

2010 Dividend Notice - Frequently Asked Questions

1. Who is my investment fund manager?

Your money is managed by Threadneedle Asset Management Limited, an award-winning fund manager well-recognised worldwide. Founded in 1994, Threadneedle manages more than USD 103 billion of assets (as at 31 December, 2010) for a wide range of clients including pension schemes, insurance companies, private investors, corporations, mutual funds and affiliate group companies.

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 deducted by insurance charges and credited with annual dividend. Annual dividend is credited as at 31 December in each year and insurance charges are debited each month.

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 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 subjected 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. 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 are placed in certain investment products which are more secure. The risk concerned is relatively low and the returns are more stable. Dividends will represent the distributable investment earnings arising from that proportion of the Company's life fund attributable to the investment account and will be determined by the company upon the advice of the Actuary. Dividends are guaranteed not to be affected by any profits or losses of the Company.

6. 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 3590 or e-mail to service@hk.zurich.com.

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

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 thereafter.

8. I have 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 notify you in writing of the expiry of the grace period and 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 after the premium due date, 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 3590 or e-mail to service@hk.zurich.com.

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

You do not 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.

10. What is the financial status of Zurich Financial Services?

Zurich Financial Services possesses a strong balance sheet and robust cash flows. Our diverse portfolios, our commitment to risk management and growth capabilities ensure that Zurich remains resilient and confident.

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

Zurich Insurance Group (Hong Kong)

24-27/F, One Island East, 18 Westlands Road, Island East, Hong Kong

Customer Services Hotline: (852) 2535 3500 Fax: (852) 2967 1384 Website: <http://www.zurich.com.hk>