

Frequently Asked Questions (FAQ) For Participating Fund 2022 Bonus Declaration

General Questions

1. **What is a participating policy?**

A participating policy enables you to share in the profits of the participating life fund. Profits are shared by adding bonuses to participating policies. The actual payment of these bonuses is **not guaranteed** and can decrease or increase to reflect the operating and investment performance of the participating life fund.

2. **What is cash bonus/dividend?**

This is a non-guaranteed bonus which is determined annually by the company and will be payable to you in cash each year.

3. **What is reversionary bonus?**

This is a non-guaranteed bonus which is allocated and added to the Sum Assured of a participating policy, usually on an annual basis. Once allocated, the values are guaranteed provided you continue to pay the premiums as stated in your policy contract.

However, if you choose to surrender your policy, you may not receive the full amount of the allocated bonuses. The amount of the bonuses payable may be significantly lower as compared to what would be payable if you keep your policy in-force until maturity or death (whichever comes first).

4. **What is terminal bonus/dividend?**

This is a non-guaranteed bonus which may be payable when your policy is terminated – upon death, maturity or if you choose to surrender your policy. The terminal bonus is usually designed to give policy owners a fair share of the profits earned by the participating life fund.

5. **Are the bonuses and dividends guaranteed?**

Once declared, bonuses and dividends are guaranteed and payable in the event of death or upon maturity of the policy. However, if you own a policy with reversionary bonus feature, you may not receive the full amount of the allocated bonuses upon surrender of the policy. The amount of the bonuses payable may be significantly lower as compared to what would be payable if you keep your policy until maturity, or upon death (whichever comes first). Future bonuses and dividends are based on projection and are non-guaranteed. The actual bonus and interest rates declared in the future may be higher or lower, depending on the investment and economic situation as well as the operating performance of the company.

6. **Why are dividend/bonus/interest rates not guaranteed in my policy?**

The future bonuses of all life insurance companies, including that of Zurich Life Insurance are not guaranteed. This is because the dividend/bonus/interest rates are subject to annual declaration based on the company's operating and investments results. However, once bonuses are declared, they are guaranteed and cannot be taken away. As you may be aware, a bank would typically credit an interest rate of approximately 7% to 9% per year for placement of a 12-month fixed deposit during the mid 90s. However, the same investments in a 12-month fixed deposit will now only give you between 2% to 3% per year.

7. **How are bonuses declared?**

The bonuses which are not guaranteed, are determined by the company based on the participating life fund's actual operating and investment performance. For example, if the investments and operating performance (that is, expenses and claims experience) have performed well over the past year, the company may be able to declare a higher bonus. If the investments or operating performance is poor, the company may declare a lower bonus, or may not be able to declare a bonus at all.

8. **Why has bonuses/dividends not increase/decrease in the past 5 years?**

The bonuses paid are 'smoothed'. This means that, in years where the company has experienced good operating and investment results, some of the profits may be held back and used to top up bonuses in less stellar years. This is a feature that is unique to participating policies. The company will aim to even out the payout to policy owners even when results have not been favourable. However, 'smoothing' does not give complete protection against poor results. If poor results continue over several years, the company may have to reduce bonuses to reflect the poor performance and to ensure that the fund remain solvent.

Bonus Declaration for 2022 and Bonus Revision Notice for 2023

9. I have just received the bonus statement from your company. Can you tell me more about this? What is the purpose of this letter?

As our valued policy owner, we wish to inform you on the current status and value of your cash dividend / reversionary bonus declared for 2022 and accumulated in your policy/policies, the current amount that you will receive if you surrender your policy as well as your policy details and nomination status. For policies where future bonuses will be reduced; we have mentioned this in the footnotes of table 2 and table 3.

10. Why is the 'Previous Year' cash dividend balance in 2020 bonus statement different from the cash dividend balance in 2019 bonus statement?

In 2019 bonus statement and before, we showed you the total cash dividend declared for your policy. The statements did not include deductions for cash dividend withdrawals or premium payments. To improve clarity and transparency of the information given to you, we are showing your total cash dividend balance deposited with us allowing for deductions from 2020 bonus statement and onwards.

If you have utilized cash dividend balance to pay for premiums or have withdrawn some cash dividends, the 'Previous Year Balance' shown in Part 1 of 2020 bonus statement will be lower than the 'Total' end balance shown in Part 1 of 2019 bonus statement. This is because the amount utilized to pay for premium or withdrawals have been deducted from the balance.

