

# **Question and Answer (Q&A)**

## **Current Pre-need Industry Situation**

**(as of April 27, 2005)**

Reminders to Sales Associates about this Q&A:

1. This Q&A is not to be left with the client (not a leave behind item) and should only be a guide for Sales Associates to answer our clients' questions about this issue.
2. Sales Associates should respond within the answers provided here. As much as possible, do not go beyond the bounds of the answers provided.
3. Sales Associates should not comment on or speculate about the financial status and/or stability of another pre-need company or other financial institutions. As much as possible, any comment should refer only to Manulife and information presented in this Q&A and the flyer. No mention of any specific pre-need company or financial institution should be made.
4. If there are further questions outside of this Q&A, please refer the client to our Call Center (844-7000) that will help in providing an appropriate response.

Q&A Key Messages

1. Manulife Financial Plans (MFP) is fully compliant with SEC regulations on Actuarial Reserve Liabilities (ARL) and the Assets required to support these liabilities.
2. All MFP claim checks are fully funded and released if approved for payment.
3. Life and Pre-Need are two different industries. Manulife has both a life company and a pre-need company. Manulife Philippines (MP) is the parent company of MFP.
4. MFP is a financially strong company, which is part of the Manulife Group of Companies. MFC is the largest public company in Canada, second largest insurance organization in North America and one of the top 5 insurance companies in the world by market capitalization.
5. CMG Plans (then) and Manulife Financial Plans have never introduced traditional education plans into its product roster

## **GENERAL PUBLIC QUESTIONS**

### **Questions about Manulife**

**Question**    **Who is Manulife Financial?**  
**P01**

**Answer**        Canadian-based Manulife Financial is a leading global provider of financial protection and wealth management products, including life insurance, pensions, annuities and group benefits in Canada, the United States and Asia. Manulife, currently enjoys the largest market capitalization of any publicly-traded life insurance company in Canada. Through its extensive network of employees, agents and distribution partners, Manulife Financial offers clients a diverse range of financial protection products and wealth management services. Funds under management by Manulife Financial were Cdn\$xxx.x billion as at December 31, 2004. (data will be available by next week)

Manulife Financial Corporation trades as 'MFC' on the Toronto Stock Exchange (TSX), New York Stock Exchange (NYSE) and the Philippine Stock Exchange (PSE), and under '0945' on the Stock Exchange of Hong Kong (SEHK). Manulife Financial can be found on the Internet at [www.manulife.com](http://www.manulife.com).

**Manulife Philippines and Manulife Financial Plans are both members of the Manulife Group and are locally incorporated.**

**Question P02 Who are Manulife Philippines and Manulife Financial Plans?**

Answer Manulife started operations in the Philippines 98 years ago. The local company, Manulife Philippines, has consistently ranked among the country's top five life insurance companies for more than ten years now.

Four years ago, Manulife Philippines established Manulife Financial Plans (MFP) to address the growing savings market by offering pension and educational plans. Despite being a recent entrant, Manulife Financial Plans currently ranks among the Top 10 in the Pension and Education segment of the pre-need industry.

The two companies combined maintain a sales force of nearly 2000 agents licensed to sell either life or pre-need products or both.

Manulife Philippines has embarked on an aggressive growth strategy supplemented by the acquisitions of the in-force portfolio of MetLife, Zurich Philippines and John Hancock Life Insurance Company Inc. (Philippines) and the life and pre-need operations of CMG in the Philippines.

Manulife Philippines is a locally incorporated subsidiary of Manulife Financial, a leading Canadian-based financial services group operating in 19 countries and territories worldwide. Manulife Financial Plans is a locally incorporated subsidiary of Manulife Philippines.

**Question P03 How strong is Manulife Financial?**

Answer Manulife Financial began operating in Canada in 1887. Throughout its 117 year history, Manulife has continued to grow worldwide and now has a significant presence in the US, Canada and Asia. Manulife has been in Asia for 108 years and in the Philippines for 98 years. With the merger of Manulife and John Hancock, it is considered to be the second largest life insurer in North America and the fifth largest in the world by market capitalization.

Manulife operates in 19 countries and territories worldwide – Canada, the United States, Japan, Hong Kong, China, Macau, Indonesia, Philippines, Singapore, Taiwan, Vietnam, Thailand, Malaysia, the United Kingdom, Australia, Belgium, Germany, Barbados and Bermuda.

For more information about Manulife, please visit our website at [www.manulife.com](http://www.manulife.com). For financial data on Manulife Philippines, please refer to the attached Fact sheet.

## **POLICYHOLDERS' QUESTIONS**

**Question PH01    Where does Manulife invest its funds?**

**Answer**        The MFP trust fund is being managed with the objective of achieving a stable, consistent and long-term growth by investing predominantly in medium to long-term government securities and in blue chip stocks listed on the main board of the Philippine Stock Exchange. The bulk of the MFP trust fund is invested in liquid peso-denominated Philippine sovereign debt. The MFP trust fund has no real estate investments.

