

GUIDE TO THE WITH-PROFITS POLICYHOLDERS

Applicable to the Participating Business written by Ageas Federal Life Insurance Company Limited

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1. Introduction

This is a guide to With-Profits / participating policyholders briefly explaining the principles by which Ageas Federal Life Insurance Company Limited (hereinafter called Company) conducts its participating business.

What is a With-Profits plan? It is a plan that shares in the profits of the Company's With-Profits / Participating Fund, by way of bonuses.

The Participating fund is the Company's segregated fund where underlying assets of participating life business are invested. All income and expenditure of participating business are allocated to this fund.

The main objective of the Company is to give each participating policyholder a fair and equitable return on the premiums paid reflecting the performance of the participating fund over the time the policyholder has held the policy to ensure a fair share of surplus is distributed by way of bonus additions to their policies.

2. Governance

A sound governance structure is needed to manage the participating business. The Company's Board is the Governing body with the final authority in decision making. The Board has also established a With Profits Committee (WPC) as per regulatory requirements which constitutes of the below:

- The Chief Executive Officer
- The Chief Financial Officer
- One Independent Director of the Board
- The Appointed Actuary
- An Independent Actuary

The WPC's main role is to give advice, and make recommendations, to the Board on:

- The way in which the With-Profits Funds are managed
- Making recommendations regarding bonus rates, communications to policyholders
- Appropriateness of the methodology and basis used in calculation of Asset Shares
- Whether the Company protects the interests of participating policyholders and ensures that they are treating customers fairly
- Ensuring required levels of solvency and capital adequacy prescribed by regulatory bodies is maintained

3. Bonuses under a Participating policy

What are bonuses? Bonuses are the way the policyholders get their share of the profits of the Company's Participating Fund.

The Company currently offers three types of bonuses i.e. Simple Reversionary Bonus, Cash Bonus and Terminal Bonus.

- **Simple Reversionary Bonus** will be declared annually and will get attached to the respective policy on the immediately following policy anniversary. Once the bonus is attached to a policy it becomes part of the guaranteed benefits and cannot be taken away.
- **Cash Bonus** is declared annually and will get paid to the respective policyholder during the policy year.

- **Terminal Bonus** is paid at maturity so that the total payout under the policy reflects, to a large extent, the overall performance of the participating fund. Terminal Bonus may also be paid on prior death or surrender.

The Company declares bonus rates annually at the end of each Financial Year. In the normal course of events, the Company would not expect to re-set bonus rates between declarations. However, in the event of a significant change in economic circumstances that could affect the participating fund, the Company can use its discretion to alter the bonus rates at any time.

4. Asset Share

What is Asset Share? The asset share for a policy at a given point in time is calculated by taking into account the premiums paid plus investment income earned on the assets in the Participating Fund since the inception of the policy, and deducting expenses incurred and benefits paid under the policy.

The computation of the Asset Share is primarily based on:

- Investment income earned in the participating fund.
- Expenses cover the acquisition of business (including commission) and the maintenance of business that includes administration and investment management as well as other costs of the participating business. The objective of the Company is the fair and appropriate apportionment of expenses to the participating policyholders reflecting the drivers and the activities that give rise to such expenses. Expense allocation to the participating fund will follow the Board approved Expense Allocation Methodology. An appropriate allowance for taxation is considered as well.
- Death claim experience of the participating portfolio

The Asset Share of the participating policies will be calculated as per the Company's Asset Share methodology.

5. Investment Policy

The Company aims to pursue an Investment Policy with the objective of obtaining the best return available commensurate with an acceptable degree of risk to the nature and term of the liabilities, design of the participating product and the prevailing investment environment.

It also ensures maintaining an appropriate mix of investments and protecting the relevant interests of all groups of policyholders. Asset mix for the different portions of the participating fund follow the Board approved Investment Policy. The participating fund comprises of assets such as Government Securities, Debentures / Bonds, Equity, and other investments. The company invests the participating funds in such a way that it will be able to:

- Pay the policyholders the guaranteed benefits
- Provide the best possible rate of investment return for the participating policyholders
- Treat the policyholders fairly.