Example:

Total cash dividend declared up to 2019 = 10,000

Cash dividend utilized in the past for premium payment = 1,000

Amount brought forward = 9,000

2019 bonus statement

Bahagian 1 - Butir-butir Bonus Berbalik/Dividen Tunai / Part 1 - Reversionary Bonus/Cash Dividend Details

Nombor Polisi Policy Number	Tarikh Permulaan Inception Date	Status Polisi Policy Status	Jumlah Muka Face Amount (RM)
Tahun Berakhir Year Ended	*Bonus Berbalik/Dividen Tunai Reversionary Bonus/Cash Dividend (RM)		
	* Dahulu/Previous (RM)	* Semasa/Current (RM)	Jumlah/Total (RM)
2019			CD 10,000

2020 bonus statement

Bahagian 1 - Butir-butir Bonus Berbalik/Dividen Tunai / Part 1 - Reversionary Bonus/Cash Dividend Details

Nombor Polisi Policy Number	Tarikh Permulaan Inception Date	Status Polisi Policy Status	Jumlah Muka Face Amount (RM)
*Bonus Berbalik/Dividen Tunai Reversionary Bonus/Cash Dividend (RM)			
* Jumlah Terkumpul Tahun Dahulu/Previous Year Balance (RM)	* Semasa/Current (RM)	Potongan Semasa/Current Deduction (RM)	Jumlah Terkumpul Tahun Semasa/Current Year Balance (RM)
A	B	C	D = A + B - C
CD 9,000			

'Previous Year Balance' in 2020 bonus statement is lower because of the deduction of 1,000 utilized for premium payment.

11. Why can't Zurich maintain the current bonus levels instead of further lowering them?

We are able to maintain the bonus levels for financial year 2022. However, bonuses for some participating plans have to be reduced for financial year 2023 onwards due to unfavourable investment performance in year 2022. Maintaining the current bonus levels cannot be sustained by the fund's current financial performance and may adversely impact the remaining participating policy

owners in the future. This means that if we continue to pay bonuses at current levels; the fund may become insolvent and there will not be sufficient money left for the remaining policyholders. It is our responsibility to only pay sustainable bonuses while maintaining a healthy participating life fund. Likewise, should investment performance and outlook improve favourably in the future, the bonuses will be increased accordingly as Zurich Life Insurance remains committed in managing your entrusted monies responsibly and remaining equitable at all times.

12. We are loyal policyholders who have consistently and continuously paid premiums for the last 10 to 20 years, regardless of the economic outlook. Why are we being penalised with a bonus rate revision?

Regrettably, there are two reasons as to why there is a need for Zurich Life Insurance to take actions that will strengthen the solvency of the participating life fund.

- i. Past asset and investment performance have not been sufficient to support the bonuses that will be paid.
- ii. The investment outlook, in terms of what returns that the fund can expect to earn in the future has deteriorated.

For your information, the revision in bonus rates is very much in line with the market practice. Bonus rates payable are revised periodically to reflect the actual returns on investments.

13. Are all Zurich Life Insurance policies affected by this bonus revision?

Out of a total 34 participating plans, 10 participating plans are impacted by this bonus revision. The remaining 24 participating plans and all non-participating plans are unaffected under this bonus revision exercise.

Impacted participating plans are:

- i. Executive Elite
- ii. Pioneer 2000
- iii. Pioneer 3000
- iv. Financial Deferred Par
- v. Smart Life 20
- vi. Executive Special
- vii. New Executive Special
- viii. Executive 2000
- ix. Executive Master
- x. Whole Life Compound Reversionary Bonus

14. I have been receiving this letter almost on a yearly basis. Are you indirectly asking me to terminate/surrender my policy?

We would like to advise you to seek appropriate advice from your servicing agent before making any major decision with regards to your policies. If you no longer have a Zurich servicing agent and would like us to put you in touch with a new one, please contact our Call Centre at 1-300-888-622. Our customer service personnel will be able to guide you through the procedure for requesting a new servicing agent to service you.

15. Previously, there was a bonus revision exercise but I did not receive any letter from your company informing me about the revised maturity bonus. What is the reason?

In the past, it was not an industry practice to notify the policy owners should there be any variation to the maturity payment. As a policy owner, you have the option to consult your servicing agent or visit our Zurich branch to seek clarification or information pertaining to your policy. Our customer service personnel would be at hand to assist you. Alternatively, please contact our Call Centre at 1-300-888-622.

16. Does this bonus revision affect the benefits in my policy?

This bonus revision affects future bonuses/dividends that will be declared for financial year 2023 onwards and terminal bonuses/dividends from year 2024. All other guaranteed benefits of your policy such as the Basic Sum Assured and any prior declared bonuses/dividends are not impacted by this bonus revision. Please be advised that future bonus/dividends are non-guaranteed in nature and, depending on the operating experience and investment results of the participating life fund, may be higher/lower than the current scales in place.

