

Frequently Asked Questions on Participating Fund Annual Bonus Update (ABU)

Participating Fund

1. What is a “Participating” life insurance policy?

HSBC Life Singapore is currently managing 3 participating funds.

Current Fund Name	Previous Fund Name
HSBC Par Fund I (SGD)	HSBC Life Singapore Participating SGD Fund
HSBC Par Fund II (SGD)	AXA Participating Fund SGD
HSBC Par Fund (USD)	HSBC Life Singapore Participating USD Fund

Participating life insurance policies (“Par policies”) allow you to enjoy additional benefits from the performance of the respective participating fund (“Par Fund”) in the form of bonuses. Par policies are widely used to meet the life protection and savings needs of many people in Singapore.

2. What is a “Participating Fund”?

A Par Fund is an insurance fund comprising premiums of the Par policies. The premiums are invested on behalf of policyholders in a mix of assets such as equities and fixed income securities. A wide mix of investments is carefully chosen to provide a balance between adequate long-term returns and prudent risk management.

Bonus Rates

3. What are bonuses and how are they determined?

Bonuses are benefits added to your Par policies based on the annual bonus rates declared by HSBC Life (Singapore) Pte. Ltd. (“HSBC Life”). They represent the non-guaranteed portion of the benefits offered by Par policies and are determined based on the Par Fund’s investment and non-investment performance. Every year, we notify our policyholders of the bonus amount declared to their policies.

The initial guaranteed sum assured of your insurance policy may be increased by two types of bonuses:

- (i) regular reversionary bonuses¹, added throughout the contract term, and
- (ii) a terminal bonus declared and paid when your policy reaches maturity, or when you make a claim or surrender your policy.

The actual bonuses declared may differ from those projected in the policy illustration document you received when you bought your policy. This is because the actual investment returns may differ from the illustrated investment rate(s) prescribed by the Life Insurance Association of Singapore (“LIA”) and actual non-investment performance may differ from original expectation.

The profit that can be transferred to our shareholders is limited to a maximum of 1/9th of the value of bonuses declared to policyholders. This means that shareholders can only get up to \$1 for every \$9 of bonuses declared to policyholders. This aligns the shareholders’ profit objectives to policyholders’ interests and prevents excessive distribution of profits to shareholders.

¹Reversionary bonuses are not applicable to Secure Saver and Retire Happy Plus policies.

4. Are bonuses guaranteed?

Reversionary bonuses are declared and added to the policy over time. Once reversionary bonuses are declared and added, they are guaranteed. However, if you surrender your policy and request for an early payout, you may not receive the full amount of bonuses declared to you, due to surrender penalties. The reversionary bonus rates of future years are not guaranteed until they are declared.

Terminal bonus rates are not guaranteed. The prevailing terminal bonus rates will be applied to your policy and paid out at the time of policy maturity, claim or surrender.

5. What factors are considered to determine the non-guaranteed benefits offered by Par policies?

The amount of bonuses declared annually depends on the amount of surplus in the Par Fund. This in turn depends on factors including external economic conditions, actual and expected investment performance, claims experience and expense levels of the Par Fund.

Bonus rates may be increased or reduced to reflect the past and expected future investment returns and non-investment experience of the Par Fund. Bonus rates may also be smoothed from year to year to avoid excessive volatility in your policy's benefits.

In addition, we ensure that the declared bonuses can be supported by the Par Fund for the continued financial soundness of the fund. We strive to treat policyholders from all groups of Par policies fairly and equitably in determining bonuses.

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

At the point of sale, the projected value was based on the economic outlook at that time. 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. 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. In particular, for policies sold before 2003, actual investment returns were below the projected investment rate at the point of sale due to the difficult investment climate between the late 1990s to late 2000s. Significant events that led to the underperformance of Par Fund included the Asian Crisis of 1997, the 'dot-com' crash of 2000-2002, and the Global Financial Crisis of 2008. As a result of this, bonus rates were revised accordingly to reflect the actual experience of the Par Fund and prevailing market sentiments.

Future Outlook and Considerations

7. What is HSBC Life's approach to managing the Par Fund?

We adopt a long-term approach in managing the investment portfolio for the Par Fund. We strive to provide stable medium to long-term returns that can be transferred to our policyholders, through a combination of guaranteed and non-guaranteed bonuses. We aim to achieve stability of returns by smoothing bonuses over time.

For example, if the performance of the Par Fund is above expectations in one year, we may hold back a portion of the earnings so that we can maintain bonuses in years when the Par Fund does not perform so well. If your Par policy has sufficient surpluses and the outlook remains positive, we may increase your bonuses.

On the other hand, bonuses may still be maintained in years when the performance of your Par policy is below expectation, as there may be sufficient surpluses that were held back in previous years to make up for the shortfall. However, if the performance of your Par policy continues to be unfavorable and is expected to persist, we may reduce your bonuses to ensure that the projected benefits for your Par policy remain supportable.

8. What will bonus rates be in the future?

The future bonus rates will depend to a large extent on future returns on the Par Fund's investments and non-investment experience. We will declare bonuses that reflect the performance of the underlying fund, bearing in mind our aim to smooth out returns to policyholders over time in order to maintain stability on policyholders' returns.

9. Should I leave my plan early?

For all plans except Term Plans with No Cash Value: As buying a life insurance policy is a long-term commitment, an early termination of the policy usually involves high costs and the surrender value, if any, that is payable to you may be zero or less than the total premiums paid. By continuing your Par policy, you are enjoying continued insurance coverage that provides financial protection against life's uncertainties.

Nevertheless, we understand that unforeseen financial needs may arise. An alternative is to opt for an automatic premium loan, where your policy's cash value will be used to pay for your premium when the premium is unpaid at the end of the grace period. For other alternatives, please contact your Financial Planner or call us at +65 6880 4888 for a discussion.

10. Who can assist me on my Par policy?

Feel free to contact your Financial Planner or call our Customer Care Hotline at +65 6880 4888, between 9:00 and 17:00 from Monday to Friday (excluding public holidays).

In addition, you can find more information LIA's guide "Your Guide to Participating Policies" at <http://www.lia.org.sg>.

Other Information

11. I have other HSBC Life Par policies. Why have I received different versions of the Annual Bonus Letter?

You will receive an Annual Bonus Letter for each of your Par policies with us, customised for the respective policy. In some cases, you may notice that some differences in the letter formats due to different originating systems for the letter.

12. Will non-participating and investment-linked policies be affected by this bonus declaration?

No, all non-participating and investment-linked policies will not be affected by this bonus declaration.

13. How do HSBC Life's participating bonuses compare to the rest of the industry?

The bonuses declared by other insurance companies are not directly comparable. Each insurance company adopts its own investment and bonus strategies as they offer different product features.

14. When will I receive the Annual Bonus Letter in future years?

As part of the integration of our insurance businesses, all Annual Bonus Letters for all Par policies will be sent in June annually.

15. If I received an electronic copy of the Annual Bonus Statement, can I request for this statement to be sent by hardcopy to me?

Yes, please contact your Financial Planner or call our Customer Care Hotline at +65 6880 4888, between 9:00 and 17:00 from Monday to Friday (excluding public holidays) to request for a hardcopy of your Annual Bonus Statement to be sent to you.