Dear Mr. Client,

Re: Your Adjustable Life insurance policy, contract number LI-R123,456-7

This letter provides some important information about your Adjustable Life insurance policy.

The policy you purchased includes a provision that allows for adjustment of the policy. The adjustment provision of your policy explains that the adjustable life benefit amount (we refer to this in your annual statement as your “basic insurance” benefit) is adjustable every three years when your policy’s cost basis is reviewed. The cost basis is determined according to our future expectations of pricing factors such as investment returns, mortality, expenses, taxes, inflation and how long people keep their policies.

Use this paragraph instead for clients with total disability benefit:
The policy you purchased includes a provision that allows for adjustment of the policy. The adjustment provision of your policy explains that the adjustable life benefit amount (we refer to this in your annual statement as your “basic insurance” benefit), the total disability benefit amount (we refer to this in your annual statement as “waiver of premiums”), and premium amounts are adjustable every three years when your policy’s cost basis is reviewed. The cost basis is determined according to our future expectations.
of pricing factors such as investment returns, mortality, expenses, taxes, inflation and how long people keep their policies.

After reviewing your policy’s cost basis for the next three-year period, we have determined that an adjustment is required. An adjustment to your policy can come in one of two forms, and we ask you to determine which option works best for your needs. The first adjustment option will maintain your current level of coverage, and requires a premium increase. The second adjustment option allows you to maintain your current premium cost with a decrease in the amount of your basic insurance benefit. The enclosed Questions and answers provide more information on why your policy needs to be adjusted at this time.

What do you need to do?
Please use the enclosed Option form to select whether you want to increase your premium and maintain your current basic insurance benefit (Option 1), or maintain your current premium payment and reduce your basic insurance benefit (Option 2).

Please return the Option form to us by May 1, 2007. If we do not receive your completed option form by May 1, 2007, Option 1 will be used for your policy.

The option you choose has implications for future adjustments, which we describe below. Please review this information as you think about which option best meets your long-term needs.

Option 1: Increase your premium and maintain your basic insurance benefit.
Your current monthly premium of $123.45 will increase to $145.67 to maintain your basic insurance benefit. This premium includes the cost of your basic insurance benefit, the waiver of premium benefit and any other attached benefits you may have purchased. Your new increased premium will take effect on June 1, 2007 your policy’s next anniversary.

If you have pre-authorized chequing (PAC), the new premium will be withdrawn automatically from your account. If you don’t have a PAC arrangement with us, you will be billed on your next annual statement.

With Option 1, beginning on June 1, 2007 the cash values and paid-up values on your policy for the next three years (assuming all premiums are paid) will be:

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash value</th>
<th>Paid-up values</th>
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<tbody>
<tr>
<td>2007</td>
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<td>2008</td>
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<td>2009</td>
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Option 2: Maintain your current premium and reduce your basic insurance benefit. To maintain your current monthly premium of $123.45, your basic insurance benefit will reduce from $100,000 to $90,000. Your new, reduced basic insurance benefit will take effect on June 1, 2007 your policy’s next anniversary.

If you choose this option, it will automatically apply to any future adjustments when the cost basis for your policy has increased. If that happens, you will receive a letter letting you know your basic insurance benefit is reducing in order to maintain your premium. However, your basic insurance benefit will never be reduced below the minimum stated in your policy.

With Option 2, beginning on June 1, the cash values and paid-up values on your policy for the next three years (assuming all premiums are paid) will be:

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash value</th>
<th>Paid-up values</th>
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<tbody>
<tr>
<td>2007</td>
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Life insurance is an important part of your financial plan and Sun Life Financial is proud to be a partner in your plan. We know you value your insurance coverage, so we encourage you to take a few minutes to review the information in this letter and your Adjustable Life policy. You may want to contact your advisor to discuss your options and policy coverage in more detail before making your decision. You can reach your advisor, Peter Smith, at (123) 456-7890. If you have other questions, please contact your advisor or our Customer Service Centre at 1-800-786-5433.

Please keep this letter with your policy.

Sincerely,

Paul Fryer
Vice-President, Individual Product Development
Questions and answers about the adjustment to your Adjustable Life policy

Why is my policy adjusting now?
Although your policy’s cost basis is reviewed every three years, the last time an adjustment occurred was more than 10 years ago. Since that time, investment returns on your policy (and other similar policies) have declined. During the same period, there was improvement in other pricing factors, such as mortality, which offset most of these investment losses. This meant an adjustment to premium and basic insurance benefit amounts was not necessary.

At this time, while there continues to be improvement in some pricing factors, the improvement is no longer enough to compensate for the continued lower interest rate environment. As a result, an adjustment to your policy is now necessary.

Is this the last time my policy will be adjusted?
It is not possible to predict if another adjustment will occur. Whether an adjustment is needed continues to depend on our future expectations of the pricing factors which impact your policy’s cost basis.

For example, it is possible that the cost basis could decrease. If this happens, then your basic insurance benefit would increase. Your premium would not change.

It is also possible the cost basis could increase again. If this happens, your premium may increase or the basic insurance benefit may reduce, depending on which option you choose to manage this year’s adjustment. Your basic insurance benefit will never decrease below the minimum stated in your policy.

However, as explained in the adjustment provision of your policy, your policy is only adjustable every third policy anniversary.

What are cash values and why are only three years shown?
The cash value of your policy is the amount available to you in cash if you were to cancel your policy (also known as a surrender), a portion of which may be taxable on surrender. The cash value of your policy on each policy anniversary is shown on your annual statement.

Since your policy is adjustable every third policy anniversary, cash values beyond the next three years are not guaranteed. Policy loans and any premium arrears will be deducted from this cash value prior to payment.
What are paid-up values and why are only three years shown?
The paid-up value of your policy is the amount of basic insurance benefit that will remain in force if you decide to stop making premium payments.

Since your policy is adjustable every third policy anniversary, paid-up values beyond the next three years are not guaranteed. Cash values are used in the calculation of paid-up values, therefore policy loans and any arrears which impact cash values will also impact paid-up values.
Policy no: LI-R123,456-7

Policyholder name: John Client

I have reviewed the options described in the letter that accompanied this form and I understand the implications of each option. I understand that the change to my policy will be effective on June 1, 2007 (policy anniversary date). I have chosen the option selected below.

(Please check one of the option boxes.)

☐ Option 1 – Increase my premium and maintain my current basic insurance benefit.
My current monthly premium of $123.45 will increase to $145.67 in order to maintain my current basic insurance benefit. My new increased premium will take effect on my policy’s next anniversary date.

☐ Option 2 – Maintain my current premium and reduce my basic insurance benefit.
Reduce my basic insurance benefit from $100,000 to $90,000 and maintain my current monthly premium of $123.45. My new reduced basic insurance benefit will take effect on my policy’s next anniversary date.

Signature: __________________________________________

Date: __________________________________________

Please return this form in the attached reply envelope.

Internal use only
Forward to: Document Centre
300B25

www.sunlife.ca