

**James D. Gallagher**

*Executive Vice President and General Counsel*

December 5, 2018

***Delivered via email***

British Columbia Securities Commission  
Alberta Securities Commission  
Financial and Consumer Affairs Authority of Saskatchewan  
Manitoba Securities Commission  
Ontario Securities Commission  
Autorité des marchés financiers  
Financial and Consumer Services Commission (New Brunswick)  
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island  
Nova Scotia Securities Commission  
Securities Commission of Newfoundland and Labrador  
Registrar of Securities, Northwest Territories  
Registrar of Securities, Yukon Territory  
Superintendent of Securities, Nunavut

The Secretary  
Ontario Securities Commission  
20 Queen Street West  
19<sup>th</sup> floor, Box 55  
Toronto, ON M5H3S8  
[comment@osc.gov.on.ca](mailto:comment@osc.gov.on.ca)

Me Anne-Marie Beaudoin  
Corporate Secretary  
Autorité des marchés financiers  
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C.P. 246, tour de la Bourse  
Montréal QC H4Z 1G3  
[consultation-en-cours@lautorite.qc.ca](mailto:consultation-en-cours@lautorite.qc.ca)

Dear Sirs and Mesdames,

**Re: Proposed National Instrument 52-112 *Non-GAAP and Other Financial Measures Disclosure* and Proposed Companion Policy 52-112 *Non-GAAP and Other Financial Measures Disclosure***

Manulife Financial Corporation (“Manulife”) is pleased to have the opportunity to submit comments to the Canadian Securities Administrators (CSA) on Proposed National Instrument 52-112 *Non-GAAP and Other Financial Measures Disclosure* and the accompanying Proposed Companion Policy 52-112 *Non-GAAP and Other Financial Measures Disclosure* published on September 6, 2018 (together, the “Proposed Materials”).

Manulife is a large international financial services group with principal operations in Canada, Asia and the United States. Our insurance and global wealth and asset management businesses operate in highly regulated industries and we prepare financial information under multiple accounting basis.

Manulife's common shares are listed on four stock exchanges located in Toronto, New York, Hong Kong and the Philippines. We serve a diverse international investor and analyst community. This community helps shape our corporate disclosures by telling us what type of information they would like to see and what metrics are useful for their purposes. We use a number of measures in our disclosure materials to help investors better understand and assess our business operations and financial results, including non-GAAP financial measures, supplemental information and non-financial measures. These measures support our objective to provide clear and concise disclosure that is meaningful to investors.

We are committed to the overall goal of improving the quality of information provided to investors. In the Proposed Materials, the CSA has adopted an approach of proposing comprehensive disclosure requirements rather than specific limitations or industry-specific requirements. While we are generally supportive of this approach, the Proposed Materials appear to have been drafted to address specific disclosure concerns that may not have broad application to most or all issuers. The broad application of such comprehensive requirements may have unintended and/or adverse consequences when applied by particular issuers or in particular industries.

## Comments

### 1. Specific Financial Measure

The Proposed Instrument does not apply to a "specific financial measure" that an issuer discloses "*in accordance with a requirement of securities legislation or the laws of a jurisdiction of Canada.*" However, there are number of financial measures that an insurance company may disclose that are calculated in accordance with regulatory guidelines, systems and frameworks of Canada and other jurisdictions, or in compliance with industry best practices.

For example, insurance companies are required to maintain adequate capital under the local capital regime and statutory accounting basis. Manulife is required to maintain adequate levels of capital calculated in accordance with the Office of the Superintendent of Financial Institutions' (OSFI) guideline for the Life Insurance Capital Adequacy Test (LICAT). Manulife discloses its LICAT ratio (and components of the LICAT ratio such as capital) in press releases, investor presentations and Management's Discussion and Analysis (MD&A) and other documents. Starting in 2019, Manulife and other life insurance companies will be subject to OSFI's LICAT Public Disclosure Requirements Guideline. We also prepare a Source of Earnings identifying the primary sources of gains or losses in each reporting period following OSFI's regulatory guidelines and in accordance with educational notes published by the Canadian Institute of Actuaries. There are a number of measures, including embedded value and new business value that are widely used and have accepted meaning in the life insurance industry. Typically, such financial measures do not have a directly comparable IFRS measure.

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We operate as John Hancock in the United States and Manulife in other parts of the world.



We believe these financial measures, which provide greater transparency into the Company's results of operations, should be excluded from the scope of the Proposed Instrument as they conform to regulatory guidelines and industry disclosure practice.

## 2. Cross-referencing

The Proposed Companion Policy requires an issuer to present non-GAAP requirements in a separate section within the same document. We believe it is common practice to cross-reference the detailed non-GAAP financial measures disclosure in one document, MD&A, for example. Cross-referencing is efficient and avoids repetitive and cumbersome additional disclosures in a document, such as an investor slide presentation, when the required information can be readily accessed in the MD&A, either online or in print. A further comment is to allow cross-referencing in written transcripts to the extent the recorded oral statements do not otherwise point listeners to where they can find this disclosure.

## 3. Transition Period

The insurance industry is facing significant changes to the way financial results are reported with the coming implementation of IFRS 17. In May 2017, the International Accounting Standards Board issued IFRS 17, the new Insurance Contracts standard. The standard is an extremely complex set of accounting principles that are expected to materially impact the recognition and measurement of policyholder liabilities and profits for insurance companies. IFRS 17 will impact all facets of an insurer's operations and will require significant investments in financial systems and processes. The substantive nature of the changes that will arise from IFRS 17 increases the importance of avoiding drastic changes to our non-GAAP disclosures prior to implementation of IFRS 17. It would be unduly burdensome for insurance companies to have to modify their disclosure to comply with a new rule on non-GAAP measures when following implementation of IFRS 17 they would likely have to change their non-GAAP disclosure all over again. This could result in inconsistent and confusing financial disclosures that would not be helpful to investors.

Given the anticipated difficulties this will cause insurance companies and insurance holding companies, we would propose that they be given additional time to comply with the new rule. We respectfully request that insurance companies and insurance holding companies be given a two-year transition period post IFRS 17 to comply with the new rule.

\* \* \* \*

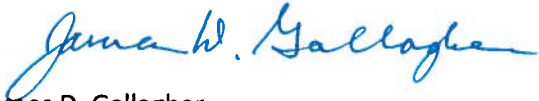
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If you have any questions or comments, please do not hesitate to contact the undersigned. We would be happy to meet with you to discuss any questions.

Sincerely,



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General Counsel

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