17. How much of my policy bonus will be affected?

The bonus declaration statement will be made available to policy owners by end of August 2023 in our life insurance customer portal at MyPolicy@Zurich (<https://myzurichlife.com.my>). For enquiries, please contact our Call Centre at 1-300-888-622

18. Other insurance companies are able to pay the maturity bonus as projected previously or have not reduced the maturity bonus drastically. Why can't Zurich follow suit?

As a matter of principle, we do not comment on our competitors' actions. Different companies may adopt various strategies and approaches on bonus revision. For the benefit of our valued customers, instead of adopting a drastic approach to reduce the maturity and terminal bonuses at one go, we decided to adopt a gradual approach to review and refine the maturity and terminal bonus rates according to the past investment results and future investment outlook every year. For the long-term, Zurich Life Insurance will continue to manage its business prudently to ensure that our future obligations to policyholders are met.

19. I am not satisfied with the bonus declaration for my policy. What options do I have now?

As we do not advise that you surrender your policy, you have a few options to choose from:

- 1) You may continue paying the current premiums, which will result in an increase in the policy value, giving you access to potentially higher returns over the long term.
- 2) You may keep the policy in-force by reducing the amount of Sum Assured, which will lower the premium rate.
- 3) Convert your policy to a reduced paid up policy.
- 4) Convert your policy to Extended Term Insurance (ETI).
- 5) If the Insured is a minor, you may elect to change policy ownership to the Insured once he/she starts working. The new policy owner (applicant) may continue with premium payments.
- 6) For emergency cash (eg. for child education fund), you may apply for a policy loan / request for partial or full withdrawal of the available declared bonus/dividends.

Your servicing agent will be able to advise you on the appropriate option(s) to consider and provide the best solution for your situation. If you currently do not have a servicing agent, please contact our Call Centre at 1-300-888-622.

20. If I stop paying my premiums now, what will be the in-force duration of my policy?

Your policy will continue to be funded by your accumulated bonuses/dividend/cash values. However, as future bonus rates are not guaranteed and are subject to past operating and investment results as well as future investment outlook, we are not able to predict nor confirm the in-force duration of your policy or when your policy would reach the stage of having insufficient fund. Please contact our Call Centre at 1-300-888-622 and our customer care personnel will be able to advise you on the available options.

21. How does this bonus revision impact my policies with Critical Year option?

The Critical Year is not guaranteed and it is dependent on the accumulated bonuses/dividend/cash values declared on your policy. As a result of this bonus revision, your policy accumulated bonuses/dividend/cash values might not be sufficient to sustain your policy till the end of your policy term. You may have to extend your premium payments beyond the Critical Year as illustrated at the time your policy commenced. If you have stopped paying premiums, you may have to resume the premium payments to prevent your policy from lapsing. Should you have any enquiries regarding your Critical Year Option and how your policy may be impacted by the bonus revision exercise, please contact us at 1-300-888-622.

Future Outlook

22. How could we still have confidence in your current and future new products?

Please be assured that Zurich Life Insurance adopts a prudent risk management and investment strategy for delivering long term sustainable returns to our policy owners. We remain a financially robust company and are fully committed in fulfilling our obligations to our customers. We strive to provide the best products and services, and you can be assured that our offerings are developed to meet the evolving needs of our customers.

23. What measures/ strategies have Zurich Life Insurance put in place to ensure reasonable bonus declarations in the near future?

The nature of the policy that you have purchased enables you to share in the profits of the participating life fund if any, and these are not guaranteed. Profits are shared by adding bonuses to the participating policies. As you may be aware, these profits may be volatile from year to year, depending on the investment and operating performance of the participating life fund. Thus, the actual payment of these bonuses cannot be guaranteed and may decrease (or increase) to reflect the actual operating performance. Our aim is to maintain the solvency of the participating life fund, which has deteriorated in recent years due to a sustained downturn in the investment market and the deteriorating investment outlook. It is necessary to ensure the long-term sustainability of the participating life fund and equitable profit distribution to all our policy owners. We would like to reiterate that any prior declared bonuses are fully guaranteed and will not be affected by this bonus revision. Zurich Life Insurance remains a financially strong company and is fully committed in fulfilling its obligations to its customers.

24. Will the future outlook for the participating life fund be optimistic? If yes, can we expect better returns and higher bonuses to be declared in the future?

Like individual savers in general, insurers globally are impacted by the challenging and volatile investment market environment which can result in low returns on assets. To ensure Zurich Life Insurance will be here for its customers for the long term, we maintain strict financial discipline and adopt a prudent risk management and diversified investment strategy. Future bonus rates are not guaranteed and will be subject to review annually, based on past operating and investment results and the future investment outlook.

Zurich Life Insurance Malaysia Berhad

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