

Buy-Sell Plus

Sample Contract

This sample policy contract is provided for your information only.
It is not a valid contract or an offer of insurance.

Sample

This is a sample of the contract for occupation category 4A.
Different provisions may apply to other categories.
The benefits and riders included in this sample are not available to all applicants.

We, THE MANUFACTURERS LIFE INSURANCE COMPANY, insure the owner of this policy against disability or loss suffered by and resulting from injury or sickness of the person insured, as provided in the policy.

The benefits payable and the provisions governing the policy are shown in the following pages. The contract consists of this policy, the application for this policy, any application for reinstatement of this policy, any application for a rider added after this policy has been issued, and any written policy amendments agreed upon in writing after this policy has been issued.

The policy is not cancellable by Us and is guaranteed to be renewable as provided in the policy up to the expiry date if maintained in force by payment of the premiums.

While the policy is in force, We will not increase any renewal premium (except if provided in the policy) or add any restrictive riders.

Important Notice - If you are advised to discontinue this policy and replace it with another, it is in your best interest to insist that the new proposal is put in writing. Please submit it to us for analysis so that you can compare the two and make an informed decision.

To claim a benefit or insurance proceeds, contact your advisor or write to our head office.

Please read your policy carefully

HP290A.ALL.GUARANTEE.20090201

Definitions

The following terms, as well as words used in the schedule, have specific meanings. Please refer to these meanings as you read the policy.

Schedule

Schedule refers to pages 1.4 and 1.5 of this policy. The schedule also includes any subsequent endorsement approving a change requested by the Owner. The Schedule lists important terms such as the amounts payable for covered loss.

We, Us, Our and the Company

We, Us, Our and the Company refer to The Manufacturers Life Insurance Company. Our head office address is 500 King St. N, PO Box 1669 Waterloo ON N2J 4Z6.

Injury

Injury means accidental bodily injury sustained while this policy is in force.

Sickness

Sickness means a disease or sickness which first manifests itself while this policy is in force.

Physician

Physician means a qualified medical doctor (other than the person insured) who gives medical care within the scope of his or her licensed authority. We may require that the person insured be treated by a Psychiatrist for claims which are related to a mental or nervous disorder or which are contributed to by alcohol or drug use.

Regular Care of a Physician

Regular Care of a Physician means consultations and treatment by a physician which are appropriate in nature and frequency for the condition causing total disability.

Regular Occupation

Regular Occupation means the gainful occupation or occupations in which the person insured is engaged at the onset of total disability.

Total Disability

Total Disability or Totally Disabled means the inability of the person insured, due to injury or sickness, to perform the substantial duties of his or her regular occupation.

Total disability will not exist unless the person insured is under the regular care of a physician and following the recommended appropriate treatment.

Elimination Period

The Elimination Period for each Buy-Sell Plus coverage is shown in the Schedule. It is the number of days following the onset and subsequent continuance of total disability, during which no benefits accrue for the relevant coverage.

Separate periods of total disability will be added together for the purpose of satisfying the required elimination period, subject to the following conditions:

- i) If the elimination period is 365 days, those days of total disability must be accumulated within a period of 18 consecutive months.
- ii) If the elimination period is 18 months, those days of total disability must be accumulated within a period of 30 consecutive months.
- iii) If the elimination period is 730 days, those days of total disability must be accumulated within a period of 48 consecutive months.

Business Entity

Business Entity means the business or professional organization named in the application for this policy or the same business or organization known by any subsequent name.

Buy-Sell Agreement

Buy-Sell Agreement means the written agreement between the person insured and the other principals of the business entity, requiring the purchase of the person insured's ownership interest in the business entity due to the person insured's total disability. The buy-sell agreement must be in place prior to the onset of total disability. However, if total disability commences within one year of the policy date shown in the schedule and a buy-sell agreement is not yet in place, the Company will accept a buy-sell agreement that is signed during the elimination period. The Company is not party to the buy-sell agreement.

Buy-Sell Expense

Buy-Sell Expense means any money paid to the person insured by the Owner of this policy under the terms of the buy-sell agreement, due to the total disability of the person insured.

The buy-sell expense must be based on the person insured's percentage ownership in the business entity prior to the onset of injury or sickness.

The buy-sell expense may be determined according to the value of the business entity at the end of the fiscal year immediately before either:

- a) the onset of total disability, or
- b) the completion of the elimination period.

