

Committing  
to you on  
Transparency



## > What is transparency about?

Insurance is an important part of your financial plan and it is a long-term commitment. We appreciate that it is not always easy for you to evaluate how we are doing and how well your policy is serving you.

We are therefore committed to sharing with you, important information on a periodic basis. We hope that by doing so, we can give you the assurance that you have made the right choice by buying from us.

There are three important areas that you should be aware of:

- Are we cost efficient?
- How are our participating policies performing in the long term?
- How do we determine bonuses for participating plans?

We are the only insurance company to disclose the information that you will find here. We strongly believe that it is only right that you should have access to information as important as this.

However, there will be some information which we are unable to share with you as it will put us at a commercial disadvantage. Some examples of this include how we determine the bonuses of the participating life insurance policies. While we are happy to share with you the general process, we cannot disclose the actual basis of the calculations.

## > Are we cost efficient?

Cost efficiency is important because ultimately it determines how we can offer better value on our policies or higher bonuses to our participating policyholders.

Costs are incurred in relation to the administration of policies such as for processing policy applications, handling claims and marketing. Our budget is discussed and approved by the Board of Directors annually as part of our overall business plan.

We measure cost efficiency by comparing our administration costs against our revenues. The lower the cost efficiency ratio, the more policyholders stand to gain. We have one of the lowest cost efficiency ratios in the industry and we intend to maintain this over the short term. In the long term, as we invest to improve our efficiency, we target to reduce this ratio even more for your benefit.

The following is our cost efficiency ratio (administration costs as a percentage of revenue) over the last 5 years:

**Table 1: Management Expense 2005-2009**

Year	Management Expense Ratio
2005	7.8%
2006	10.2%
2007	9.3%
2008	8.4%
2009	8.6%

We invest in marketing in order to attract new customers, no different from any company in any industry. By increasing the number of policyholders, we will be able to spread our costs, thus increasing our cost efficiency.

Ultimately, this will benefit the policyholders as we would be able to offer better premium rates and bonuses. It is therefore important that we invest to maintain our capacity to grow.

For the past 5 years, the average marketing expense has been less than 10% of the total management expense.

## ▶ How are our policies performing in the long term?

A large number of our policyholders will have their policy value increased periodically by bonuses.

The level of bonuses depends mainly on the investment performance of the Participating Fund (see section on “How do we determine bonuses?”). Our goal is to achieve the best possible long term returns through a prudent diversified portfolio, invested by our fund managers through a value approach and a disciplined investment process.

As we cannot predict the future, we will show you how our maturing policies performed in the recent past. While the past is not a guarantee of future performance, the trend of our maturing policies over the past years will give you a good idea of our actual performance.

We are currently the only insurance company to publish our actual returns. We hope that doing so will encourage other companies to publish their actual returns as well. This will help policyholders make better informed decisions by evaluating the performance of the various insurance companies.

These are the actual returns for policies maturing from 2007 – 2010:

Year of maturity	Endowment	Whole Life
	5-year Average Maturity Yield*	5-year Average Yield*
2007	6.0% - 6.1%	4.7% - 5.4%
2008	6.0% - 6.1%	4.7% - 5.4%
2009	5.9% - 6.1%	4.7% - 5.4%
2010	5.9% - 6.0%	4.7% - 5.4%

\* Actual maturity yield varies according to age, policy term and sum assured.

## ▶ How do we determine bonuses?

A large part of the bonus that is declared on your participating policy from time to time is non-guaranteed as it is dependent on the performance of the Participating Fund.

We combine the money we receive from you with those received from other policyholders and place it in a fund known as the Participating Fund. The fund invests the monies in different types of assets such as bonds, company shares and property. The profits of the fund mainly depend on the return from these investments less the expenses incurred by the fund and the cost of providing benefits to policyholders.

On an annual basis, we will forward you a statement and an update. Besides advising you on the bonus declared for that year, we will also advise you on how much we have invested among the different types of assets as well as provide you information about recent investment performances.

It is important that you, as a participating policyholder, understand how we determine the allocation of bonuses. We have prepared a guide to explain this to you, available here at <http://www.income.com.sg/EduMaterials/index.asp>.



