

Sun Life Assurance Company of Canada 2010 Dividend Scale Announcement

Sun Life Assurance Company of Canada, a member of the Sun Life Financial group of companies, announces its 2010 policyholder dividend scale. The 2010 dividend scale reflects updated economic conditions through reduced interest rates and a small decrease in expenses.

The Special Maturity Dividend Scale has been slightly reduced as shown in Appendix II.

U.S. policy owners are projected to receive \$114.0 M in total dividend allocations during the 2010 dividend year, April 1, 2010 to March 31, 2011. This amount is down 15.2% from the 2009 dividend year's anticipated payout of \$134.5 M.

Interest rates

Investment returns from the portfolio of Par assets are declining slightly, resulting in a modest reduction to the dividend interest rate, following the prior year where there was no change to the gross interest rate.

The gross interest rate will be reduced from 7.15% to 6.60% for all policies.

The net interest rate credited to dividends left on deposit will be reduced from 4.0% to 3.5%.

The interest rate used for the prepaid premium deposits within the first ten years will be continued at 4.0%.

Expenses

For policies sold prior to demutualization, an increase in expenses has been made reflecting Consumer Price Index changes.

For policies sold after demutualization, an increase in expenses has been made reflecting company expense experience.

The 2010 dividend scale, in combination with existing products, services, and outstanding corporate financial strength, corroborates Sun Life Financial's commitment to in force Par policyholders.

The charts that follow provide examples of the impact of the dividend scale changes.

Sun Permanent Life Advantage

Male Preferred Non-tobacco • Issue Age 45 • \$500,000 Face Amount • Issued February 1998
Annual Premium of \$10,055

	2010 Dividend Scale	2009 Dividend Scale
Illustrated Payment Years	12.4	11.4
Illustrated Total Outlay	\$124,682	\$114,627
Full Pay Death Benefit at 85	\$1,161,711	\$1,285,062
Full Pay Cash Value at 85	\$925,782	\$1,028,278

Sun Permanent Life Advantage

Female Preferred Non-tobacco • Issue Age 50 • \$500,000 Face Amount • Issued March 1998
Annual Premium of \$10,535

	2010 Dividend Scale	2009 Dividend Scale
Illustrated Payment Years	12.3	11.4
Illustrated Total Outlay	\$129,581	\$120,099
Full Pay Death Benefit at 85	\$1,029,659	\$1,115,336
Full Pay Cash Value at 85	\$785,945	\$855,035

Spectrum Gold Advantage

Both Preferred Non-tobacco • Both Issue Age 55 • \$1,00,000 Face Amount • Issued April 1998
Annual Premium of \$17,455

	2010 Dividend Scale	2009 Dividend Scale
Illustrated Payment Years	15.3	13.6
Illustrated Total Outlay	\$267,062	\$237,388
Full Pay Death Benefit at 85	\$1,501,633	\$1,604,331
Full Pay Cash Value at 85	\$1,084,244	\$1,166,862

Spectrum

Both Non-tobacco • Joint Equal Issue Age 62 • Issued October 1991 • Annual Premium of \$33,411
\$1,350,000 Face Amount, including Enhanced Life Rider of \$450,000

	2010 Dividend Scale	2009 Dividend Scale
Illustrated Payment Years	24.6	22.6
Illustrated Total Outlay	\$821,911	\$755,089
Full Pay Death Benefit at 85	\$1,500,000	\$1,500,000
Full Pay Cash Value at 85	\$1,011,578	\$1,039,557

Sun Permanent Life Plus

Male Preferred Non-tobacco • Issue Age 41 • \$500,000 Face Amount • Issued June 2000
Annual Premium of \$7,290

	2010 Dividend Scale	2009 Dividend Scale
Illustrated Payment Years	15.8	14.6
Illustrated Total Outlay	\$115,182	\$106,434
Full Pay Death Benefit at 85	\$1,074,221	\$1,198,044
Full Pay Cash Value at 85	\$842,660	\$945,327

Sun Permanent Life Plus

Female Preferred Non-tobacco • Issue Age 45 • \$500,000 Face Amount • Issued January 2002
Annual Premium of \$7,400

	2010 Dividend Scale	2009 Dividend Scale
Illustrated Payment Years	15.6	14.4
Illustrated Total Outlay	\$115,440	\$106,560
Full Pay Death Benefit	\$969,235	\$1,065,364
Full Pay Cash Value at 85	\$726,724	\$804,200

Sun Survivorship Whole Life

Both Preferred Non-tobacco • Female Issue Age 43, Male Issue Age 44 • \$1,00,000 Face Amount
Issued July 2001 • Annual Premium of \$9,775

	2010 Dividend Scale	2009 Dividend Scale
Illustrated Payment Years	18.4	16.5
Illustrated Total Outlay	\$179,860	\$161,288
Full Pay Death Benefit	\$1,605,432	\$1,832,870
Full Pay Cash Value at 85	\$1,186,805	\$1,397,930

Sun Survivorship Whole Life

Both Preferred Non-tobacco • Both Issue Age 50 • Issued March 2001 • Annual Premium of \$6,948
\$750,000 Face Amount, including Enhanced Life Rider of \$250,000

	2010 Dividend Scale	2009 Dividend Scale
Illustrated Payment Years	26.6	21.7
Illustrated Total Outlay	\$184,817	\$150,761
Full Pay Death Benefit	\$750,000	\$827,990
Full Pay Cash Value at 85	\$551,566	\$614,728

In force illustrations

In force illustrations will show the 2010 dividend scale as per illustration regulations. Illustrations on those policies with anniversaries between now and March 31, 2010 will illustrate the next dividend payment on the 2010 scale versus the 2009 scale which is the scale that will be actually paid.