Adjusted Buy-Sell Expense

Adjusted Buy-Sell Expense means any buy-sell expense multiplied by the following age adjustment factors:

<u>Age at Onset of Disability</u>	<u>Age Adjustment Factor</u>
Prior to age 60	100%
Age 60	80%
Age 61	60%
Age 62	40%

Funding Method

Funding Method means the selected method of payment of benefits for total disability, as shown in the schedule.

Full-Time Employment

Full-Time Employment means the person insured is actively and regularly employed for at least thirty hours each week for at least ten months each year.

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Benefit Provisions

Benefits for total disability are payable following completion of the elimination period.

The Company will require reasonable proof to support a claim for benefits under the policy. In addition to proof of disability, the Company will require the following:

- a) a copy of the buy-sell agreement,

- b) the identity of all parties to the buy-sell agreement and their percentage ownership prior to the onset of the person insured's injury or sickness,
- c) the amount(s) of the buy-sell expense, and
- d) the method of valuation of the business entity, consistent with generally accepted business valuation principles.

Any buy-sell expense insured by a similar policy, whether of this Company or of another organization, issued prior to the policy date of this policy, will not be paid by the Company.

Benefits for Total Disability

At the end of the elimination period, the Company will pay benefits for total disability if all the following conditions are met:

- a) At the onset of total disability, the person insured was an owner of the business entity and engaged in full-time employment for the business entity.
- b) The policy was in force when the person insured became totally disabled.
- c) The person insured is required to permanently dispose of his or her entire ownership interest in the business entity because of disability.

After the elimination period, the Company will pay benefits according to the applicable funding method, as shown below. Once the elimination period has been satisfied, the continuance of total disability of the person insured is not required for any subsequent payment of benefits. Benefits for total disability will cease if the person insured dies except as stated in the Death Benefit and the Settlement Option provisions.

If the Company pays less than the total maximum benefit shown in the schedule, the Company will refund any overpayment of premium paid for the twelve month period prior to the onset of disability. Benefits for total disability may be payable beyond the expiry date of the policy if total disability commences prior to the person insured's 63rd birthday.

- a) LUMP SUM FUNDING METHOD - The benefit equals the lesser of:
 - i) the lump sum benefit limit shown in the schedule, or
 - ii) the adjusted buy-sell expense.

If the buy-sell agreement calls for a different payment method than this policy, then the Company will pay the amount of the adjusted buy-sell expense as incurred but not exceeding the lump sum benefit limit.

Benefits for total disability will cease when the total maximum benefit shown in the schedule has been paid or the total adjusted buy-sell expense has been paid, whichever is earlier.

- b) MONTHLY FUNDING METHOD - Monthly benefits equal the lesser of:
 - i) the monthly benefit limit shown in the schedule, or
 - ii) the amount of the adjusted buy-sell expense.

If the buy-sell agreement calls for a different payment method than this policy, then the Company will pay the lesser of the monthly benefit limit or the excess of the adjusted buy-sell expense incurred to date over the monthly benefits paid to date.

Benefits for total disability will cease when the total maximum benefit shown in the schedule has been paid or the total adjusted buy-sell expense has been paid, whichever is earlier.

- c) DOWNPAYMENT FUNDING METHOD - The downpayment funding method consists of an initial lump sum, which is payable in accordance with (a) above, followed by monthly benefits in accordance with (b) above. The combined benefits cannot exceed the total maximum benefit shown in the schedule.

Settlement Option

Upon the owner's written request, any accrued benefits not yet paid by the Company can instead be received in guaranteed instalments over a period of up to 10 years. Mutual agreement between the owner and the Company is required as to the method of payment, the time over which it will be paid, and the amount of interest the Company will pay periodically on the declining balance. Any such interest payments will be in addition to any other benefit paid under the policy.

Legal and Accounting Expense Benefit

If benefits for total disability are being paid under the policy, the Company will reimburse the owner for any independent legal and accounting expenses incurred in the performance of the terms of the buy-sell agreement up to a maximum of \$5,000. This amount is in addition to the total maximum benefit.

Waiver of Premium

Premiums will be waived as they become due after the person insured has been totally disabled for 90 days. The Company will refund any premium which became due and was paid since the onset of total disability. The policy will remain in force during the period for which premiums are waived.

If, within six months, total disability results from causes which are the same as or related to the cause of a prior total disability, the subsequent period of total disability will be considered a continuation of the previous disability in qualifying for the waiver of premium benefit.

During the elimination period, premiums continue to be waived until the elimination period is satisfied, unless total disability ceases. If total disability ceases during the elimination period, the policy will continue in force if premiums are paid as they become due.

