



## **CODE OF CONDUCT & ETHICS**

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September 10, 2007



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## **CODE OF CONDUCT & ETHICS**

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When acting for Assuris directors, officers and employees will uphold our values: integrity and respect. This Code of Conduct and Ethics describes our values and how to uphold them.

The Appendices show specific guidelines for:

1. Avoidance of Breach of Confidentiality
2. Avoidance of Conflict of Interest
3. Related Party Transactions
4. Reporting and Consequences of Breach of this Code.

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# VALUES

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## **Integrity**

We demonstrate our integrity with confidentiality, honesty, independence, fairness and transparency.

### Confidentiality

We will keep Assuris' business confidential and will not discuss it with outsiders except on a "need to know" basis.

- We will abide by the Guidelines on Avoidance of Breach of Confidentiality (page 4).
- We will ensure that our acts or omissions do not cause information about Assuris and about Member Companies obtained from Assuris or a regulator to be seen by outsiders.
- We will keep confidential employees' and directors' personal information.

### Honesty

We will not use our positions with Assuris, or information about Assuris to make money or gain other advantage for ourselves or anyone else;

- We will abide by Assuris' Guidelines on Avoidance of Conflict of Interest with Respect to Member Companies (page 8);
- We will not make personal unauthorized use of Assuris resources;
- We will claim and authorize expenses only if they are spent for the benefit of Assuris;
- We will not do anything which interferes with our duty of care to Assuris;
- We will conduct all Assuris business within both the letter and the spirit of the law.

### Independence

We will maintain sufficient independence from our member companies so that we can apply unbiased judgment in our decisions about Member Companies.

- We will abide by Assuris' Guidelines on Avoidance of Conflict of Interest with Respect to Member Companies (page 8);
- We will abide by Assuris' Guidelines on Related Party Transactions (page 15);
- We will not accept from anyone a bribe, gift, or benefit that could be seen as an inappropriate attempt to influence us.

### Fairness

We will deal with all Members, policyholders, governments, employees and business associates fairly and openly.

- We will make clear in all negotiations the terms of negotiation;

- We will not give to anyone a bribe, gift or benefit that could be seen as an inappropriate attempt to influence others.

### Transparency

Our communication to Members, policyholders, governments and employees will be clear, honest, relevant, and timely.

- We will communicate to:
  - Members on how we manage Assuris on their behalf;
  - Policyholders on the coverage that we provide to them;
  - Primary regulators on all findings and opinions about a Member Company regulated by them;
  - Employees on all issues about Assuris business and assessment of their skills, behaviours and opportunities within Assuris.

## **Respect**

The following illustrates how we demonstrate respect.

### Discrimination

We will not discriminate on any basis including discrimination on the basis of race, religion, sex, sexual orientation, handicap, marital status, family status or age.

### Bilingualism

We will respect the two official languages of Canada and comply with our language policy.

### Harassment

We will not tolerate verbal, physical, or sexual harassment.

### Privacy

We will respect employees' and directors' rights to personal privacy.

## **GUIDELINES ON AVOIDANCE OF BREACH OF CONFIDENTIALITY**

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Employees and directors must use their judgment in maintaining confidentiality and must follow the guidelines below.

All information concerning Assuris is confidential and in particular most of the information concerning Member companies obtained by Assuris is subject to an undertaking with the Office of the Superintendent of Financial Institutions Canada (OSFI), and understandings with l' Autorité des marchés financiers (AMF) and the Financial Services Commission of Ontario (FSCO), that all information received by members of the Board of Directors and employees concerning Member companies is to be kept confidential.

Employees, directors, and consultants who have confidential Assuris information, must sign a confidentiality agreement substantially in the following form. We expect them all to follow the letter and the spirit of this agreement.

Employees and directors must reconfirm annually that they have read the confidentially guidelines and understand their duties of confidentiality to Assuris.

### **Period of Effect**

These guidelines will be binding on directors, employees and consultants and will survive the termination of their directorship, employment or assignments.

