LIFE INSURANCE

Internal Replacement Guidelines

APRIL 2010

All John Hancock branded life insurance products (with the exception of COLI, BOLI, and LifeCare) are subject to the internal replacement guidelines outlined in this document. COLI and BOLI cases are evaluated individually. These are general guidelines, but should not be considered all-encompassing, or in any way contractual. Each replacement is subject to underwriting and reinsurance considerations. Before initiating an internal replacement, please also note the following important information:

- There are many reasons why it may be better for a client to keep an existing policy rather than purchase a new one. However, situations may arise where insurance needs change and/or new product features become available in the marketplace, and purchasing a new product might be in the best interest of an existing policy owner.
- We may monitor replacement activity to identify excessive replacements and ensure compliance with State and Federal replacement requirements. Activity that is deemed excessive or non-compliant may result in disciplinary action, which may include producer appointment termination.

These guidelines do not apply to new policies issued in the state of New York. For replacements to those policies, please see our *New York – Internal Replacement Guidelines* available on JH SalesNet.

Note: Obtaining a new Permanent Life policy within six months of a previous John Hancock Permanent or Term Life policy lapse is considered a replacement, and therefore may be subject to the same replacement guidelines described in the following sections.

SIX-MONTH INTERNAL REPLACEMENTS – FULLY-UNDERWRITTEN PERMANENT LIFE PRODUCTS

FROM: UNIVERSAL LIFE OR WHOLE LIFE POLICIES
TO: UNIVERSAL LIFE, VARIABLE UNIVERSAL LIFE, OR WHOLE LIFE POLICIES

Policy owners may request a replacement with another currently-offered John Hancock product within six months of the original policy Issue Date under the following guidelines:

- These guidelines do not apply to replacements:
  – From or to a Term, COLI, BOLI or LifeCare policy; or
  – From a Variable policy.
- New underwriting may not be required if the new policy's total face amount equals the existing policy's – including all supplemental riders. The new policy total face amount may not be less than the existing policy's total face amount.
- A replacement under the Six-Month guidelines is not available if there is an outstanding loan under the original policy.
- The new policy must be a currently-offered product, and will be issued with the original policy Issue Date, Policy Year Date, and Issue Age. No riders may be added to the new policy that were not also included with the original policy.
- Only one replacement per policy may be allowed for each original policy issued.
- All premiums will be reversed under the original policy and then reapplied, net of any premium load applied, to the new policy as of the same original transaction date(s). In the case of a replacement to a Variable policy, interest will be applied to the net premiums at the rates credited from the original transaction date(s) on funds allocated to the Money Market sub-account over that period.
- All compensation will be reversed under the original policy and the new policy will generate compensation based on the compensation schedule in effect for the new product at the time of the replacement.
- Commissions on the new policy will only be paid to the same parties as those compensated for the original policy, and will be subject to our commissions policies and procedures in effect for the new product at the time of the replacement.
- If exercising this option, please ensure that the transmittal/replacement form specifically states that a Six-Month Internal Replacement is being requested.

36-MONTH (OR LESS) INTERNAL REPLACEMENT
FULLY-UNDERWRITTEN PERMANENT LIFE PRODUCTS

FROM/TO: UNIVERSAL LIFE, VARIABLE UNIVERSAL LIFE, OR WHOLE LIFE

For permanent policies 36 months old or less (from original Issue Date) that **do not** qualify for the Six-Month Internal Replacement guidelines described earlier, the following Internal Replacement guidelines apply. This covers Universal Life, Variable Universal Life, and Whole Life. Term policy replacements are covered in a later section.

Product Guidelines	Compensation
• Generally, there are no additional medical underwriting requirements if the original policy was medically underwritten in the last 36 months (see Underwriting Note). • Customer value transferred to the new policy will be the original policy's Policy Value less a Surrender Charge if applicable (see Surrender Charge Note) less any policy debt that is not transferred to the new policy. • Outstanding loans will be transferred, if requested by the policy owner. (Premium is reduced by the amount of outstanding loan values transferred in calculating any commissions.) • Premium loads assessed on rollover premium to the new policy will be reduced by 3% to reflect tax savings (DAC and/or premium tax). The 3% reduction currently applies to UL and VUL non-COLI products issued as the new policy. • The new policy will have a current policy Issue Date, Policy Year Date, and Issue Age. **Underwriting Note:** Full underwriting may be required, and in any event will be required if one or more of the following conditions is present: • The insured(s) attained age is/are greater than 75 years old (using age nearest birthday) as of the time of the replacement; • There is an increase in the amount at risk (face or rider). Please also refer to the face increase rules on page 5; • There is a change in lives insured (individual to survivorship or vice versa); and/or • All values from the existing policy are not transferred to the new one (i.e. a partial surrender is involved). **Surrender Charge Note:** Generally, the original policy's Surrender Charges will be waived. Surrender Charges will be assessed, however, on a pro-rata basis, against the rollover value if one or more of the conditions below is present[1]: • The new policy's face amount is lower than the existing policy's face amount; and/or • The new policy's Surrender Charge is lower than the existing policy's Surrender Charge at the time of the replacement. If the existing policy's Surrender Charge exceeds its Policy Value at the time of an internal replacement, we will instead consider the Surrender Charge equal to the Policy Value for purposes of calculating any Surrender Charge waiver. If all values from the existing policy are not transferred to the new one (i.e. a partial surrender is involved), no Surrender Charges will be waived.	• If the original policy is less than 12 months old (from the original policy's Issue Date), a chargeback will be assessed to the extent that the new policy's target premium is less than the existing policy's target premium. The chargeback applies to first year target premium previously paid into the original policy, which exceeds the new policy's target • There is no compensation on rollover premium. • New premium is eligible for "new" target on the new policy – i.e., if new target premium is greater than old target, the new premium will generate first year commission on the difference. • First year excess commision is available on any new premium in excess of new target.