While benefits for total disability are being paid, premiums continue to be waived until the date such payments cease.

Death Benefit

If the person insured dies while benefits for total disability are being paid under the monthly or downpayment funding methods, the Company will pay an amount equal to three times the monthly benefit limit shown in the schedule. The payment of this benefit cannot result in payment of more than the total maximum benefit provided by the policy.

Concurrent Disability

The person insured will not be considered to be suffering from two or more disabilities at the same time. If disability is caused by more than one injury or sickness, or by both, the claim will be treated as one period of disability, and the benefit payable will not exceed the total maximum benefit in force under the policy.

Exclusions

This policy does not cover and no payment will be made because of Disability caused by:

- (a) an act or accident of war, declared or undeclared, or due to any type of military conflict, or
- (b) donor transplant surgery (where a part of Your body is transplanted to another person) or cosmetic surgery, during the first six months that this policy is in force, or
- (c) normal pregnancy or childbirth. However, the policy does provide coverage for Disability arising from complications of pregnancy or from complications of childbirth, including but not limited to extra-uterine pregnancy, pernicious vomiting, post-partum hemorrhage, and toxemia.

We will not pay benefits for any period of time during which You are incarcerated in a penal institution or government detention facility.

We will not pay benefits for conditions We have excluded during Our underwriting process by name or specific description. Any such exclusions are included with this policy.

Conversion Provision

At any time prior to the monthly anniversary of the policy date following the person insured's 60th birthday, the owner may convert this policy to a new income replacement policy on the person insured on any plan regularly issued by the Company at the date of exchange. The person insured must be engaged in full-time employment in a gainful occupation. The person insured must not be disabled on the request date and is required to provide the Company with reasonable financial information to justify the amount requested. The following conditions apply:

- 1) The policy date of the new policy will be the date a written request for conversion is received by the Company at its head office. For purposes of incontestability, the policy date of the new policy will be considered to be the policy date of the original policy.
- 2) The premium for the new policy will be based on the class of risk of the person insured as of the policy date of the original policy, and the person insured's attained age.
- 3) The benefit period on the new policy will be two years. The elimination period may be 90 days or greater.
- 4) The maximum monthly benefit may not exceed the lesser of:
 - a) \$2,500.00; or
 - b) an amount which together with all other monthly income benefits on all policies in force does not exceed the Company's published underwriting and participation limits on the conversion date.
- 5) The person insured will be the owner of the new policy.
- 6) If the person insured is disabled within a 6 month period prior to the date of conversion, the new policy will not cover any disability resulting from the same or related cause or causes until the person insured resumes full-time employment for a continuous period of more than 6 months.

This option is not available if the Transfer of Insurability Option has been elected.

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Transfer of Insurability Option

If this policy expires because the person insured ceases full-time employment with the business entity other than because of disability, the person insured may then obtain a similar policy for another business entity provided he or she:

- a) is under age 56,
- b) is not receiving benefits under this policy, and
- c) starts full-time employment for another business in which he or she has a percentage ownership of at least 10%.

Application for the new policy must be made within 90 days after coverage under this policy ceases. Medical evidence of insurability will not be required, but all other normal underwriting requirements must be met.

The benefit limits of the new policy may not exceed the benefit limits shown in the schedule of this policy, and the elimination period of the new policy must be equal to or greater than the elimination period of this policy.

The premium for the new policy will be based on the same rates as this policy, for the person insured's original age.

This option is not available if the Conversion Provision has been exercised.

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General Provisions

Contract

The Person Insured and the Owner must disclose in the application, or in any application for reinstatement or change, every fact which is material to the contract. Subject to the Incontestability Provision, failure to do so, or misrepresenting any fact, will make the contract subject to cancellation.

Changes to or waiving of policy provisions must be in writing and authorized by one of Our officers and initialed by one of Our employees. No agent has the authority to change this policy. This policy is subject to any legislative or regulatory requirements.

Payment of Premiums

All premiums after the first will be payable on premium due dates determined from the Policy Date and the premium frequency. Premiums are payable at Our head office, specified regional offices, or by monthly pre-authorized withdrawals via any Canadian chartered bank. The Owner must advise Us in writing of a change in address for premium notification purposes.

The Owner may pay premiums annually, semi-annually or, if available, monthly by an automatic payment system.

As long as the Person Insured is not Disabled, the Owner may change the premium frequency by giving Us 30 days written notice. We will then advise of the new premium amount payable. When a new premium is selected, premiums will be payable on that basis until the Owner requests another change.

