

2022 Participating Fund Update



TOKIO MARINE
INSURANCE GROUP

What is this Participating Fund Update for?

In this annual update, you will find useful information pertaining to the performance of TMLS Participating Fund ("Par Fund" or the "Fund") for the year ended 31 December 2021 and the impact of its performance on the bonuses and dividends allocated to your participating policies. In addition, we will present our views on the future outlook of investment and how it could impact future bonuses and dividends based on our actuarial investigation of policy liabilities.

Please note that this Par Fund update contains only general commentary of the Par Fund and therefore may not be applied specifically to individual participating policies.

A Review of 2021

Following the economic downturn caused by COVID-19 in 2020, we witnessed a general recovery in 2021 on the back of increasing vaccination rates globally, easing of lockdowns and continued development of vaccines for the virus. However, it was also a year of uncertainties. New COVID-19 variants, supply chain bottlenecks, high energy prices and the emergence of inflationary pressures resulted in a bumpy ride for investors.

US stock markets registered double-digit returns for the third straight year as markets were cheered on by several positive factors, including strong corporate earnings, increased consumer demand and effective vaccines. However, due to rising inflationary pressures, the US Federal Reserve ("Fed") announced that its bond-buying program would end by March 2022. Domestically, Singapore's economy rebounded strongly, growing by 7.6 percent in 2021, after suffering a contraction in 2020 that was led by the trade-related and services sectors.

In the fixed income portfolios, it was a negative year for both domestic and Asian markets as bond yields moved higher across the board as central banks looked to tighten monetary policy to curb rising inflationary pressures.

Key Statistics of the 2021 Par Fund

Investment Return:

-4.92%

Total Assets*
(31 December 2021):

S\$8,122 million

Total Expense Ratio:

0.63%

About the Par Fund

The Par Fund's assets are invested prudently based on a long-term objective which commensurates with the long-term commitment of your insurance policy.

Total Assets* of the Par Fund as of 31 December

Market Value

2019

S\$7,227 million

2020

S\$8,237 million

2021

S\$8,122 million

* Total Assets refer to assets-backing policy liabilities.

Performance of the Par Fund

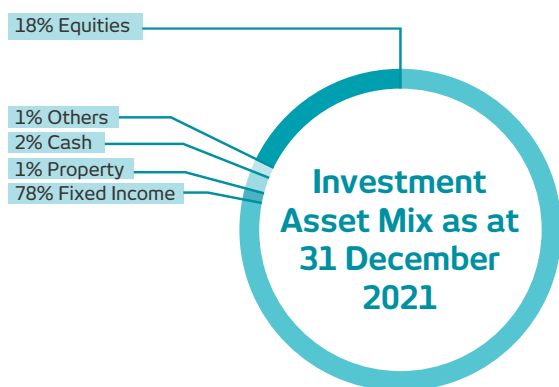
The Par Fund delivered an investment return of -4.92 percent for the year ended 31 December 2021. The portfolio's allocation to equities was the main positive contributor as developed market equities posted strong returns, offset by weaker Asian equity markets. The allocation to the fixed income assets was the main detractor, especially for longer-dated bonds, as interest rates moved higher in 2021.

Non-investment experience in 2021

In general, operating experience (which includes mortality & morbidity, surrender, management expenses and distribution expenses) was in-line with expectations.

Investment Asset Mix of the Par Fund

The Investment Asset Mix in 2021 comprises a higher allocation to Fixed Income, and a decrease in the respective allocations to Equities and Cash.



Fixed Income:

Breakdown of Fixed Income Assets as at 31 December 2021

Category	% of Fixed Income Assets
Singapore Government Securities	34%
Quasi-Govt / Investment-Grade Bonds	54%
Other Bonds	2%
Preference Shares / Perpetual Securities	10%

Bonus/Dividend Allocation

The main feature of your participating policy is its ability to provide stable returns on your policy while allowing you to participate in the performance of the Par Fund in the form of bonuses and/or dividends.

Your policy benefits, including bonuses and/or dividends, are dependent on the Par Fund's performance, which includes past and future projected portfolio mix, investment returns,

Investment performance over the years

	2019	2020	2021
Investment Return[#]	13.05%	9.69%	-4.92%
Total Expense Ratio	1.06%	0.74%	0.63%

[#]Investment Return includes investment expenses

We present the Par Fund Investment Asset Mix for the year 2021 against year 2020.