1. To obtain a quote of the amount of Surrender Charge waived, please first submit an illustration of the new policy to our Operations area. This illustration should include a rollover amount equal to the unadjusted net surrender value of the existing policy. Please include the annual account summary.

OLDER POLICY (GREATER THAN 36 MONTHS) INTERNAL REPLACEMENT
FULLY-UNDERWRITTEN PERMANENT LIFE PRODUCTS

FROM/TO: UNIVERAL LIFE, VARIABLE UNIVERSAL LIFE, OR WHOLE LIFE

For permanent policies greater than 36 months old (from the original policy's Issue Date), the following guidelines apply:

Product Guidelines	Compensation
• Full underwriting is required. • Customer value transferred to the new policy will be the original policy's Policy Value less ½ of outstanding Surrender Charges on the original policy (see Surrender Charge Note) less any policy debt that is not transferred to the new policy. • Outstanding loans will be transferred, if requested by the policy owner. (Premium is reduced by the amount of outstanding loan values transferred in calculating any commissions.) • Premium loads assessed on rollover premium to the new policy will be reduced by 3% to reflect tax savings (DAC and/or premium tax). The 3% reduction currently applies to UL and VUL non-COLI products issued as the new policy. • New Suicide and Contestability periods will begin on the new policy, subject to state variations. • The new policy will have a current policy Issue Date, Policy Year Date, and Issue Age. **Surrender Charge Note:** Additional Surrender Charges will be assessed, on a pro-rata basis, against the rollover value if one or more of the conditions below is present:[2] • The new policy's face amount is lower than the original policy's face amount; and/or • The new policy's Surrender Charge is lower than the original policy's Surrender Charge at the time of the replacement. If the existing policy's Surrender Charge exceeds its Policy Value at the time of an internal replacement, we will instead consider the Surrender Charge equal to the Policy Value for purposes of calculating any Surrender Charge waiver. If all values from the original policy are not transferred to the new one (i.e. a partial surrender is involved) no Surrender Charges will be waived.	• All premium, including rollover premium, is eligible for first year target commission and first year excess. • An adjustment will be applied to the total compensation generated on the new policy. Total compensation will be reduced by the amount of the Surrender Charge waiver.

2. To obtain a quote of the amount of Surrender Charge waived, please first submit an illustration of the new policy to our Operations area. This illustration should include a rollover amount equal to the unadjusted net surrender value of the existing policy. Please include the annual account summary.

INTERNAL REPLACEMENT WITH A FACE INCREASE
FULLY-UNDERWRITTEN PERMANENT LIFE PRODUCTS

UNIVERAL LIFE, VARIABLE UNIVERSAL LIFE, & WHOLE LIFE

For policies greater than 36 months old	All of the guidelines outlined in the preceding chart – **Older Policy (Greater than 36 Months) Internal Replacement Fully-Underwritten Permanent Life Products** – apply.
For policies 36 months old or less	If the replacement involves an increase in the face amount from the original policy coverage, including both the base plan and any riders, full underwriting is necessary for that increase. The following steps are required:

Two policies will be issued – one policy representing the original face, and a second policy representing the amount of the increase. Please submit the applicable Administrative Requirements as described at the end of this document plus the following:

- Separate Life Insurance Application Policy Details Pages – one indicating the original face amount and the second showing the amount of increase (subject to minimum face amount requirements for the new policy).
- Separate Illustrations – One indicating the original face amount and the second showing the amount of increase (subject to minimum face amount requirements for the new policy).
- If the policy owner requests that an existing loan be transferred, the loan will be applied on the policy that is issued on the original face amount.
- Rollover premium will be applied on the policy that is issued for the original face amount.
- The replaced policy is subject to the **36-Month (or less) Internal Replacement** guidelines outlined earlier. The second policy, representing the additional face amount, is treated as a new policy in all respects.

TERM REPLACEMENT RULES

Applies to: Term to Term Replacements

For policies...	
... less than one year old (from original policy's Issue Date)	• Generally, no replacements are allowed.
... between one and six years old	• Full underwriting • Standard first-year commission (FYC) rates do not apply; • Instead, 10% of the first year premium is paid in lieu of FYC.
... greater than six years old	• Full underwriting • Full compensation payable

Note: Obtaining a new Term policy within six months of a previous John Hancock Term Life policy lapse is considered a replacement. Therefore, the new policy will be subject to compensation at the rate of the same 10% of premium payable during the first year, in lieu of first-year commission.

Applies to: Term to Permanent (other than Term Conversions) and Permanent to Term Replacements

For replacing…	
Term to Permanent	• Full underwriting • Full compensation
Permanent to Term	• Permanent policy is surrendered for surrender value. • Full underwriting • Full compensation payable if more than six years have passed since the original policy Issue Date. • If fewer than six years have passed, standard FYC rates do not apply, but instead 10% of the first year premium on the new policy is paid in lieu of FYC.

Note: Any unearned premium on the original term policy will be transferred to the new policy.

ADMINISTRATION REQUIREMENTS

APPLICABLE TO ALL LIFE PRODUCTS

For 1035 Internal Replacements we require...
• Original Policy Contract • Replacement Paperwork • Agreement Concerning Internal 1035 • John Hancock Application for Life Insurance including the appropriate application Policy Details pages • New Illustration
For Non-1035 Internal Replacements we require...
• Original Policy Contract • Replacement Paperwork • John Hancock Application for Life Insurance including the appropriate application Policy Details pages • New Illustration • Policy Surrender Form PS5113US*

Note: *Existing coverage will not be terminated without this form.

For questions relating to required forms or process, contact your New Business Case Manager at 1-800-505-9427, option 2.