

Heirloom (I) – Product Training

Prepared by
Learning Centre



 **Manulife**

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Heirloom (I) – Quick overview

- It's a non-participating Universal Life Policy
- USD policy
- Provides lifetime coverage with flexible premium payments
- Offers growth of policy value



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Suitable Market

Targets at High Net Worth Individuals

- who are looking for insurance plans with immediate policy value to enable them to collateralise the plan to the banks as security for any leverage loan to be granted
- who are seeking death benefit protection and potential policy value accumulation for specific wealth planning events, such as, wealth protection, wealth distribution and wealth management



HNW = annual income is not less than USD250,000 or has a net worth equivalent of at least USD2.5m.

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Unsuitable Market

- who appreciate Singapore Dollar and are specially looking for this currency for their asset protection and wealth distribution
- who are seeking for low to medium level of death benefit protection
- who are seeking for a low cost death benefit protection
- who are adverse to interest rate risk

Key Selling Points



Designed For The Successful,
Tailor-Made For The Privileged

- Strong cash value accumulation
- Transparency in Cost of Insurance charges
- Fixed payment period for Face Amount Charges
- Benefit from more underwriting risk classes
- Promotes a healthier lifestyle with Quit Smoking Incentive
- Flexible premium payments
- Guaranteed minimum interest crediting rate

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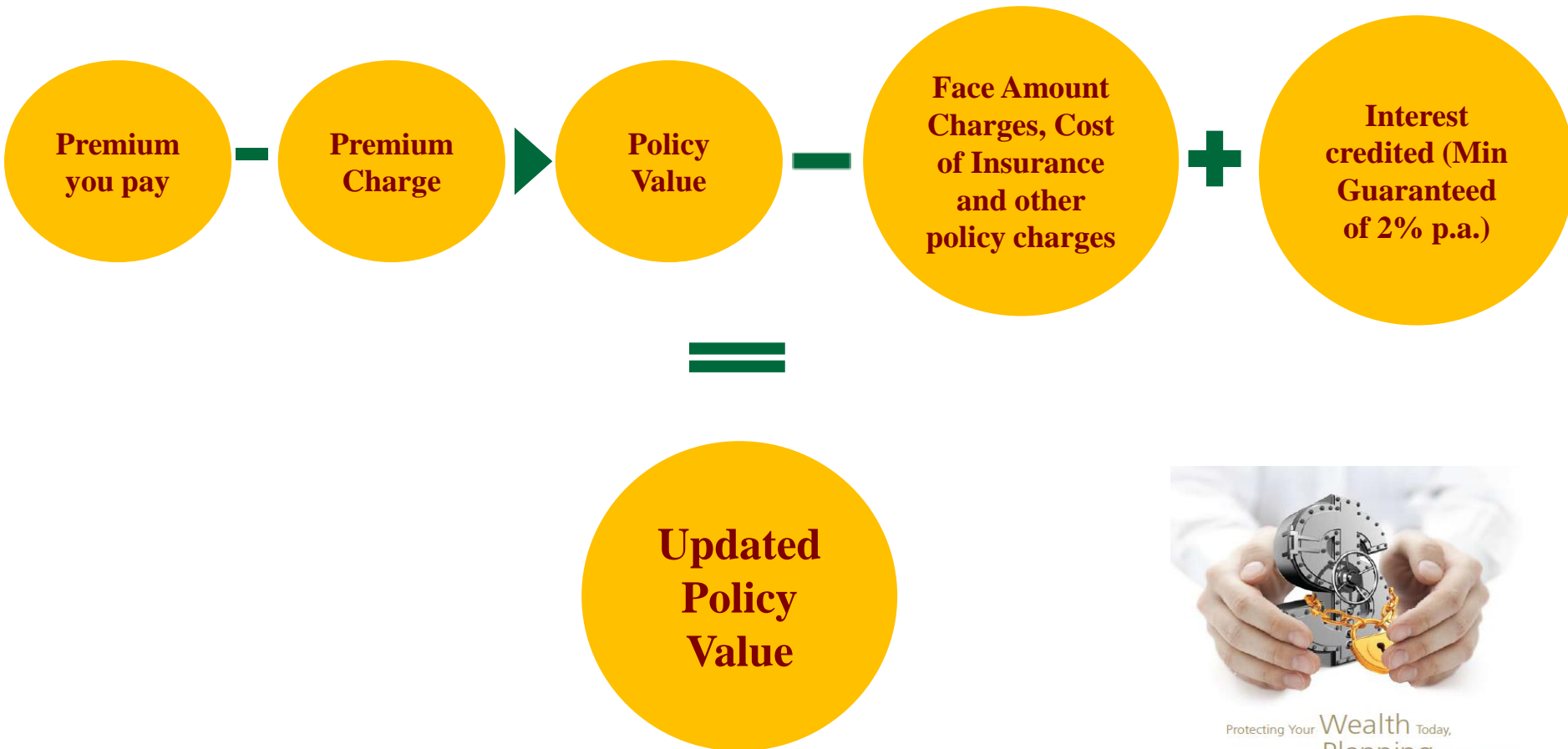
Entry Age and Age Last Birthday