Note: Sun Life Financial advises you to wait until April 1, 2010 to request an in force illustration. At that time the new scale will apply to all future illustrated dividends for any anniversary date.

Policy annual reports

Annual reports have been provided on certain par policies sold since January 1, 1997 as required by regulations of various states. These regulations call for a notice in the annual report if any aspect of the dividends has changed adversely since the last report. Consequently, the following notice will appear on such annual reports sent between April 1, 2010 and March 31, 2011:

Note that the dividend scale effective April 1, 2010 has been revised to reflect recent actual and anticipated experience. On Reduced Paid-Up policies, the expense factors are unchanged; on all other policies, the expense factors have changed favorably. For all policies, the annual dividend interest factor has been reduced. For policies eligible to receive terminal dividends, the terminal dividend scale has been decreased slightly.

Additional information

This package contains the following additional information in appendix format:

Appendix I Summary of 2010 Dividend Scale and Interest Rates

Appendix II Special Maturity Dividends (SMDs)

Appendix III Prepaid Premium Interest Rates

Appendix IV Dividend Policy After Demutualization

Appendix V Comparing Dividends

APPENDIX I—SUMMARY OF 2010 DIVIDEND SCALE AND INTEREST RATES		
Annual Dividend Scale Interest Rates*	2009	2010
All Products	7.15%	6.60%
Policy Loan Interest Spreads		
Pre-1996 Policy Series	2.00%	2.00%
1996 Policy Series Sun Permanent Life Advantage, Spectrum Gold Advantage, and Sun Modified Life Plus	1.10%	1.10%
1998 Policy Series ¹ Sun Survivorship Whole Life, and Sun Permanent Life Plus		
• Issued prior to Demutualization	0.60%	0.60%
• Issued after Demutualization	0.95%	0.95%
Net Interest Rate for Dividends Left on Deposit	4.00%	3.50%
Prepaid Premium Interest Rates		
Years 1-10	4.00%	4.00%
Years 11+	3.00%	3.00%

*For policies with outstanding policy loans, a portion of the dividend will be based on the applicable policy loan interest rate or variable loan interest rate declared by the Company.

1. The company is required to revise dividends to reflect the experience differences between policies issued before vs. issued after demutualization, as such experience differences start occurring. See Appendix 4. The 2008 Dividend Scale was the first time different experience was reflected between policies issued before vs. after demutualization.

Appendix II—Special Maturity Dividends (SMDs)

Sun Life Assurance Company of Canada (“the Company”) introduced Special Maturity Dividends (SMDs) in 1985, thereby distributing that portion of the available surplus (1) attributable to the policy and (2) not previously distributed by way of annual dividends. SMDs, together with annual dividends credited to a policy, were intended to recognize the contribution that a policy was considered to have made to the surplus of the Company. When it was introduced in 1985, the SMD scale was applied to all new and existing participating policies.

In 1996, in response to changing market demands, the Company began offering its new participating products without SMDs, but with generally higher annual dividends. This change was in response to customer requests for lower out-of-pocket costs and generally higher annual dividends and cash values.

Even though more recent policies were sold without SMDs, the Company remains committed to SMDs for pre-1996 policy series. Therefore, the enhanced values provided by the SMDs will continue to be an integral part of these policies. Every pre-1996 policy remains eligible to receive this benefit at death, maturity or surrender.

The 2010 SMD scale has been decreased from the 2009 SMD scale.

Schedule of SMDs—2010 dividend Scale

As compared to annual or regular dividends, SMDs are payable only when the insurance coverage is terminated—either on a surrender of the policy after 20 years or on a death claim or maturity after 10 years. Upon any such occurrence, the amount paid out under the base policy and any accumulated Paid-Up Additions is increased by a percentage that varies by policy duration as follows:

Completed Policy Years	On Death or Maturity ^{2,4}		On Surrender ^{3,4}	
	2009 Scale	2010 Scale	2009 Scale	2010 Scale
10-12	5%	5%	0%	0%
13	6%	5%	0%	0%
14	7%	5%	0%	0%
15	8%	5%	0%	0%
20	13%	10%	5%	5%
21	14%	11%	5%	5%
22	15%	12%	5%	5%
23	16%	13%	6%	5%
24	17%	14%	7%	5%
25	18%	15%	8%	5%
35	28%	25%	18%	15%
45	38%	35%	28%	25%
46	39%	36%	29%	26%
47	40%	37%	30%	27%
55	40%	40%	38%	35%
56	40%	40%	39%	36%
57	40%	40%	40%	37%
58	40%	40%	40%	38%
59	40%	40%	40%	39%
60+	40%	40%	40%	40%

