Learn More About Your Participating Policy

(Applicable to policies issued in Macau)

Understanding your participating policy

The policy you have with Manulife is a participating life insurance policy and it provides you with:

- Guaranteed life insurance protection
- Guaranteed cash values*
- Annual dividends and/or terminal bonus

Your policy guarantees you a minimum death benefit and a minimum cash value*, which were shown in a policy illustration presented to you at the time you purchased the policy. The death benefit is the amount Manulife will pay to your beneficiary in the event of the life insured's death. The cash value is the amount you may borrow against or that is available to you if you cancel your policy. In addition to these guaranteed minimum amounts*, your participating policy may earn annual dividends and/or terminal bonus. Annual dividends may be declared to your policy on an annual basis while terminal bonus may be paid if you end the policy and cash it in or if the life insured passes away. However, while your policy's minimum death benefit and cash value* are guaranteed, annual dividends and terminal bonus (collectively refer to as 'dividends' thereafter, unless otherwise indicated) are not.

The premiums you and other participating policyholders pay are put into an account called the participating account. Manulife invests the money in this account and uses it to pay for things like death benefits and dividends. Our responsibility to you is to make sure that there is always enough money in the participating account to cover the benefits in your insurance policy. To do this, we carefully monitor the participating account and adjust dividends if any of the factors that affect the account, such as investment returns, payment of death benefits, etc., change. Thus, policyholders should note that dividends are not guaranteed, as they are sensitive to changes in any of the factors affecting the participating account.

Annual Dividends vs Terminal Bonus

Annual dividends and terminal bonus are both non-guaranteed. Your participating policy may earn annual dividends or terminal bonus, or in some cases, both. Please refer to the respective policy provision for details.

Annual Dividends

Annual dividends may be declared to your policy on your policy anniversary. Once we declare your annual dividend, the amount will not be changed and you can either withdraw it or leave it with the Company to earn non-guaranteed interest. However, annual dividends that may be declared in the future are still not guaranteed.

Review and adjustment of annual dividends is performed at least annually.

Terminal Bonus

Terminal bonus may be paid upon certain events (according to the respective policy provision), for example, if you end the policy and cash it in or if the life insured passes away. Such payment is only made if the event occurs after a pre-defined period. Declared terminal bonus does not form a permanent addition to the policy. It may be reduced or increased at subsequent declarations. Its actual amount will only be determined when it becomes payable. The amount of the terminal bonus is mainly affected by the performance of the equity investments, so the amount is relatively volatile and will move up and down over time.

Review and adjustment of terminal bonus is performed at least monthly and may be performed more frequently than monthly at any time upon the Company's decision.

Why do dividends change?

When setting the premiums for each participating policy, life insurance companies make long-term assumptions on items such as:

- the number of insurance claims it expects to pay
- the anticipated return on the investments that support the participating policies
- the number of policies being cashed in (i.e. experience on policy persistency)

When setting the long-term assumptions, the Company will take into account the past experience of similar policies and consider the likely future development. Based on these long-term assumptions, the Company will project a set of dividends and present to you in the policy illustration.

If actual results turn out to be better than the best estimate long-term assumptions, a surplus (i.e. experience gain) is created and we share this with policyholders by increasing the dividends declared compared to that shown in the policy illustration at the point of sale. However, if actual results turn out to be worse than the best estimate long-term assumptions, a deficit (i.e. experience loss) is created and the amount of dividends will be adjusted downwards compared to that illustrated.

Besides actual experiences that have emerged, the Company will also review the future expectation on investment returns (e.g. interest income), claims, persistency and other factors regularly and adjust the projected dividends accordingly.

To protect dividends from significant fluctuations due to volatility in the above mentioned factors (other than the exception mentioned below), a smoothing process is applied when the actual dividends are determined. When the performance is better than expected, the full performance is not immediately used to increase dividends, and when the performance is worse than expected, the full performance is not immediately used to reduce dividends. Rather the better/worse-than-expected performance is passed back to the policies over a number of years to ensure a more stable dividend year to year.

An exception to the above smoothing mechanism is the volatility in the market value of equity investments backing terminal bonus. Such experience gain/loss will be passed back to policyholders via adjustment in terminal bonus in a timely manner instead of smoothing out over time.

How to ensure fairness between different parties?

Our participating plan aims to offer a competitive long term 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 which we have set a target profit sharing ratio (that is the proportion of profit we target to share with the policyholders). Please refer to Appendix I for more details.