**Question PH02    Will Manulife close in the near future?**

**Answer**        Manulife has been operating in the Philippines for the past 98 years. In that period, the Company witnessed two world wars and numerous political and economic upheavals, none of which has deterred the company's resolve to maintain and grow its business in the Philippines. Instead, Manulife has been successfully providing insurance products and services for the benefit of thousands of Filipino customers. In the last few years, Manulife has strengthened its Philippine presence through a number of corporate initiatives – restructuring Manulife as a locally incorporated subsidiary of Manulife Financial, listing the shares of its parent company, MFC, at the Philippine Stock Exchange, establishing its own pre-need company, Manulife Financial Plans, and acquiring the in force business of 4 insurance companies who have since exited the country – MetLife Philippines, CMG Philippines, Zurich Philippines, and John Hancock Life Insurance Company, Inc. (Philippines). These recent business decisions and Manulife's continued success as one of the most professional life insurers in the Philippines are indicative of its long term plans to operate in the Philippines.

**Question PH03    How can Manulife be sure that it will not close like a few well publicized delinquent pre-need companies, in the future?**

**Answer**        MFP's financial stability is evident through its financial statements (A copy of the relevant information is available with your Sales Associate) and its being fully compliant with all SEC regulations including those covering Actuarial Reserve Liabilities (ARL). As of the end of December 2004, MFP has P2.6B in assets to match its ARL's, with this amount being Php 257M more than the required ARL level. Manulife's Actuaries are continuously assessing its future reserve needs so that Manulife can assure the fulfillment of its obligations to its planholders. Finally, All MFP claim checks are fully funded and are released only when approved for payment.

**Question PH04    What are the guarantees that Manulife will not close?**

Answer        Manulife ultimately reserves the right to decide on the course of its business in the Philippines. Although in any business endeavor there are no guarantees with regards to how the company will perform in the future, Manulife is fully committed to honor its contractual obligations to its Philippine clients, just as we have done for nearly a hundred years now.

Assets invested in the Philippines by the Manulife group (MF Plans and Manulife Philippines) have grown over the years and now exceeds P14B. These amounts are largely invested in government securities with a relatively smaller amount in blue chip stocks traded on the main board of the Philippine Stock Exchange.

Moreover, in the last few years, Manulife has strengthened its Philippine presence through a number of corporate initiatives – restructuring Manulife as a locally incorporated subsidiary of Manulife Financial, listing the shares of its parent company, MFC, at the Philippine Stock Exchange, establishing its own pre-need company, Manulife Financial Plans, and acquiring the in force business of 4 insurance companies who have since exited the country – MetLife Philippines, CMG Philippines, Zurich Philippines, and John Hancock Life Insurance Company, Inc. (Philippines). These recent business decisions and Manulife’s continued success as one of the most professional life insurers in the Philippines are indicative of its long term plans to operate in the Philippines.

**Question PH05    Does Manulife have the same problem as other pre-need companies with respect to its required Actuarial Reserve Liabilities (ARL)?**

Answer        No. Manulife is fully compliant with the SEC’s ruling regarding our Actuarial Reserve Liabilities (ARL). As of December 31, 2004, MFP has P2.6B in trust fund assets to cover its ARL’s, an amount that is Php 257M more than the current ARL level as defined under the SEC rules.

**Question PH06    How can you guarantee that the recent financial failures of other pre-need companies will not happen to you?**

Answer        As news reports will indicate, the companies that have had serious financial problems are those who have actively marketed the traditional type of educational plans, sometimes referred to as open-ended educational plans. A key feature of such plans is the fully guaranteed (hence, open ended) nature of their benefits, equivalent to the actual amount of tuition fees collected by the school and based on the school category indicated in their plan. Because of deregulation and the rapid increase in tuition fees since the early 1990’s, liabilities under such plans have spun out of control.

You will be pleased to know, however, that CMG Plans (then) and Manulife

Financial Plans have never introduced traditional education plans into its product roster. We have completely refrained from marketing any such types of plans because of the inherent risks in such product types. Rather, what we have marketed and continue to market today are the “fixed-value” educational plans whose benefits payable are well-defined and for which adequate trust fund reserves are maintained to assure planholders that the company will be able to meet its liabilities as and when these fall due.

**Question PH07 Can you assure me that the Company will honor its plan obligations when these plans mature?**

**Answer** In a recent communication material to our agents and clients about the status of Manulife Financial Plans, we cited our financial standing and the value of our trust fund assets vis-à-vis our liabilities under our in force plans. You will be pleased to know that as of end December 2004, the value of our trust fund assets of P2.4 Billion is actually P257M in excess of the computed actuarial reserve liabilities. The bulk (over 98%) of these assets are invested in highly marketable and highly liquid government securities, none in real estate, and with a very small portion thereof, if any, invested in a few, very stable, blue chip stocks.

The quality and the adequacy of our trust funds should provide you with the assurance, security and confidence that Manulife has maintained sufficient trust fund assets to draw from to cover future liabilities as they fall due.

With operations in the Philippines spanning nearly a hundred years, Manulife has withstood numerous economic upheavals in this country and has come out of every single one of them unscathed. Manulife’s invested assets in the Philippines exceed P14-B to date making it one of the most stable financial services organizations in the Philippines.

Manulife Financial Plans and its parent, Manulife Philippines, are wholly-owned subsidiaries of the Manulife Financial Corporation (MFC), Canada’s largest publicly traded company and one of the world’s leading financial services organizations. MFC is actively traded in the stock markets of New York, Toronto, Hong Kong and the Philippines.

**How do we contact you in the future?**

**Question PH08**

**Answer** In case of any questions, you may call us at 884-7000, e-mail us at [phcustsrv@manulife.com](mailto:phcustsrv@manulife.com) or fax us at 884-2558.