
Invest with
confidence.

Hindsight Index Interest Option

The Hindsight Index Interest Option offers the safety of 100 per cent principal protection at maturity, plus a chance to participate in the upside potential of some of the world's leading equity markets. This option is an excellent way to add diversification, security and growth potential to your UL investment portfolio.

Invest with confidence

The Hindsight Index Interest Option offers a rate of return that is linked to a blend of the S&P 500,** DJ Euro Stoxx 50** and Nikkei 225** stock market indexes. This gives you the opportunity to participate in the growth of a highly-diversified basket of stocks from North America, Europe and Asia.

The Hindsight Index Interest Option is also tied to a principal protected note, which provides 100 per cent security of principal, similar to a GIC. As long as you hold your deposit to maturity, your original deposit amount will be repaid in full, even if the stock indexes decline during the holding period.*

The interest you receive at maturity will be calculated to maximize your return by assigning higher weightings to the best-performing indexes. This unique feature lets you invest with the added confidence of having 20/20 hindsight on the market.

Is the Hindsight Index Interest Option suitable for me?

The Hindsight Index Interest Option could be suitable if you:

- Are looking for long-term investments with the potential for higher returns than traditional fixed rate investments such as GICs
- Want returns linked to major world stock markets with the hindsight of being able to overweight the best-performing regions
- Are willing to forfeit some return potential for the security of 100 per cent principal protection

The Hindsight Index Interest Option is an innovative way to take even greater advantage of the features in every Transamerica universal life policy: tax deferral, tax-free benefits, the avoidance of probate fees, creditor protection and strong guarantees.

You couldn't ask for a better team of experts

Allen Wong & Associates in alliance with GinsGlobal Index Funds Ltd. brought three great companies together to create this distinctive opportunity for universal life policyholders. Banque Generale du Luxembourg is the issuer of the Note and provides the maturity guarantee; Merrill Lynch is the dealer and calculating agent for the Note. The issuer of the universal life contract is Transamerica Life Canada.

We are pleased to offer this compelling new investment choice within our industry-leading UL plans. Please keep reading for more details.


Benefit from potential growth and
security.

How does the interest option work?

Current tax legislation requires investments within a universal life (UL) policy to be part of the insurer's general assets in order to remain tax-deferred. This means you do not invest directly in the securities underlying the interest option(s) you select.

That's why Transamerica created interest options. We track the performance of the underlying investments and credit your policy with an equivalent gain or loss in the form of interest each business day, minus a fee.

The Hindsight Index Interest Option is a UL interest option whose performance is linked to a principal protected note. The note offers the 100 per cent principal protection, with the up-side potential – based on a certain Participation Rate[1] – of market-based investments. The note provides a payout at maturity of:

a) **100% of the principal, plus**

b) **the growth of a portfolio (but not less than zero) linked to the performance of the two or three of the best performing regional indexes over the designated period[2], using the following weightings:**

  i) **75 per cent (Top Performing Index) + 25 per cent (2nd Best Performing Index); or**

  ii) **50 per cent (Top Performing Index) + 30 per cent (2nd Best Performing Index) + 20 per cent (Worst Performing Index)**

The weighting for a series will be determined prior to the series open date. The first series will use the 50%/30%/20% weighting.

The issuer of the note must always have a rating of at least AA-.

Who issues and guarantees the note?

The issuer and guarantor of the note is Banque Generale du Luxembourg ("BGL" or the "Bank"). Since its establishment, the Bank has been active in both the domestic and international financial markets.

It has played a key role in the development of Luxembourg as an important international financial centre. In terms of assets, the Bank is a leading bank in Luxembourg, based on figures as at 31st December 2002. As a Luxembourg bank it is firmly integrated in the national community, playing an essential role in the receipt of deposits, the financing of industry, trade, the professions, agriculture and private households. BGL is rated AA- by Standard & Poor's rating agency.

BGL is a subsidiary of Fortis Bank. Fortis is an international financial services provider active in the fields of insurance, banking and investment. Fortis is listed at the Amsterdam-, Brussels-, London- and Luxembourg exchange. The Fortis organisation is structured around two main entities: Fortis Bank and Fortis Insurance. Fortis Bank is rated (AA-/Negative/A-1+) by Standard & Poor's. With a market capitalization of EUR 23.6 billion (30/04/2004) and approximately 53,000 employees, Fortis ranks in the top 20 of European financial institutions.


Realize fully optimized
returns.

How does the note work?

