

MANULIFE INCREASING UL INSURANCE CHARGES TO COVER PREMIUM TAXES

AFFECTING IN FORCE POLICIES IN SOME PROVINCES
EFFECTIVE OCTOBER 1, 2018

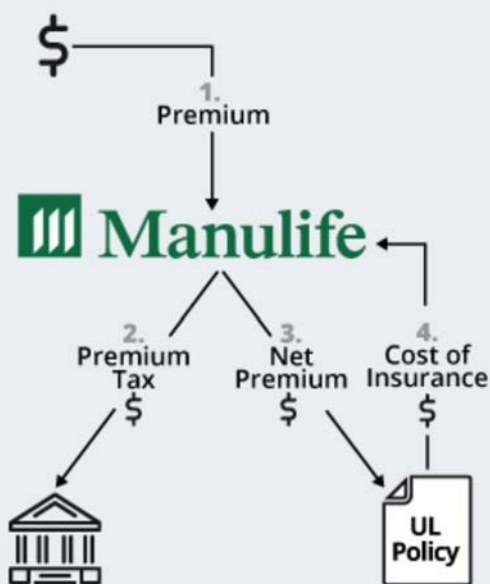
OVERVIEW

Manulife is increasing the deposit load applied to premium payments on certain in force universal life (UL) policies in some provinces as of October 1, 2018.

The increase is to match increases in provincial premium taxes in some provinces in recent years.

As a result, the net amount of a premium payment credited to the policy's accumulation fund will reduce. Some policyholders will have to increase premium payments to avoid a lapse.

Manulife will contact affected policyholders in July 2018 to advise the increased premium required to cover the increased monthly insurance charges effective October 1, 2018, with instructions on how to authorize the higher premium payments. Westward will follow up with our affected clients to ensure the appropriate premium adjustments are made.



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Universal Life Insurance Deposit Load Increases by Province

Province	Current Premium Tax Rate	Current Deposit Load	New Deposit Load	% Increase
British Columbia	2.00%	2.00%	n/a	n/a
Alberta	3.00%	2.00%	3.00%	1.00%
Saskatchewan*	3.00%	2.00%	3.00%	1.00%
Manitoba	2.00%	2.00%	n/a	n/a
Ontario	2.00%	2.00%	n/a	n/a
Québec	3.48%	2.00%	3.48%	1.48%
New Brunswick	2.00%	2.00%	n/a	n/a
Prince Edward Island	3.75%	2.00%	3.75%	1.75%
Nova Scotia	3.00%	2.00%	3.00%	1.00%
Newfoundland & Labrador	5.00%	2.00%	5.00%	3.00%

*Saskatchewan policies with an effective date before April 1, 2000 have a grandfathered rate of 2%.

Background

Premium tax is a provincial tax that insurers are required to pay on the insurance premiums they collect. The premium tax rate varies by province and is expressed as a percent of the total premium collected by the insurer.

A deposit load is a fee, in the form of a percentage, that the insurer deducts from premium payments (deposits) made to a UL policy. The insurer typically uses the deposit load fees to pay the related premium tax.

The UL policy's accumulation fund (also known as the cash value or fund value) is credited for the premium payment less the deposit load. The accumulation fund of the UL policy is invested in accordance with the policyholder's investment allocation directions, and the insurer collects the monthly cost of insurance and policy administration fees from the accumulation fund.

The impact of a higher deposit load will reduce the net amount of a premium payment that Manulife credits to the policy's accumulation fund. To maintain a target net premium credited to the accumulation fund, the gross premium must increase to cover the increased deposit load.

Whole life policyholders will not receive similar communications or disclosure. Insurers do not have to account to whole life policyholders on how whole life premiums are used. The insurer must only honour the minimum guarantees in the contract and declare a discretionary annual policy dividend. Thus, the cost of a premium tax increase is hidden from a whole life policyholder. This lack of transparency is one of the reasons why Westward does not recommend whole life insurance policies.