

Manulife Par

CLIENT GUIDE

THE MANUFACTURER'S LIFE INSURANCE COMPANY



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What is Manulife Par?

Manulife Par is a participating whole life insurance designed to offer attractive guaranteed cash values in the early years of your policy, without compromising on long-term death benefit growth. With Manulife Par, you can take comfort in seeing immediate growth of your policy's cash value, and keep confident your insurance plan delivers long-term protection, all with potential tax-saving advantages.

Sure, life may have many unknowns, but Manulife Par makes up for that, with guaranteed:

- Premiums
- Amount of insurance that remains in effect for their entire life
- Cash value that grows over time

In addition to this strong foundation, Manulife Par gives you the opportunity to **earn an annual dividend**, and the **ability to grow your insurance coverage and cash value** amounts beyond the guarantees.

What does 'participating' mean?

Most life insurance plans allow policy owners to transfer their risk to the insurance company. This means that the insurance company takes on all the uncertainty pertaining to, among many things, the life expectancy of the insured life or lives, whether the policy owner will ever cancel their policy, the administrative costs that will be incurred by the policy, and the expected returns on the investments that support the product lines.

Participating insurance is different in that as a policy owner, you share the risks associated to the participating insurance business line with the insurance company. More risk is accepted than with a non-participating product, in return for potential rewards. Participating insurance risks typically relate to mortality, cancellations, expenses management and investment returns.

For each risk component, Manulife uses assumptions to project expected results over time. This helps protect the soundness of the participating account and participating policies into the future. Each year, the actual results obtained on the risk components are compared to expected results. If actual results are better than expected, there are excess earnings created within the participating account, called *participating account surplus*.



This surplus is paid back to participating policy owners over time as a dividend.

The surplus changes each year, and dividends are not guaranteed. If actual results are below expected results, the amount of dividend may be reduced or, in extreme circumstances, not paid at all.

For over 130 years, we've grown with Canadians, offering a range of permanent insurance solutions to meet their short and long-term needs.

Manulife Par options for you

PREMIUM PAYMENTS

As a Manulife Par policy owner, you can choose how long you pay your premium, and how frequently.

PAYMENT DURATION

You can pay for your Manulife Par policy over 10 years or over 20 years. Once you reach the end of this guaranteed premium duration, your Manulife Par guaranteed amount of insurance no longer requires any payments to remain in effect. However, if you have customized your policy with riders, those riders may still require payments to be made beyond the end of the guaranteed premium duration.

FREQUENCY

You can pay for your Manulife Par policy by:

- Monthly Pre-Authorized Debit (PAC)
- Annual cheque drawn on a Canadian financial institution
- Annual payment made via Internet Banking

COVERAGE TYPES

As a Manulife Par policy owner, you can choose from two coverage options:

- Single life, meaning you are the only person insured by your policy.
- Joint last to die (premium to last death), meaning two people are insured, but the death benefit is paid only when the last insured person dies and not when the first insured person dies. If the first death occurs before the end of the guaranteed premium duration, the premiums must continue to be paid until the end of the premium duration period. Some changes to your policy may not be allowed once the first death has occurred.

Dividends

Dividends are allocated to policies once a year, on the policy's anniversary, using a formula designed to give each Manulife Par client his or her fair share of the participating account surplus available, if any. The formula, called the dividend scale, considers many factors, including the year the policy was issued, the coverage type, and the amount of insurance coverage the policy provides. The dividend scale is not guaranteed and will increase or decrease depending on factors such as investment returns, claims experience, cancellations and expenses related to administering the policies. Once a dividend is paid, it belongs to the policy owner and cannot be taken back by Manulife.

For more details about Manulife's Participating Account, see the "About the performance of Manulife Par policies" section on page 21.