	2020	2021
Equities	19%	18%
Fixed Income*	74%	78%
Property	1%	1%
Cash	3%	2%
Others	3%	1%

*Fixed Income includes perpetual securities

Strategic Asset Mix

Investment Mix	Strategic
Equities	25%
Fixed Income	72%
Cash & Others	3%

Equities:

Top 5 Equity Holdings of the Par Fund as at 31 December 2021

Equity Holdings	% of Equity Holdings
ISHARES CORE S&P 500 UCITS ETF	17%
DBS GROUP HOLDINGS LTD	11%
OVERSEA-CHINESE BANKING CORP	5%
UNITED OVERSEAS BANK	4%
SINGAPORE TELECOMMUNICATIONS	4%

claims and surrender experiences, as well as expenses of the Par Fund. Based on the historical performance and future outlook, we will allocate part of the surplus of the Fund to increase your policy value via bonuses and/or dividends.

All bonus and dividend allocations are approved by the Board of Directors, based on the recommendation made by the Appointed Actuary.

Future Outlook

As of the time of writing, equity and fixed income markets have seen considerable declines in 2022. This was triggered by tighter monetary conditions with central banks adopting policies to control inflation which had reached multi-decade highs, an economic slowdown in China, the effects of the Russia-Ukraine war on supply chain disruptions and increased geopolitical tensions.

To provide some context, the correction in equity markets this year has seen most equity indices giving up their gains made in 2021. While in fixed income, with central banks on a monetary tightening path to tackle inflation, the rise in interest rates has been unprecedented with fixed income markets registering double-digit losses for the year-to-date ended 30 September 2022. As an indication of how hawkish central banks have been, the US Federal Reserve have raised interest rates by 3.00 percent since March 2022. The pace of rate hikes this year has been unprecedented as compared to the last rate hike episode (from 2015 to 2018) when the US Federal Reserve took 36 months to raise rates by 2.25 percent.

The International Monetary Fund in its World Economic Outlook Report in October 2022 commented that global economic activity is experiencing a broad-based and sharper-than-expected slowdown, with inflation higher than seen in several decades. The cost-of-living crisis, tightening financial conditions in most regions, Russia's

invasion of Ukraine, and the lingering COVID-19 pandemic all weigh heavily on the outlook.

In the near-term, with global inflation expected to remain high, monetary policy will likely stay on the hawkish path to restore price stability. This has increased the probability of a recession occurring in developed markets next year, which is likely to place further stress on asset prices.

In view of the challenging conditions in the market environment, we will continue to take prudent measures to maintain our financial strength and to strive to safeguard our policyholders' long-term interests as we continue to manage the portfolio's risks to maintain its resilience.

Our outlook for non-investment items remains unchanged. We expect future claims and expenses to remain in-line with our expectations as we continue to maintain disciplined underwriting and careful expense management.

While future bonuses and dividends cannot be guaranteed and may be revised lower on the back of the volatility seen in financial markets in 2022, we are committed to continue managing our investments, claims and expenses prudently to maintain the solvency of the fund and to deliver long-term stable returns to help you meet your long-term financial goals and protection needs.

About TMLS

Tokio Marine Life Insurance Singapore Ltd. is part of the Tokio Marine Holdings, Inc. which was established as the first insurance company in Japan more than 140 years ago. Today, Tokio Marine is one of the world's largest insurance groups, with a robust network that spans across 46 countries and regions operated by high-performing teams of more than 40,000 employees.

Our alignment of strategy to drive a strong performance and people-centric culture has advanced our standing in Singapore as a leading life insurer. Our values and vision define and guide us in everything that we do. A firm commitment to the traits of customer centricity, integrity and excellence underpins our promise to be the go-to partner for all financial planning needs.

Contact Us

If you wish to learn more about the current protection and cash value of your participating insurance policy, you can request a full benefit illustration from your Financial Representative or email customer-care@tokiomarine-life.sg

Important Note:

This policy¹ is protected under the Policy Owners' Protection Scheme, which is administered by the Singapore Deposit Insurance Corporation (SDIC). Coverage for your policy is automatic and no further action is required from you. For more information on the types of benefits that are covered under the scheme as well as the limits of the coverage, where applicable, please contact us or visit the LIA or SDIC websites (www.lia.org.sg or www.sdic.org.sg).

¹ Excluding policies registered in Brunei

Common Reporting Standard (CRS)

CRS is an internationally agreed standard for automatic exchange of financial account information for tax purposes. With effect from 1 January 2017, CRS requires all financial account holders to complete and submit a self-certification form on tax residency status. This includes changes in circumstances such as change of personal details, occupational status or TIN number etc. Certification form is available on our website at tokiomarine.com. The form can be found under Life & Health > Resources > Forms. You may send a completed and signed softcopy to customer-care@tokiomarine-life.sg or through your representative. Alternatively, a completed and signed hardcopy may be submitted to us by mail. For more information on CRS, please visit the IRAS website at www.iras.gov.sg.

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Frequently Asked Questions

01

What is a Participating Policy?

