Manulife Financial

Frequently Asked Questions

Manulife's Universal Life No Lapse Guarantees[1]

(Policy Protection Riders – PPRs)

How do the PPRs work?

The PPRs prevent the policy from lapsing as long as they are in effect. The PPRs remain in effect if the net policy protection value (NPPV) is greater than zero. The NPPV (reference value only) is determined the same way as the basic policy value, but with four differences:

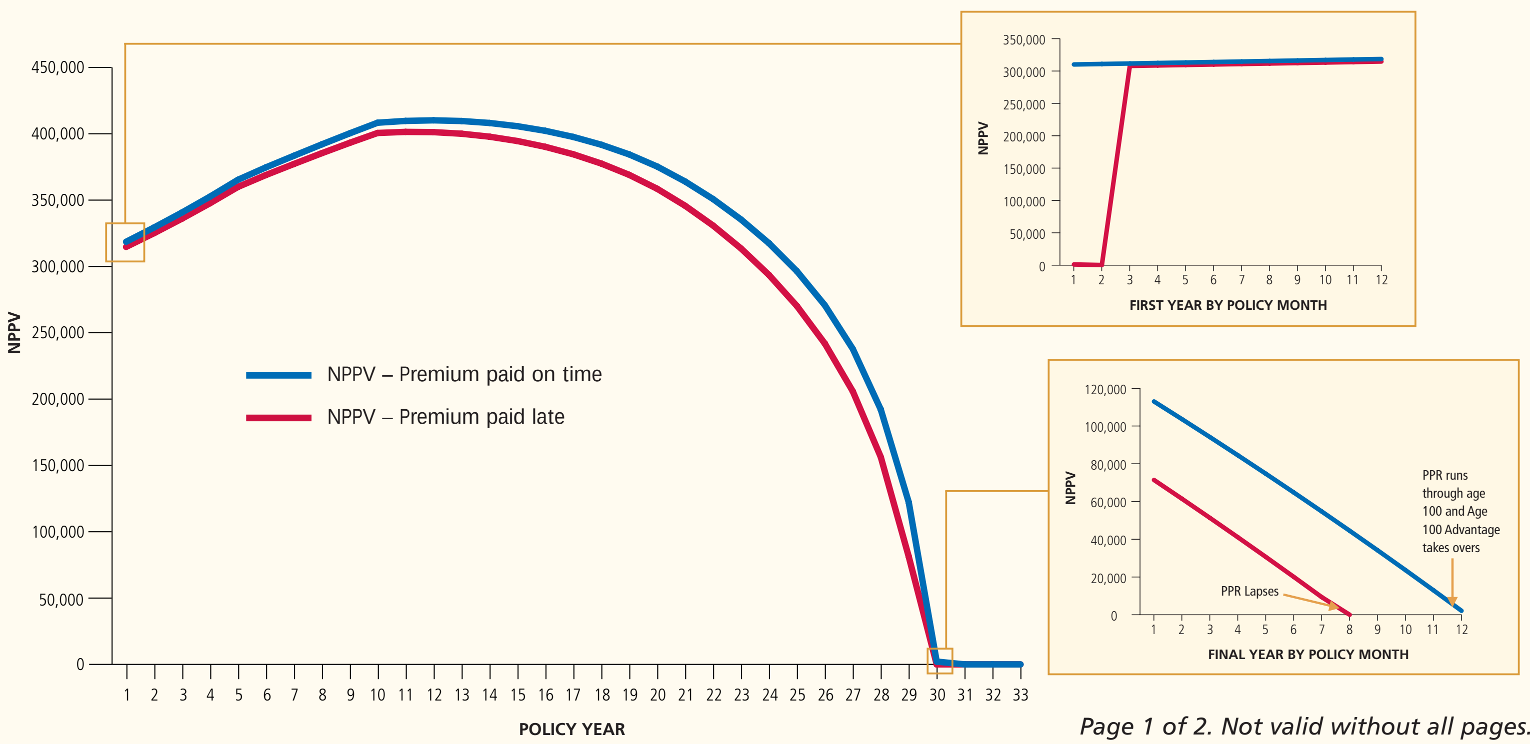
1. The interest rate is fixed and cannot change, however it varies by PPR and product. The minimum rate is at least 4.5%.
2. A different set of cost of insurance rates, called the policy protection value rates are used. The rates are fixed for each policy.
3. There is no surrender charge.
4. Different fixed premium loads are used.

The NPPV works on the same principal as the current policy value – premium payments and interest are added and charges are deducted. To provide guaranteed coverage for life, the illustration calculates a premium that will keep the NPPV positive through age 100, similar to a current assumption solve to $1.00 at age 100 scenario.

What is the impact of late premium payments?

The PPRs durations are sensitive to the timing of premium payments. Interest is not credited to the NPPV until a premium payment is actually received. Late premium payments mean less interest is earned which results in the NPPV reaching zero sooner than if the payments had been received on time, thereby shortening how long the PPR will stay in effect (PPR duration). In contrast, if premium payments are received early, the opposite can be said.

The graph below illustrates the impact a late premium payment can have on the NPPV. We have used one lump sum premium for this example and have compared paying the premium on time and two



months late. The premium that was received on time (blue line) has a NPPV through to age 100, at which time the Age 100 Advantage will keep the policy in effect. The other premium (red line) was received two months late and it will cause the PPR (and policy) to lapse four months prior to when the Age 100 Advantage would keep the policy in effect.

What is the impact of skipping scheduled premium payments?

Skipping premium payments has the same effect as paying premiums late. It means less money has gone into the NPPV and therefore the NPPV will reach zero sooner and reduce the PPR duration.

If a client misses a premium payment or pays late, can they catch up?

Yes, as long as the PPR is inforce a client can catch up. The client will have to pay enough money to bring the NPPV up to the amount that it would have been had they not skipped the premium payment or paid it late. An illustration can calculate the catch up amount at any given time. The catch-up amount represents a make-up of both lost interest and higher cost of insurance charges (policy protection value charges) as a result of the greater net amount at risk due to the lower NPPV.

What is the grace period for premium payments?

There is no grace period applicable to premium payments for universal life policies.

Does the premium payment mode affect the premium required to keep the PPR in effect?

Yes, the earlier money is received, the more interest is earned. Therefore an annual premium would be less than 12 monthly premiums because the entire amount has been received at the beginning of the year and will earn more interest.

What is the impact on the guarantees if any money is withdrawn from the policy?

Withdrawals

Withdrawing money from the policy will withdraw the same amount from the NPPV. Therefore, the NPPV will reach zero sooner and reduce the PPR duration.

Loans

Borrowing money will reduce the NPPV by the amount of the outstanding loan. In addition, the PPR does not prevent the policy from lapsing if the loan is greater than the policy value.

How will a client and agent know how long the PPR will stay in effect after the policy is inforce?

The policyowner's annual statement includes a snapshot illustration that shows how their policy is performing based on the premium payments received and scheduled future planned premiums. Also, they can request an illustration from our customer service department, anytime after the first year.

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