of the Company) of the total amount distributed. The Company intends to transfer the maximum amount allowed.
- 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 Policy is reviewed in accordance with generally accepted actuarial practice and pursuant to the guidance of the Superintendent of Financial Institutions by the Appointed Actuary. 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.

This Participating Policyholder Dividend Policy will be reviewed by the Board triennially. The Policy will be reviewed in 2024 and 2027, and in the interim if amended.

Policy Approval

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