Frequently Asked Questions for 2021 Bonus Announcement for AXA Singapore Agency, FA, Singpost and Direct Channels' Representatives

Important: Please do not share this FAQ pack with policyholders or any other external parties.

Participating Fund Update

1. What are we sending out and when?

Annual Bonus Update letter pack will be sent out towards the end of May 2022. All eligible Par policyholders will receive a copy of the following for each Par policy they have with AXA:

a. Cover letter
b. Annual Bonus Statement
c. Participating Fund Commentary
d. Frequently Asked Questions on Bonus Rates

Enclosed a sample of the letter pack:

Sample Bonus Letter.pdf

2. Who will receive a copy of bonus notice?

All Par policies incepted by 31 Dec 2021 which remain in-force at the time of mail-drop will receive the bonus notice.

3. If the policyowner has multiple policies, will he/she receive the letters at different dates?

A letter pack will be sent for every Par policy, via the policyowner's preferred communication method of email and(or) postal mail. Hence, a policyowner with multiple policies will receive more than 1 letter pack.

Given the operational constraint in handling the huge number of letters to be sent, letters will be processed in batches. Hence, a policyholder with multiple policies may receive the letters for each policy at different dates in May.

4. What is the bonus decision for Financial Year 2021?

Following the latest review, we have maintained the same level of bonus rates for all Par policies as the previous year.

5. How do I read the bonus statement in the Participating Fund Update report?

Refer to the PDF file ("Reading Bonus Statement") attached.

Guide to Reading the Bonus Statemen

Bonus Rates

6. What are bonuses?

Bonuses are additional benefits added to Par policies in recognition of the profits of the Par Fund. There are two types of bonuses given out by AXA:

a. Reversionary bonus is an annual bonus added to the policy's sum assured at each policy anniversary, where eligible. Once declared, it will form part of the guaranteed benefits of the policy.
b. Terminal bonus is a one-off, non-guaranteed bonus, which may be payable upon surrender, claim or maturity. The amount will vary depending on the date of termination. Terminal bonuses are sensitive to investment performance and are likely to vary more than reversionary bonuses over time.

7. 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, your client might not receive the full amount of bonuses declared, due to surrender penalties. Instead, he / she 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. How are the bonuses decided and 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 surpluses 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 client's policy's benefits.

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

9. Will there be a revision to bonus rates in the future?

Bonus rates are reviewed periodically and are dependent on the actual experience and future outlook of key factors affecting the performance of the Par Fund.

If actual experience outperforms expectations, for e.g., investment return is higher than expected, bonus rates may be increased after taking into consideration smoothing.

On the contrary, if economic conditions are poor, resulting in lower than expected investment performance, bonus rates may be revised downwards if they cannot be sustained.

Surrender / Maturity Values

10. How is the projected maturity benefit derived?

The maturity value consists of a guaranteed and a non-guaranteed amount.

The guaranteed amount is the basic sum assured of the policy, plus total reversionary bonuses declared and accrued to date. The non-guaranteed amount include future reversionary bonuses that have not yet been declared and terminal bonuses payable upon surrender, claim and maturity.

11. Why is the cash value of reversionary bonus lower than the amount stated in Annual Bonus Statement?

The amount stated in the Annual Bonus Statement is the total reversionary bonuses declared and accrued to date. This amount is payable on maturity or claim (e.g. death, critical illness etc).

The cash value of reversionary bonuses is payable upon surrender. It is a lower amount as it is paid immediately instead of at maturity or death. This value is equal to a discounted amount determined in accordance with actuarial principles, accounting for factors such as expected future mortality rates and interest.

12. Why does the projected maturity / surrender value in the Annual Bonus Statement differ from the BI when the policy was incepted?

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 client's 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, AXA has revised the bonus rates accordingly to reflect the actual experience of the Par Fund and prevailing market sentiments.

13. The bonus rates of my client's policy did not change. Why is the maturity / surrender value in the Annual Bonus Statement higher than the projected value in benefit illustration (BI)?

The maturity / surrender value stated in the annual bonus letter could be different compared to the original BI due to the different rounding method used in administrative system and BI system.

14. What are the common reasons for maturity values to be lower than total premiums paid?

The common reasons for maturity values to be lower than total premiums paid are:

a. The maturity value does not take into account the cash advance that have been paid out in the past.
b. The total premiums are inclusive of rider premiums which are not invested in the Par fund.

Par Fund's Investment Performance

15. What is AXA's Par Fund's investment performance for the past 3 years?

The following are the investment returns, net of investment expense of the Par fund for the past 3 years.

