Understanding Bonus Determination in Manulife Participating Fund

A supplementary guide for our participating policyholders

To help you understand our participating fund and how bonuses are determined, we are pleased to provide you with this supplementary guide. Please read in conjunction with “Your Guide to Participating Policy” published by the Life Insurance Association. Should you have any questions, please contact your Adviser or one of our Customer Service Officers through our hotline at 6833 8188.

• What is the aim of a participating policy?

The aim of a participating policy is to provide sustainable and stable medium to long-term returns through the combination of guaranteed benefits and non-guaranteed bonuses to policyholders, whilst maintaining the solvency of the fund at all times. The participating fund is made up of premiums pooled from participating policies and such premiums are invested in a range of assets such as government bonds, corporate bonds, equities and cash. To ensure that your monies are prudently managed, an internal policy on management of participating fund business is reviewed and approved regularly by the board of directors.

• What are bonuses?

Bonuses are non-guaranteed benefits such as annual revisionary bonuses and terminal bonuses. However, once declared, reversionary bonuses are guaranteed and increase the value of your policy. Terminal bonuses are paid out on the maturity of the policy or earlier death claim and also increase the final value of the policy.

• What factors affect the level of bonuses?

Participating policies with broadly similar characteristics and common experience are grouped into classes in order to maintain broad equity amongst policyholders in various classes. The share of each class in the participating fund depends on its asset share, which is derived by assessing the value of assets backing the class. It reflects the elements of actual experience such as investment performance, mortality, morbidity, expense and persistency. Investment performance is generally the most significant factor given its volatile nature. Strategic asset allocation sets out the target mix and acceptable range of investment in the participating fund.

A smoothing process is applied so that stability of bonus is maintained over the years. This means that bonuses may be held back in years when the performance of the fund has been good so that they can be maintained when conditions are less favorable.

• Who determines the level of bonuses?

The Appointed Actuary makes an annual recommendation on the amount to be declared in any given year. After taking into account the written recommendation of the Appointed Actuary, the Board of Directors reviews and approves the annual bonus allocation and the allocation basis.

• What are the applicable regulations, guidelines and references in making bonus recommendation?

The Insurance Act (Chapter 142) sets out the requirements for the establishment and maintenance of the participating fund. The Monetary Authority of Singapore oversees and regulates insurance companies and their participating funds. The Singapore Actuarial Society issues mandatory guidance notes for Appointed Actuaries advising insurance companies on the management of participating policies.

• What are the documents you should refer to?

Sales documents include Your Guide to Life Insurance, Your Guide to Participating Policies, Cover Page, Product Summary, Policy Illustration, and Bundled Product Disclosure Document (where applicable). It is important to read these documents and understand the product before making a purchase. Post-sales updates include Annual Bonus Update and Policy Anniversary Statement. These documents provide you with the latest information on the performance of the participating fund, its future outlook and any bonuses allocated to your policy for that year.