Learn More About Your Universal Life Policy

(Applicable to policies issued in Macau)

Understanding your universal life policy

The policy you have with Manulife is a universal life insurance policy and it offers you:

- Guaranteed life insurance protection
- Minimum Guaranteed Crediting Interest Rate
  (for some universal life products)
- Guaranteed Interest Rate Lock
  (for some universal life products)
- Guaranteed or non-guaranteed bonus
  (for some universal life products)
- Non-guaranteed crediting interest rate

Your policy provides you with death benefit and surrender value, which were shown in the policy illustration presented to you at the time you purchased your policy. The death benefit is the amount we will pay to your beneficiary if the life insured unfortunately passes away. The surrender value is the amount available to you if you surrender your policy.

The premiums that you and other universal life policyholders pay are pooled into specific accounts (refer to 'universal life accounts' hereinbelow) after deducting policy charges. Different universal life accounts may be created for different universal life products or different generations of the same universal life product. We invest money in those accounts and use it to pay for policyholders' benefits including death benefits, surrender value, and withdrawals. We monitor the accounts regularly and adjust up or down crediting interest rate and/or non-guaranteed bonus rate and/or policy charges if there are any changes of the factors affecting the universal life accounts such as the underlying investment returns, death benefit payments, and etc. Policyholders should note that crediting interest rate, non-guaranteed bonus rate and policy charges are not guaranteed and they are sensitive to changes in different factors.

Non-guaranteed Crediting Interest Rate

The accumulation value of your policy (i.e. account value) will earn returns at the crediting interest rate declared by us from time to time. The future crediting interest rate is not guaranteed and thus may be higher or lower than the policy illustration presented to you at the time you purchased your policy. It is different by universal life products and/or by generations of the same universal life product.

Review and adjustment of crediting interest rate is performed at least quarterly.

Minimum Guaranteed Crediting Interest Rate

For some universal life products, your policy will be subject to a Minimum Guaranteed Crediting Interest Rate which is the minimum crediting interest rate your policy could earn. The actual crediting interest rate can be higher as declared by us from time to time. The Minimum Guaranteed Crediting Interest Rate is fixed and guaranteed once your policy is issued. It is different by universal life products and/or by generations of the same universal life product.

Guaranteed Crediting Interest Rate Lock

For some universal life products, your policy enjoys a Guaranteed Interest Rate Lock. The Guaranteed Interest Rate Lock protects the interest to be earned by your policy, by locking in such crediting interest rate for such number of policy year(s), as notified to you at the time your policy is issued. The Guaranteed Crediting Interest Rate Lock may be subject to additional terms and conditions from time to time determined by us.

Guaranteed and Non-Guaranteed Bonus

For some universal life products, we will pay guaranteed and/or non-guaranteed bonus to the account value of your policies at some specific points of time. You could refer to the respective policy provision for more details.

Policy Charges

Policy charges are deducted from the account value of your policy or from your premium payments. Below are some examples of policy charges:

- Premium charge: a fixed percentage of your premium payment is deducted before allocated to your account value.
- Notional amount charge/contract charge: a fixed amount of charges are deducted from your account value monthly in the early years of your policy.
- Cost of insurance (COI): COI for some universal life products is not guaranteed and is deducted monthly from the account value of your policy.
- Surrender charge/withdrawal charge: They are charges applied when you withdraw a portion of account value, lower the notional amount, or surrender your policy during the early years of your policy.

Why do crediting interest rates and/or non-guaranteed bonus rate change?

Money in each universal life account is pooled and invested in a diversified investment portfolio. The majority of the asset invested is in fixed income assets. Different accounts may be created to support different universal life products and/or different generations of the same universal life product.

Crediting interest rates and/or non-guaranteed bonus rate are determined and declared by us. The rates are varied and influenced by the following factors:

1. The performance of the underlying assets

   You and other policyholders receive a share of the investment returns, net of investment expense, investment income tax, and allowance for profits attributable to our shareholders.

   In general, there are two key elements for the returns of the accounts: (i) change in the market value of the assets and (ii) interest (i.e. coupon)/dividend earned by the assets. For fixed income assets, the market value generally moves in the opposite direction to the market interest rates and the coupon depends on the coupon rates and the maturity of the individual assets.

2. Size and timing of money inflow and outflow

   Money outflow could be resulted from deduction of policy charges, withdrawals, and termination of policy (death or surrender). As money in an account is pooled, the timing of the money in and out of the account may impact the investment performance. For example, more money inflow allows us to lock-in fixed income assets with higher rate of return under a high interest rate environment.

3. Change in the economic outlook may also impact the crediting interest rate and/or non-guaranteed bonus rate because of their dependence on estimates of future investment income, asset defaults/downgrades, and etc.

To provide a more stable crediting interest rate and/or non-guaranteed bonus rate and to reduce short term volatility for the policyholders, a smoothing mechanism is applied. Under the mechanism, we may retain returns during periods of strong investment performance to support or maintain a stronger crediting interest rate and/or non-guaranteed bonus rate during periods of poorer performance. The stronger return is passed back to policyholders over a reasonable number of years.

