

2021 Participating Fund Update



TOKIO MARINE
INSURANCE GROUP

What is this Participating Fund Update for?

In this annual update, you will find useful information on the recent performance of Tokio Marine Life Insurance Singapore's ("TMLS") Participating Fund ("Par Fund" or the "Fund") for the year ending 31 December 2020 and the impact of its performance on the bonuses and dividends allocated to your participating policies. In addition, we will present our views on the investment future outlook and how it could impact future bonuses and dividends based on our actuarial investigation of policy liabilities.

Please note that this Par Fund Update contains only general commentary of the Par Fund and therefore may not be applied specifically to individual participating policy.

Key Statistics of the 2021 Par Fund

Investment Return:

9.69%

Total Assets (31 December 2020):

S\$8,237 million

Investment Expense Ratio:

0.12%

Total Expense Ratio:

0.74%

A Review of 2020

2020 will be remembered by most investors for the impact of the COVID-19 pandemic. The speed at which the pandemic escalated caught many countries by surprise and resulted in lockdowns globally. Equities suffered one of the quickest declines on record, but broadly recovered and hit new highs by the end of the year due to the unprecedented stimulus measures by central banks and the development of effective vaccines.

U.S. equities registered double digit returns for the second straight year despite experiencing its fastest-ever bear market earlier in the year. Even with the U.S. elections looming in November and the surge in COVID-19 cases, the equities market continued to climb and reached new all-time highs. Domestically, Singapore's economy contracted less-than-expected in 2020 as activity picked up further in the fourth quarter following the easing of COVID-related restrictions, with the full-year GDP contraction being -5.8 percent.

In the fixed income portfolios, it was a positive year for both domestic and Asian markets as bond yields fell across the board on the back of sizeable cuts in interest rates by major central banks.

About the Par Fund

Total Assets* of the Par Fund as at 31 December

	2018	2019	2020
Market Value (S\$ million)	6,051	7,227	8,237

* Total Assets refer to assets backing policy liabilities

The Par Fund's assets are invested prudently based on a long-term objective, which commensurate with the long-term commitment of your insurance policy.

Performance of the Par Fund

Investment performance for the years

	2018	2019	2020
Investment Return [#]	-2.51%	13.05%	9.69%
Investment Expense Ratio	0.15%	0.15%	0.12%
Total Expense Ratio	1.33%	1.06%	0.74%

#Investment Return includes investment expenses

The Par Fund delivered a net investment return of 9.69% for the year ended 31 December 2020. The bond allocations contributed strongly due to decrease in interest rates over the course of the year, resulting in price gains. The equity allocations also generated positive returns as Global and Asian markets recovered towards the end of the year offsetting the losses in Singapore equities.

Non-investment experience in 2020

Operating experience (which includes mortality & morbidity, surrender, management expenses and distribution expenses) were largely in-line with expectations.

Asset Mix of the Par Fund

The Par Fund Asset Mix for the year 2020 against year 2019

	Equities	Fixed Income	Property	Cash	Others
2019	27%	67%	2%	2%	2%
2020	19%	74%	1%	3%	3%

In 2020, the global economy was facing an unprecedented period of market volatility due to the impact of the COVID-19 pandemic. This brought the interest rate environment to historical lows and uncertainty to the economic outlook.

In view of the above, there was a shift towards a higher allocation to long-dated fixed income assets during the year, to improve the asset liability management of the Par Fund given the interest rate environment and volatility.

We adopt a long-term approach in managing the investment portfolio for the Par Fund. We aim to provide stable medium to long-term returns for our policyholders, focusing on diversification and risk control. In the context of outlook and possible refinements to regulatory capital requirements, we have reviewed the strategic asset allocation of the Par Fund needed to support its policy liabilities obligations going forward while ensuring that return versus risk trade-off across asset classes is optimised.

