



May 30, 2009

Insured Name
Address
City Postal Code

OBJECT : Assumption of your individual insurance contract by L'Union-Vie, compagnie mutuelle d'assurance

Dear Member,

We are pleased to inform you that ACA Assurance ("ACA") has announced its intention to cede and assign, by way of assumption reinsurance, the policy liabilities under your accident and sickness or life policy issued by ACA in Canada to L'Union-Vie, compagnie mutuelle d'assurance ("L'Union-Vie") as provided in the assumption reinsurance agreement between ACA and L'Union-Vie (the "Agreement"). Upon and subject to the prior approval of the Minister of Finance (Canada) and effective as of September 30, 2008, ACA will cede its policy liabilities under your insurance policy to L'Union-Vie as provided in the Agreement.

As you know, due to substantial operating losses during 2008, ACA was placed in Rehabilitation by order of the New Hampshire Superior Court and the New Hampshire Insurance Commissioner was appointed Rehabilitator. Pursuant to the Agreement, ACA is ceding the policy liabilities to L'Union-Vie subject to, and net of, the 25% assessment in place as of September 8, 2008. Because your policy is subject to any assessment that was imposed as of September 8, 2008, L'Union-Vie will provide benefits to you subject to such reductions. All other material terms and conditions of your policy shall remain the same.

ACA and the Rehabilitator aggressively investigated options to protect your interests going forward. The conclusion was that the best way to protect your interests was to cede, transfer and assign, by way of assumption reinsurance, your policy to another company.

It is ACA's and L'Union-Vie's intention that the assumption reinsurance transaction cause minimal disruption to the existing policyholders.

In order to assist you to better understand this transaction, we are please to provide you with the following information:

- A statement of material facts relative to the Agreement which reinsures, on an assumption basis, your policy to L'Union-Vie;
- A summary of the report of the independent actuary; and
- A copy of the formal legal notice of the intention to apply to the Minister of Finance (Canada) for approval of the aforementioned assumption reinsurance transaction.

In accordance with regulatory requirements, Mr. Richard Bisson of Aon Consulting Inc. has been retained to act as an independent actuary in assessing the fairness of the proposed transaction. He has examined the terms and conditions of the Agreement from the perspective of ACA and L'Union-Vie. Mr. Bisson's overall assessment and recommendation is that the interests, rights and benefit expectations of ACA policyholders are protected by the proposed transaction. A copy of the complete independent actuary's report is available for review during normal business hours at the offices of the Chief Agency, or alternatively will be provided to you upon written request.

A notice of the assumption reinsurance transaction between ACA and L'Union-Vie was published in the Canada Gazette and The Globe and Mail on May 30, 2009. Any policyholder who wishes to register any comments or objections respecting the proposed transaction or who wishes to obtain additional information may do so by writing to us at the following address:

ACA Assurance, Canadian Branch
c/o Chief Agency
1300 Bay Street, Suite 400
Toronto, Ontario
M5R 3K8

No policies or certificates will be reinsured on an assumption basis with L'Union-Vie until all required regulatory approvals have been obtained.

Your very truly,

ACA ASSURANCE



Pauline Lally
President and Chief Executive Officer

STATEMENT OF MATERIAL FACTS

1. Description of ACA Assurance (“ACA”) and L’Union-Vie, compagnie mutuelle d’assurance (“Union-Vie”)

ACA is a New Hampshire domiciled fraternal benefit society with its principal office in Manchester, New Hampshire and is licensed as a branch in Canada (the “**Branch**”). ACA is licensed to write life and accident and sickness insurance in Canada in the provinces of Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, the Northwest Territories and Nunavut.

A Verified Petition for Rehabilitation of ACA was approved by the State of New Hampshire Superior Court, Merrimack County (the “**Court**”) as of September 8, 2008 and an Order Appointing Rehabilitator was entered by the Court as of September 8, 2008 appointing Roger A. Sevigny, Commissioner of Insurance for the State of New Hampshire, as Rehabilitator of ACA. Pursuant to RSA 402-C:17 of the New Hampshire Statutes, the Rehabilitator may prepare a plan for the reorganization of the insurer to achieve a transfer of the insurer's insurance obligations to an assuming insurer. Further, on September 8, 2008, the Rehabilitator approved a 25% assessment on your policy.