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## **ACKNOWLEDGMENT OF CONFIDENTIALITY**

All information concerning Assuris is confidential and in particular most of the information concerning Member Companies obtained by Assuris is subject to an undertaking with the Office of the Superintendent of Financial Institutions Canada (OSFI), and understandings with l' Autorité des marchés financiers (AMF) and the Financial Services Commission of Ontario (FSCO), that all information received by members of the Board of Directors/employees concerning Member Companies is to be kept confidential.

I have signed a confidentiality agreement in the form attached.

I acknowledge that I understand the duties of confidentiality I owe to the Corporation.

Signature of employee or Director \_\_\_\_\_

Print Name of employee or Director \_\_\_\_\_

Date \_\_\_\_\_, 2007

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Canadian Life and Health Insurance  
Compensation Corporation (“Assuris”)  
1 Queen Street East, Suite 1600  
Toronto, Ontario  
M5C 2X9

Dear Sirs:

**Re: Undertaking**

**WHEREAS** the undersigned is a director/employee/consultant of the Canadian Life and Health Insurance Compensation Corporation (“Assuris”);

**AND WHEREAS** for the purpose of enabling the undersigned in his/her capacity as a director/employee/consultant of Assuris to perform his/her duties or functions as they relate to Assuris and its operations, Assuris may from time to time disclose to him/her information (the “Information”) about any Member of Assuris which may include information disclosed to Assuris by the Superintendent of Financial Institutions (the “Superintendent”) pursuant to subsection 672(2) of the *Insurance Companies Act*.

**NOW THEREFORE** the undersigned undertakes and agrees as follows:

1. The undersigned shall treat the Information as confidential and not disclose the Information to any other person.
2. The confidentiality obligation imposed by section 1 shall not apply where:
  - a) the Information is known to the undersigned prior to disclosure by Assuris;
  - b) the Information is, at the time of disclosure, part of the public domain;
  - c) the Information, after the time of disclosure, becomes part of the public domain other than by disclosure by the undersigned;
  - d) the Information is the same as information which has come to the undersigned from a third party who is not under a similar agreement or obligation of confidentiality;
  - e) the Information is necessary to be disclosed in connection with legal proceedings in which Assuris is a party;
  - f) the undersigned is required to disclose the Information by law, including pursuant to an order of a court of competent jurisdiction; or
  - g) the Superintendent has approved the disclosure of the Information.

3. The undersigned shall be at liberty to discuss the Information at meetings of Assuris' Board of Directors, provided that all attendees have executed similar confidentiality undertakings.

The undersigned hereby authorizes Assuris to deliver copies of this letter to any regulatory authority from which confidential information is received including the Superintendent, and to any member of Assuris to which the Information relates.

**IN WITNESS WHEREOF** the undersigned has executed this Undertaking on this \_\_\_\_\_ day of \_\_\_\_\_, 2007.

\_\_\_\_\_  
Witness

## **GUIDELINES ON AVOIDANCE OF CONFLICT OF INTEREST WITH RESPECT TO MEMBER COMPANIES**

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By-Law No. 1 paragraph 7.10 states that:

*“The Board may adopt guidelines that are binding on all directors in the performance of their duties. The guidelines may deal with conflicts of interest, the circumstances in which directors should disqualify themselves from voting or participating in a Board decision.....”*

This document sets forth the guidelines for conflict of interest adopted by the Board. In order to be complete, these guidelines make reference to other restrictions on directors prescribed by paragraph 7.1.2 and Schedule E of the By-Law No. 1 (By-Law). If any interpretation of those restrictions is required the By-Law is the definitive document.

### **Independence**

#### *Employee or director of a Member or Affiliate*

1. Directors cannot serve as a director of a Member. (By-Law 7.1.2.1)
2. Directors cannot serve as a director of an Affiliate of a Member.
3. Directors cannot be an officer or an employee of a Member or an Affiliate of a Member. (By-Law Schedule E 3(a))
4. Employees cannot be an officer or an employee or serve as a director of a Member or an Affiliate of a Member.