With Manulife Par, you can **choose between two dividend options:**



Paid-up insurance



Cash Dividends

Dividend options

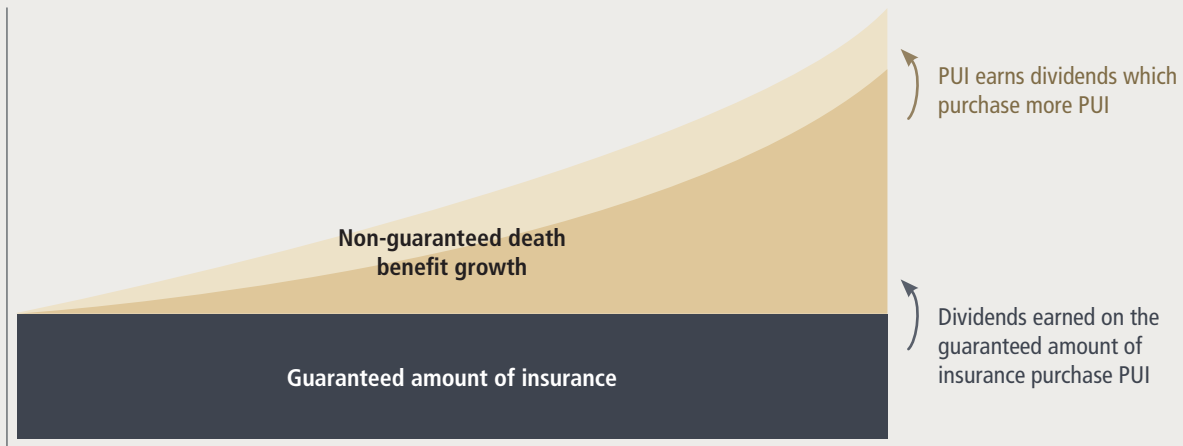


Paid-up insurance

The paid-up insurance (PUI) dividend option is just as it sounds – dividends purchase additional amounts of fully paid-up permanent insurance. This insurance may also earn dividends and has a gradually increasing cash value.

The dividends earned on paid-up insurance combine with the dividends earned on the guaranteed amount of insurance to purchase even more paid-up insurance each year. This may result in attractive increases in coverage and cash value over the lifetime of the plan and may provide some protection against inflation.

The paid-up insurance purchased is permanent, and there are no ongoing premiums required. Changes in the dividend scale will not change the amount of paid-up insurance you have already acquired.



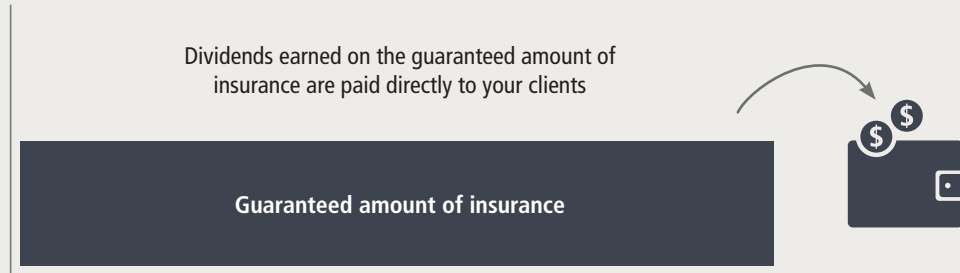
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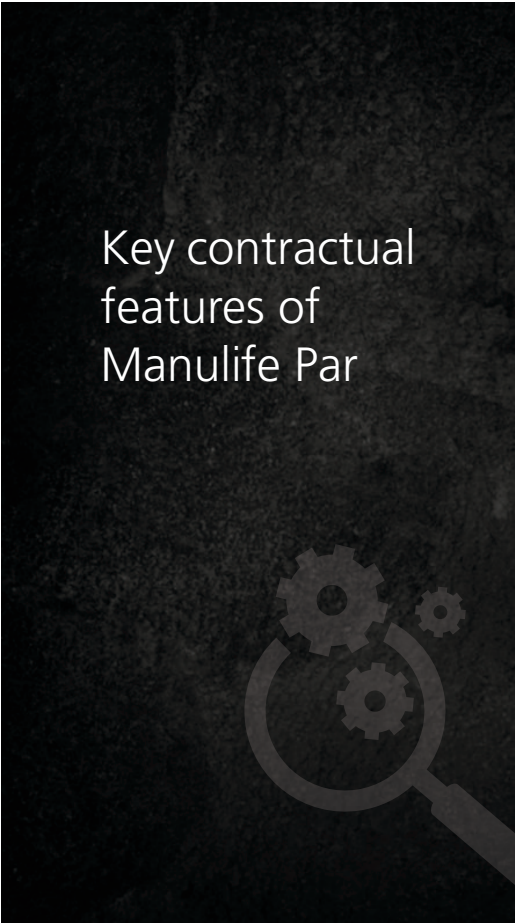
Cash Dividends

The cash dividend option, pays dividends directly to you each year. With this option, your policy's death benefit does not increase over time, but your guaranteed cash value still grows.

