Barclays indexed accounts FAQ

What are these Indexed Accounts — and how are they different from our other indexed account options?

John Hancock now has three Barclays Global MA indexed accounts, the Barclays Global MA Classic, Barclays Global MA Bonus and Barclays Global MA Plus Indexed Accounts available to its indexed UL policyholders. While these accounts have many features of a typical indexed account, they are also different in some important respects.

Let's start with the similarities. Like all John Hancock IUL indexed accounts, the Barclays Global MA accounts are:

- Designed to provide upside potential while having a guaranteed minimum 0% floor
- Credited interest on an annual, point-to-point basis
- Backed by our General Account

As for the differences, instead of credits being based on the S&P 500® with these indexed accounts, they are based on the Barclays Global MA Index (the Index). This means that these accounts fit on the risk/reward spectrum and manage volatility differently than our other "S&P" indexed accounts, which manage volatility through the cap rate (i.e., the return of the accounts is limited by the cap rate and the floor rate). Our Barclays' accounts manage volatility in the underlying Index, which is comprised of a mix of equity and fixed income, and in turn should be expected to have a lower return over time than an exposure consisting solely of equity — but higher than one that is solely fixed income. In this way, **the Barclays Global MA indexed accounts fit into that same place between UL and VUL on the risk/reward spectrum as a capped-type IUL account.**

How is the Fixed Bonus different than an IUL floor?

The Fixed Bonus isn't like a floor because it is currently credited monthly and is not tied to the Index. This means that while the Fixed Bonus is based on the amount in a segment of the Barclays Bonus indexed account, clients don't have to wait until the segment matures to credit that amount (as they do for accounts with an IUL floor). This is a good thing for customers, as having the credit monthly can help offset monthly charges and keep the Adjusted Segment Crediting Balance (which credits are calculated on) higher throughout the year.

What is the embedded fee and what is it used for?

The embedded fee is a charge at the Index level to allow all the underlying components in the Index to be included and rebalanced according to the Index's goals. The fee never hits the policy in any way, so it is not something that is reflected in an illustration or a client statement. Rather, the fee simply impacts how quickly the index value grows, i.e., an index without an embedded fee may grow more quickly than one without it. One way to understand the embedded fee is to think of it as being like a fund fee, in that if the growth of the Index is 10%, for example, but has an embedded fee of 0.3%, then the actual growth of the Index would be 9.7%.

The fee for the Barclays' accounts is included in the illustration disclosure and shown below.

For each component, the Index also takes into account a "running cost" ranging from 0.20% to 0.30% per annum and a "rebalancing cost" ranging from 0.02% to 0.05% depending on the component, and this fee is deducted on the relevant trading day. These costs also reduce the daily index value.

What is the volatility threshold — and what does that do?

The volatility threshold sets the underlying risk/return profile of the Index. **At a 7% volatility threshold, the Barclays Index has one of the highest volatility thresholds in the IUL space.** A higher-volatility threshold means that the Index will typically be able to keep a higher proportion of equity vs. fixed income in the Index makeup, which in turn may lead to a higher potential return over time.

While this in itself is appealing to IUL customers, keep in mind that it also attests to our underlying General Account strength. In other words, because we have a strong General Account, we have a higher options budget and can afford a higher volatility threshold (i.e., a higher volatility threshold typically means a higher options cost to carriers). So just as John Hancock customarily offers a higher cap in our corresponding capped IUL indexed account options, with our **Barclays' options we are passing our General-Account strength back to customers in the form of the higher-volatility threshold.**

What do we mean when we say that we are illustrating these accounts conservatively?

When we say that we are illustrating the Barclays' accounts conservatively, we are reflecting what we're illustrating vs. what the backtested/lookback rates are. As background, when we look at our current accounts, many of the illustrated rates are tied closely to the actual lookback rates. The exception is with our enhanced accounts, which — due to the AG49-A guidelines — are now illustrated much lower than their lookback rates (because the upside we can show on those accounts is limited).

The Barclays' accounts have an even wider spread between the lookback rates and the max-illustrated rate. This was a purposeful choice by us. We didn't want an account that was illustrated in line with the max rate, and then had potential to underperform in real life. Instead, we want to maximize the underlying potential that customers can actually earn. The lookback rates are probably on the higher end because the last decade or so has seen historically low volatility, and certainly they are no indication of future results. But even if the Barclays' accounts underperform the actual lookback performance, clients should feel

There is risk as the performance of the underlying index may result in low segment interest credits that would require increase in premium payments in order to the keep the policy in force.

confident with the illustrated rate they are using, because of the "conservative" spread between those two rates. We encourage agents to show a variety of different assumed rates so clients can understand how the policy may perform under these different assumptions. See below for a full lookback on all our accounts, including our three Barclays accounts.

Accumulation IUL 21 reprice

Indexed Account	25-year lookback rate	Current illustrated rate	Multiplier/bonus
Select Capped	5.35%	5.23%	5%
Core Capped	5.76%	5.57%	45%
Core High Capped	6.42%	6.22%	30%
Core High Par	5.31%	5.16%	45%
Enhanced Capped	6.16%	5.38%	106%
Enhanced High Capped	7.36%	6.16%	80%
Base Two Year	13.73%	6.10%	N/A
Barclays Global MA Classic	9.62%	5.41%	N/A
Barclays Global MA Bonus	7.96%	4.44%	0.65%
Barclays Global MA Plus	11.06%	6.70%	N/A

Protection IUL 22 reprice

Indexed Account	25-year lookback rate	Current illustrated rate	Multiplier/bonus
Select Capped	5.63%	5.51%	5%
Core Capped	5.21%	5.07%	65%
Core High Capped	6.42%	6.16%	38%
Core High Par	4.98%	4.83%	65%
Base Two Year	14.95%	6.51%	N/A
Barclays Global MA Classic	10.34%	5.90%	N/A
Barclays Global MA Bonus	8.32%	4.68%	0.65%
Barclays Global MA Plus	11.78%	7.35%	N/A

With the Barclays accounts, what is guaranteed — and what isn't?

At a policy/indexed account level, the bonus is fully guaranteed, the accounts are guaranteed to have no cap, and the Index Performance Charge on the Barclays Global MA Plus is guaranteed. The participation rates (105% on AIUL, 110% on PIUL/PSIUL for the Barclays Global MA Bonus, 130% on AIUL, 140% on PIUL/PSIUL for the Barclays Global MA Classic, and 150% on AIUL and 160% on PIUL/PSIUL for the Barclays Global MA Plus) are non-guaranteed. The guaranteed rates are 10% for the Barclays Global MA Bonus, 20% for the Barclays Global MA Classic and 30% for Barclays Global MA Plus, which are in line with most competitors on these types of accounts. This approach is similar to how we guarantee a cap rate (typically in the 3% range) and the Fixed Account rate (1%).

How do we compare against key competitors?

There are several strengths we have against key competitors, including:

- **The Barclays Index has one of the highest volatility threshold in the IUL space.** Typically, most competitors are in the 4%-6% range, with most at about 5%. This means that the Index should have a higher proportion of equity to fixed income, and in turn higher return potential over the long term.
- **We also have a 25% minimum equity exposure,** which in turn means we will have at least some equity exposure even in periods of high volatility, which other competitors do not have.
- **We have a broad range of underlying assets —** which we believe helps create a more efficient asset base — while some competitors are linked solely to US equity and fixed income.
- **Lastly, our back-tested performance is one of the highest in the industry,** and well above what we're showing as a maximum illustrated rate.

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