#### *Consulting services to a Member or an Affiliate*

5. Directors must not provide consulting (or other goods or services) to a Member and Affiliates of a Member where the billings would in aggregate exceed 10% of the director's income.

In addition, directors must not provide consulting (or other goods or services) to a Member where the billings would exceed 10% of the director's total annual billings. (By-Law Schedule E 3(g))

A person is ineligible to serve as a Director if they are a partner or an employee in a firm or an employee, officer or director of a corporation that provides consulting (or other goods or services) to a Member that exceeds 10% of that firm's or corporation's total annual billings. (By-Law Schedule E 3(g))

6. A spouse of a director must not provide consulting (or other goods or services) to a Member where the billings would exceed 10% of the spouse's total annual billings. (By-Law Schedule E 3(i))

A person is ineligible to serve as a Director if their spouse is a partner or an employee in a firm or an employee, officer or director of a corporation that provides consulting (or other goods or services) to a Member that exceeds 10% of that firm's or corporation's total annual billings. (By-Law Schedule E 3(i))

7. Employees must not accept consulting assignments with a Member or an Affiliate of a Member.

*Spousal employment by a Member or Affiliate*

8. The spouse of a director cannot be an officer or an employee of a Member or an Affiliate of a Member. (By-Law Schedule E 3(i))
9. If a spouse of a director is a director of a Member or an Affiliate of a Member, that director will be excluded from all discussions and decisions related to that Member, after that Member is declared a Company of Concern.
10. If a spouse of an employee is an employee or director of a Member or an Affiliate of a Member, that employee will be excluded from all discussions and decisions related to that Member, after that Member is declared a Company of Concern.

*Unfunded retirement income or benefits from a Member or Affiliate*

11. If an employee or director receives unfunded retirement income or benefits from a Member that in aggregate exceed 10% of their income, they will be excluded from all discussions and decisions related to that Member, after that Member is declared a Company of Concern.

*Investments in a Member or Affiliate*

12. Directors may not own Investments in a Member and its Affiliates that in aggregate exceed 10% of the director's net worth.
13. Directors may not own Investments in a Member and its Affiliates that in aggregate exceed \$500,000.
14. A director, together with their spouse or children that are less than eighteen years of age, may not own investments in a Member and its Affiliates that in aggregate exceeds \$500,000 or 10% of their combined net worth unless the director has no knowledge of the investments of their spouse and other family members and all reasonable precautions have been taken to prevent the director from gaining knowledge of the investments.
15. Directors or their spouse may not own a Significant Interest in a class of shares of a Member. (By-Law Schedule E 3(b) and 3(i)).

16. Directors or their spouse may not own a Substantial Investment in an Affiliate of a Member. (By-Law Schedule E 3(c) and 3(i)).
17. Employees may not own Investments in a Member or Affiliate.
18. Employees may not manage or advise on any portfolio of investments that includes direct investments in a Member or an Affiliate of a Member.
19. Spouses and children that are less than eighteen years of age of an employee may not own investments in a Member or its Affiliates unless the employee has no knowledge of that investment and all reasonable precautions have been taken to prevent the employee from gaining knowledge of the investment.

*Normal course consumer products with a Member or Affiliate*

20. A director or employee who has Accumulation Products from a Member which exceeds \$500,000 or 10% of their net worth will be excluded from all discussions and decisions related to that Member, after that Member is declared a Company of Concern.
21. There are no restrictions on employees and directors with respect to the acquisition and holding of any other consumer product of a Member or an Affiliate of a Member issued in the normal course of business.
22. Consumer products include annuities, life insurance, disability insurance, bank accounts, guaranteed investment certificates and brokerage accounts.

