



Term conversions will no longer be treated as a continuation of coverage April 1

Converting term insurance to new permanent insurance is a benefit under many life insurance policies. Beginning April 1, 2016, we will no longer treat converted coverage as a tax continuation. This will help us provide better service to your clients.

This is an administrative change to our practice of treating certain converted coverage as a continuation of the original coverage from a tax perspective. For conversions treated as tax continuations, it meant carrying over the Adjusted Cost Basis (ACB) and Tax Original Effective Date based on the view the new permanent policy took effect on the same date as the original term coverage.

The impact of this approach was not well understood. It caused confusion for clients and advisors while benefitting only a small number of clients and different types of conversions received different treatment. As well, we were not able to accurately pre-illustrate the tax values of the new permanent policy for you or your clients.

The fresh approach will help clients by simplifying our process, providing a consistent approach for all term conversions and aligning our practices with other major insurers.

For clients who may want a converted coverage to be treated as a tax continuation of their original term coverage, a conversion application must be received at Manulife's Head Office, in good order with all requirements, before April 1, 2016.

Have questions?

Please contact your Manulife representative. If you are an Elite advisor, please contact your Regional Actuarial Consultant.

February 29, 2016