

NewsFlash

For Internal Use Only

To : All Brokers & Insurance Agencies in Hong Kong
From : Tracy Leung, Chief Partnership Distribution Officer
Subject : **Brokerage Compensation Revamp**
Date : **4 Jan 2022**
c.c. : Peter Ying, Danny Lee

Dear Business Partners,

GOOD NEWS!!!

We are delighted to announce that a new brokerage compensation scheme (the “Scheme”) will be launched on 1 March 2022. This compensation scheme surely brings you with more flexibility, given its structure tailored to meet your business needs. You will find it easier to comprehend, to communicate with your teams, and most importantly to enable you to well integrate into your business planning.

Highlights of the Scheme:

- Under the Scheme, products are categorized in various product groups with different remuneration, which give you a greater flexibility in drawing up your business plan and strategies
- Existing scheme has been trimmed down to 2 straightforward factors: basic commission and overriding commission; facilitating business partners to streamline on administrative workflow

Please refer to the below table for transitional arrangement.

Important Dates	Transitional Arrangement
28 February 2022	Policies / Additional Coverage* are issued on or before 28 Feb 2022 follow <u>EXISTING</u> compensation arrangement (including renewal compensation)
1 March 2022	Policies / Additional Coverage* are issued on or after 1 March 2022 follow the <u>NEW</u> compensation arrangement

*Additional Coverage: any benefits generated under a policy. e.g. Inflation Protector Option (IPO), benefit upgrade for medical plan, top-ups and additional benefit attached to a policy etc.

Please note that a new set of Schedule of Commission will be uploaded to ManuTouch in the middle of February 2022.

For you to better understand the new Brokerage Compensation Scheme, you may refer to the key notes and the examples illustrated in the Appendix. You may also join a workshop which is scheduled on 12 January 2022. For registration, simply fill in the form via the link or the QR code below, on or before 7 January 2022.

Registration:

<https://forms.gle/q4t4BKBUmfgX5R7>



Happy Selling!!!

You may contact your Account Manager if you have any questions.

Appendix

A. Products are categorized into the following groups:

- 1) Life Protection
- 2) Critical Illness
- 3) Medical
- 4) VHIS
- 5) Par Saving
- 6) Par Coupon
- 7) QDAP
- 8) ILAS
- 9) Universal Life
- 10) WIOP
- 11) Others

B. General Accrual Rules

In according to GL16, Indemnity commission, or any standing arrangement that offers advance payment of commission, is strictly prohibited. Authorized insurers should only pay commission on an earned basis.

For the sake of clarity, while commission and/or override (if any) is/are calculated based on gross premium (i.e, premium before discount, if any), accrual amount will be calculated based on net premium (i.e., actual premium paid by the policyowner; premium after discount, if any)

C. Illustration for First Year

Sample 1

Assumption

Product:	Long-term Saving Plan (5-pay)
Payment Mode:	Annual
Annual Premium:	USD1,000,000
First Year Commission Rate:	20%
Override Rate*:	150%
DPR date:	1 March 2022
FX Spot Rate:	7.78

*Override rate is only applicable in first year

Total Compensation Payable

Basic commission = USD200,000 (20% x USD1,000,000)

Override = USD300,000 (150% x 20% x USD1,000,000)

Total compensation payable = USD500,000 or equivalent

Accrual Rule:

Since total premium paid by the customer is larger than the total compensation payable, NO commission will be withheld

That is:

annual premium of USD1,000,000 is larger than the total compensation payable of USD500,000, business partner will receive USD500,000 in whole in a particular payment run

Payment Schedule (under normal circumstances)

Total compensation payable to be made on approximately 23rd in the same month (e.g. 23 March 2022)

Sample 2

Assumption

Product:	Well-rounded Critical Illness Protection
Premium Paying Period	25
Payment Mode:	Annual
Annual Premium:	USD1,000
First Year Commission Rate:	50%
Override Rate*:	120%
DPR date:	1 March 2022
FX Spot Rate:	7.78
Premium Discount (First year)	10%

*Override rate is only applicable in first year

Total Compensation Payable

Basic commission = USD500 (50% x USD1,000)

Override = USD750 (150% x 50% x USD1,000)

Total compensation payable = USD1,250 or equivalent

Accrual Rule:

Since total premium paid by the customer is less than the total compensation payable, excess amount will be withheld and to gradually pay out upon upcoming premium payment by the customer, subject to the rule of GL16.

That is:

Net annual premium of USD900 (USD1,000 x 90%) is less than total compensation payable of USD1,250, business partner will receive USD900 or equivalent in that particular commission run; the rest of USD350 or equivalent accrual amount will be withheld at Manulife's accrual account, subject to the rule of GL16.

Payment Schedule (under normal circumstances)

- Commission of USD900 or equivalent to be made on approximately 23rd in the same month (e.g. 23 March 2022)
- The accrual amount will be gradually paid out upon upcoming premium payment by the customer, subject to the rule of GL16.

Sample 3

Assumption

Product:	Universal Life
Premium Paying Period:	Single Premium
Planned Premium:	USD100,000
Target Premium:	USD5,000
Minimum Initial Premium:	USD500
Target Premium Commission Rate:	125%
Excess Premium Commission Rate	3%
Override Rate*:	0%
Cumulative Premium Paid:	USD5,000
DPR date:	1 March 2022
FX Spot Rate:	7.78

*Override rate is only applicable in first year

Total Compensation Payable

Target premium commission = USD6,250 (125% x USD5,000)

Total compensation payable = USD 6,250

Accrual Rule:

Since the cumulative premium paid is less than 200% of the Target Premium, the commission will be withheld and to gradually pay out upon upcoming premium payment by the customer is greater than 200% of Target Premium (equal or greater than USD10,000).

That is:

The initial premium of USD5,000 is less than total commission payable of USD6,250, there is no commission will be released to business partner in that particular commission run; the amount of USD6,250 or equivalent accrual amount will be withheld at Manulife's accrual account.

Payment Schedule (under normal circumstances)

- The accrual amount will be gradually paid out upon upcoming premium payment by the customer is greater than 200% of Target Premium (equal or greater than USD10,000)

Sample 4

Assumption

Product:	Longevity Protection Plan
Premium Paying Period:	Single Premium
Single Premium:	USD2,000,000
Basic Commission Rate:	10%
Override Rate*:	0%
DPR date:	1 March 2022
FX Spot Rate:	7.78

*Override rate is only applicable in first year

Total Compensation Payable

Basic commission = USD200,000 (10% x USD2,000,000)

Total compensation payable = USD200,000 or equivalent

Accrual Rule:

Since total premium paid by the customer is larger than the total compensation payable, NO commission will be withheld

That is:

Single premium of USD2,000,000 is larger than the total compensation payable of USD200,000, business partner will receive USD200,000 in whole in a particular payment run

Payment Schedule (under normal circumstances)

Total commission payable to be made on approximately 23rd in the same month (e.g. 23 March 2022)