The note is designed to achieve two objectives:

- 100 per cent principal protection
- Stock market-linked investment returns

The note combines two types of financial vehicles:

- A guaranteed bond that will be worth the original principal amount on the maturity date
- Stock market futures and options that provide market exposure

Interest rates and the length of the note's term are important factors in determining how much of the principal amount must be invested in the bond, and how much can be allocated to stock market futures and options. The resulting ratio determines the participation rate, and will affect how much of the markets[2] total returns are paid to investors at maturity.

Example based on a $10,000 note

If interest rates are at 5 per cent and the note's term is 5 years, approximately $7,835 will need to be invested in a bond in order for it to grow to $10,000 by maturity, effectively guaranteeing the original principal. The remaining $2,165 may be allocated to market exposure. This ratio will change depending on the two key variables:

- If interest rates rose to 7 per cent, only $7,130 would need to be invested in the bond for it to mature at $10,000, permitting $2,870 to be invested for market exposure.
- If the term increased to 8 years, only $6,768 would need to be invested in the bond for it to mature at $10,000, permitting $3,232 to be invested for market exposure.

Generally, the higher the interest rate or the longer the term, the more money the investment manager can allocate to the equity component of the note. This increases the participation rate and can increase the return at maturity.

The investment manager cannot control interest rates, so they will adjust the term to be as short as possible while achieving a participation rate of at least 60 per cent. This careful optimization is designed to maximize returns without risking any of your capital.

What is the participation rate?

In exchange for the security of guaranteed principal, investors in the Hindsight Index Interest Option must forfeit some percentage of the returns of the underlying stock market indexes. The participation rate describes your actual level of participation in any rise in the underlying indexes, and is used to calculate the amount of interest that will be credited at maturity.

The participation rate is set on the investment date and primarily varies depending on interest rates, market price of the investment vehicles providing market returns and the term of the note underlying the Hindsight Index Interest Option (the price of the investment vehicle also has an impact). The following chart gives examples of how interest rates and terms can affect the participation rate.

Design a more balanced

portfolio.

Series Open Date

Deposits Accepted

Closing Date/Application and Cleared Funds Due
Deposit Confirmation
Transfer Notice Sent

Open for Investment

Approx. 90 days

5 days

Investment Date

5 days

Investment Certificate Sent

Series Term

Maturity Notice Sent

5 days

Maturity Date

Transfer of full maturity amount to the Treasury Bill (if no directive given)

5 days

Let's look at an example:

An investor invests in a 5-Year Hindsight Index Interest Option with a 50%/30%/20% index weighting. At the time of investment, the applicable 5-year interest rate is 6%[†] and the participation rate is 60%.

At maturity, the total average quarterly returns for each index are as follows:

S&P 500 12% **DJ Euro Stoxx 50 8%** **Nikkei 225 9%**

At maturity, the interest credited will be these returns multiplied by their respective weightings, and multiplied by the participation rate, as follows:

Index	Weightings		Average Quarterly Return		Gross returns based on weightings	Net return based on 60% Participation Rate
S&P 500	50%	X	12%	=	6%	
Nikkei 225	30%	X	9%	=	2.7% +	
DJ Euro Stoxx 50	20%	X	8%	=	1.6% +	
				=	**10.3% x 60%**	**6.18%**

Note: upfront sales fees are deducted from the equity exposure and are factored into the participation rate.

It is important to note that if the overall index returns had been negative over the term of the note, the return would have been zero.

How to invest

The minimum new deposit or transfer from another interest option to a series of the Hindsight Index Interest Option is $10,000. There is no minimum for subsequent deposits to the same series. The maximum deposit is limited by your policy's maximum premium amount (subject to tax laws), less the amount required to cover the life insurance policy's insurance costs that are taken as monthly deductions.

At the time an allocation is made to the Hindsight Index Interest Option, you must have enough money invested in other interest options to cover at least 12 months worth of insurance costs.

Overview of terms and conditions

Hindsight Index Interest Option series are made available from time to time. Transamerica publishes the availability of a new series at www.transamerica.ca/hiio/hiio.asp and also provides the target investment date for that series.

To apply for the Hindsight Index Interest Option you must complete a Hindsight Index Interest Option (HIIO) allocation form. Transamerica must receive HIIO allocation forms and funds in its head office by 3:00 p.m. (EST) on the closing date.

Transamerica will not consider an allocation valid unless the cheque is honoured on first presentation for payment.

Transamerica reserves the right to withdraw an invitation to invest in the Hindsight Index Interest Option at any time on or before the investment date, even if we have banked your cheque. If Transamerica does withdraw the invitation, we will refund your payment.

Transamerica will send an investment certificate, containing the particulars of your series within 5 Business Days after the investment date.

continued over


A valuable addition to your
long-term plan.

