

# PARTICIPATING LIFE INSURANCE FUND UPDATE 2023

Thank you for your continuous support and placing your trust in China Taiping Insurance (Singapore) Pte. Ltd. (“CTPIS”).

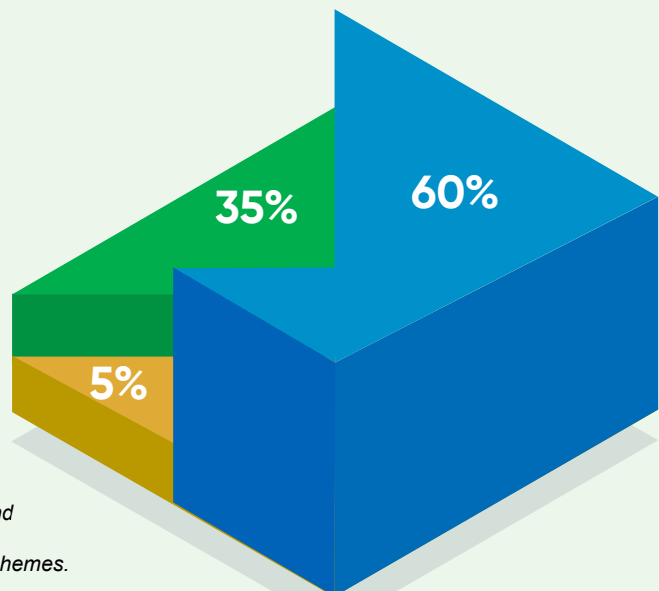
As our valued customer, we would like to provide you with the Participating Life Insurance Fund (“Par Fund”) Update for the year ended 31 December 2023. We are pleased to inform you that we are **maintaining our bonus rates for all policies** for the year ended 2023. We would like to take this opportunity to share with you the overview of the 2023 Par Fund performance and the future outlook of the Par Fund. At CTPIS, we are committed to managing the Par Fund prudently and providing stable benefits to you.

## ABOUT THE FUND

As at 31 December 2023, the Par Fund held Total Assets<sup>1</sup> at market value amounting to approximately **S\$490 million**, a 32% increase from past year’s S\$372 million. This is largely attributed to the increase in insurance premium flows from both renewal and new business as well as increase in the market value of investments. The investment mix of the Par Fund as at 31 December 2023 is as follows:

### Asset Allocation as at 31 December 2023

- Fixed Income<sup>2</sup>
- Risky Assets<sup>3</sup>
- Cash and Other Assets



#### Footnotes:

- <sup>1</sup> Refers to assets backing policy liabilities.
- <sup>2</sup> Includes mainly fixed income securities, FX forwards for hedging and other Derivatives.
- <sup>3</sup> Includes equities, alternatives investments, collective investment schemes.

# A REVIEW OF 2023

## Investment Factor

Overall, 2023 was a bumpy year that defied expectations, as the U.S. economy did not enter recession in 2023, while U.S. inflation only resumed its decline in Q4. A more sanguine U.S. economy that led to better-than-expected corporate earnings coupled with the Fed signalling at least three rate cuts in 2024 had resulted in most major asset classes recording a positive return in 2023.

Most regional equities markets had performed well during first half of 2023, while 10-year U.S. Treasury bond yields traded in a range of around 3.3% to 4.1%. However, the market had a challenging Q3 as higher-for-longer mantra in the face of rising inflation caused 10-year U.S. Treasury bond yields surged to highs not seen in more than 15 years (close to 5% handle). Most regional equities markets had given up some of the gains recorded in the first half of 2023.

But as the inflation resumed its decline in Q4 coupled with the Fed signalling at least three rate cuts in 2024, the clouds parted. The market relief saw S&P rallied towards all time high (towards 4800 handle), while 10-year U.S. Treasury bond yields traded from close to 5% handle to below 4%.

Amid challenges in the financial markets, the Par Fund had smoothly transitioned to new fund managers that had aided the diversity of the portfolio. Notwithstanding the transition to new fund managers, the Par Fund achieved a net investment return of 4.2% in 2023, largely attributed to a more diversified portfolio. Overall, Par Fund's investment return over the past 3 years averaged out to be -3.5%.