2. Payable as a percentage of the base face amount and the face amount of any Paid-Up Additions.

3. Payable as a percentage of the guaranteed cash value and the cash value of any Paid-Up Additions.

4. Scale for Paid-Up Additions under Spectrum Gold policies is one-half of the factors shown.

APPENDIX III—PREPAID PREMIUM INTEREST RATES

Prepaid Premium Interest Rates	2009	2010
Years 1-10 Prepaid Premium	4.00%	4.00%
Years 11+ Prepaid Premium	3.00%	3.00%

The following table translates these interest rates into factors for determining how much payment is necessary for prepayments of 1 to 20 years (factors for additional years are available from the Product department).

These factors should be multiplied by the total annual premium for the policy as they include the premium currently due.

Premium deposit fund annuity factors

For example, if the policyholder wants to pay 12 premiums on his policy anniversary, he would now need to pay his annual premium multiplied by 9.767.

Annual Premiums	Factors	Annual Premiums	Factors
1	1.000	11	9.111
2	1.962	12	9.767
3	2.887	13	10.404
4	3.776	14	11.022
5	4.630	15	11.623
6	5.452	16	12.205
7	6.243	17	12.771
8	7.003	18	13.320
9	7.733	19	13.854
10	8.436	20	14.371

Appendix IV—Dividend policy after demutualization

Under the Company's Dividend Policy, participating individual life insurance policies sold before demutualization are eligible to receive policy dividends paid from funds set aside and maintained for the benefit of these policies. Participating policies with an application dated March 21, 2000 or earlier are included in this group.

The basis for determining policy dividends on these policies is substantially the same as the basis before demutualization. Policy dividends generally reflect the experience of these policies over time, including the investment returns, taxes, lapse rates, and administrative expenses attributed to these policies, as well as the cost of mortality of persons insured under the policies. The administrative expenses attributed to these policies in future years were fixed at the time of demutualization, with the exception that those expenses attributed on a per policy basis are adjusted for inflation based on the U.S. Consumer Price Index.

Policy dividends on participating policies issued after demutualization will be distributed only from the earnings of those policies in the account maintained separately for them. These dividends will generally depend on the experience of those policies (including the investment return, taxes, lapse rates, administrative expenses, and cost of mortality) and the capital requirements of the Company.

The investment returns for post-demutualization policies for non-policy loan assets are the same as those for pre-demutualization policies, since both returns are derived from a common asset pool.

Although the gross dividend rate is the same for post-demutualization and pre-demutualization policies, the net dividend rate does vary between policy series to policy series (see Appendix V), and there has been a difference between the net dividend rate between post-demutualization and pre-demutualization policies since the 2008 scale.

Appendix V—Comparing Dividends

Policyholder dividends allocated to participating policies manifest the Company's experience with respect to investment earnings, mortality, lapses, and expenses.

Looking for an indicator to compare policy performance from one company to another, many consumers and producers mistakenly choose the dividend interest rate.

An interest rate for savings vehicles, such as a certificate of deposit, may be similar from one institution to another. However, using the dividend interest rate for a whole life insurance policy without understanding the related components is not a sound basis for such a comparison. In fact, such a comparison can be quite misleading.

The dividend interest rate is only one of several dividend components. It is possible for changes in mortality and expense components of the dividend to broadly offset changes in the dividend interest rate. In addition, usage of policy loans impacts dividends and policy benefits that might otherwise be available.

Even when looking solely at the interest component of the dividend, however, one cannot compare one insurer to another. Most companies, including Sun Life Assurance Company of Canada, use what is known as a gross dividend interest rate. This rate reflects an average gross investment yield earned on assets backing the policy, before deducting any expenses, taxes, and a contribution to surplus or profit. The provisions for these factors may differ from company to company or from policy series to policy series within the same company.

Some companies use a *net* dividend interest rate instead of a gross rate. A net dividend interest rate is the gross rate minus the aforementioned provisions for expenses, taxes, and a contribution to surplus or profit, which can differ substantially as noted previously.

In summary, it is quite difficult to make a meaningful and reliable comparison of dividend interest rates for different companies. Dividend interest rates viewed in isolation can be misleading. Total policy performance, reflecting premiums, guaranteed benefits, and non-guaranteed dividends, over the long run should carry the most weight in comparing policies.

Universal life insurance products are issued by Sun Life Assurance Company of Canada (Wellesley Hills, MA) and in New York, by Sun Life Insurance and Annuity Company of New York (New York, NY). Both companies are members of the Sun Life Financial group of companies. All guarantees are based on the claims-paying ability of the issuing company.

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10 of 10