

The Manulife Fund

A guide to how the fund and your policy are managed



This guide has been produced to help you understand your with-profits policy. It covers:

- what you can expect back from your policy
- the guaranteed amounts and bonuses
- how the bonuses are calculated
- the Manulife fund's investments and their effect on bonuses
- the risks
- the charges, and
- the future of the fund.

It also explains how we manage your with-profits policy fairly.

With-profits policies can be more complex than some other product types and we hope this document improves your understanding of them. This document does not change the existing terms of your policy, add new features or alter the way we manage the Manulife Fund. A separate document called '**Principles and Practices of Financial Management applicable to the Manulife Fund of Canada Life Limited**' is available should you want more details and technical information. You can get a copy by calling us on **0345 6060708**.

Background

The Manulife Fund was set up as a separate fund in January 1990 when Manulife stopped offering with-profits products. The fund was transferred to Canada Life in 1995. The money in the fund is solely for the benefit of its policyholders and our aim is to distribute it fairly. No profits from the fund go to shareholders. The fund also contains some non-profit policies, the gains and losses from which are shared by the with-profit policyholders.

What makes up the value of my with-profits policy when Canada Life pays out?

The value of your policy is usually made up of three parts. These are a minimum death benefit (also known as the **basic sum assured**), the details of which are shown on your policy document, plus two types of bonus.

The two types of bonuses are:

- **Regular** (also known as **annual**) bonus - which may be credited to your policy each year at the policy anniversary and gradually builds up any guaranteed benefits. You can find more details of these in your annual bonus statement. For some policies the annual bonus is paid as a dividend which is the cash equivalent of the regular bonus. These dividends then accrue in a separate policy account.
- **Final** (also known as **terminal**) bonus - which may be payable when the policy ends as a result of the policy reaching the maturity date, or when those covered die, or if you choose to cash it in.

The minimum death benefit and the regular bonuses already added cannot be reduced at any time whilst premiums continue to be paid. Final bonuses are **not** guaranteed. The amount of final bonus payable is regularly reviewed to reflect the value of the fund's investments and can be **increased, reduced or withdrawn altogether**.

The reason for the pay out (maturity, death or cashing in the policy) determines whether some or all of each of these parts are paid. These are shown below.

Maturity

For endowment policies, the amount payable is the minimum death benefit plus regular bonuses plus any final bonus.

Pension policies will normally provide either an income or a lump sum or a combination of both. These benefits will reflect the regular bonuses plus the final bonus if payable at the time.

When those covered die

For endowment and whole of life policies, the amount payable is the minimum death benefit plus regular bonuses plus any final bonus.

Cashing in your policy

If you choose to cash in your policy the amount payable is a **proportion** of the minimum death benefit and the regular bonuses allocated to date. This amount may be increased with a final bonus. The current cash in value is shown in the annual statement.

Some policies guarantee a minimum payout when those covered die, the policy reaches maturity or you choose to cash it in. In these cases, we pay at least this minimum amount regardless of the performance of the fund's investments.

How are the rates of bonuses on my policy calculated?

We regularly review our bonus rates. We look at the actual and expected performance of the fund's investments as well as other factors.

Regular bonus (also known as annual bonus)

Regular bonuses increase the amount a with-profits policy is worth.

The regular bonus is made up of a number of parts:

- An interest gain which is calculated based on the income from the fund's investments.
- The gains or losses that come from the level of death claims, expenses charged to the fund and early cash in of policies in the fund.

We limit changes in the interest gain to a maximum of 1% higher or lower than last year's figure.

Future rates of regular bonuses are not fixed and may be higher or lower than the current rates, and can be zero.

For policies where the bonus is paid as a dividend, interest is added to accrued dividends at a rate based on the return on UK Government bonds.

Final bonus (also known as terminal bonus)

The final bonus is used to make sure that we share out the Manulife Fund fairly.

To calculate the final bonus rate we take into account:

- the total value of the Manulife Fund,
- the expected future investment return,
- the expected premiums to be paid in,
- the expected pay outs due to maturities and deaths, and
- the number of policies that are likely to be cashed in early.

We use these figures to predict the level of pay outs on all the remaining policies to make sure the fund is shared out fairly.

The amount added to the minimum death benefit and regular bonus on each policy to use the fund is the final bonus. The level of final bonus chosen must ensure the value of all payouts from the fund is within 5% of the value of its assets.