**Personal Gain**

*Trading of investments of Member or Affiliate*

23.
  - a. A director, and if appropriate (see section 14 above) their spouse or children that are less than eighteen years of age, must cease all trading in Investments of a Member and its Affiliates when the Compliance Officer places that Member on the list of Companies of Concern to Assuris. This list shall be made available to directors annually and at the time of any change.
  - b. A director who manages investments must cease all trading in Investments of a Member and its Affiliates when the Compliance Officer places that Member on the list of Companies of Concern to Assuris. This list shall be made available to directors annually and at the time of any change.
  - c. The prohibition to trade described in paragraph (a) does not apply where Investments are held in a fully managed account pursuant to an agreement in form satisfactory to the Compliance Officer. An account is fully managed when the account-holder does not make or participate in making or influence any investment decision to trade in

specific securities of the account (other than by establishing general investment objectives for the account) and the third party account manager does not communicate directly or indirectly with the account-holder (other than through periodic trade confirmations and account statements reflecting prior trading in the account) or seek or obtain the account-holder's advice with respect to any investment decision to trade in specific securities for the account. The placement of a Member on the list of Companies of Concern to Assuris does not alter the terms under which a fully managed account is operated. The prohibition on making, participating in making, or influencing any investment decision to trade in a specific security remains in effect.

- d. If a director (or their spouse or children that are less than eighteen years of age) wishes to terminate a fully managed account at a time when it is invested in the securities of a Member on the list of Companies of Concern to Assuris, the securities of the Member shall not be sold by the third party account manager. Rather, the securities are to be transferred into the control and direction of the director (or their spouse or children that are less than eighteen years of age) and be subject to the prohibition to trade outlined in paragraph (a) above.
- e. A director and, if appropriate, his spouse or children that are less than eighteen years of age, shall promptly notify the Compliance Officer of entering into an agreement contemplated by paragraph (c) above or the termination of such an agreement contemplated by paragraph (d) above.

*Normal course consumer products with a Member or Affiliate*

24. Employees and directors must not, without prior approval of the Compliance Officer, dispose of any consumer products or borrow against a consumer product by way of policy loan or otherwise of a Member or an Affiliate issued in the normal course of business after the Compliance Officer places that Member on the list of Companies of Concern to Assuris.

*Tipping*

25. An employee or director will not by positive action or inaction use any information obtained from Assuris to allow other persons or entities to attempt to make a monetary gain, avoid a monetary loss or gain any other inappropriate advantage.

*Other restrictions in Schedule E of By-Law No. 1*

26. A director or their spouse may not:
  - a. be a significant borrower in respect of the Member; (By-Law Schedule E 3(d) and (i))

- b. be an officer or employee of an entity that is a significant borrower in respect of the Member; (By-Law Schedule E 3(e) and (i))
- c. control one or more entities of which the total indebtedness to the Member or to an Affiliate of the Member would cause those entities, if treated as a single entity, to be a significant borrower of the Member; (By-Law Schedule E 3(f) and (i))
- d. have a loan that is not in good standing from a Member or from an Affiliate of a Member or is a director, an officer or an employee of, or a person who controls, an entity that has a loan that is not in good standing from the Member or from an Affiliate of the Member. (By-Law Schedule E 3(h) and (i))

## **Disclosure**

### *Disclosure to Assuris*

27. Each employee and director will confirm in writing to the Compliance Officer annually that they are in compliance with this policy. They are required to disclose the nature of their relationships with Members or Affiliates including;
- a. Consulting services
  - b. Spousal employment
  - c. Unfunded retirement income or benefits
  - d. Investments
  - e. Family or spousal Investment
  - f. Normal course consumer products

Employees and directors will also confirm that the associated dollar amounts fall within these guidelines.

28. The nature and extent of the disclosure by employees and directors will be determined by the Compliance Officer.
29. Any change must be reported to the Compliance Officer with 30 days.
30. Each year the Compliance Officer will report to the Board and the Corporate Governance Committee on compliance with these guidelines.

### *Public disclosure*

31. Assuris will disclose in the annual report to Members the process for ensuring compliance with the Code of Conduct and Ethics and the Board's formal conclusion on compliance with the Code.

