

2023 Bonus Announcement

Frequently Asked Questions

Participating Policy

1. What is a Participating Policy?

A participating policy is a life insurance policy which offers both guaranteed and non-guaranteed benefits. Participating policyholders share in the profits of the Participating Life Fund ("Par Fund" or the "Fund") in the form of bonuses or dividends which are non-guaranteed.

2. What is the investment strategy of the Par Fund and what expenses would be incurred?

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 and prudent risk management.

There are expenses and charges relating to the operation and management of the Par Fund, including distribution-related expenses. They include commission and distribution cost, investment fees paid to external fund managers, management expenses such as underwriting and claims-related expenses and Tokio Marine Life Insurance S'pore's fixed overheads.

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

The key factors affecting the performance of the Par Fund include mortality and morbidity experience, lapse and surrender experience, business risks, expense experience and investment returns which are affected by market risks.

4. As a participating fund policyholder, how do I know that my interest is protected?

The Singapore Insurance Act imposes a limit on the profits that can be distributed to the insurer's shareholders. Shareholders cannot receive more than 1/9th of the value of non-guaranteed benefits allocated to participating policyholders.

In other words, for every S\$9 paid to policyholders, shareholders can only receive S\$1. In this way, shareholders' profit objectives are aligned with policyholders' interests. Excessive distribution of profit to shareholders is prevented.

Bonus/Dividend

5. How often are bonuses/dividends declared?

Bonuses or dividends are reviewed and declared at least once a year. You will be notified each year of any bonuses or dividends that may be added to your participating policies.

6. Are bonuses/dividends guaranteed once they are declared and added to the policy?

Participating policies involve reversionary bonuses or dividends, as well as terminal bonuses. Reversionary bonuses are declared and added to a life insurance policy annually. Once added, they become part of the guaranteed benefits of the policy and will be paid out in full when a claim is made, or when the policy reaches its maturity. Dividends are paid out after declaration.

However, should policyholders surrender the policy, they will only receive a portion of the bonuses or dividends, since they would have to pay surrender penalties.

All future bonuses or dividends — including future reversionary bonuses or dividends that have not been declared and terminal bonuses (bonuses that may be paid out to you when you make a claim, or your policy matures) are not guaranteed.

7. How are bonuses/dividends determined?

All bonus or dividend allocations are approved by Tokio Marine Life Insurance S'pore's Board of Directors, based on the written recommendations made by the Appointed Actuary. The Appointed Actuary is in turn guided by the Singapore Actuarial Society's Standard of Actuarial Practice for Appointed Actuaries of Singapore Life Insurance Funds.

The Appointed Actuary considers a number of key factors before making a bonus or dividend recommendation, including past and future investment returns, policy claim and surrender rates, as well as costs associated with running the Fund. In order to avoid short-term fluctuations in bonuses or dividends given, allocations are smoothed over a period of time.

8. When is my policy bonus or dividend allocation for 2022?

Your policy bonus or dividend declaration will vest on 2 May 2023 or on your policy anniversary, whichever is later. Please find more details available in your Bonus Declaration Statement(s).

9. Will bonuses/dividends be revised?

Future bonuses or dividends are not guaranteed. They are dependent on the performance of the Par Fund, which is in turn contingent upon past and future investment returns, policy claim and surrender rates, as well as costs associated with running the Fund.

Policyholders can be assured however, that revisions to the bonus and dividend rates are only made after a thorough review is conducted.

10. Can I withdraw the bonuses/dividends? How will this affect my policy value?

For bonus-type participating policies, subject to the terms and conditions of your policy, you may withdraw up to the cash value of the accrued bonuses. However, the policy benefits you will receive when you eventually terminate the policy — that is, upon policy surrender or maturity, or upon a claim on the policy — will be reduced.

For dividend-type participating policies, subject to the terms and conditions of your policy, dividends may be paid out to you or accumulated with Tokio Marine Life Insurance S'pore upon declaration. You may withdraw the dividends accumulated with the Company.

11. Should I continue with my policy?

Your policy is intended to meet your long-term financial goals and protection needs. Terminating it early may result in high costs; you may end up getting a surrender value that is less than what you paid in premiums. Making changes to your policy can also affect the level of protection it provides. Before taking any action, we strongly recommend you contact your Financial Representative to discuss the best course of action for you.