It's important to know that some features such as making deposit option payments, and premium offset are unavailable when the cash dividend option is selected.



For illustration purposes only.
Individual results may vary.



Key contractual features of Manulife Par

If the need arises to make a change to your Manulife Par policy, your advisor can help determine your options, and the requirements. Your Manulife Par contract is also a great reference for understanding what may be needed to make changes to your policy.

1

Switch dividend options

You can switch dividend options, subject to administrative rules and requirements.

2

Decrease guaranteed amount of insurance

You can decrease your guaranteed amount of insurance at any time. This will release some guaranteed cash value. All or a portion of the cash value may be taxable income to you.

3

Change smoking status

If you become a non-smoker, you can apply to change the smoking status on your policy, subject to administrative rules and requirements. All or a portion of the cash value released may be taxable income to you.

4

Joint last-to-die policy replacement with new single-life policies

Manulife Par Joint last-to-die policies may be replaced with single-life par policies in cases of marital or business partnership breakdown, without underwriting. This option is available before the fifth policy anniversary, for clients age 65 and below, and for policies with a standard joint rating. Your Manulife Par contract provides more details about this option.

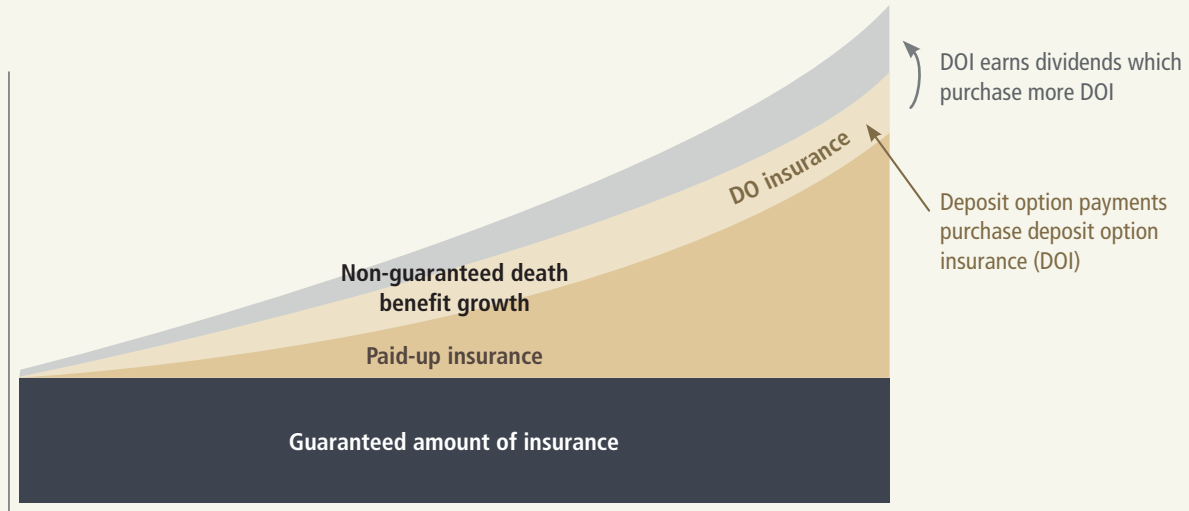
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Deposit option payments

If your dividend option is paid-up insurance, you can make deposit option payments to your Manulife Par policy, subject to administrative rules and available tax room. These payments are optional, and in addition to your guaranteed premium. Deposit option payments buy additional insurance called *deposit option insurance*. Just like paid-up insurance, the deposit option insurance purchased is permanent and there are no ongoing premiums required to keep it.