Minimum Guaranteed Crediting Interest Rates and Guaranteed Crediting Interest Rate Locks are fixed and guaranteed once your policy is issued.

Why do policy charges change?

When setting the policy charges for each universal life product, we make best estimate assumptions such as:
- the number of insurance claims it expects to pay
- the anticipated return on the investments that support the universal life policies
- the number of policies being cashed in (i.e. experience on policy persistency)

When setting the assumptions, we take into account the past experience of similar products and consider the likely future development. Based on these assumptions, we project a set of policy charges and present to you in the policy illustration.

Some of the policy charges, such as premium charge, notional amount charge, contract charge, withdrawal charge and surrender charge, are fixed (as a fixed dollar amount or a fixed percentage) once your policy is issued.

Some of the policy charges, such as cost of insurance for some universal life products, are not guaranteed. We review the actual experience regularly and we may adjust up or down the non-guaranteed policy charges accordingly if the future expectation on death claim and other factors are changed.

How to ensure fairness between different parties?

Our universal life products aim to offer a competitive return to policyholders and at the same time generate a reasonable profit to shareholders. We aim to ensure a fair sharing of profits between policyholders and shareholders.

In principle, policyholders receive a share of the investment returns, net of investment expense, investment income tax, and allowance for profits attributable to our shareholders.

If actual experience turns out to be different from best estimate assumptions such as claim and policy persistency, a surplus (i.e. experience gain) or a deficit (i.e. experience loss) is created. These actual experience gains/losses will be absorbed by shareholders, in other words, by the profits attributed to our shareholders. However we will review experience regularly and may change the future non-guaranteed policy charges when we change the future expectation on those assumptions.

In addition, designated members from a committee authorized by the Board will provide independent advice on the management of universal life business. Written declaration by our Chairman of the Board, an Independent Non-Executive Director and the Appointed Actuary is also in place to confirm the mechanism manages fairness between different parties.

What are our investment objective and strategies?

Our universal life account investment policy aims to achieve a targeted investment returns and is designed to maximize the credited interests and/or bonus, subject to established risk tolerances. It also aims to control and diversify risk exposures, maintain adequate liquidity and manage assets with respect to the liabilities. Actual investment positions are monitored regularly.

The investment strategies established for each universal life account could be different. The investment strategy utilizes fixed income assets, including mainly government, corporate bonds and private bonds, and in some accounts non-fixed income assets such as equities. Non-fixed income assets are included to enhance investment returns and reduce aggregate risk through diversification. Fixed income assets are managed to a specified fixed income benchmarks (such as target asset classes mix, target credit quality mix, and target asset duration mix).

The target mix of non-fixed income assets for a specific account and the specified fixed income benchmark are determined taking into consideration:

- product features (competitive environment, crediting interest rates, non-guaranteed bonus rate, withdrawal and surrender options, liquidity needs, etc.)
- assets (expected risk and return, reinvestment, etc.) and
- other influencing factors (accounting, tax, legal, regulatory and capital regimes, etc.).

Derivatives may be utilized mainly for hedging purposes.

Depending on the asset allocation of the product, investment returns could be subject to fluctuations in interest income and a number of market risks including but not limited to credit spread and default risk, volatility in equity prices. These factors will have a significant impact on the determination of crediting interest rate and/or non-guaranteed bonus rate.

How will crediting interest rate and/or non-guaranteed bonus rate changes affect your policy?

When you purchased your policy, you were shown that the amount of death benefit and surrender value in your policy depended on the crediting interest rate and/or non-guaranteed bonus rate of your policy. Generally, if crediting interest rate and/or non-guaranteed bonus rate decreases, the future value of your policy will also decrease. Likewise, if crediting interest rate and/or non-guaranteed bonus rate increases, the future value of your policy will also increase.

The value of your universal life policy

The primary reason for purchasing a universal life policy is to meet your life protection goal, as well as your wealth accumulation and wealth transfer needs. Universal life policy safeguards you and your loved ones against potential mishaps with life insurance protection, helping you tackle the future with confidence. Universal life policy also provides you tailored-made solutions by offering different death benefit options, high level of premium payment flexibility and transparency, easy access to your policy value and opportunity to accumulate wealth for the future.

Insurance continues to be the foundation of any sound financial plan. It provides your chosen protection while giving you potential return in a long term. And like any other investment instruments, the rate of return that your insurance policy can give you depends on the investment climate and the economy as a whole.

Financial planning is an on-going process. When you purchase your policy, your insurance advisor would have taken the time to identify and understand your needs before designing your plan for you. Your circumstances and needs change over time. Your insurance advisor is always available to help you review and make a full analysis of your needs, and advise you how to ensure your financial plan can continue to meet those needs.

In this leaflet, 'you' and 'your' refer to the policyowner. 'Manulife', 'we', 'us' and 'our' refer to Manulife (International) Limited (incorporated in Bermuda with limited liability), a subsidiary of Manulife Financial Corporation.

For the exact terms and conditions of your plan's benefits, please refer to the policy provision. For more information, please contact your Manulife insurance advisor or call our customer service hotline on (853) 8398 0383. If you have any doubts, please get professional advice from independent advisors.

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