Grace Period

A period of 30 days grace from and excluding the day on which the premium is due will be allowed for the payment of each premium after the first. During the grace period the policy will continue in force. The policy will terminate if any premium remains unpaid after the grace period.

Reinstatement

If this policy has been terminated for non-payment of a renewal premium, it may be reinstated within 6 months by written application and with evidence satisfactory to Us of the Person Insured's good health and insurability. The reinstated policy will only cover loss due to Injury sustained after the date of reinstatement and loss due to Sickness which first manifested itself following 10 days after the date of reinstatement.

Control of Policy

The Owner may exercise all the rights, options and privileges granted by this policy or permitted by Us.

Any change of ownership requires the Company's prior approval.

Incontestability

Statements made in the application for this policy or in an application for reinstatement, other than fraudulent statements, will be considered incontestable after this policy has been in force for 2 years from the Policy Date or the date of reinstatement. **Exception:** This provision does not apply if a claim is made where the disability commenced or where the Injury occurred or where symptoms or medical problems which initiated any investigation leading to the diagnosis of the Sickness commenced before the end of the two year period.

Misstatement of Age

If age of the Person Insured (at last birthday) is misstated, any amount payable by Us will be adjusted in accordance with the correct age and premium.

If, because of the misstatement of age, We accept a premium for a period or periods beyond the date coverage would have ceased according to the correct age, or if at the correct age the coverage would not have become effective, Our liability will be limited to the refund of all premiums paid for the period during which coverage would not have been in effect.

In no event will any adjustment under this provision cause the amount of the disability benefit to increase over the amount shown in the Schedule.

Misrepresentation of Claim

This contract will be subject to cancellation by Us in the event that any fraudulent statement of a material fact is made in any written notice or proof of claim.

Cooperation

The Person Insured is required to cooperate, make himself / herself available and provide full disclosure of any information or evidence required by Us to adjudicate a claim. Failure to comply will result in termination of the claim.

Right of Additional Proof of Claim

The Company has the right to examine both the financial records and the valuation of the business entity. If in the Company's view, the valuation is inappropriate and a mutual agreement cannot be reached between the owner and the Company, then the owner or the Company may invoke adjudication procedures to settle the matter. The owner may select the adjudicator who must be:

- a) a member of the Canadian Institute of Chartered Business Valuators,
- b) actively involved on an ongoing basis in the valuation of businesses,
- c) independent of the owner and the person insured,
- d) a member of a major national chartered accounting firm in Canada, and
- e) acceptable to the Company.

Adjudication costs will be paid by the Company.

Payment of Claim

All disability benefits will be paid to the Owner unless otherwise requested.

Currency

Amounts payable to and by Us will be in Canadian currency.

Assignment

No assignment of this policy will be binding upon Us unless the assignment is in writing and until it has been filed with Us at Our Head Office. We assume no responsibility as to the sufficiency or validity of any assignment.

Pre-Existing Conditions

We may not decline a claim on the grounds that a physical condition existed prior to the issue date if the pre-existing condition is fully disclosed in the application, unless the condition is excluded from coverage by name or specific description.

Expiry Date

Coverage provided by this policy will automatically terminate on the earlier of:

- 1) the monthly anniversary of the policy date following the person insured's 63rd birthday,
- 2) the date the person insured ceases full-time employment for the business entity (other than as a

- result of total disability), or
- 3) the date benefits for total disability cease.

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Statutory Conditions

The following provisions reflect the Statutory Conditions of the Provincial Accident and Sickness Insurance Acts. These conditions shall be extended and apply to policyholders in the Province of Quebec as well.

Contract

The application, this policy, any document attached to this policy when issued and any amendment to the contract agreed upon in writing after the policy is issued, constitute the entire contract, and no agent has authority to change the contract or waive any of its provisions.

Waiver

The insurer shall be deemed not to have waived any condition of this contract, either in whole or in part, unless the waiver is clearly expressed in writing signed by the insurer.

Material Facts

No statement made by the owner or the person insured at the time of application for this contract shall be used in defence of a claim under or to avoid this contract unless it is contained in the application or any other written statements or answers furnished as evidence of insurability.

