

## 2005 Dividend Notice - Frequently Asked Questions

### 1. Who is my investment fund manager?

*Threadneedle : Award-winning Team with Unparalleled Investment Expertise*

Your money is managed by Threadneedle Asset Management Limited, an award-winning fund manager well-recognized worldwide.

Based in the UK, Threadneedle aims to produce consistently superior long-term investment returns for our clients. Established in 1994, Threadneedle is also the UK's 3rd largest investment funds group (3 out of 118, in terms of total funds under management; Source: Investment Management Association [IMA], December 2005), with over £69.9 billion of total funds under management as at 31/12/2005<sup>1</sup>.

At Threadneedle the investment philosophy is based on a structured, disciplined, risk controlled approach to portfolio management with a strong emphasis on teamwork whilst still allowing managers to exercise individual flair. This has proved to be a successful formula with the following unparalleled achievement in terms of independent recognition:

- Following the extraordinary record in winning 7 sector awards in SCMP Fund Manager of the Year Awards 2003<sup>2</sup>, Threadneedle Asset Management Limited, again won 7 sector awards in SCMP Fund Manager of the Year Awards 2004<sup>3</sup>.
- In Lipper Fund Awards Hong Kong 2005<sup>4</sup>, Threadneedle was also the winner of 6 individual awards.

<sup>1</sup> Source: Threadneedle Databook, January 2006

<sup>2</sup> Source: South China Morning Post, 20th February, 2004

<sup>3</sup> Source: South China Morning Post, 22nd February, 2005

<sup>4</sup> Source: Hong Kong Economic Journal, 24th February, 2005

Investment involves risk and past performance figures shown are not indicative of future performance.

### 2. What is the investment portfolio of my plan?

The investment portfolio and strategy depend on the product type. In general, our investment vehicles are mainly bonds, plus some equities for certain products. The investment manager will from time to time review and adjust the investment portfolio according to market situation, so as to achieve a reasonable return at an acceptable risk level, over the duration of the policy.

### 3. How is the value of my investment account calculated?

The value of your investment account is the total of basic premium and annual dividend deducted by insurance charges. Annual dividend is credited and insurance charges are deducted monthly.

### 4. Can I encash from my policy?

When the policy has been in force longer than the minimum contribution period, it will accumulate a notional encashment value or surrender value. This notional encashment value or surrender value will continue to grow as you pay more premiums and earn more dividends. If you need to, you may encash a portion of the encashment value or surrender value by way of a low interest policy loan before the maturity option date (MOD) or maturity date. This allows you to borrow up to 90% of your policy's encashment value or surrender value without handling fees. The guaranteed sum insured and guaranteed accumulation rate, if any, as stated in the policy remain unchanged.

You may also choose to surrender your entire policy. However, this will be subject to a surrender charge and you may suffer a financial loss. The benefit cover of the policy will also cease. In the event of claim or policy encashment, any outstanding loan plus interest will be deducted from the claim proceeds / encashment value / surrender value. When the policy reaches MOD or maturity date, you may encash the investment account without surrender charges. Again, any outstanding loan plus interest will be deducted from the maturity proceeds.

### 5. My policy has terminal dividend, but what is it?

In order to achieve a reasonable dividend return in the long run, we have set aside some funds for investing in certain high yield markets. Yet, these markets bear a higher risk and the returns may fluctuate in the short term. As such, they cannot be vested and will only be payable when the contracts are terminated. The **terminal dividends** reflect investments of this nature.

**6. What is annual dividend?**

To maximize benefits for our policy owners, we want to maintain a stable regular return for their policies. As such, a percentage of funds is placed with certain investment products which are more secure. The risk concerned is relatively low and the returns are more stable. The annual dividends earned are vested with the policy owners once they are declared.

**7. When can I stop paying the premium?**

We understand that you may like to stop paying premiums while continuing to enjoy insurance protection. To do this, you need to submit a written request for extended cover option if available in your policy. The period of extended coverage will depend on how long you have paid premiums and the future returns on the investment.

If you would like to learn more details regarding the extended cover option, please feel free to call our Customer Services Hotline on 2535 3500 or e-mail to [service@hk.zurich.com](mailto:service@hk.zurich.com).

**8. What happens if I stop paying premiums (or forget)?**

Our insurance policies aim to provide you with life insurance in your expected coverage period. To prevent loss of the insurance protection in the event of non-payment of premium, an automatic premium loan would automatically be taken against the cash value of your investment account to pay the insurance charges until the cash value is used up. However, this arrangement only applies to those policies that were issued on 12 August 1987 or after.

**9. I've never borrowed any money from my investment account. Why is there an outstanding loan amount shown on the dividend notice?**

You probably have a very busy schedule and might have forgotten to pay your premiums occasionally. To ensure that your insurance cover will not be affected, we will advance part of the encashment value available from your policy to settle any outstanding premium in accordance with policy provisions in the following circumstances:

- when a premium has remained unpaid for 30 days, and
- we have not received any other instruction from you, for example to terminate the policy.

The amount we have advanced to cover any outstanding premium will become an interest bearing policy loan. Under this circumstance, your loan account will be set up even you have never submitted any policy loan application.

If you would like to learn more details regarding this automatic premium loan, please feel free to call our Customer Services Hotline on 2535 3500 or e-mail to [service@hk.zurich.com](mailto:service@hk.zurich.com).

**10. In case of future recession and political instability, would my policy still enjoy some kind of guaranteed return?**

You don't have to worry because most of our policies have a guaranteed accumulation rate, either at maturity or after your policy has been continuously in force for more than 15 years, depending on policy types. You can refer to your policy schedule for further details.

**11. How much is the guaranteed sum insured of my Golden Years/ Golden Retirement policy?**

The guaranteed sum insured of the Golden Years/ Golden Retirement policy varies with the amount of the investment account. The death benefit is 101% of the investment account value in the event of death before the maturity date (subject to uninterrupted premium payment). You may also refer to your policy schedule for further details.

**12. How much is the guaranteed sum insured of my Smart Education Saver Option D policy?**

The guaranteed sum insured of the Smart Education Saver Option D policy varies with the amount of the investment account. The death benefit is 101% of the investment account value in the event of death before the maturity date (subject to uninterrupted premium payment). You may also refer to your policy schedule for further details.

This Chinese Version is for reference only. In the event of discrepancy, the English Version shall prevail.