12. How do Tokio Marine Life Insurance S'pore's participating bonuses compare to those offered by the rest of the industry?

Participating bonuses offered by other insurers are not directly comparable as each insurer offers different products and adopts different investment and bonus strategies.

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

The projected value in the Annual Bonus Declaration 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 Par Fund. The actual benefits payable may vary according to the actual performance (and future market outlook) of the Par 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. Why is the bonus rate for one of my policies revised but not the rest? Why can't Tokio Marine Life Insurance S'pore maintain the bonus rates at the current level for all policies?

Bonus rates depend on the actual performance and future expected experience of each product. Different products may have varying actual and future performance, thereby affecting the bonus rates declared.

Hence, for some policies, the Company needs to revise the bonus rates to strengthen the solvency of the Participating Life Fund due to the following reasons:

- i. Past asset and investment performance have not been sufficient to support the bonuses that will be paid.
- ii. The investment outlook, in terms of what returns that the Fund can expect to earn in the future, has deteriorated. Bonus rates payable are revised periodically to reflect the actual returns on investments.

Par Fund's Investment Performance

15. What is Tokio Marine Life Insurance S'pore's investment approach with regards to managing the Par Fund?

Tokio Marine Life Insurance S'pore is committed to continue managing our investments, claims and expenses prudently to maintain the solvency of the Fund. We adopt a long-term approach and aim to deliver stable and sustainable returns for our policyholders, focusing on diversification and risk control.

While future bonuses and dividends cannot be guaranteed and may be revised lower on the back of the volatility seen in financial markets, 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.

16. How is Tokio Marine Life Insurance S'pore's investment performance of the Par Fund in 2022?

The returns are stated in the Par Fund update.

17. Why are repurchase agreements and interest rate swaps used in the Par Fund? Did the use of these instrument materially affect the performance of the Par Fund and is this a new strategy?

Taking into consideration the tenure of whole-life insurance products, the Par Fund has liabilities that tend to have a longer duration than the assets on its portfolio. Therefore, the Par Fund has utilised instruments such as repurchase agreements (used to acquire long-dated fixed income securities) and interest rate swaps to help manage interest rate risk arising from asset-liability mismatch risk. Such instruments have been in use in prior periods.

Though the use of such instruments has contributed to the losses in the Par Fund this year and may continue to influence the investment performance of the Par Fund, portfolio actions undertaken have negated the impact of these losses on the bonus decision for this year.

18. Portfolio actions were undertaken to negate the impact of profit and loss volatility caused through the acquisition of fixed income assets using repurchase agreements. What are these portfolio actions?

Such portfolio actions refer to increasing the equity allocation and reflecting the long-term price trajectory of the fixed income assets in our valuation.

19. What is the Strategic Asset Allocation (SAA) for the Par Fund?

The SAA that was adopted from 4th quarter of 2022 is shown in the table below:

Investment Mix	Strategic*
Equities	30%
Fixed Income	67%
Cash & Others	3%

* This does not take into account assets acquired through the use of repurchase agreements and the utilisation of interest rate swap instruments

There are a few reasons for the difference between the SAA and the actual asset mix:

A) The actual asset mix shown in the Par Fund Update as of 31 December 2022 includes assets acquired using repurchase agreements. This accounts for a larger asset base as compared to the SAA. Details of the composition of the respective asset classes are shown in the table below. This is also found in the Par Fund Update.

	Equities	Fixed Income	Property	Cash	Others	Total Gross Asset (\$'m)*
2022	19%	75%	2%	2%	2%	8,416

* The total gross asset includes assets acquired through repurchase agreements.

B) The SAA includes a higher equity mix (30%) compared to the previous SAA of 25%. The increased allocation to equities aims to improve the long-run expected returns of the Par Fund. The increase in allocation towards equities will be performed prudently.

For more information on participating policies and the types of bonuses/dividends offered, please refer to the industry's guide for customers ("**Your Guide to Participating Policies**") on our website: <https://www.tokiomarine.com/sg/en/life/resources/consumer-guides.html>.