Investment Returns <sup>4</sup>				
Year	Par SGD Group 1 <sup>5</sup>	Par SGD Group 2 <sup>6</sup>	Par USD <sup>7</sup>	Overall
2021	- 6.6% <sup>8</sup>	- 5.9%	N/A	- 6.6%
2022	- 7.8%	- 8.0%	- 13.1%	- 7.8%
2023	4.2%	4.2%	4.6%	4.2%
Average over the last 3 years	- 3.5%	- 3.4%	N/A	- 3.5%
Average over the last 5 years	0.2%	N/A	N/A	0.2%
Average over the last 10 years	N/A	N/A	N/A	N/A

### Footnotes:

- 4 Derived from the net investment income (before tax) after deducting investment expenses and divided by the average market value of Par Fund's Total Assets, as computed in accordance with the industry standards issued by the Life Insurance Association ("LIA"). Past performance is not necessarily indicative of future performance.
- 5 Consists of the following products: i-Cash, i-Cash (II), i-Cash Plus, i-Cash Plus (II), Infinite Harvest, Infinite Harvest (II), Infinite Legacy, i-Secure and i-Wealth Builder.
- 6 Consists of the following products: DIRECT - Whole Life (III), i-Cash (III), i-Cash Plus (III), i-CashLife, Infinite Harvest (III), Infinite Harvest Plus, Infinite Legacy (II), i-Retire, i-Retire (II), i-Saver8, i-Secure (II), i-Secure Legacy, i-Secure Legacy (II) and i-WealthSaver. Par SGD Group 2 was set up in 2021. Hence, there are no historical investment rates of return available prior to 2021.
- 7 Consists of the following products: Infinite Elite Harvest (USD) and Infinite Elite Legacy (USD). Par USD was set up in November 2021 and investment activities only took place from January 2022 onwards. Hence, there are no historical investment rates of return available prior to 2022.
- 8 Please note that the overall investment rates of return in Year 2021 was previously disclosed as -6.3% in the Par Fund Update 2022. This administrative error has no impact on previously declared bonuses.

## Non-Investment Factors

Benefit payout from insurance claims, surrendered policies and operating expenses are key non-investment factors that can affect the level of bonuses. Although claims were higher than expected, the impact on bonuses was insignificant due to proper risk management through the use of reinsurance. Surrenders were lower than expected, and that have a slightly negative impact on bonuses. On the other hand, expense levels were generally in line with our expectations, and have a neutral effect on bonus. We do not expect short-term fluctuations in these non-investment factors to affect current and future bonuses significantly.

Key Non-Investment Factors	Impact on Bonus
Insurance claims were higher than expectation	Neutral
Surrenders were lower than expectation	Slightly Negative
Expenses were in line with expectation	Neutral

## **Total Expense Ratio**

The Total Expense Ratio (“TER”) is the proportion of total expenses incurred by the Par Fund to the assets of the Par Fund. These expenses include costs such as investment, management, distribution, taxation and other expenses. An expected level of expenses to be incurred by the Par Fund has been allowed for in the premiums payable for your policy and is not an additional cost to you. If the actual level of expenses varies significantly from the expected level of expenses, it may affect the non-guaranteed benefits you receive. For our Par Fund, the past TER are shown in the table below:

Year	Total Expense Ratio
2021	11.4%
2022	6.3%
2023	5.8%
Average over the last 3 years	7.2%
Average over the last 5 years	N/A <sup>9</sup>
Average over the last 10 years	N/A <sup>10</sup>

Please note that past expense ratios may not be indicative of actual expenses that may be incurred in the future.

### **Footnotes:**

<sup>9</sup> The TER is the ratio of the total expenses incurred by the Par Fund including investment, management, distribution, taxation, and other expenses, to the assets of the Par Fund, as computed in accordance with the industry standards issued by the LIA.

