

Manulife Financial: Reinsurance Division

Manulife Reinsurance provides service in each of the following lines of business: Life Retrocession (including Structured Reinsurance), Property and Casualty Retrocession, and International Employee Benefits Management.

Manulife writes reinsurance business in the Americas, Europe, Asia and Australia. The Division has offices in Canada, the United States, Germany, Belgium, Barbados, Singapore and Japan. While we no longer write new Accident and Health (A&H) business, the Division actively manages a significant portfolio of A&H business that has been in run-off for several years.

Manulife Financial is one of the largest life insurance companies in the world. Our financial discipline and record of strong operational performance over time have resulted in our key operating subsidiaries having among the highest ratings in the insurance industry from Moody's, A.M. Best, Fitch, DBRS and Standard & Poor's (S&P).

The Reinsurance Division specializes in retrocession, a niche market that involves the assumption of insurance risk from other reinsurers. The Division's focus is on writing profitable business while maintaining a leadership position in the niche markets in which it operates. In a survey of major life reinsurers in the United States, Manulife Reinsurance placed first in a ranking of most admired retrocessionaires¹.

Manulife Financial's Reinsurance Division is led by Stephen McArthur, Executive Vice President and General Manager.

WHAT is Reinsurance and Retrocession?

In the simplest terms, reinsurance refers to insurance purchased by an insurance company to cover all or part of certain risks on insurance policies issued by that company. In other words, reinsurance is the transfer of insurance risk to another insurer for a price. The reinsurer agrees to provide coverage to another insurance company (known as the 'ceding' or 'reinsured' company) for all or part of the losses that the ceding company may incur under certain policies of insurance issued by the ceding company.

The fundamental principle of reinsurance is that a transfer of risk must occur, whether that risk relates to mortality, morbidity, property loss or destruction, lapse, expense, or investment performance. Under a reinsurance arrangement, a reinsurer can agree to participate in any one of these risks to varying degrees.

Through reinsurance, risks can be redistributed among several insurance companies. A reinsurer also occasionally cedes risks to another reinsurer in a transaction known as retrocession. In other words, retrocession is insurance for reinsurance companies. The reinsurance company that

¹ Source: Pelecanus Survey of U.S. Life Reinsurers, March 2008.

reinsures risks, ceded by another reinsurance company through retrocession, is known as a retrocessionaire. Retrocession increases the capacity available in the reinsurance market, and therefore increases the capacity available to insurers and the insurance market in general. A large dispersion of risk also creates diversification that ultimately reduces the overall cost of risk.

WHY Reinsurance?

The four primary reasons for buying reinsurance are to provide:

- Financial support
- Additional capacity
- Catastrophe protection
- Stabilization of results

Lines of Business

Life Retrocession

Manulife has longstanding relationships with life reinsurance companies worldwide, with a portfolio of more than US\$130 billion of individual life reinsurance serviced by our offices in Boston, Toronto, Barbados, and Cologne. The majority of its life retrocession business is written in North America, where Manulife Reinsurance is the leading individual life retrocessionaire, holding approximately 43% of the in force market.

Manulife also offers Structured Reinsurance products to life companies, whether they are looking for reinsurance or retrocession support. Our structured reinsurance experts will consider proposals from customers directly, or opportunities that are introduced by reinsurance intermediaries. We specialize in custom designed solutions to help manage capital and surplus efficiency, developed in conjunction with our clients.

Property and Casualty Retrocession

As a long term and well established player in the highly specialized market of property and aviation retrocession, Manulife provides a valuable service to its clients, offering customer focused solutions to help them manage the earnings volatility that results from large catastrophic property and aviation events. This line of business services its clients from our office in Barbados.

International Group Program (IGP)

IGP is the leading provider of international benefits pooling, operating through a network of life insurance companies (Network Partners) throughout the world to meet the group insurance and pension needs of multinational corporations and their affiliates. IGP's services allow its multinational clients to pool their employee benefits risks across all of their international affiliates, and to share in the positive experience from these programs. IGP clients are serviced from offices in Boston, Brussels, Tokyo and Singapore. IGP was ranked as the #1 international benefit pooling provider in terms of pooled premiums, with the largest number of multinational clients².

For more information, please contact:

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² Source: Ernst & Young International Benefits Pooling Survey 2007