Notice and Proof of Claim

The owner or a person insured, or a beneficiary entitled to make a claim, or the agent of any of them shall:

- (a) give written notice of claim to the insurer,
 - (i) by delivery thereof, or by sending it by registered mail to the head office or chief agency of the insurer in the Province, or
 - (ii) by delivery thereof to an authorized agent of the insurer in the Province,not later than thirty days from the date a claim arises under the contract on account of an accident, sickness or disability;
- (b) within ninety days from the date a claim arises under the contract on account of an accident, sickness or disability, furnish to the insurer such proof as is reasonably possible in the circumstances of the happening of the accident or the commencement of the sickness or disability, and the loss occasioned thereby, the right of the claimant to receive payment, his or her age, and the age of the beneficiary if relevant; and
- (c) if so required by the insurer, furnish a satisfactory certificate as to the cause or nature of the accident, sickness, or disability for which claim may be made under the contract and as to the duration of such disability.

Failure to Give Notice or Proof

Failure to give notice of claim or furnish proof of claim within the time prescribed by this statutory provision does not invalidate the claim if the notice or proof is given or furnished as soon as reasonably possible, and in no event later than one year from the date of the accident or the date a claim arises under the contract on account of sickness or disability if it is shown that it was not reasonably possible to give notice or furnish proof within the time so prescribed.

Insurer to Furnish Forms for Proof of Claim

The insurer shall furnish forms for proof of claim within fifteen days after receiving notice of claim, but where the claimant has not received the forms within that time the claimant may submit his or her proof of claim in the form of a written statement of the cause or nature of the accident, sickness or disability giving rise to the claim and of the extent of loss.

Right of Examination

As a condition precedent to recovery of insurance money under this contract, the claimant shall afford to the insurer an opportunity to examine the person of the person insured when and so often as it reasonably requires while the claim hereunder is pending.

When Money Payable Other than for Loss of Time

All money payable under this contract, other than benefits for loss of time, shall be paid by the insurer within sixty days after it has received proof of claim.

When Loss of Time Benefits Payable

The initial benefits for loss of time shall be paid by the insurer within thirty days after it has received proof of claim, and payments shall be made thereafter in accordance with the terms of the contract but not less frequently than once in each succeeding sixty days while the insurer remains liable for the payments if the person insured when required to do so furnishes before payment proof of continuing disability.

Limitation of Actions

An action or proceeding against the insurer for the recovery of a claim under this contract shall not be commenced more than one year* after the date the insurance money became payable or would have become payable if it had been a valid claim.

Every action or proceeding against an insurer for the recovery of insurance money payable under the contract is absolutely barred unless commenced within the time set out in the Insurance Act or other applicable legislation.

* Or the applicable provincial limitation period, whichever is greater.

Provincial Variations

If necessary, the provisions described in this contract will be adjusted to meet the minimum requirements of law within your province or territory.

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Future Income Option

The Future Income Option allows the owner to purchase additional amounts of coverage on the person insured, without evidence of good health, in accordance with the terms described below. The additional coverage will be based on the same funding method and elimination period as the policy.

- 1) The option to purchase additional insurance coverage will occur on every policy anniversary while this rider is in force, but not beyond 10 years following the policy date.
- 2) The maximum amount of additional insurance coverage available on each policy anniversary is the option amount shown in the schedule. The minimum amount of additional insurance coverage that will be approved by the Company on any policy anniversary is \$10000 of total maximum benefit.
- 3) The Company will require financial justification of any increased coverage amount for which the owner applies.

- 4) The owner must make written application for an increase in insurance coverage within 30 days of a policy anniversary.
- 5) The insured cannot be disabled at the policy anniversary and must be engaged in full-time employment for the business entity.
- 6) The total disability benefits provided by this policy and similar benefits in force with this or any other company must not exceed the maximum amount of disability coverage offered to new applicants. This maximum limit is based on the Company's published underwriting and participation limits for the person insured's classification of risk.

The additional insurance coverage will be effective on the policy anniversary or the date when the first premium for the additional coverage is paid, whichever is later.

Premium

The premium for this rider is shown in the schedule.

The premium for any additional insurance coverage approved on a policy anniversary will be calculated using the applicable rate for the person insured's age on the policy anniversary and the classification of risk for the policy to which this rider is attached.

Termination

This rider will automatically terminate on the earliest of:

- 1) the termination of the policy, or
- 2) the 10th policy anniversary, or
- 3) the monthly anniversary of the policy date following the person insured's 55th birthday, or
- 4) the date when the total amount of all increases equals the total maximum option amount, as shown in the schedule.

Reinstatement

Reinstatement of this rider may be requested, prior to the monthly anniversary of the policy date following the person insured's 55th birthday, with satisfactory evidence of insurability.

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