Entry Age

- 20 – 70
- 71 – 80 (on a facultative basis, subject to underwriting)

Heirloom (I) - Product Overview

The following diagram shows how Heirloom (I) accumulates its Policy Value



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Interest Crediting Rates

- **Minimum Guaranteed Interest Crediting Rate of 2.0%**
- **Current Interest Crediting Rate 4.0%**
- **The interest is credited monthly to Policy Value with interest accruing on daily basis**

- The minimum Crediting Interest Rate in the 1st Policy Year is the current rate at issue.



- During the 1st Policy Year, the Crediting Interest Rate = max (current Crediting Interest Rate at issue, current Crediting Interest Rate)
- For back-dated policies, the current Crediting Interest Rate at Issue is the rate at the actual issue date and not at the backdated Policy Effective Date

Features – Heirloom (I)

- ❖ **Death Benefit**
- ❖ **Minimum Death Benefit**
- ❖ **Flexible Premium Payment**
- ❖ **Early Lapse Protection**
- ❖ **Age 100 Advantage**
- ❖ **Quit Smoking Incentive**
- ❖ **Cash Value Enhancement (optional)**
- ❖ **Loans and Withdrawals**



Protecting Your Wealth Today,
Planning For Tomorrow

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Death Benefit and Minimum Death Benefit

What is payable?

Face Amount or the Minimum Death Benefit,
whichever is higher, less any outstanding Policy
Debt as of the date of Death

What is Minimum Death Benefit?

Minimum Death Benefit is calculated as a percentage of the
Policy Value.

The is the minimum amount as Death Benefit and it is based
on the attained age at Death and the policy value.

Minimum Death Benefit

Attained Age	MDB Factor (%)
20-47	200%
48	197%
49	191%
50	185%
51	178%
52	171%
53	164%
54	157%
55	150%
56	146%
57	142%
58	138%
59	134%
60	130%
61	128%
62	126%
63	124%
64	122%

Attained Age	MDB Factor (%)
65	120%
66	119%
67	118%
68	117%
69	116%
70	115%
71	113%
72	111%
73	109%
74	107%
75-90	105%
91	104%
92	103%
93	102%
94	101%
95+	100%

❖ **Refer to the example to understand the payouts for Minimum Death Benefit**

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Minimum Death Benefit

■ Example 1

Attained Age at Death = 50

Face Amount = USD1,000,000

Policy Value = USD980,500

- Face Amount = USD1,000,000
- Minimum Death Benefit = $185\% \times \text{USD}980,500 = \text{USD}1,813,925$
- Since Face Amount < Minimum Death Benefit, the higher amount is payable

➤ **Death Benefit payable will be increased to USD1,813,925**

Minimum Death Benefit

■ Example 2

Attained Age at Death = 50

Face Amount = USD1,000,000

Policy Value = USD200,000

- Face Amount = USD1,000,000
- Minimum Death Benefit = $185\% \times \text{USD}200,000 = \text{USD}370,000$
- Face Amount > Minimum Death Benefit, so ...

➤ **Death Benefit payable will be the Face Amount – USD1,000,000**

Flexible Premium Payments



Policyowner can choose :-

- When to make premium payment*
- How much to pay*
- To skip a premium
- Discontinue premium payments entirely

Premium Payment Term

- Flexible up to age 100

*** Subject to maximum limits)**

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Flexible Premium Payments



Certain conditions ...

- To skip premium or discontinue premiums entirely, must ensure Net Surrender Value is sufficient
- Additional premium ,may be required if actual interest credited is lower than expected, if loans or withdrawals are taken or if the Cost Of Insurance (COI) charges increases

Flexible Premium Payments



What happens if Policy Owner stops paying planned premiums?