	2019	2020	2021
Net Investment Return	**10.72%**	**10.18%**	**-7.24%**

16. What is AXA's Par Fund investment outlook and strategy?

As we look ahead to 2022, investors cheered the economic recovery and looked past continuing uncertainty brought by the coronavirus heading into the new year. With the pandemic now in its third year, the economy is facing challenges with inflation soaring to a new four-decade high.

Encouragingly, the emergence of the Omicron variant hasn't appeared to dampen the mood around investments, as markets continued to exhibit strength as they have shown throughout much of the pandemic.

The development of the war in Ukraine has worsened the outlook for growth and inflation, especially if tensions were to worsen. The "stagflation tone" to the macro data is likely to persist and may not improve until late 2022. Geopolitical tensions and energy prices will be key risk factors for inflation.

We are currently in mid-part of the economic cycle and expect policy divergence amongst the central banks. The U.S has begun shifting policy and reducing liquidity. The Fed is expected to have 7 rate hikes in 2022 and the fiscal policy will also be a drag on growth. Tightening of financial conditions will weigh on equities, especially the more speculative stocks and emerging market. Meanwhile, the 2021 fourth quarter earnings reports for U.S. held good news overall.

2022 has been predicted to be the year of full global economic recovery, an end of the global pandemic and return to pre-Covid conditions. We remain positive on riskier assets for 2022, though cautious with an eye on geopolitical tensions, new Covid variants and supply side constraints. We will continue to diversify our portfolio globally, across broader asset classes and sectors and adding alternative assets while at the same time carefully managing the portfolio risks to maintain resilience.

Interest Rates

17. How are the projected interest rates in the Product Illustration determined?

From 1 July 2021, LIA revised the prescribed Upper Illustration Rate at 4.25%. The Lower Illustration Rate has to be at least 1.25% lower, which is capped at 3.00%. The Upper Illustration Rate is reviewed by LIA once every 3 years. The investment return rates, which are net of investment expense, are determined after considering the views of LIA member companies on a number of factors, including typical investment mix of asset classes which Par Funds invest in (equities, bonds and property) and the long term returns on each asset class.

18. Is there any change to the interest rate for cash advance deposit?

There is no revision to the non-guaranteed interest rate for cash advance deposit.

The current interest rate is 3.00% p.a. for SavvySaver, SavvySaver (II), AXA Early Saver, AXA Early Saver Plus, AXA Retire Happy Plus, AXA Retire Treasure and AXA Retire Treasure (II). For all other products that pay cash advance/retirement income interest rate is 2.25% p.a. These interest rates is not guaranteed and may vary according to prevailing market conditions.

Other Information

19. What are the historical bonus illustration rates for AXA Par products?

Refer to the PDF file ("Historical Bonus Illustration Rates") attached.

Historical
Illustration Rates.pd

20. Will Non-Participating and Investment-Linked policies be affected by this bonus declaration?

No, all Non-Par and ILP policies will not be affected by this bonus declaration as their premiums are not invested in the Par Fund.

21. How do AXA's Par bonuses compare to the rest of the industry?

Due to the different product features, different insurance companies adopt different investment and bonus strategies. Therefore, the bonuses declared by other insurance companies are not directly comparable.

22. What is Automatic Premium Loan?

Automatic premium loan is an option where Par policyholders can choose to use the policy's cash value to pay for premiums in the event that the premium is unpaid at the end of the grace period.

The current interest rate is 6.75% p.a. for policy loan. This interest rate is not guaranteed and may vary according to prevailing market conditions.

23. How much is the AXA's share of the profits in the Par Fund?

Singapore Insurance Act specifies that life insurance companies' shareholders can only share in a maximum of 10% of the profits (sometimes referred to as surplus) of the company's Par Fund. The remaining 90% are to be distributed to policyholders in the form of non-guaranteed bonuses.

Life insurance companies can only recognize the 10% of profits **after** the 90% have been declared as bonuses to Par policyholders. This ensures that the interests of the shareholders of the life insurance companies are aligned with those of our Par policyholders. Hence, policyholders and shareholders share in the profits of the Par Fund based on a 90/10 ratio.

24. How does the acquisition of AXA Insurance Pte Ltd by HSBC Insurance (Asia Pacific) Holdings Limited affect the policies?

The existing insurance policies, coverage, and our customer service commitments will remain unchanged as a result of this transaction, and our top priority is to ensure a seamless transition for all policyholders. We plan to integrate the HSBC Life and AXA Singapore businesses via Scheme of Transfer by H2 2022, subject to regulatory and court approval. During this transition, we remain deeply committed to keep all our policyholders abreast of the developments with regards to the integration.