

Business Value Protector Rider (BVP)

The Business Value Protector (BVP) Rider gives a business owner the option to purchase additional coverage without medical evidence, based on the increased value of the business.

Benefits of the BVP

- The BVP meets the needs of a growing business as it matures. As the business increases in value, further insurance may be needed to:
 - Pay costs such as the capital gains tax associated with the success of the business when the owner dies
 - Fund buy-sell agreements
- The BVP allows the client to purchase additional insurance without providing evidence of insurability that would normally be required
- The amount of future coverage is uniquely customized to the value of the business, now and in the future, providing flexibility to increase coverage only as needed
- The BVP can be used to increase an individual's insurance if his/her share of the fair market value of the business increases
- If an application for new insurance is received within the 45 day period before an option date and the insured person dies during this 45 day period, we will pay a death benefit equal to the amount of the insurance requested in the application

Quick facts

- Issue ages 18 to 65
- \$50,000 minimum
- Available to clients who are a standard risk or better
- Available exclusively to business owners (InnoVision, Security UL, Business Term)
- Can be added at or after issue of the policy
- To purchase the rider, the business must have existed for at least three years
- Option dates are the 1st to 10th policy anniversaries following the initial BVP coverage date
- If more than one person owns a business, each owner can have one BVP Rider under a single policy for that business.
- The new coverage can be added to the existing policy or any other term or permanent life insurance product that Manulife offers at the option date

How much BVP can be purchased?

- The BVP amount may be any amount up to the insured person's share of the fair market value of the business on the coverage date and it must be at least \$50,000
- The BVP amount will remain fixed after issue of the coverage

How we determine the Fair Market Value of the business

- Underwriting determines the Fair Market Value of the business based on a formula, which is used as part of the underwriting process. Using the financial statements provided to us, our current formula is:
 - Fair Market Value = Average business net earnings after tax for the last three fiscal years (adjusted for nonrecurring items and management bonuses) x 10.
- Subject to underwriting approval, an alternate formula submitted by the business owner may be used to determine the company's Fair Market Value

Exercising the BVP option

- To purchase the BVP rider, and at the time that the BVP option is exercised, the business owner must submit the following information to determine the fair market value of the business:
 - The two most recent company financial statements (note: we require the company's financial results for the last three consecutive years).

Exercising the BVP option continued...

- Documentation that demonstrates the business owner's equity position in the company at the date of the application
 - Option dates are the 1st to 10th policy anniversaries following the BVP coverage date. A notice will be mailed to the client 45 days prior to the scheduled BVP option date
 - When using the option, the minimum increase in coverage must be the minimum for the plan or coverage purchased. The maximum increase is three times the BVP amount less any amounts previously purchased (the maximum option amount)
 - The maximum purchase, on any option date, is the lesser of:
 - The maximum option amount, or
 - The growth in the insured person's share of the fair market value of the business since the BVP coverage date, less any amounts previously purchased
 - The new coverage will remain at the same Healthstyle category as the one determined at the initial purchase of the rider
 - At the option date, the new coverage can be added to the existing policy or any other term or permanent life insurance product that Manulife Financial offers
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Expiry of the BVP

- A BVP will expire at the earlier of either of the following:
 - The 10th policy anniversary following the initial BVP coverage date, or
 - The date on which the maximum option amount has been exercised
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Information about the new insurance being purchased

- The new insurance must conform to our rules for issue ages, minimum/maximum amounts of insurance, and minimum premiums, which vary for each individual product
- We must receive an application for the new insurance and the first premium (if applicable) on or before the option day
- The new insurance will take effect on the option day as long as the insured person is alive on the day the application is signed and when the new insurance starts
- A total disability waiver rider (such as WOD or TDW) may be purchased (subject to issue rules) with the new insurance coverage, provided a TDW rider was in effect on the same person under the original policy
- The suicide and contestability/validity provisions will apply from the coverage issue date of new insurance coverage
- The premium for the new insurance will be based on:
 - The insured person's sex and attained age, and
 - The Healthstyle category applicable to the insured person

Business Term, **InnoVision** and **Security UL** are backed by Manulife Financial.

Manulife Financial is a leading Canadian-based financial services company, which together with its affiliates, operates in 19 countries and territories worldwide.

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