- Monthly deductions of
 - COI
 - Face Amount charges (for the first 10 policy years) will continue to be taken out from Policy Value
- May affect the Early Lapse Protection (ELP) feature and cause the policy to go into lapse pending.

Premiums Payment Method

- Cheque (USD)
- Bank Draft (USD)
- Telegraphic Transfer
- Payments in cash not allowed



Premium MUST come from a Bank Account in Singapore, from a Policyowner and/ or Life Assured – refer to slide 57 for more details

For Telegraphic Transfer, client is responsible for bank charges

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Early Lapse Protection

- Guarantees Policy will not lapse during the 5-year ELP period as long as the ELP Cumulative Premium Test is satisfied and Policy Debt (if any) does not exceed Policy Value
- The feature is included at policy issue and the Policy Owner cannot terminate the ELP feature
- ELP Premium is built-in the Policy Premium and is illustrated in the Schedule

Age 100 Advantage

- At age 100, policy value increases with crediting interest and the coverage continues
- **NO** further Cost of Insurance (COI) or Face Amount charges
- Interest will continue to be credited to the policy at the current crediting interest rate

Age 100 Advantage

- No additional premiums will be allowed at and after age 100
- If there is Policy Loan, interest on outstanding loans will continue to be charged
- Insurance benefit payable will be the Death Benefit less any Policy Debt.
- Policy will lapse if Policy Debt exceeds Net Surrender Value

Quit Smoking Incentive (QSI)

- Preferred & Standard Smokers enjoy Standard Non-Smoker current policy charges for the 1st three Policy Years
- By the end of policy year 3, if the Life Insured provides satisfactory evidence that he has stopped smoking for at least 12 consecutive months, the policy will be reclassified as Standard Non-Smoker
- Future policy values will continue to reflect Standard Non-Smoker monthly charges



Quit Smoking Incentive (QSI)



What needs to be done to change rating under QSI

- Fill out a form that indicates the Life Insured has stopped smoking for at least 12 consecutive months
- Must submit micro urinalysis test
- If the micro urinalysis is free from nicotine, the risk class will be changed permanently to Standard Non-Smoker
- Under QSI, full underwriting is not required to change the risk class

Note : Full underwriting will be required for substandard lives if the Life Insured quits smoking and applies for non-smoker rates at any time.

Quit Smoking Incentive (QSI)



What happens if the insured fails to quit smoking or provide evidence that he has stopped smoking by end of policy year 3?

- ❖ policy values for 4th year onwards will reflect the appropriate smoker current policy charges.
- ❖ Any requested risk class change would require full underwriting



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Quit Smoking Incentive (QSI)

- ❖ QSI is a feature available as part of our current underwriting program.
- ❖ It is not contractual.
- ❖ For QSI to be illustrated, select “Quit Smoking Incentive (QSI) Comparison” under the section for “Optional Report”

The screenshot shows a web-based interface for selecting optional reports. The 'Optional Report' section is highlighted with a red oval. Below this section, there are three checkboxes with corresponding labels: 'Annual Account Summary', 'Surrender Value Letter', and 'Quit Smoking Incentive (QSI) Comparison'. The 'Quit Smoking Incentive (QSI) Comparison' checkbox is checked and highlighted with a red rectangle. At the bottom of the interface, there are four green buttons: 'RESET', 'CALCULATE', 'PREVIEW', and 'EXPORT'.

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Cash Value Enhancement (CVE)

- option to enhance the Surrender Value
 - by waiving a portion of the Surrender Charge for the first 5 Policy years

Surrender Charge Waiver Factor Table	
Policy Year	CVE Factor
1	100%
2	85%
3	65%
4	45%
5	25%
6 and thereafter	0%

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Cash Value Enhancement (CVE)

- This option must be chosen before the Policy is issued.
- Once added, it cannot be revoked
- Higher Premium Charge – 6.2%

Effect of this option only apply :

- Full Surrender
- At lapse processing time to calculate the minimum and recommended premium amount on the lapse warning notices
- Not applicable to Policy Loans and Withdrawals

Loans

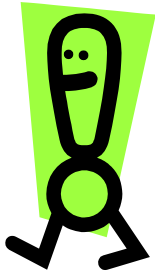
- **Loans are available anytime after Policy inception via written request when Policy is in force**
- **Loan interest is not guaranteed**
- **Loan interest rate is subject to changes and will be notified accordingly via Annual Statement**