Equities:

Top 5 Equity Holdings of the Par Fund as at 31 December 2020

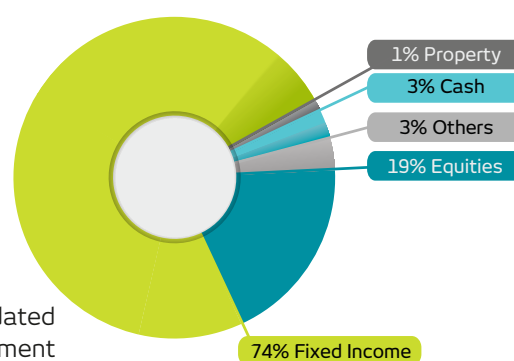
Equity Holdings	% of Equity Holdings
ISHARES CORE S&P 500 UCITS ETF	17%
DBS GROUP HOLDINGS LTD	6%
OVERSEA-CHINESE BANKING CORP	4%
DAIWA ETF - NIKKEI 225 ETF	4%
DBX EURO STOXX 50 UCITS ETF	3%

Fixed Income:

Breakdown of Fixed Income Assets as at 31 December 2020

Category	% of Fixed Income Assets
Singapore Government Securities	29%
Quasi-Govt / Investment-Grade Bonds	58%
Other Bonds	3%
Preference Shares / Perpetual Securities	10%

Asset Mix as at 31 December 2020



Strategic Asset Mix*

Investment Mix	Strategic
Equities	25%
Fixed Income	72%
Cash & Others	3%

* w.e.f. 1 July 2021

The Fund's overall equity portfolio delivered positive returns with the global and regional equities posting low double-digit gains. However, the deduction of Singapore equities pared back the overall returns.

The Fund's overall bond portfolio delivered positive returns, owing mostly to the decrease in interest rates across sectors, with the longer-dated bonds benefiting the most.

Bonus Allocation

The main feature of your participating policy is its ability to provide stable returns on your policy while allowing you to participate in the performance of the Par Fund in the form of bonuses and/or dividends. Your projected policy benefits, including non-guaranteed future bonuses and/or dividends, is dependent on the Par Fund's long-term performance, which includes past and future projected portfolio mix, investment returns, claims and surrender experiences, as well as expenses of the Par Fund. Based on the historical performance and best estimate of future outlook, we allocate part of the surplus of the Fund to increase your policy value via bonuses and/or dividends.

All bonus and dividend allocations are approved by TMLS's Board of Directors, based on the written recommendation made by the Appointed Actuary.

Actual bonuses/dividends declared in the future may turn out to be higher or lower than the projected benefits. An updated full Policy Illustration can be provided upon request.

Future Outlook

Following strong performance in both equities and fixed income assets in 2020, financial assets entered 2021 with rich valuations. Since the start of 2021, there has been a sharp rise in interest rates. As a result, the valuation of fixed income portfolios has decreased.

As we navigate through 2021, focus remains on the COVID-19 pandemic situation, the possibility of a return to normalcy of business activities, and the direction of global markets. In the U.S., growth is likely to receive a boost on additional fiscal stimulus potentially forthcoming in the year leading to higher inflation expectation. Economic growth in China has shown signs of acceleration as the recovery continues and the impact of stimulus measures launched in 2020 feed through the economy. However, trade tensions between the U.S. and China are expected to continue as the Biden administration is likely to maintain a tough stance on dealings with China.

Domestically, Singapore's economy is expected to continue its recovery in 2021, driven by significant fiscal spending to support households and businesses to minimise the potential for the pandemic to cause long-term structural

damage to the economy. However, as at the point of writing, recently introduced tightening measures to control the spread of COVID-19 cases in the community is likely to weigh on the economic recovery.

In view of the challenging conditions as we adapt to a lower yield environment, we will continue to take prudent measures to maintain our financial strength and to strive to safeguard our policyholders' long-term interests as we continue to manage the portfolio risks to maintain its resilience.

Our outlook for non-investment items remains unchanged. We expect future claims and expenses to remain in-line with our expectation as we continue to maintain disciplined underwriting and expense management.

While future bonuses and dividends cannot be guaranteed, we are committed to continue managing our investments, claims and expenses prudently to maintain the solvency of the Fund and to deliver long-term stable returns to help you meet your long-term financial goals and protection needs.

About TMLS

Tokio Marine Life Insurance Singapore Ltd. is part of the Tokio Marine Holdings, Inc. which was established as the first insurance company in Japan more than 140 years ago. Today, Tokio Marine is one of the world's largest insurance groups, with a robust network that spans across 45 countries and regions operated by high-performing teams of more than 40,000 employees.