ACA, by and through its Rehabilitator, desires that Union-Vie assume, by way of assumption reinsurance, certain liabilities arising under certain ACA policies and Union-Vie wishes to assume, by way of assumption reinsurance, such liabilities.

Union-Vie is a century old mutual life insurance company domiciled in the Province of Quebec, Canada and is licensed as a life insurance company in the provinces of New Brunswick, Ontario and Quebec, and is also authorized to deal with policies and certificate holders located in the provinces of Alberta, Saskatchewan, Manitoba, Nova Scotia, Prince Edward Island, the Northwest Territories and Nunavut. Union-Vie markets life insurance products, accident and sickness products and annuity products. At December 31, 2008, Union Vie had assets of C\$648 million, policy liabilities of C\$542 million and surplus of C\$106 million.

Union-Vie takes pride in building and strengthening its business relationships with policyholders and distributors. Union-Vie strives to deliver excellent service to its clients and is committed to providing financial security, comfort and peace of mind to its policyholders.

2. Description of Transaction

Summary

It is the intention of ACA: (i) to reinsure, on an assumption basis, certain insurance policies of the Branch in Canada included in Exhibit B (the “**Assumed Policies**”) pursuant to the assumption reinsurance agreement between ACA and Union-Vie (the “**Agreement**”); (ii) subject to the terms of the Agreement, to assign to Union-Vie the liabilities and obligations related to the Assumed Policies, including all liabilities and

obligations contained in chapters IX, X and XIII of the Constitution and Bylaws of ACA, subject to and net of the 25% assessment in place as of September 8, 2008 (collectively, the “**Obligations**”); and (iii) to transfer assets to meet those Obligations (the “**Assets**”) to Union-Vie. Union-Vie wishes to reinsure on an assumption basis the Assumed Policies and to assume the Obligations and the Assets effective as of September 30, 2008 (the “**Assumption Reinsurance Transaction**”). Following the completion of the Assumption Reinsurance Transaction, ACA intends to apply to the Superintendent of Financial Institutions (Canada) for the release of its assets in Canada, to close the Branch and to withdraw from Canada.

On completion of this Assumption Reinsurance Transaction, Union-Vie will be responsible to you as a policyholder and/or claimant under your policy.

3. The Assumption Reinsurance Agreement

The Assumption Reinsurance Transaction is subject to the terms and conditions of the Agreement between ACA and Union-Vie. Under the Agreement, Union-Vie agrees to take responsibility to discharge, perform and fulfill the Obligations under and in relation to the Assumed Policies, including your policy.

Following the effective date referred to below in Section 5, Union-Vie will issue a Certificate of Assumption to each policyholder of the Assumed Policies. This Certificate of Assumption will set out Union-Vie’s undertaking to assume the Obligations in connection with the Assumed Policies. Other than Union-Vie having assumed the Obligations, there will be no substantive changes to the terms and conditions of your policy except for the assessment and as otherwise set forth in the Agreement. A copy of the complete Agreement will be available for inspection at the offices of the Chief Agency, John Milnes & Associates, located at 1300 Bay Street, Suite 400, Toronto, Ontario, M5R 3K8, during normal business hours. A copy of the Agreement will be provided to any policyholder upon written request to the above address.

4. Implications for Policyholders and Certificateholders

On completion of this Assumption Reinsurance Transaction, Union-Vie will be responsible to each holder of the Assumed Policies. However because your policy is subject to an assessment that was imposed as of September 8, 2008, Union-Vie will provide benefits to you subject to such reduction. Details for contacting Union-Vie will be provided to you along with your Certificate of Assumption. Union-Vie is committed to providing policyholders of ACA with the same level of excellence they have come to expect from ACA.

5. Approvals

This Assumption Reinsurance Transaction requires approval by the Minister of Finance (Canada). Once approved by the Minister of Finance (Canada), the Assumption Reinsurance Transaction will be effective as of September 30, 2008.