Loans

- **The Available Loan Value on any date is the Net Surrender Value, less estimated loan interest and the Monthly Deductions due to the next Policy Anniversary.**
- **In no event, however, will the Available Loan Value be less than 90% of the Net Surrender Value.**
- **Loans may not be made if the policy is in the Grace Period**

Withdrawals

- Minimum withdrawal Amount = \$500
- Maximum withdrawal Amount = Policy's Net surrender Value (less 3 months of monthly deductions)



Withdrawals will affect Face Amount of the Policy

- The minimum Face Amount must be maintained even after withdrawals.
- Withdrawal is allowed once per Policy month after the first Policy Year except when the Policy is in lapse pending status.
- A pro-rate surrender charge will be assessed for withdrawals taken during the Surrender Charge Period provided withdrawals result in reduction in Face Amount

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Policy Charges

- ❖ Premium Charge (6.0% or 6.2%)
- ❖ Cost of Insurance (until age 100)
- ❖ Face Amount Charge (first 10 policy years)
- ❖ Surrender Charge (first 15 policy years)

Premium Charge

- Each time when premium is paid, a Premium Charge will be deducted.
 - ❖ Policies without Cash Value Enhancement –
6.00% on all premium
 - ❖ Policies with Cash Value Enhancement –
6.2% on all premium

For example for Non-CVE policies, if premium is USD100,000, then 6.0% will be deducted i.e. USD6,000. Net premium into Policy Value will be USD94,000

Cost of Insurance Charge

- Charge per USD1,000 Net Amount at Risk (NAAR) is deducted monthly from the Fixed Account.
- **Charge varies on attained age, gender, underwriting class, smoker status and Residency Code of the Life Insured.**
- **COI rates are not guaranteed** (except in 1st policy year)
- COI rates increases with attained age

Face Amount Charge

- Face Amount Charge is applicable for the first 10 policy years
- Charge per USD1,000 of Face Amount is deducted monthly from the Policy Value.
- **Based on issue age, gender and underwriting class**

Surrender Charge (SC)

Applies to

- Full Surrender
- Withdrawals causing Face Amount decreases
- Request for Face Amount to be decreased

**Pro-rata
charges
apply**

❖ **Surrender Charge rates vary by issue age, gender, smoker status and underwriting risk class**

Surrender Charge (SC)

❖ **Initial Surrender Charge – 180%**

❖ **Subsequent Surrender Charge**

Note: If policy is terminated due to a default (no payment of premiums), surrender charges will apply during the surrender charge period (1st 15 years)

Initial Surrender Charge

- Percentage (180%) of the sum of premiums paid in the 1st policy year or Percentage of Target Commissionable Premium, whichever is lesser

Issue Age	Initial Surrender Charge Percentages (%)
20 - 80	180

Subsequent Surrender Charge

- Surrender Charge Period is for **15 years**
- Charge applied will reduce gradually over the surrender charge period until it becomes zero

**Subsequent Surrender Charge
= Initial SC x SC Grading %**

Surrender Charge Period	SC Grading Percentages (Beginning of Surrender Charge Period)
1	100.00%
2	93.33%
3	86.67%
4	80.00%
5	73.33%
6	66.67%
7	60.00%
8	53.33%
9	46.67%
10	40.00%
11	33.33%
12	26.67%
13	20.00%
14	13.33%
15	6.67%

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Surrender Charge – Full Surrender

Example 1 – Full Surrender:-

- Issue Age 58
- TCP USD100,000
- First year premium paid equal to TCP
- Y% = 180%
- Policy Owner surrenders the policy at beginning of Year 6.

Initial SC

= 180% x USD100,000

= USD180,000

SC Applied

= Initial Surrender Charge x Grading %

= USD180,000 x 66.67%

= USD120,006

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Surrender Charge – Pro-Rata Example

Surrender Charge Calculation at Requested Face Decrease Time

When there is a requested Face Amount decrease or a Face Amount decrease as a result of a withdrawal a pro-rata surrender charge has to be calculated and taken out from the Policy.

Pro-rated SC and Remaining SC Calculation - Example:

Original Face Amount= US\$2,000,000

At Year 5 Month 1, requested Face Amount to be reduced by US\$400,000.

