



## FAQ on Bonus Declaration 2024

### A. Questions related to 2024 bonus decision.

**1. What is the impact to my policy when Terminal Bonus rate is reduced?**

Terminal bonus rate is the non-guaranteed bonus amount applied on claims, surrender or maturity of the policy.

This year, we are adjusting the terminal bonus for a group of endowment policies that were first issued in 2016 and maturing starting in 2026 ("Affected Policies"). The change will be effective from 1 July 2024. This will impact claims, surrenders, and maturity payouts that happen on and after 1 July 2024 of those Affected Policies.

**2. Why does Manulife Singapore revise the terminal bonus given favorable investment return for year 2023?**

The Investment performance of the Participating Fund has been volatile in recent years. Specifically, the cumulative investment returns for a group of endowments are lower than expected due to unfavorable economic conditions in the last few years, despite the positive investment experience in 2023. We are reducing terminal bonus for the Affected Policies, effective from 1 July 2024, to improve alignment of the maturity value with the cumulative investment experience.

**3. What is the Reversionary Bonus rate declared on my policy in my next policy anniversary date?**

Reversionary Bonus rate is a guaranteed increase in your policy values, and we are maintaining reversionary bonus rates for all participating plans, included the Affected Policies.

The reversionary bonus rate to be declared for your upcoming policy anniversary date, that falls between 1 July 2024 and 30 June 2025, will stay the same as the one declared on your last anniversary date. It will be reflected in the Anniversary Statement sent to all participating policyholders in the upcoming policy anniversary in 2024/2025.

**4. Why was there a Reversionary Bonus reduction for my participating plan in 2021 and now another reduction on Terminal Bonus in this year? How does it affect my maturity values?**

Since 2021, the market has been volatile, our returns on SGD Participating Fund were 3.1% and -7.5% for financial years 2021 and 2022 respectively. Despite the lower-than-expected return, we maintained the bonus rates for the financial years 2022 and 2023 with the intention to minimize the bonus volatility and allowing time for the market cycle to recover post pandemic.

Although the investment return in 2023 was healthy, the average investment performance return over the last 3 years (from 2021 to 2023) has averaged less than 2% per annum while the average return required to support the original illustrated policy value was 4.75% per annum. Due to the above-mentioned factors, we have come to the decision to reduce terminal bonus rates for these plans from 1 July 2024, to better align the maturity value with the cumulative investment experience, considering the limited time frame for further market recovery on the Affected Policies.

Please note that the actual impact on each Affected Policy may vary. Please refer to the policy summary that was enclosed in your Participating Fund 2023 Update letter for your updated illustrated maturity value.

**5. Will there be further bonus reduction in the future before my policy matures?**

We will continue to follow our normal practice of reviewing the performance of the Participating Fund annually and will revise the future bonuses, where necessary, to align policy values with accumulated Participating Fund experience. Please refer to our general practice for our annual review of bonus rates in Question 11.

Specifically with respect to the Affected Policies:

- The revision of the terminal bonus in 2024 realigns the policy values with the accumulated experience of the Participating Fund assets supporting the Affected Policies in combination with the outlook for the future.
- As we assess the surplus or gap in asset performance, we consider many factors, including the position of the market in the economic cycle and the future market outlook, and the impact of non-economic factors on the Participating Fund performance, with the intention of smoothing the returns over time and reducing volatility of the bonus rates for policyholders.
  - If the future Participating Fund performance underlying the Affected Policies is significantly improved and in excess of the illustrated investment rate of returns of 4.75% per annum, thus generating a material surplus, we will assess the surplus position for potential increase in the bonus rates.
  - If the volatility of the market continues and the Participating Fund assets underperform, we will assess if the gap between asset performance and policy values requires further revision of the bonuses.
- By revising the terminal bonus for the Affected Policies, it ensures a fair distribution of Participating Fund performance to all participating policyholders. Our priority is always to safeguard our participating policyholders' long-term interests by giving you the highest level of security on your policies while providing you with fair returns.

**6. In the future, are there plans to restore the bonuses for policies that are affected by past bonus reduction?**

At Manulife, our aim is to maximize the return for our participating policyholders over the long term, while maintaining the financial strength of our Participating Fund to meet our commitments to our participating policyholders. This is certainly something we would consider once it's assessed to be sustainable and realistic to do so, with long term outlooks supporting such a decision.

**7. How can I be assured that my policy with Manulife still meets my financial objectives?**

Manulife is dedicated to maintaining our financial strength and fulfilling our commitments to our participating policyholders.

We commit to managing your investments diligently and delivering long-term performance of the Participating Fund. The reduction in terminal bonus in 2024 is unique to the situation of the Affected Policies (which is a group of endowment plans) and is not indicative of the overall performance of the Participating Fund.

By revising the bonus for the Affected Policies, it ensures a fair distribution of Participating Fund performance to all participating policyholders. Our priority is always to safeguard our participating policyholders' long-term interests by giving you the highest level of security on your policies while providing you with fair returns.

We manage our Participating Fund to remain healthy and financially sound while assuring that fair returns are passed back to participating policyholders through policy guaranteed benefits and bonuses.

We have a strong track record of growing our Participating Fund assets to S\$21.7b as at December 2023. Manulife Singapore is rated AA- by S&P.