## **Compliance Officer**

32. The Board will appoint a Compliance Officer.

33. The Compliance Officer shall obtain from each employee and director a confirmation that they have read and understand these guidelines, agree to abide by these guidelines, and confirm that they are currently in compliance with the guidelines. The Compliance Officer will report to the Corporate Governance Committee of Assuris once a year in order to confirm that all directors and employees have reported their compliance with this guideline.
34. The Compliance Officer will have direct private access to the Chair of the Corporate Governance Committee at any time.
35. At least annually, the Compliance Officer will circulate to all employees and directors a list of individuals who have conflicts of interest naming the Member Companies in respect of which they have a conflict.
36. The Compliance Officer with the approval of the CEO may place a Member on the list of Companies of Concern to Assuris at any time and will place a Member on the list of Companies of Concern to Assuris when that Member is reported as a Company of Concern in the All Companies Analysis Report (ACAR).

### **Securities Legislation and Other Applicable Legislation**

37. All persons covered by these guidelines are, in addition, subject to applicable corporate, criminal and securities legislation. Generally, this legislation makes it illegal to trade in securities of a public company with knowledge of undisclosed material information or to inform others (tip) about undisclosed material information.

### **Exemptions from the guidelines**

38. The Board of Directors may grant exception to an employee or director from specific clauses of these guidelines if it is satisfied that it is reasonable in the circumstances. Such exemptions will be reviewed annually.

### **Period of Effect**

39. These guidelines will be binding on directors and employees while they are serving as directors or employed by Assuris. The guidelines relating to trading of investments, tipping and disposing of normal course consumer products are binding on directors and employees for a period of 12 months following the termination of their directorship or employment with Assuris.

### **Definitions**

40. Accumulation Products are any product issued by a Member that is covered by Assuris' accumulated values coverage.

41. Affiliate is an entity which controls the member or is controlled by the Member or is controlled by the same person as the Member.
42. Company of Concern is a Member which has been placed on list of Companies of Concern to Assuris by the Compliance Officer with the approval of the CEO.
43. Investments include any position, long, short or optional, in equity or debt or convertible interests of the Member or an Affiliate.
44. Significant Interest has the meaning given to it in the Insurance Companies Act (Canada) and Regulations in force as at June 27, 1995  
“A person has a significant interest in a class of shares of a company of an insurance holding company if the aggregate of
  - (a) any shares of that class beneficially owned by the person, and
  - (b) any shares of that class beneficially owned by entities controlled by the personexceeds 10 per cent of all of the outstanding shares of that class of shares of the company or insurance holding company, as the case may be.” (By-Law 7.1.2.1)
45. Substantial Investment has the meaning given to it in the Insurance Companies Act (Canada) and Regulations in force as at June 27, 1995  
“A person has a substantial investment in a body corporate where
  - (a) the voting rights attached to the aggregate of any voting shares of the body corporate beneficially owned by the person and by any entities controlled by the person exceed 10 per cent of the voting rights attached to all of the outstanding voting shares of the body corporate; or
  - (b) the aggregate of any shares of the body corporate beneficially owned by the person and by any entities controlled by the person represents ownership of a greater than 25 per cent of the shareholders’ equity of the body corporate.” (By-Law 7.1.2.1)

## **GUIDELINES ON RELATED PARTY TRANSACTIONS**

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Assuris is not obliged by any statute or regulation to perform any review of related parties. However, good corporate governance requires that the Board of directors should be aware of all transactions with related parties and satisfy itself that those transactions are appropriate and in the best interests of Assuris. One guide to “Best Practice” in this area is the rules laid down by regulation for Canadian financial institutions. Assuris’ subsidiary company, CompCorp Life, is subject to these regulations. Those regulations have been used as a benchmark in formulating these guidelines.

Each employee and director is required to disclose to the Compliance Officer the names and nature of any related party.

