

F.A.Q - Participating Policyholders' Annual Bonus Update ('ABU') 2021

1. Why do you send me the ABU report?

It is a regulatory requirement for insurers to produce an annual commentary on Participating Funds (commonly referred to as Par Funds) to policyholders. This report aims to inform policyholders, in addition to the bonuses allocated to them for the year, the performance of Par Funds over the previous accounting period as well as the future outlook for Par Fund performance based on the latest actuarial investigation of policy liabilities carried out pursuant to Section 37(1) of the Insurance Act Cap. 142 and updates on any changes in future non-guaranteed bonuses.

2. Will the revision affect my current or declared bonus amount?

All bonus rates declared and vested before 1 July 2021 are guaranteed and will not be affected. Vested bonuses form part of the guaranteed benefit of your policy. Future bonus rates are however not guaranteed, and may be higher or lower than the rates currently declared.

3. Where can I get a revised benefit illustration for my policy?

To request for a policy illustration, you may call our Customer Service Hotline at (65) 6225 6111 or email us at e-surance@hsbc.com.sg

4. Will there be any further adjustments to the reversionary / terminal bonus rate?

Any adjustments to the bonus rates are dependent on the investment climate. A review is conducted annually by the Company to determine if any revision of the bonus rates is warranted. The bonus rates may be adjusted upwards / downwards in the future if the investment performance improves / deteriorates significantly.

5. What is terminal bonus?

Terminal bonus is a final bonus paid at maturity of the policy. It is also paid on death of the life assured or surrender of the policy, after the policy has been in-force for some years.

6. What is reversionary bonus?

Reversionary bonus is a bonus added to the sum assured of a participating life assurance policy out of a life company's surplus profits on an annual basis. These bonuses are payable on termination of the policy, i.e. on the earlier of death, surrender (not the full amount payable) or maturity. Once allocated, their values are guaranteed. However, future reversionary bonus is not guaranteed

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7. Are the terminal and reversionary bonuses guaranteed? If not, why?

The future terminal and reversionary bonuses are not guaranteed. The level of bonus rates depends upon the long-term performance of the company, in particular the future investment returns. As future investment performance is not known in advance, the future bonus rates cannot be guaranteed.

8. How do we determine the reversionary and terminal bonus rates?

The level of bonus rates depends upon the long-term performance of the company. These factors are based on actual investment returns, mortality and expenses and a reasonable projection of these three factors.

In addition, insurance companies also take into account the following considerations:

- Fairness and equity to all participating policies;
- The long term interest of policyholders by ensuring the continued financial soundness of the participating fund (out of which future bonuses are payable); and
- The objective of providing stable returns over time as far as possible.

9. How can I be sure that HSBC Insurance will safeguard my interest to meet with my retirement planning?

Policyholders' long-term interest is best safeguarded by ensuring that the Company continues to remain financially sound. This would require the Company to manage the bonuses on policies actively and soundly. With its strong financial standing and dedicated fund managers, HSBC Insurance will continue to manage your investment in a prudent manner to maximize the returns on your policy. We thank you for your continual support.

10. Where can I find information with regards to Par Funds investment?

This information is available in the ABU fund report that we have sent you.