In principle, all experience gains/ losses, measured against the best estimate assumptions, are attributable to the policyholders, with the main exception that expense gains/losses are not passed to the policyholders. Shareholders will absorb any gains/losses when actual expenses deviate from what was originally expected.

The experience gains/ losses retained within the participating account are distributed among different classes and generations of policyholders with considerations of the relative contribution from each class. Dividend management aims to pass through such experience within a reasonable period of time, while ensuring policyholders are treated fairly. When considering the fairness between different groups of policyholders, the Company will consider, for example:

- Products (including supplementary benefits) that the policyholder bought
- Plans with different premium payment periods or policy terms or currency
- When the policy was issued

In addition, designated members from a committee authorized by the Board will provide independent advice on the management of participating 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 participating account investment policy aims to achieve a targeted long term investment results and is designed to maximize dividends, 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 strategy utilizes fixed income assets, including mainly government and corporate bonds, as well as non-fixed income assets, including, for example, public and private equities and real estate and so on. Non-fixed income assets are included to enhance long-term investment returns and reduce aggregate risk through diversification. Fixed income assets are managed based on specified benchmarks with defined allocation into different sub-class (such as government bond, corporate bond), term, credit quality, etc.

The target mix of non-fixed income assets and the characteristics of the specified fixed income benchmark (such as average duration and credit quality mix, etc.) are determined taking into consideration the product (competitive environment, minimum guarantees, 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 and property prices. These factors will have a significant impact on the determination of dividends.

Dividend accumulation rate

A popular choice for policyholders is to leave their annual dividends on deposit with us to accumulate with interest. The rate of interest that Manulife is able to credit to these deposits (also called the ‘dividend accumulation rate’) is based on the investment performance, market conditions and the expected length of time policyholders leave their dividends on deposit. This rate is also not guaranteed and may change from time to time due to changes in the external investment environment.

Terminal bonus (except the realized terminal bonus for applicable products) cannot be left on deposit to earn interest.

How will dividend changes affect your policy?

When you purchased your policy, you were shown that the amount of cash value in your policy depends on the level of dividends your policy receives. Generally, if dividends decrease, the future value of your policy will also decrease. Likewise, if dividends increase, the future value of your policy will also increase.

Premium Offset

Dividend changes can affect your policy if you are on, or are thinking of being on, a Premium Offset plan. Premium Offset is an optional payment feature that allows policyholders to use accumulated annual dividends, instead of out-of-pocket payments, to pay premiums.

If you are thinking of being on a Premium Offset plan, a decrease in annual dividend means you may need to continue making out-of-pocket payments for a longer period of time than you had originally planned.

If you are already on a Premium Offset plan, a decrease in annual dividend may mean that the annual dividends your policy is going to receive will not be sufficient to continue paying your premiums until the end of the premium paying period. You may be required to start making out-of-pocket payments for the full premium again at some point in the future to keep your policy in effect.

The value of your insurance policy

The primary reason for purchasing an insurance policy is to meet your long-term savings and protection goals and give you the peace of mind you need for the financial future of you and your loved ones. Insurance continues to be the foundation of any sound financial plan. It provides your chosen protection while giving you potential return in the long term. And like any other investment instrument, the rate of return which 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.

*Guaranteed cash value is applicable to eligible Manulife insurance products only. For details, please refer to policy contract and policy illustration.

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.

To view our Privacy Policy, you can go to our website at www.manulife.com.hk. You may also request Manulife not to use your personal information for direct marketing purpose by writing to us. You can find our address on our website. We will not charge you a fee for this.

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Appendix I
Target Profit Sharing Ratio

The following table shows the target profit sharing ratio for products available for sale in Macau. The proportion of profit we target to share with the policyholders is no less than the figures stated below.

Product	Target Profit Sharing Ratio
FlexiFortune Annuity Plan	90%
Future Assure	80%
Genesis	90%
IncomeGuard Critical Illness Protector	80%
IncomeShield Critical Illness Protector	80%
La Vie 2	90%
ManuBright Care 2	90%
ManuBright Care 2 Plus	90%
ManuCentury	90%
ManuDelight Annuity Plan	90%
ManuElite Protector	90%
ManuGlobal Saver	90%
ManuGrand Saver 2	90%
ManuImperial Saver 2	90%
Manulife Bright Care PRO	90%
Prestige Preserver	90%
Prestige Saver	90%
ManuLove Care	90%
ManuPremier Protector	90%
ManuPrimo Care and ManuPrimo Care (BestStart)	90%
ManuVital Care	90%
Whole-in-One Prime 2	90%
Whole-in-One Prime 3	90%