6. Independent Actuary's Report

In accordance with regulatory requirements, Mr. Richard Bisson of Aon Consulting Inc. has been retained to act as an independent actuary in assessing the fairness of the proposed transaction. He has examined the terms and conditions of the Agreement from the perspective of ACA and Union-Vie. Mr. Bisson's overall assessment is that the interests, rights and benefit expectations of ACA policyholders are protected by the proposed transaction. A summary of the Independent Actuary's Report prepared by Mr. Bisson is attached as Schedule "A".

A copy of the complete independent actuary's report is available for review during normal business hours at the offices of the Chief Agency, or alternatively will be provided to you upon written request.

7. General

This Statement of Material Facts has been prepared jointly by ACA and Union-Vie based on information supplied by each of them.

8. Position of Policyholders and Certificateholders

The financial strength and capacity, ratings and reputation of excellence were essential to ACA when making its decision to enter into this Assumption Reinsurance Transaction with Union-Vie. ACA believes that this transaction is in the best interest of ACA's policyholders.

Toronto, Ontario the 30th day of May, 2009.

Schedule A

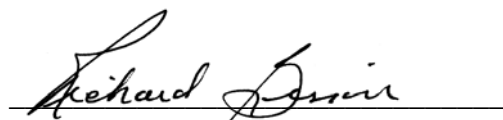
Summary of the Report of the Independent Actuary

On the proposed Assumption by “L’Union-Vie, Compagnie mutuelle d’assurance” (“Union Vie”) of ACA Assurance Policies and Certificates in Canada.

Summary and Opinion

Having studied the documents related to the proposed transaction, having relied on the information requested from and provided by the Canadian Branch of ACA, having reviewed the valuation basis expected to be used by the appointed actuary for Union Vie for the assumed policy liabilities, and in light of discussions with regard to the proposed transfer of assets as part of the transaction, I am of the opinion that:

- (a) The purchase price for the assets transferred from the Canadian Branch of ACA is adequate considering the assumed policies by Union Vie.
- (b) The assets being transferred by ACA to Union Vie are appropriate in relation to the liabilities being assumed and the required consideration by Union Vie.
- (c) Based on the current and projected financial position of Union Vie, the security of benefits for policies will remain satisfactory after the transaction.
- (d) The interests, rights and benefit expectations (considering permanent assessments) of the Canadian Branch of ACA’s policyholders are protected by the proposed transaction.
- (e) The amount of the consideration allocated to participating policyholders is calculated on an appropriate basis, considering the impact of permanent assessments and the fact that dividends will not be paid in the future.


Richard Bisson, *FCIA, FSA, CFA*
Senior Vice President

Aon Consulting
700 De La Gauchetière Street West
Suite 1900 Montreal, Quebec
H3B 0A7

May 21, 2009

Copy of the Notice

ACA ASSURANCE

ASSUMPTION REINSURANCE TRANSACTION

NOTICE IS HEREBY GIVEN, pursuant to section 587.1 of the *Insurance Companies Act (Canada)* that ACA Assurance ("ACA") intends to make application to the Minister of Finance (Canada) for the Minister's approval to enter into an Assumption Reinsurance Agreement (the "Agreement") with L'Union-Vie, compagnie mutuelle d'assurance ("Union Vie") on or after June 30, 2009 under which ACA shall agree to cede to Union Vie, and Union Vie shall agree to reinsure, on an assumption basis, the liabilities and obligations under certain accident and sickness and life insurance policies issued by the Canadian Branch of ACA to the extent provided in the Agreement. Pursuant to the Agreement, ACA will cede such liabilities and obligations under certain policies to Union Vie subject to, and net of, the 25% assessment in place as of September 8, 2008.

A copy of the Agreement and independent actuary's report relating to this transaction will be available for inspection by the policyholders of ACA during regular business hours at the offices of the Chief Agent of the Canadian branch of ACA located at 1300 Bay Street, 4th Floor, Toronto (Ontario) M5R 3K8 for a period of 30 days following publication of this notice. Any policyholder is entitled to a copy of the Agreement and actuary's report on submitting a request in writing to John Milnes, Chief Agent, ACA Assurance, 1300 Bay Street, 4th Floor, Toronto, Ontario, M5R 3K8 or by email to jmilnes616@aol.com.

Toronto, May 30, 2009

ACA ASSURANCE

By its Solicitors
Cassels Brock & Blackwell LLP