Overview of terms and conditions continued

You can allocate premiums to a Hindsight Index Interest Option on the series open date until the series close date with a minimum allocation of $10,000. During the period between your deposit date and the next available investment date you earn interest at our T-Bill interest rate. On the investment date, this interest is added to the amount you allocated and becomes the principal amount*. On the investment date, the index weightings for each Index, the participation rate and the term will be determined and communicated to you in the investment certificate.

The term of your Hindsight Index Interest Option starts on the investment date. Your principal (the amount you initially invest plus any interest earned until the issue date) minus the initial investment fee and interest option fee earns a return based on the percentage increase, if any from one day after the investment date to the maturity date of your Hindsight Index Interest Option series.

The return available for each series is determined based on a specific formula. If the closing index value is less than or equal to the closing value after issue, your return is 0% but your principal amount is returned. Principal and any interest earned are paid at, and not before, maturity.

For an indication of how a note similar to one that will be purchased for the Hindsight Index Interest Option has performed historically, refer to the Hindsight Index Interest Option fact page.

Investing fees

When you invest, an upfront investment fee of 3.5 per cent is deducted from the initial value of your allocation on the investment date. This fee is paid to Merrill Lynch and BGL.

While you hold your investment, Transamerica Life Canada charges an interest option fee up to a maximum of 0.00475317 per day, or 1.75 per cent annually.

Early redemptions – including Living Benefit and death benefit payments – are subject to a one per cent bid-offer fee paid to Merrill Lynch for handling the transaction. A market value adjustment of two per cent is also applied to early redemptions, excluding benefit payments.

Early withdrawal

The Hindsight Index Interest Option is designed to be held to maturity. If you withdraw your money or transfer to another interest option prior to the maturity date, you may receive less than your original principal amount. Factors that will impact the amount you receive include the date of termination, the costs incurred in providing and terminating the investment, interest rate levels and universal life surrender charges. The UL surrender charges are applicable for the first seven years of the policy for *Estate*ADVANTAGE[3]. Please speak with your financial advisor for an estimate of the amount you will receive under an early withdrawal.

Withdrawal minimums

Prior to the investment date, you can withdraw any amount in excess of $500, provided that the balance remaining is $10,000 or greater. After the investment date, the minimum withdrawal is equal to the current market value of a principal amount of $10,000 or more.

Market risk

If the underlying market indexes do not rise, you will not receive a performance return on your investment. Anomalous events in the market close to the maturity date could also introduce unforeseen risks. However, currency value fluctuations will not affect returns, as Transamerica designed the note to be currency-neutral.

Liability for returns

The issuer (BGL) guarantees the original principal amount on the maturity date, plus the return (Maturity Value). Transamerica does not guarantee the issuer’s obligations regarding the principal amount and maturity value.

Transamerica Life Canada provides Canadians with innovative life insurance and investment products and services. Through a national network of 18,000 independent advisors, Transamerica creates better futures for employees, clients and advisors through our core principles: innovation, discipline and expertise.

Transamerica Life Canada is a member of the AEGON Group, one of the world's largest insurers. AEGON N.V. and Transamerica Life Canada have consistently received strong financial ratings from Standard and Poor's, Fitch and A.M. Best Company. In 2003, Transamerica Life Canada earned more than $580 million in life insurance premium income and recorded over $8 billion in total assets under management.

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[1] The Participation Rate affects the return credited at maturity. That is, the Participation Rate defines the level of your participation in the benefits of any rise or fall in a market. The return credited at maturity will be a percentage of the increase in the underlying indices.

[2] The Performance of the Note is based on the arithmetic average of the closing levels of each index at the end of each of the quarters in the term of the Note (e.g. for 5, 6, 7 or 8 years). The indexes used for the Hindsight Note are the S&P 500, the Dow Jones Euro Stoxx 50 and the Nikkei 225 between the investment date and the maturity date. The performance is not quantifiable in advance nor can any such return be promised.

The information presented in this brochure is subject to any other terms and conditions that Transamerica may impose from time to time. It is subject to change without notification.

**Transamerica's universal life policies and contracts are not issued, sponsored, endorsed, sold or promoted by: Standard & Poor's (The McGraw-Hill Companies, Inc.), STOXX Limited (Dow Jones & Company, Inc.), Nihon Keizai Shimbun, Inc. or MSCI,® Morgan Stanley Capital International or its affiliates. None of such entities or their affiliates makes any representation or warranty, express or implied, whatsoever regarding the advisability of selecting any interest option, making any investment or acquiring the policy contract, and none of such entities bears any liability with respect to the policy or contract.

† The interest rate and price of the options cannot be known in advance, and Transamerica cannot promise a certain rate. The interest rates used are not based on Bank of Canada rates or Canadian mortgage or loan rates.

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