

Frequently Asked Questions about Adjustment of Dividends

Q1. With effect from 6th February 2023, what items have been adjusted for participating policies by Hang Seng Insurance Company Limited ("the Company")?

A1. The Company has adjusted the following items of the participating policies with effect from 6th February 2023:

- Terminal Dividend

Q2. What are dividends? How to determine the dividends?

A2. In addition to the guaranteed benefits, we would also distribute non-guaranteed policy dividends to the participating policy's policyholders in order to share the financial performance of the life insurance operations of the Company. Dividends are 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 dividends payable to policyholders. Both the past actual performance and management's expectations of the long-term future performance will be assessed against the expected level. If variances arise, the Company may consider sharing such variances with policyholders through the adjustment of dividend scales. That is, if the performance is better than expected, then dividend amount paid will increase and if the performance is below expectation, then dividend amount paid will decrease.

When considering the adjustment of 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.

Q3. What items have been invested by the Company? How will they affect the dividends? Is there any equation for reference?

A3. To ensure adequate financial strength to fulfill the policy responsibility, the Company has developed long-term investment objectives and strategies for different products. For your policy, the investment portfolio composes of 60% - 100% of fixed income assets issued by government and corporate entities with good credit quality and long term prospects, while the remaining 0%-40% composes of well-diversified equities and other growth assets in order to achieve higher long-term returns. Growth assets may include properties, hedge funds, private equity funds and financial derivatives.

Dividends are determined based on the consideration of investment returns on the above assets 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 above factors affect the performance of different products to different extents and therefore cannot be concluded by simple equations, some information also involves non-public information.

Q4. Will the Company make adjustment on the dividends again?

A4. The Company regularly reviews on the level of dividends payable to policyholders. 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. Dividends will be adjusted 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.

Q5. Are the distributed dividends or other accumulated payments being affected by the recent dividend adjustment?

A5. Dividends and/ or other accumulated payments that has been distributed before 6th February 2023 are not affected by such adjustment.

Q6. Where can you find out the projected dividends and non-guaranteed amount of your policy after the dividend adjustment?

A6. The adjusted dividend and non-guaranteed amounts have been reflected in the "Illustration Summary" section under "Policy Benefit Illustration". The section also provides the projected non-guaranteed amount at maturity under the scenario of increase or decrease of all future dividends. 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.

Q7. Would the adjustment on the dividends affect the Fulfillment Ratio?

A7. Yes. The adjustment on the dividends and/or the accumulation interest rates would be reflected on the Fulfillment Ratio for reporting year 2024.

Should you wish to obtain an updated information of how the above changes will affect your policy or 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.