Our alignment of strategy to drive a strong performance and people-centric culture has advanced our standing in Singapore as a leading life insurer. Our values and vision define and guide us in everything that we do. A firm commitment to the traits of customer centricity, integrity and excellence underpins our promise to be the go-to partner for all financial planning needs.

Contact Us

If you wish to learn more about the current protection and cash value of your participating insurance policy, you can request a full Policy Illustration from your Financial Representative or email customer-care@tokiomarine-life.sg.

Important Note:

This policy¹ is protected under the Policy Owners' Protection Scheme, which is administered by the Singapore Deposit Insurance Corporation (SDIC). Coverage for your policy is automatic and no further action is required from you. For more information on the types of benefits that are covered under the scheme as well as the limits of the coverage, where applicable, please contact us or visit the LIA or SDIC websites (www.lia.org.sg or www.sdic.org.sg).

¹ Exclude policies registered in Brunei

Frequently Asked Questions

1 What is a participating policy? How does it work?

Participating policies are life insurance policies which provide both guaranteed and non-guaranteed benefits. Participating policyholders participate or share in the profits of the Participating Life Fund ("Par Fund" or the "Fund") in the form of bonuses or dividends which forms the non-guaranteed benefits.

Premiums paid in participating policies are pooled together to form the Par Fund. This Fund invests in a range of assets which are used to pay benefits to participating policyholders and meet the expenses incurred in running the Fund. Policyholders of participating policies are entitled to a share of the Par Fund's profits when bonuses or dividends are added to the policy. The bonuses are non-guaranteed and vary with the performance of the Par Fund.



- to maintain equity and ensure long-term sustainability
- focus on security and solvency to optimise returns for long-term performance

2 What does the Participating Fund invest in? What items and expenses are charged to the Participating Fund?



The Par Fund achieves diversification by investing in a mix of assets including bonds, equities and cash. The aim is to provide long-term sustainable returns for your participating policy.

A variety of expenses relating to the management of Participating Fund are charged to the Fund. They are claims and surrender benefits, general management expenses, such as the cost of TMLS's fixed overheads, marketing and distribution expenses, as well as investment expenses.



3 What are the key factors affecting performance of the Par Fund?



The key factors affecting the performance of the Par Fund includes investment returns, mortality and morbidity experience, lapse and surrender experience, business risks and expense experience of the Par Fund.

4 As a Participating Fund policyholder, how do I know that my interest is protected?

Under the Singapore Insurance Act, the distribution of profit to shareholders is limited to a maximum of 1/9th of the value of non-guaranteed bonuses allocated to participating policyholders. This means for every \$9 of non-guaranteed bonuses allocated to policyholders, a maximum of \$1 is distributable to shareholders. This aligns shareholders' profit objectives to policyholders' interests and prevents excessive distribution of profits to shareholders.

5 When are bonuses or dividends reviewed and declared?



Bonuses or dividends are reviewed and declared annually. Each year, you will be informed of the amount of bonuses or dividends that may be added to your participating policies.

7 How are bonuses determined?



All bonus and dividend allocations are approved by TMLS's Board of Directors, based on the written recommendation made by the Appointed Actuary. In making recommendations for the bonus declaration, the Appointed Actuary will consider key factors including past and future investment returns, claims and surrender experiences, as well as the expense to manage the Fund. Bonus allocations are smoothed over a period to avoid short-term fluctuations in the bonuses declared.

9 Will bonuses/dividends be revised?

Future bonuses/dividends are not guaranteed. They are dependent on the experience of the Par Fund, in particular the past and future investment returns, claims and surrender experiences, as well as expense to manage the Fund.

Revisions to the bonus and dividend rates are made only after thorough review, in consideration of the Par Fund performance over a period longer than one year to minimise any short-term fluctuations. When declaring bonuses, we aim to smooth the bonus allocations over time to avoid short-term fluctuations that can occur in the year to year investment performance of the Par Fund.

