



AIA Singapore

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Frequently Asked Questions on Participating Bonuses / Dividends

The term “bonus” or “bonuses” in this FAQ refers to both participating bonuses and participating dividends.

Q1. When are bonuses reviewed and declared?

Bonuses are normally reviewed and declared annually. In situations of large market volatility, there may be ad-hoc reviews during the year as well. AIA will notify its participating policyholders of the bonuses that may be credited to their policies at least annually, and of any changes made to the bonus scales.

Q2. How are bonuses determined?

When you buy a participating policy, your premiums are paid into the AIA Participating Fund (“Par Fund”) where they are combined with the premiums paid by all other participating policyholders. We make benefit payments and deduct expenses from the Par Fund, and the balance is invested in assets.

Each year, we determine the value of the Par Fund assets and subtract the value of the guaranteed policy benefits (including previously declared bonuses, plus any accumulated dividends and coupons deposited) and other liabilities. The amount left over is available to declare future bonuses. We track this performance at a plan level; depending on the past performance and future outlook of each plan, the bonuses / bonus adjustments made may differ from those of another plan. It is possible that bonuses are increased for one plan and decreased for another at the same time.

When we declare bonuses, we aim to give all policyholders a return that reflects the Par Fund's experience over the time they have kept their policy with us, and the future outlook.

Based on regulatory requirements, the ratio of bonuses given to the policyholders to the maximum amount that AIA shareholders can receive from the Par Fund, is fixed at 9:1 – for every \$9 given to policyholders, \$1 can be given to shareholders. Hence, if policyholders receive lower bonuses, AIA shareholders will also receive less.

Q3. What items and expenses are charged to the Par Fund?

The value of the Par Fund is affected by benefit payouts to participating policies and a variety of expenses. Examples of benefit payouts from the Par Fund include coupons, death claims, morbidity claims, surrender claims, maturity benefits and bonuses. For expenses, there are investment expenses relating to the management of the Par Fund's assets, marketing and other distribution-related costs, general management expenses including a share of AIA's fixed overheads, tax on policyholder bonuses and other expenses.

Q4. What does the Par Fund invest in?

While seeking to maximise investment returns over the long run, we also ensure the security and solvency of the Par Fund. The Par Fund achieves diversification by investing in a mix of assets including fixed income securities, listed equities, private equities, properties/property funds and others. Derivatives may also be used to manage investment risks. Most of the assets are invested in fixed income securities, which are considered to be lower risk. As of the end of 2020, about 32% of the entire portfolio is invested in so-called risk assets such as listed equities, private equities and properties/property funds.

Q5. What are the risks factors affecting the performance of the Par Fund?

The key factors affecting the performance of the Par Fund are investment returns, mortality and morbidity experience, lapse and surrender experience, expense risk and business risks (including but not limited to product design, selling and marketing practices, and demographic changes). Investment returns are in turn affected by economic market risks. These include interest rates risk, credit spread risk, fixed income default risk, equity market risks, foreign exchange risks including those on equities, property risks and other market risks affecting the performance of the assets that we hold.

Q6. How are risks shared?

Your premiums are combined with premiums from other participating policies in the Par Fund. The combined assets of the Par Fund are used to pay policy benefits, as well as to meet expenses and charges incurred in running the Par Fund. Investment risks are shared among all the policies within the same group or class of products. The other key risks affecting the value of the Par Fund, including mortality, morbidity, lapses and surrenders, expenses and business risks, are mostly shared by all the policies in the Par Fund.



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Q7. Why may my bonus allocation vary from year to year?

The performance of the Par fund is monitored regularly, and the bonus allocation is reviewed at least annually. At each review, we will consider the past performance of the fund as well as the future outlook in determining the bonuses to be declared. An increase in bonus allocation can be made if the past returns on the fund and the future outlook can support a higher bonus allocation, and lower bonus scales may be declared if the current bonus allocation is not sustainable given the past returns on the fund and the future outlook.

Investment returns will fluctuate with market dynamics and may be volatile. Other risks on the Par Fund, described above, can affect its performance. AIA tries to provide stable bonuses over the life of your participating policy and so we adopt a concept known as 'smoothing'. For example, if the Par Fund performance is particularly good in one year, we may hold back a portion of the earnings so that we may be able to maintain bonuses in years when the Par Fund doesn't perform so well. Accordingly, the actual adjustment of the bonus scales in any year may not directly correspond to the performance of the fund in that year.

Q8. I have more than one participating policy. Why isn't the bonus allocation the same for each policy?

Bonuses allocated for a policy will depend on the product design, the performance of the plan it belongs to, past and projected future investment returns, and past and projected future experiences such as claims, surrender and expenses of the plan. Any changes to the bonus rates for a plan will apply to all policies of that plan.

Each plan's performance is monitored and tracked separately, and we determine the bonus scales at a plan level. Depending on the past performance and future outlook of each plan, the bonus adjustments made may be different. It may be possible that we increase the bonuses for one plan and decrease the bonuses for another plan at the same time.

When we declare bonuses, we aim to give all policyholders bonuses that reflect the plan's experience over the time they have kept their policy with us, and the future outlook.

Q9. Why don't I get bonuses on other AIA policies?

The types of policies that are eligible for bonus declarations are mainly whole life and endowment participating policies. All "non-participating" policies and "non-participating" supplementary contracts (also known as riders), including term insurance plans, health insurance and some critical illness riders, are not part of the Par Fund and do not participate in the profits of the Par Fund. As such, they are not eligible for bonuses. Please refer to the contract of the policy or rider, which indicates whether the policy or rider is participating or non-participating.

Investment-linked plans are also non-participating policies that are not entitled to bonuses from the Par Fund. These plans have benefits which depend directly on the investment performance of the investment-linked fund(s) chosen.

Q10. Will bonuses be revised?

Future bonuses (including terminal bonuses) are not guaranteed and depend on the experience of the Par Fund and, in particular, the past and projected future investment returns. Investment returns can be volatile, and we may vary bonuses significantly from time to time. Therefore, the actual bonuses credited in a particular year can differ from previous projections or illustrations. In times of substantial decline in investment returns, we may even reduce bonuses declared that year to nil. Conversely, in times of substantial increases in investment returns, we may increase bonuses declared that year to higher than those originally projected at the time of purchase of your policy.

Any changes to bonus rates will only be made after a careful review of the Par Fund's experience, the prevailing investment returns and the outlook, and other experience factors.

Q11. How can I find out more about participating policies?

If you would like to know how a participating fund operates in general, please refer to the Life Insurance Association's (LIA) "[Your Guide to Participating Policies](#)" or request for a hardcopy from your AIA Financial Services Consultant/Insurance Representative.