Moody's Investors Service

Global Credit Research
Liquidity Risk Assessment
22 JUL 2004

Liquidity Risk Assessment: Manufacturers Life Insurance Company

Manufacturers Life Insurance Company

Toronto, Ontario, Canada

Broad Industry:	Insurance
Specific Industry:	Insurance: Life & Health
Short Term Rating:	P-1

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Opinion

The Manufacturers Life Insurance Company's (Manulife) and Manufacturers Investment Corporation's (guaranteed by Manulife) commercial paper programs (collectively, the "program"), each of which Moody's rates Prime-1, totals C$1 billion. The program is available for general corporate purposes but has had no outstandings since 1997. In light of the inactive status of the commercial paper program and Manulife's significant liquidity, management has imposed an operational limit of C$200 million for the program, any increase in which requires management to advise the Board of Directors. Manulife has alternative liquidity available through its liquid investment portfolio, its ability to do repos, and strong cash flows from its insurance operations. Manulife had approximately C$42.6 billion of bonds as of March 31, 2004, of which about 96% are investment grade. In addition, the company held approximately C$6.4 billion of cash and short-term investments as of March 31, 2004. Of note, subordinated notes with principal of US$250 million are due on April 15, 2005.

Moody's insurance financial strength rating of Manulife reflects the group's diversification, strong and consistent earnings, as well as sound capital, good liquidity and excellent asset quality. These strengths are offset somewhat by the increasingly competitive and consolidating Canadian life insurance market, and exposure to equity market volatility through its U. S. and Canadian segregated funds. Other risks include integration challenges with the recent John Hancock acquisition, potential volatility in Asian markets, which account for a significant proportion of the company's earnings, exposure to some earnings variability through its reinsurance operations, and moderate financial leverage.