The final bonus rate paid on a policy will depend on the number of years from the start date to the payout date (known as the **policy term if at maturity**) and the start date of the policy. Different rates apply to policies with longer or shorter policy terms. If a policy is cashed in early, the policy term used is the number of years the policy was actually in force, rather than the original policy term. For these reasons, the actual amount of the final bonus can vary from policy to policy.

Final bonus rates are regularly reviewed and can be changed at short notice so that payouts reflect changes to the value of the fund's investments. Future rates of terminal bonus are not fixed and may be higher or lower than current rates, and can be zero.

How is the Manulife Fund invested and what are the risks?

The Manulife Fund has a wide range of investments. The fund holds bonds (loans to companies or governments), commercial property and mortgages, equities (shares in companies), policy loans and cash. These investments are either made directly or indirectly through unit trusts.

The annual Manulife Fund policyholders report shows how much is invested in each of these different types of investment. The report is available on our website www.canadalife.co.uk under 'Existing Customers'. The amount invested in each of the different investment types is reviewed at least every six months.

The proportion invested in each of the investment types reflects:

- the guarantees the fund provides, and
- the predicted length of time remaining until the policies invested in the Manulife Fund end.

Investments are first chosen to minimise the risk of not being able to pay all guarantees as and when they become due. This is achieved by selecting investments such as bonds that provide amounts of cash to the fund at the level and times they are needed to pay the guarantees.

The fund also holds equities and property. This does expose the fund to gains and falls in their value, which can increase or decrease the value of the fund and ultimately, the policy payouts. We believe you expect some exposure to equity and property investments because in the longer term they may provide higher returns.

The cash part of the fund covers the level of claims we expect to pay out in the short term.

What are the charges and how are they deducted from the fund?

There are two charges deducted from the Fund: an administration charge for each policy which is increased in line with changes in the Retail Price Index, and an investment management charge based on the average market value of funds under management. Details on the current level of these charges can be found in the Annual Policyholders' Report on the fund. In addition investment dealing charges are paid directly out of the fund as these happen.

What will happen to the Manulife Fund in the future?

As we are not selling any new with-profit policies the fund will get smaller over time. We will continue to monitor it to make sure that the full value of the fund is shared out fairly over the lifetime of the policies remaining in the fund.

When the value of the fund falls below a certain level we may stop maintaining the fund as a separate account. If this happens, we will allocate the fund between the remaining with-profits policies at that time. This allocation will take account of the expected number of future maturities, death claims and policyholders cashing in their policies early. At this point, policies would no longer be exposed to any gains or losses from the fund (for example, gains or losses on equities).

Further information

Your policy document and annual bonus statements contain more information about your with-profits policy. In addition, there are the annual policyholders' reports, available on our website (www.canadalife.co.uk under 'Existing Customers'), which provide information on the fund's investments and their return over the previous year, together with changes to the bonus rates.

As mentioned earlier, there is also a document called the '**Principles and Practices of Financial Management applicable to the Manulife Fund of Canada Life Limited**' (PPFM). This document provides a highly detailed and technical description of how the fund is operated, which we have summarised in this guide.

The **principles** describe:

- how we intend to meet our duty to with-profits policyholders, and
- how we will respond to changes in the business and economic environment over the medium to long term.

The **practices** are more specific statements that arise from the principles. These describe our approach to:

- managing the with-profits fund, and
- dealing with changes in the business and economic environment over the short-term.

We will change the principles if we think they could lead to policyholders being treated unfairly or if they hinder our ability to manage the fund effectively. If you are affected we will give you at least three months notice of any change to these principles.

It is likely that as the economic and business environment changes from time to time so will our practices. We will write to you directly with details of any significant changes or include it with your next annual bonus statement.

An independent review is carried out annually to make sure the management of the Manulife Fund complies with the PPFM. The review is carried out by an independent expert and they give their report directly to the Board of Canada Life Limited.

If you would like a copy of the PPFM, or if you have any questions about your with-profits policy or this guide, please call us on **0345 6060708**.

If you need financial advice we suggest you contact your professional adviser. If you do not have an adviser, details of those in your area can be found on the adviser search website www.unbiased.co.uk.

About Canada Life

The Canada Life Assurance Company provides insurance and wealth management products and services through domestic operations in Canada and international operations in the Republic of Ireland, Isle of Man, Germany and the U.K. as well as branch and subsidiary operations in other countries. Canada Life is a subsidiary of The Great-West Life Assurance Company and a member of the Power Financial Corporation group of companies.

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