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Media Release

Life Insurance Industry revising caps on participating policy illustrations downwards effective 1 July 2021 amid prevailing low interest rate environment

- *Revisions have no impact on actual returns of existing and future Par policies*
- *Changes to illustrations aimed at providing consumers more realistic guidance on the range of expected returns on Par policies to better inform financial decision-making*

Singapore, 2 June 2021 — The Life Insurance Association, Singapore (LIA Singapore) today announced that the life insurance industry in Singapore will lower the caps of illustrative investment returns used in Policy Illustrations (PI) for Singapore-dollar denominated Participating (Par) policies, effective 1 July 2021.

Life insurers are expected to illustrate at least two scenarios; an upper investment return scenario and a lower investment return scenario to provide a reasonable potential range of the level of benefits.

The upper illustration rate will be capped at 4.25% p.a. and the lower illustration rate will be capped at 3.00% p.a. respectively. The lower illustration rate must be at least 1.25% p.a. below the upper illustration rate. This is a reduction from the previous caps of 4.75% p.a. and 3.25% p.a. set by the Association.

Life Insurers' illustration rates should not be higher than the insurer's view of the investment returns achievable over the lifetime of the par policies. The upper illustration rate should also not exceed the 4.25% p.a. cap set by the Association.

Mr Khor Hock Seng, President, LIA Singapore said: "The Association made a decision to make a downward revision on caps for investment returns assumed for policy illustrations primarily in consideration of the sustained low interest rate environment. Our objective in doing so is to provide consumers a more realistic range of projected investment returns so individuals can make better informed financial decisions."

Illustrations have no impact on actual returns on existing and future Par policies

"Importantly, consumers must recognise that these upper and lower illustration rates are for illustrative purposes only. These rates will **not** affect the actual returns of existing and future Par policies. We strongly encourage individuals to engage with their financial advisers to decide on policies aligned with their personal needs and risk profile," added Mr Khor.

The upper and lower illustration rates also **do not** represent the upper and lower limits of the investment performance of an insurer's Par Fund.

The actual returns received from a Par policy will depend on the actual experience, including investment performance, of the Par Fund that will develop over the lifetime of the Par policy. Actual investment returns in the future depends on the future economic conditions, actual asset class returns, and asset allocation of the Par Fund. Eventual actual returns received by policyholders may be higher or lower than those reflected within the PI.

Annual reviews of caps by the industry to ensure relevance and appropriateness

Caps on the upper and lower illustration rates are reviewed by LIA Singapore annually to ensure their ongoing relevance and appropriateness, taking into consideration recent and potential future economic market dynamics.

The caps are determined after considering the views of LIA Singapore member companies on a number of factors including the typical asset class mix that Par Funds invest in (such as equities, bonds and property) in the industry and the projected long-term returns on each asset class. These long-term return assumptions are determined by taking into account historical asset class performance as well as global economic outlook.

For further information, please refer to the article "Life Insurance Industry revising caps on Participating policy illustrations downwards effective 1 July 2021 – Frequently Asked Questions" on the LIA Singapore website www.lia.org.sg.

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Life Insurance Association, Singapore (LIA Singapore)

Established in 1962, the Life Insurance Association, Singapore (LIA Singapore) is the not-for-profit trade body of life insurance product providers and life reinsurance providers based in Singapore and licensed by the Monetary Authority of Singapore (MAS).

Vision and Mission

The vision of member companies is *to provide individuals with peace of mind and to promote a society where every person is prepared for life's changing cycles and for those situations unforeseen.*

They are *committed to being a progressive life insurance industry by collectively enhancing consumer understanding, promoting industry best practices, and through the association fostering a spirit of collaboration and mutual respect with government and business leaders.*

Values underpinning the association and its members

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| Unified | in our resolve to deliver innovative solutions where every individual's needs are best met. |
| Professional | in the way we conduct ourselves and in the counsel we give. |
| Ethical | in ensuring our policyholders' interests are managed with utmost integrity. |
| Fair | in how we strive to provide favourable outcomes to both our policyholders and shareholders. |
| Open & honest | in all that we do to build an environment of trust and transparency. |
| Proactive | in the steps we take to give our people the skills and knowledge to provide sound solutions at all times. |

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