6 Are bonuses guaranteed?



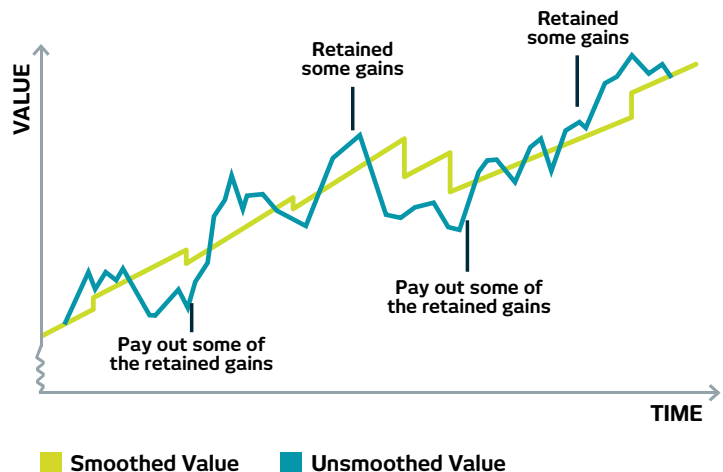
Reversionary bonuses are declared and added to the policy over time. Once reversionary bonuses are declared and added, they become guaranteed and will be paid upon surrender, claim or maturity. However, if the policy is surrendered and an early payout is requested, you might not receive the full amount of bonuses declared, due to surrender penalties. Instead, you will receive the cash value of the accrued bonuses.

All future bonuses, including future reversionary bonuses that have not been declared and terminal bonuses are not guaranteed.

8 When is my policy bonus or dividend allocation for 2020 declared?



Your policy bonus or dividend declaration is on 2 July 2021 or on your policy anniversary, whichever is later. For more details, please refer to your Bonus Declaration Statement(s).



This graph is not representative of any particular Par Fund, product or specific time period.

**10 Can I withdraw the bonus/dividend?
Will my policy values be affected?**



For bonus-type participating plans, subject to the terms and conditions of your participating policy, you may withdraw your bonus and receive the cash value of the accrued bonuses. However, your policy benefits will be reduced upon termination such as surrender, claim or maturity.

For dividend-type participating plans, subject to the terms & conditions of your participating policy, dividends may be paid out to you or accumulated with the Company upon declaration. You may withdraw the dividends accumulated with the Company.

13 In comparison to the rest of the industry, how does TMLS fare in declaring participating bonuses?



There is no direct comparison on the bonuses declared compared to the rest of the industry. Different companies adopt different investment and bonus strategies as product features differ.



11 Should I continue with my policy(ies)?

An insurance policy is intended to meet your long-term financial needs. An early termination of the policy may involve high costs and the surrender value that is payable to you may be less than the total premiums paid. Alternatively, making changes to your policy may affect the level of protection provided by your policy. Before doing so, we strongly encourage you to contact your Financial Representative to seek advice and discuss the best course of action suited to your financial needs.

12 Why is the projected maturity/surrender benefit in the Annual Bonus Statement lower or higher than the illustrated value at the point of sale?

The projected value in the Annual Bonus Statement will reflect the actual performance (and future market outlook) of the Par Fund, where the economic conditions may have changed compared to when the policy was purchased. The rates in the Policy Illustration at the point of sale are used purely for illustrative purposes and are not a reflection of the actual returns of the Participating Fund. The actual benefits payable may vary according to the actual performance (and future market outlook) of the Participating Fund.

For Par policies, your premiums are invested according to the Par Fund's investment strategy. The assets of the Par Fund are used to meet payments for claims, maturity, early surrender and expenses related to the Par Fund's policies.

The Company conducts annual bonus review based on past performance and future outlook. Eventual actual returns received by you may be higher or lower than those reflected within the policy illustration at the point of sale.

14 What is TMLS's investment approach with regards to managing the Par Fund, in particular, in a low interest rate environment?

We adopt a long-term approach in managing the investment portfolio for the Par Fund. We aim to provide stable medium to long-term returns for our policyholders, focusing on diversification and risk control. In the context of outlook and possible refinements to regulatory capital requirements, we have reviewed the strategic asset allocation of the Par Fund needed to support its policy liabilities obligations going forward while ensuring that return versus risk trade-off across asset classes is optimised.

In summary, we seek to maximise returns over the long-term while maintaining an acceptable level of risk, paying due regards to the currency, nature and term of the liabilities and protecting the interests of all policyholders and shareholders.