

Frequently Asked Questions about Adjustment of Special Dividend

1. Q: What is Special Dividend? How to determine the dividend?

A: Special Dividend is a one-off entitlement declared upon termination of the policy (e.g. death, surrender etc.). Special Dividend may also be partially declared when Policy Value Management Option is exercised or upon any payment of Mental Incapacity Benefit. It is payable in accordance with the terms of the policy. The amount of Special Dividend may change from time to time based on the performance over the entire period before such declaration as well as the prevailing market condition and the actual amount will not be determined until it is payable.

The non-guaranteed Special Dividend is distributed to the participating policy's policyholders in order to share the financial performance of the life insurance operations of Hang Seng Insurance Company Limited ("the Company"). Special Dividend is determined based on the consideration of investment returns on the asset supporting your policy, as well as other factors including but not limited to claims, persistency, expenses, and the long term future performance outlook (both economic and non-economic factors).

The Company regularly reviews the level of Special Dividend payable to policyholders. The past actual performance and management's expectations of the long-term future performance will be assessed against the expected economic and non-economic performance. If variances arise, the Company may consider sharing profit or loss with policyholders through the adjustment of dividend scales. That is, if the performance is better than expected, dividends paid will increase and if the performance is below expectation, then dividends paid will decrease.

When considering the adjustment of Special Dividend scales, we strive to maintain a more stable payout to the policyholders by smoothing. This means that the dividend level will only be changed if the actual performance is significantly different from the expected level over a certain period of time or if management's long-term future performance expectations change substantially.

2. Q: With effect from 8th August 2022, what is the change to the Special Dividend of DragonPower Life Insurance Plan ("DragonPower") by the Company?

A: The Company diligently reviews our portfolio and market condition regularly and will reflect a fair share to you. Since the launch of the DragonPower in September 2021, the investment returns in respect of the investment portfolio supporting DragonPower USD Single Premium policy have become more favourable. Accordingly, the projected Special Dividends applicable to DragonPower USD Single Premium policy have been adjusted upward with effect from 8th August 2022 and payable in accordance with the terms of the policy. For existing customers with applications on DragonPower USD Single Premium policy before 8th August 2022, please refer to Annual Statement pack at first policy anniversary for the latest policy value.

3. Q: What are the changes of the projected values of non-guaranteed cash values and breakeven year for DragonPower USD Single Premium policies after the increase of Special Dividend?

A: There is no change in guaranteed policy value. The Special Dividend uplift will increase the projected values of non-guaranteed cash values and non-guaranteed death benefit of DragonPower USD Single Premium policy after considering the fair share of the favourable investment return in 2022. The non-guaranteed breakeven year of DragonPower USD Single Premium policies has shortened from 5 years to 3 years after the projected Special Dividend change, and the projected non-guaranteed cash values are increased as shown below:

Projected Total Cash Value as of	Before the change	After the change
Total Premium Paid		
Year 1	90.0%	90.0%
Year 2	91.0%	91.8%
Year 3	91.8%	101.0%
Year 4	93.9%	102.0%
Year 5	100.3%	103.2%

Year 6	106.0%	106.9%
Year 7	114.9%	116.0%
Year 8	123.8%	125.2%
Year 9	131.4%	133.5%
Year 10	141.1%	144.2%
Year 20	227.7%	237.8%
Year 30	374.6%	399.6%
Year 40	587.3%	640.1%
Year 50	920.7%	1025.4%
Year 60	1443.6%	1642.6%

*Figures assume (a) no policy changes in the future (e.g. partial surrender); and (b) all premiums are paid in full when due; and (c) no Policy Value Management Option will be exercised.

4. Q: How does the increase of Special Dividend rate affect you?

A: Your contractual rights, guaranteed cash values and guaranteed death benefit are NOT affected. The Special Dividend remains unchanged for policy year 1 as zero. The Special Dividend uplift from policy year 2 will increase the projected values of non-guaranteed cash values and non-guaranteed death benefit of your policy.

Special Dividend is a one-off entitlement declared upon termination of the policy (e.g. death, surrender etc.). Special Dividend may also be partially declared when Policy Value Management Option is exercised or upon any payment of Mental Incapacity Benefit. It is payable in accordance with the terms of the policy. The amount of Special Dividend may change from time to time based on the performance over the entire period before such declaration as well as the prevailing market condition and the actual amount will not be determined until it is payable.

5. Q: Will the Company be able to sustain the positive adjustment? Will there be any further adjustment on Special Dividend again in the future?

A: The level of Special Dividends payable would depend on how well the portfolio has been performing with regard to its investment returns on the assets supporting your policy, as well as other factors such as claims, persistency, expenses and the long term future performance outlook. When considering the adjustment of dividend scales, the Company strives to maintain a more stable payout to the policyholders by smoothing. This means that the dividend level will only be changed if the actual performance is significantly different from the expected level over a certain period of time or if management's long-term future performance expectations change substantially. From time to time the Company will review its products' dividend scale based on latest market condition and actual investment returns. The revised Special Dividend is sustainable on the back of rising yields from fixed income investments. In the future, when market condition changes, the Special Dividend may be reviewed again. Nevertheless, such review will only take place when actual performance is significantly different from the expected level.

6. Q: Where can you find out the projected Special Dividend and non-guaranteed amount of your policy after the dividend adjustment?

A: The adjusted projected Special Dividend and non-guaranteed amounts have been reflected in the "Illustration Summary" section under "Policy Benefit Illustration" attached with Annual Statement at policy anniversary. The section also provides the projected non-guaranteed Special Dividend under the scenario of increase or decrease of future Special Dividend at age 100. Please note that the figures are for reference only and represent neither the lower and upper bounds of the actual amount to be received, nor the amounts under pessimistic and optimistic scenarios.



恒生銀行
HANG SENG BANK

7. Q: Is there any change in other interest rates, such as policy loan interest rate/ reinstatement interest rate/ accumulation interest rate?

A: There will be no change in other interest rates at this moment. Please note that the other interest rates are not guaranteed and will be determined by the Company from time to time.

Should you have any queries on the above, please feel free to:

- (I) Visit "Hang Seng Bank" in person or
- (II) Contact "Hang Seng Insurance" Customer Service Hotline at 2596 6262 during the office hours.

The above is for reference only. For detailed terms and conditions of your insurance plan, please refer to the relevant policy wordings.