Deposit option insurance receives dividends and has cash value that gradually increases over time. The dividends received are used to purchase more deposit option insurance. If you change your dividend option to cash, the dividends received on your deposit option insurance will then be paid directly to you.

Deposit option payments are subject to an annual and lifetime limit. Speak to your advisor for more information about deposit option.



For illustration purposes only.
Individual results may vary.

Accessing cash

From time-to-time you may need to access the cash value within your policy.

Not a problem!



Withdrawals

Policy withdrawals are available on Manulife Par, subject to our administrative rules. Withdrawals will reduce your policy's total cash value and death benefit. All or a portion of the cash value released may be taxable income to you.

If you choose the cash dividend, the guaranteed cash value may be the only available cash value for withdrawal. Withdrawing the guaranteed cash value will result in a reduction of the guaranteed amount of insurance.



Policy loans

You may borrow cash from your Manulife Par policy through:

Cash loans – You may borrow up to 90% of the total cash value of your policy. Cash loans are unavailable if your policy is on premium offset.

Policy continuation loans – If you miss a premium, it will automatically be paid from your policy's cash value when there is enough cash value in the policy to support the loan. The amount of the loan will be equal to the premium due.

Loans are charged interest, based on a rate Manulife determines at the time a loan is requested. At the end of each policy year, any unpaid interest is added to the loan.

Manulife Par policies only have one loan balance that includes all cash loans and policy continuation loans. If the loan balance exceeds your policy's total cash value, all or a portion of the loan must be repaid, otherwise your policy will end.

Borrowing may not be appropriate for everyone. Speak to your advisor about the risks of borrowing.



Disability Benefit

We hope you never require it, but if you ever find yourself disabled and in need of financial assistance, you can find comfort in knowing your Manulife Par policy comes with a built-in Disability Benefit provision. This benefit allows you to withdraw your policy's cash value. Under current tax laws as of the effective date of this guide, the payment of a disability benefit under a life insurance policy is not taxable income; however, there may still be tax implications for the policy in the future.

The Disability Benefit has a 30-day elimination period, and only one payment may be received per 12-month period. Because the Disability Benefit is withdrawn from your policy's cash value, your death benefit will also be reduced every time you receive a payment.

You can qualify for the Disability Benefit in one of two ways:

Total disability – from 18 to 65 years of age

- Unable to perform your regular occupation, or
- Unable to perform your regular activities if you aren't employed

Catastrophic disability – from 18 years of age

- Unable to perform one of the Activities of daily living, or
- Total and permanent loss of sight, hearing, speech, or the use of hands and/or feet
- Cognitive loss, or
- Terminal illness

Other features of Manulife Par

1

Premium offset

Why pay premiums out-of-pocket if you don't need to? Premium offset is a non-contractual feature that lets you use your paid-up insurance and deposit option insurance cash value to pay for your Manulife Par premiums. If you have selected cash dividends, premium offset is not available.

When your policy is on premium offset, the amount of paid-up insurance and/or deposit option insurance of the policy is decreased to release the cash value required to pay your premium. Once a year on your policy anniversary, your policy's total cash value will be reduced by the premium amount you owe. Premium offset may only be allowed once enough paid-up insurance and deposit option insurance cash value have accumulated in your policy. A written request must be submitted for your policy to be put on premium offset.

Premium offset is not guaranteed and the value of your policy could be affected if you request changes to your policy, make withdrawals or if dividend scale changes are made. Depending on the changes made, you may be required to resume out-of-pocket payments and take your policy off premium offset. Deposit option payments are not allowed while your policy is on premium offset.

Since the premium offset start date may change from your original Manulife Par illustration, it's important to meet regularly with your advisor to review your policy's value and request new illustrations.

2

Compassionate assistance

If you are faced with unforeseen financial strain due to a terminal illness diagnosis, we believe in doing our part to help you maintain your policy and its valuable protection. Manulife Par's compassionate assistance program is a complimentary benefit that allows you to request early payment of a portion of the death benefit.

The tax-free payment to you is in the form of a collateral loan made by Manulife.