Initial SC = US\$10,000

SC applied year 5 Month 1 per face = $\text{US\$10,000} \times \text{current month's grading \%}$
= $\text{US\$10,000} \times 0.7278$
= US\$7,278.00

Pro-rata SC for Face Amount decrease = $(400,000 / 2,000,000) \times \text{US\$7,278.00}$
= US\$1,455.6

Pro-rata portion of initial SC remaining = $(400,000 / 2,000,000) \times \text{US\$10,000} = \text{US\$ 2,000}$

Current month's SC remaining after pro-rata SC applied
= $\text{US\$}(10,000 - 2,000) \times \text{current month's grading \%}$
= $\text{US\$8,000} \times 0.7278$
= US\$5,822.40

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Policy Charges

Note: To see the details for all the policy charges, in the BI, please check the box : “Annual Account Summary” under Optional Report.



Optional Report	
<input checked="" type="checkbox"/>	Annual Account Summary
<input type="checkbox"/>	Surrender Value Letter
<input type="checkbox"/>	Quit Smoking Incentive (QSI) Comparison

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Full Surrender

- Full Surrender can be done anytime for the Net Surrender Value while the Policy is in force except when the Policy is in lapse pending status.
- If surrendered during the Surrender Charge Period (15 years), the surrender charge will be deducted from the Policy Value

Using Universal Life Insurance as a tool for tax evasion



With effect from 1 July 2013, Singapore has designated tax crime as money laundering predicate offences,

Manulife need to understand a client's **tax-risk profile** and apply customer due diligence, transactions monitoring and control measures that are commensurate with the assessed risks, to effectively detect and deter the laundering of proceeds from serious tax offences through the financial system.

Some Red Flags that clients may be using Heirloom(I) as a tool for tax evasion

1. Modest income declared relative to large policies purchased;
2. Customers from jurisdictions with high marginal tax rates relative to Singapore (e.g., Canada, US, EU, etc.);
3. Client expresses a desire or attempts to remit premium payments from tax haven;
4. Refusal to disclose tax status documentation (when requested);
5. Client reveals as part of the sales discussion that he/she has undeclared income or assets;
6. Customers with no link with Asia, e.g., do not live or work here or have obvious familial connections;
7. Complex ownership structures where beneficial ownership is difficult to ascertain, e.g., entity owners with complex shareholding structures, complex trust structures;
8. Questions about the tax treatment of the policy, including (for foreign clients) whether tax information will be reported to the home jurisdiction; and
9. Previous charges or convictions, or negative media reports, related to financial or tax crimes.

Other Details ...

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Lapsation

The Policy will go into lapse pending when:

- Policy Debt exceeds the Net Surrender Value.

Grace Period

- If a Policy does not satisfy the lapse testing, the Policy will go into lapse pending.
- Allow 61 days from the date the Policy goes into lapse pending to pay the amount that is required to bring the policy out of lapse pending status
- If the required premium is not received by the end of 61 days the policy will lapse
- At least 30 days prior to termination of coverage, a lapse warning notice will be sent to the client

Reinstatement

Policy may be reinstated within 2 years from the date of termination (if it has not been surrendered for the net surrender value) provided :-



**Must be satisfied
90 days after the
1st point**

- There is a Written Request for reinstatement received by Company
- Subject to normal underwriting practices including satisfactory evidence of insurability for the life insured
- Payment of the required amount of premiums equal to amount that is required to bring policy out of lapse immediately prior to termination
- Plus, we must receive the amount needed to keep the policy in force through the date of reinstatement for the next 3 policy months

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Termination

Policy will terminate on the earliest :-

- Death of Life Insured
- Policy surrendered for Net Surrender Value
- At end of Grace Period, if the required premium to bring Policy out of default has not been paid

Free-Look Period



What is payable if I exercise my Free-Look option?

- Policy Owner may cancel the policy within 14 days after receiving the Policy
 - If Policy is sent by post, it will be considered delivered and received by Policyowner 7 days after the date of posting
- Refund = 100 % of Premiums paid without interest less Policy Debt and any medical expenses incurred in underwriting the application

Suicide Clause (as per contract)

- If the Life Insured dies from suicide within two (2) years from:
 - (a) the Policy Issue Date; or
 - (b) the date of reinstatement of this policy

- We may void the policy and refund all premiums paid without interest less any medical expenses incurred by us, any withdrawals made and Policy Debt.

We reserve the right under this provision to obtain evidence of the manner and cause of death of the Life Insured.

