

## Fact Sheet

May 2008

### 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 around the world, through 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's Reinsurance Division is North America's leading individual life retrocessionaire, holding approximately 43 per cent of the in-force market, with a portfolio of more than US\$130 billion of individual life reinsurance. In 2007, the Reinsurance Division contributed six per cent of the Company's shareholders' net income and two per cent of the Company's premium and deposits.

Manulife Financial is one of the largest life insurance companies in the world, and is one of only two publicly traded life insurance companies with 'AAA' rated insurance subsidiaries, the highest level among 21 rating categories at Standard & Poor's. Manulife's large capital base and 'AAA' rating allows the Division to offer a high capacity to its customers. 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 recent survey of major life reinsurers in the United States, Manulife Reinsurance placed first in a ranking of most admired retrocessionaires<sup>1</sup>.

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

<sup>1</sup> 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?

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The four primary reasons for buying reinsurance are to provide:

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

## LINES OF BUSINESS

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### Life Retrocession

Manulife's customers are life reinsurance companies around the world, with whom long-standing relationships have developed over the years. Business is predominantly written in the United States with North American and international markets (excluding Europe) serviced from Boston and Toronto, with European clients supported from our offices in Barbados and Cologne.

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 (Associate Insurers) 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 recently again ranked as the #1 international benefit pooling provider in terms of pooled premiums, with the largest number of multinational clients<sup>2</sup>.

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<sup>2</sup> Source: Ernst & Young International Benefits Pooling Survey 2007

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