## B. Questions related to overall Participating Fund performance.

### 8. As the historical investment performance of the Participating Fund has been volatile, how does this affect the policyholders' bonus rates?

The Participating Fund is managed through a smoothing mechanism. Part of the profits built up during good investment years are reserved under the Participating Fund to support future bonus declarations in times of market downturn or if the funds subsequently do not perform as per expectation. This will eliminate the volatility in terms of investment performance.

Arising from this, we may not raise bonus rates at the first sign of the economy improving as a buffer for future downturns. Likewise, we may not cut bonuses as severely, if at all, when the economy falters.

For Manulife, our priority is always to safeguard our participating policyholders' long-term interests by giving you sustainable and fair returns. In this regard, we consider both long-term historical returns and long-term outlook of the Participating Fund. We may not respond immediately to short-term outperformance or underperformance but strive to provide a stable return to the participating policyholders over the policy term.

### 9. The Participating Fund Statement shows that percentage investment in equity market has remained at 29% since 2023, how is this going to affect the bonus declaration in the future?

We monitor the asset allocation of the Participating Fund regularly and ensure they do not deviate from the investment benchmark of 30%\* significantly. While the percentage allocation into equity market remained the same, it is still within a reasonable range. Our aim is to maximize the return for our policyholders over the long term, while maintaining the financial strength of our Participating Fund to meet our commitments to our policyholders.

*\*30% is the current strategic asset allocation (SAA) for all Participating products except ManuWealth Plus / ManuFortune / ManuHarvest / Manulife Abundance / Manulife Boost Series / Manulife Goal Series / SavvyEndowment Series.*

### 10. Why is Manulife's Total Expense Ratio (TER) reduced in 2023? Will the reduced TER affect the bonus declared in 2024?

It is important to note that the premium a participating policyholder pays includes the expenses incurred under the participating policy(ies) purchased.

Total Expense consists of investment, management, distribution, tax and other expenses. TER is expressed as a percentage of total assets. Manulife's reduction in TER is due to relatively lower new business volumes in 2023. The reduction in TER does not affect the bonus declared in 2024.

## C. Questions related to generic understanding of Participating products and your bonus(es)

### 11. What is Manulife's Bonus Declaration process?

Our Appointed Actuary evaluates the experience of the Participating Fund and recommends bonus rates to the Board of Directors. When making such recommendations, our Appointed Actuary is required to consider several factors, including:

- a) equity among different policies and their policyholders,
- b) the impact on prospective financial conditions of the Participating Fund; and
- c) other requirements under Singapore's Insurance Act 1966.

90% of our Participating Fund surpluses are allocated to participating policyholders before the remaining 10%<sup>1</sup> can be distributed to corporate shareholders. It is in our interest to declare fair bonuses to participating policyholders. If policyholders receive lower bonuses, our shareholders will also receive less.

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1. 10% is the maximum allowable sharing ratio under the gated participating rule. For some of the products, corporate shareholders are sharing lower profits.

This bonus declaration has been approved by our Board of Directors. Decisions on bonus rate changes are deliberated and considered through the relevant governance process with a primary objective of aligning the policyholder values with the Participating Fund performance. This also ensures that future benefits provided to our policyholders are sustainable by maintaining our financial strength. Our priority is always to provide fair returns to our policyholders while safeguarding our policyholders' long-term interests by giving you the highest level of security on your policies.

**12. Will policyholders lose out if Manulife decides not to declare higher bonuses? What is the treatment on the excess returns?**

Policyholders will not lose out if Manulife decides not to declare higher bonuses. Excess investment returns will continue to be accumulated within the Participating Fund to smooth the bonus allocations over time to avoid short-term fluctuations that can occur in year-to-year investment. At least 90% of our Participating Fund surpluses are allocated to participating policyholders before the remaining (10% at most) surpluses can be distributed to corporate shareholders, so the participating policyholders' interest is always safeguarded.

## **D. Questions related to Manulife.**

**13. What are the steps that Manulife is taking to prevent or minimize future bonus rates revision?**

We regularly explore various investment opportunities to enhance the future investment returns for the Participating Fund. We have diversified our equity investment into non-Singapore equity markets and continued to increase our investment in non-SGD fixed income assets. Our aim is to optimize and maximize the return for our participating policyholders over the long term, while maintaining the financial strength of our Participating Fund to meet our commitments to our participating policyholders.

**14. Will Manulife take any action if their fund managers are not achieving the desired rate of return?**

We constantly monitor the performance of our Participating Fund and actively seek the optimum asset strategy to maximize risk-adjusted returns. Our priority is always to safeguard our participating policyholders' long-term interests and we will take all necessary actions to do so, which includes ensuring that we appoint the right fund managers with the required expertise.

## **E. Questions related to policyholder communications.**

**15. What are the materials that have been sent to me as a Participating policyholder to inform me about the bonus declaration to my policies?**

You will receive a single Communication Pack to inform you about the impact to your policies. The Communication Pack contains the following materials:

- Bonus Revision Letter from the CEO and Policy Summary, in which participating policyholders will also find the link to the "Participating Fund 2023 Update" that Manulife publishes on its website.