Policy Administration

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Policy Assignment

- Policy Assignment is allowed anytime while Policy is in force
 - Assignor: at least 18 years old
 - Assignee: at least 18 years old

- Only the entire policy (and not merely the proceeds of the policy) may be assigned

- Assignment must be filed with the company

Policy Assignment

- If assigned to a trust or a corporate vehicle, information may be requested such as ownership structure (including deed of trust), settlor, trustee and beneficiary information, etc.
- Internal guidelines does not allow any FP or the spouse of any FP to be the assignee of a client's policy.
- Except, when assignee is the:
 - Spouse of the FP (assignor)
 - Children of the FP (assignor)
 - Parents of the FP (assignor)

Other Information

- Third party application allowed. Insurable interest must be present in accordance with the Insurance Act
- Foreign Trust can be Owner of policy, as long insurable interest is present in accordance with the Insurance Act, subject to the provision of sufficient information on the structure, of the trust, trustees, beneficiaries, etc., in order for the beneficial ownership to be ascertained.
- Personal Investment Company (PIC) is not allowed as Owner.
- Nomination of Beneficiary allowed, excluding applications by trustees/trust corporations

Overseas Solicitation

- Not Allowed to solicit and market this product outside Singapore
- All applicant owners must provide a declaration as part of their application that the policy was solicited from him in Singapore
- All marketing materials and illustrations were presented and discussed with the applicant owner in Singapore and the signing of the application took place in Singapore – copies of travelling documents required as proof of signature within Singapore.
- For Trust-owned application, the settler of the Trust that owns the policy must provide the declaration under the relevant solicitation that the sale was confirmed and concluded in Singapore

Payment to Overseas Accounts

Are subject to : -

certified confirmation from the overseas banks that the overseas accounts belong to the correct designated recipient.

Third Party Involvement

All third party premium payments for this policy are disallowed, with the exception where premiums are funded from bank accounts in Singapore

- ❖ **Belonging to the Policy Owner and/or life Insured and/or**
- ❖ **Person who are Immediate families of the Policy Owner, such as Parent-Child or Husband-Wife) and/or**
- ❖ **Related persons (Settlor-Trustee relation).**

The Company will not make policy related payments to third parties except when these third parties are properly designated assignee or trustee known to the Company; or other legal beneficiaries (named nominee) or beneficiaries under a trust.

Sales to People's Republic of China (PRC) Nationals

Sale of this policy shall be limited to PRC nationals who can either

- (a) establish residency outside of the PRC, or
- (b) utilize a trust structure as the Policy Owner where the trust is resident outside of the PRC

and in either case....

the applicant must provide evidence as part of financial underwriting, that there is adequate financial resources outside of the PRC to satisfy premium requirements. This may include evidence on the source of funds, information on the trust structure, including settlor, protector, trustees and beneficiaries.

Sales to People's Republic of China (PRC) Nationals

- Application for this policy and all future communications must contain a correspondence address for the Policy Owner and any and all beneficiaries that is NOT in the PRC.
- This policy must not be marketed to PRC nationals or nationals of any country for tax avoidance purposes.
- All sales to PRC nationals will be reviewed by Singapore Compliance

Additional Information

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Additional Information – Face Amount Changes

- Increase in FA is not allowed
- Decrease is allowed
 - Minimum decrease is USD100,000
 - Cannot be decreased to below the minimum Face Amount of Plan (USD500,000)
 - Allowed anytime after 1st policy year and change will take place at beginning of policy month
 - Pro-rata surrender charges apply to decrease in Face Amount during surrender charge period

**Allowed,
subject to underwriting
approval**

Premium – Some common terminology

Minimum Initial Premium (MIP)

- ✦ Amount required to issue the Policy and keep the policy in force for the first policy month

Planned Premium

- ✦ Represents the amount that policy owner plans to pay and is available in Annual Mode only

Maximum Premium

- ✦ Restrictions do apply
- ✦ Premium can be “forced out” if maximum premium is reached

Premium – Some common terminology

Target Commissionable Premium (TCP)

- ✦ Calculated by a formula that depends on the Face Amount
- ✦ Varies with issue age, sex and underwriting class
- ✦ Used as a basis for determining the Initial Surrender Charge.
- ✦ Used in calculating Commission payable

ELP Premium

- ✦ ELP premium is used in the ELP Cumulative Test
- ✦ Level Premiums that vary by issue age, gender, risk class and Residency Code

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