### **RELATED PARTY TRANSACTIONS ANNUAL REVIEW**

The Compliance Officer will prepare a report annually to the Corporate Governance Committee on:

- The procedures undertaken to identify related parties
- The procedures to identify transactions with those related parties
- The names of all related parties
- The nature of the corporation’s relationship with each related party
- A list of the type of transactions considered to be in the ordinary course of business with those related parties
- The list of transactions with related parties which are outside normal course of business but are considered to be Permitted Related Party transactions
- An opinion on the appropriateness of any Permitted Related Party transactions
- Any related party transactions not considered to be permitted

The Corporate Governance Committee will report annually to the Board on its review of the report from the Compliance Officer.

The Committee should review the practices of the Corporation to ensure that any transactions with related parties that may have a material effect on the stability or solvency of the Corporation are identified.

### **Definition of a Related Party for Assuris and CompCorp Life**

Assuris is a not-for-profit corporation incorporated under the Canada Corporation Act and CompCorp Life is a wholly-owned subsidiary company incorporated under the Insurance Companies Act.

A person is a related party where the person is:

- (a) a director or employee of Assuris or CompCorp Life
- (b) the spouse or common-law partner, or a child who is less than eighteen years of age, of a person described in paragraph (a)
- (c) an entity that is controlled by a person referred to in paragraphs (a) or (b)
- (d) a corporation of which a person referred to in paragraphs (a) or (b) is a director.

### **Definition of “transactions”**

Entering into a transaction with a related party of a company includes making a guarantee on behalf of the related party; making an investment in any securities of the related party; taking an assignment of or otherwise acquiring a loan made by a third party to the related party; taking a security interest in the securities of the related party; and causing the company to be reinsured by the related party against any risk undertaken by the company.

### **Permitted Related Party transactions**

In considering transactions that are permitted the compliance officer will refer to S522 and S533 of the Insurance Companies Act. These sections describe permitted transactions and the required approvals.

### **Acceptable Permitted Transactions - Market terms and conditions**

To be acceptable a permitted transaction must be on terms and conditions that are at least as favourable to the company as market terms and conditions.

## **REPORTING AND CONSEQUENCES OF BREACHES OF THE CODE**

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### **Reporting of Breaches of the Code**

An employee, officer or director (“the Complainant”) acting in good faith, may file a complaint relating to a suspected violation of the Code. The complaint will be dealt with confidentially. The investigation will be conducted timely and the results will be reported to the Corporate Governance Committee.

The Complainant may file a complaint confidentially to the Compliance Officer, President & CEO, or Chair of the Board by telephone, email or in writing. The Complainant should provide as much information with respect to the suspected violation so that an appropriate investigation can be conducted.

The investigation will be conducted by the individual the complaint was filed with. This individual will conduct the investigation as they consider appropriate in the circumstances. The investigation may only involve other officers or employees of Assuris and any other external consultants the individual believes is appropriate and necessary to conduct a proper investigation. The complaint and investigation will be treated with the strictest confidence and to the fullest extent permitted by law.

The individuals who receive complaints will report to the Corporate Governance Committee, at the next scheduled Committee meeting, all complaints received and the resolution or status of each complaint at every meeting of the Committee until the complaint is resolved. The Corporate Governance Committee will determine what further action is required on any complaint, or in the event of criminal or other serious violations of law, notification of appropriate governmental authorities.

There will be no retaliation or threat of retaliation taken against the Complainant who, in good faith, reports, or indicates an intention to report, a suspected violation of the Code. Anyone engaging in retaliatory conduct will be subject to disciplinary action and may include removal or discharge from Assuris.

An allegation that is filed by a Complainant that is proven not to be substantiated and is determined that the Complainant acted in a malicious manner or knowingly filed false information will be subject to disciplinary action and may include removal or discharge from Assuris.

### **Consequences of Breach of the Code**

Breach of the Code may lead to immediate removal of the director or dismissal of the employee. In addition, Assuris may take such other action as it determines is appropriate with respect to the particular director or employee.