The only cost to you is loan interest and any doctor's fees for completing the application form.

Once a compassionate assistance loan is made, future withdrawals cannot be made. Your policy will remain in effect, with the amount of the compassionate assistance loan plus interest deducted from the death benefit.

3

Changing to a longer premium duration

If you have a Manulife Par policy with premiums paid for 10 years, you have the option to change your policy's premium duration to 20 years, before the fifth policy anniversary.



Riders available on Manulife Par

We know needs change from one person to the next. That's why we've added options for you to customize your Manulife Par policy with optional riders. They can be selected when you purchase your plan, or they can be added later, subject to our administrative rules. You will be required to provide satisfactory health and/or financial information when riders are added to your Manulife Par policy after issue.

Term Insurance rider (TIR)

The Term Insurance rider provides additional temporary insurance coverage to the base Manulife Par coverage. You can convert this protection up to age 75 (without evidence of insurability) to any other permanent plan then offered by Manulife. Term riders are available either on a 10-year* or 20-year renewable basis and on a single or combined life basis.

*10-year renewable riders have a yearly renewable rate structure, starting in year 11.

Total Disability Waiver (TDW) rider

The Total Disability Waiver rider waives the premium for a Manulife Par policy if the insured person(s) or the payer of the policy become totally disabled for six months or longer. If total disability occurs before age 60 and continues for at least six months, the Manulife Par premiums will be waived for as long as the disability continues. If total disability occurs after age 60, premiums are waived until age 65.



Guaranteed Insurability Option (GIO) rider

The Guaranteed Insurability Option rider gives you the option to purchase additional insurance coverage for the person insured without providing additional underwriting. You can exercise this option up to eight times, at specific option dates outlined in your Manulife Par contract, or at the time of specific life events including marriage and birth or adoption of a child.

Child Protection (CPR) rider

The Child Protection rider provides \$10,000 of insurance coverage for the child of any insured person covered by the policy. And, once the child turns 25, they have the ability to purchase up to \$250,000 of new insurance coverage, part of which may include up to \$100,000 of critical illness insurance, without additional underwriting. To qualify for the critical illness insurance coverage, we require the insured person to answer one question to confirm he or she does not already qualify for, or have started the waiting period for, any benefit under the new critical illness insurance policy.

About the performance of Manulife Par policies

Like all traditional participating whole life policies, the growth potential for Manulife Par policies comes from dividends. When your dividend option is paid-up insurance and no deposit option payments are made, your death benefit only grows if the policy receives dividends.

All premium and deposit options paid into all Manulife Par policies are deposited into the **Manulife Participating Account**, managed exclusively for participating policy owners. Dividends are paid to participating policy owners if there are excess earnings in the account. Dividends, however, are not guaranteed.

About Manulife's Participating Account

Manulife's Participating Account is a diversified portfolio of assets managed by Manulife's investment professionals. Backed by Manulife's investment strength and prudent risk management practices, the smoothed returns of the fund can help reduce the volatility of your client's policy values. Manulife's Participating Account target asset mix includes equities, real estate, commercial mortgages and bonds. We carefully select assets to help meet the long-term needs of policy owners.

Excess earnings of Manulife's Participating Account are called *participating account surplus*. Several factors can contribute to surplus, such as investment returns, claims experience, lapses, and expenses. However, investment return generally accounts for the largest portion of the surplus, and is also the most variable of all the factors. To help reduce volatility of the dividend scale and, in turn, dividends, the investment returns of the participating accounts are **smoothed**.

The Manulife Par illustration helps provide an understanding of how your Manulife Par policy could perform under various dividend scale scenarios. Work with your advisor to look at different investment return scenarios to understand how different dividend interest rates could influence your policy's long-term performance, future death benefit and cash values.

What is smoothing?

Smoothing means that investment gains and losses are spread over a longer period instead of being recognized immediately. This can lessen volatility and helps deliver more stable returns for both fixed and non-fixed income assets.

Manulife Par: Guaranteed immediate cash values, meets long-term protection in a streamlined and targeted product.

For more information about Manulife Par,
speak to your Advisor.



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