A participating policy is a life insurance policy which offers both guaranteed and non-guaranteed benefits. Participating policyholders share in the profits of the Participating Life Fund ("Par Fund" or the "Fund") in the form of bonuses or dividends which are non-guaranteed.

02

What is the investment strategy of the Par Fund and what expenses would be incurred?

The Par Fund invests in a diverse range of assets — including bonds, equities, and cash — with the objectives of long-term sustainable returns and prudent risk management.

Expenses that the Fund incur include commission costs, distribution costs, investment fees paid to external fund managers, management expenses such as underwriting and claims related expenses, as well as TMLS's fixed overheads.

03

What are the key factors affecting performance of the Par Fund?



The key factors affecting the performance of the Par Fund include mortality and morbidity experience, lapse and surrender experience, business risks, expense experience and investment returns which are affected by economic market risks.

04



As a participating fund policyholder, how do I know that my interest is protected?



The Singapore Insurance Act imposes a limit on the profits that can be distributed to the insurer's shareholders. Shareholders cannot receive more than 1/9th of the value of non-guaranteed benefits allocated to participating policyholders. In other words, for every S\$9 paid to policyholders, shareholders can only receive S\$1.

In this way, shareholders' profit objectives are aligned with policyholders' interests. Excessive distribution of profit to shareholders is prevented.

Maximum of
1/9th  → 
of non-guaranteed bonuses shareholders

Example

S\$9  → 
non-guaranteed bonuses policyholders

S\$1  → 
non-guaranteed bonuses shareholders

05

How often are bonuses/dividends declared?

Bonuses or dividends are reviewed and declared at least once a year. You will be notified each year of any bonuses or dividends that may be added to your participating policies.

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How are bonuses/dividends determined?

All bonus or dividend allocations are approved by TMLS's Board of Directors, based on the written recommendations made by the Appointed Actuary. The Appointed Actuary is in turn guided by the Singapore Actuarial Society's Standard of Actuarial Practice for Appointed Actuaries of Singapore Life Insurance Funds.

The Appointed Actuary considers a number of key factors before making a bonus or dividend recommendation, including past and future investment returns, policy claim and surrender rates, as well as costs associated with running the Fund. In order to avoid short-term fluctuations in bonuses or dividends given, allocations are smoothed over a period of time.

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What is the date of declaration of my policy's bonus or dividend allocation for 2021?

Your policy bonus or dividend declaration will fall on 12 November 2022 or on your policy anniversary, whichever is later. Please find more details available in your Bonus Declaration Statement(s).

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Are bonuses/dividends guaranteed once they are declared and added to the policy?

Participating policies involve reversionary bonuses or dividends, as well as terminal bonuses. Reversionary bonuses or dividends are declared and added to a life insurance policy annually. Once added, they become part of the guaranteed benefits of the policy, and will be paid out in full when a claim is made, or when the policy reaches its maturity.

However, should policyholders surrender the policy, they will only receive a portion of the revisionary bonuses or dividends accrued, since they would have to pay surrender penalties.

All future bonuses or dividends — including future reversionary bonuses or dividends that have not been declared and terminal bonuses (bonuses that may be paid out to you when you make a claim or your policy matures) are not guaranteed.

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Will bonuses/dividends be revised?

Future bonuses or dividends are not guaranteed. They are dependent on the performance of the Par Fund, which is in turn contingent upon past and future investment returns, policy claim and surrender rates, as well as costs associated with running the Fund.

Policyholders can be assured however, that revisions to the bonus and dividend rates are only made after a thorough review is conducted.



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Can I withdraw the bonuses/dividends? How will this affect my policy value?

For bonus-type participating policies, subject to the terms and conditions of your policy, you may withdraw up to the cash value of the accrued bonuses. However, the policy benefits you will receive when you eventually terminate the policy — that is, upon policy surrender or maturity, or upon a claim on the policy — will be reduced.

For dividend-type participating policies, subject to the terms and conditions of your policy, dividends may be paid out to you or accumulated with the Company upon declaration. You may withdraw the dividends accumulated with the Company.

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Should I continue with my policy?

Your policy is intended to meet your long-term financial goals and protection needs. Terminating it early may result in high costs; you may end up getting a surrender value that is less than what you paid in premiums. Making changes to your policy can also affect the level of protection it provides. Before taking any action, we strongly recommend you contact your Financial Representative to discuss the best course of action for you.

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How do TMLS's participating bonuses compare to those offered by the rest of the industry?

Participating bonuses offered by other insurers are not directly comparable as each insurer offers different products and adopts different investment and bonus strategies.

For more information on participating policies and the types of bonuses/dividends offered, please refer to the industry's guide for customers ("**Your Guide to Participating Policies**") on our website: <https://www.tokiomarine.com/sg/en/life/resources/consumer-guides.html>