<sup>10</sup> The Par Fund was set up in December 2018. Typically, the TER for the initial three years of a new Par Fund is not reflective of its expected long-term TER. This is because significant expenses are incurred in the initial set-up of a Par Fund and its asset bases are still being built up. Hence, the TERs for 2018 to 2020 of the Par Fund are not shown or included in the historical averages.

## **FUTURE OUTLOOK**

For 2024, recession risks are fading as growth outlook remains sanguine. Based on International Monetary Fund’s World Economic Outlook report dated in April 2024, global growth is projected to continue to grow at 3.2% in 2024, which is similar to 2023.

We expect 2024 to be challenging as the 1<sup>st</sup> rate cut would be dependent on economic data such as inflation. In addition, U.S. election towards the end of the year would also create uncertainties as politics is a “known unknown” risk. However, despite the challenges, we will continue to be vigilant and disciplined in managing our investment portfolios to deliver positive long-term investment returns to our policyholders.

On the non-investment factors, we expect claims and surrenders to be stable and in line with our expectations. We will continue to monitor our expenses closely to be as cost efficient as possible.



## FREQUENTLY ASKED QUESTIONS

### 1. What is a participating policy and how does it work?

Premiums of participating insurance policies are pooled together to form the Par Fund. This fund invests in a range of assets, which are used to pay benefits to participating policyholders and to meet the expenses incurred in managing the fund.

### 2. How are bonuses declared?

Bonus are declared yearly, and you will be notified each year of any bonuses or dividends that may be added to your participating policies. When declaring bonuses, CTPIS smoothens the bonus allocations over a period of time to minimise short-term fluctuations that can occur from market conditions. The bonuses declared are approved by the Board of Directors, considering the written recommendation by the Appointed Actuary. The Par Fund Updates will be available on our corporate website in July yearly.

### 3. When will the bonus be allocated to my policy?

Your bonus declared will be vested on the declaration date or on your policy anniversary in Year 2024, whichever is later. Dividends will be payable when they are due according to your policy contract.

### 4. What is my bonus this year?

We are pleased to inform you that we are maintaining our bonus rates for all policies for the year ended 2023. If you have a reversionary bonus policy, you should receive your Participating Plan Annual Statement in May 2024. Please refer to the Statement for the bonus declared on your policy. The bonus rates for the last 3 years have been maintained as per your Policy Illustration.



For any enquiries on your Participating Plan Annual Statement, please contact your Financial Adviser Representative, email us at [customer.service@sg.cntaiping.com](mailto:customer.service@sg.cntaiping.com) or call us at 6389 6111. A full Policy Illustration is available upon request.

## ABOUT US

### About China Taiping Singapore

China Taiping Insurance (Singapore) Pte. Ltd. ("CTPIS") is a leading insurer for both life and general insurance businesses, providing one-stop financial solutions for your personal and business needs. We have been assuring our customers in Singapore with financial peace of mind for over 85 years.



Long heritage in Singapore since 1938



Financial Strength: S&P: A- | AM Best: A

### About China Taiping Insurance Group

CTPIS is wholly-owned by China Taiping Insurance Holdings Company Limited, which has been listed on the Hong Kong Stock Exchange since 2000, making it the first Chinese funded insurer listed overseas. China Taiping Insurance Group Limited is a large transnational financial and insurance group with more than 500,000 employees globally and total assets of HKD 1,500 billion (as of December 2023).



Established in Shanghai since 1929



Achieved Global Fortune 500 since 2018



Global footprint of 24 subsidiaries – Mainland China, Hong Kong, Macau, Europe, Oceania, East and Southeast Asia

This commentary is for general information only and have no regard to specific investment objectives, financial situation, and particular needs of any persons. Any opinions, predictions, forecasts or forward-looking statements made are not indicative of future performances.

The policies mentioned in this commentary are 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 China Taiping Insurance (Singapore) Pte. Ltd. or visit the Life Insurance Association or SDIC websites ([www.lia.org.sg](http://www.lia.org.sg) or [www.sdic.org.sg](http://www.sdic.org.sg)). Information is accurate as of 1 July 2024.