Zurich Life Insurance (Hong Kong) Limited

Swiss Fortune Universal Life Plan

Crediting interest rate, fees and charges philosophy and investment policy, objective and strategy

Crediting interest rate[1], fees and charges[2] philosophy

This is a universal life insurance product designed for individuals looking for long term financial planning to meet their financial needs. The premium received, after deducting applicable fees and charges[2] of the product, will be invested in an investment portfolio as determined by us according to investment policy developed by us. Your policy will accrue crediting interest at a declared crediting interest rate[1] determined by us. We aim to ensure a fair crediting interest determined from the underlying investment and among different groups of policyholders.

We will review and determine the crediting interest rate[1] to be declared to the policyholder each month and to reflect the on-going equity market performance. The crediting interest rate[1] will be determined based on the current earned return and exhibit fluctuation over time. Policyholders will receive the investment returns, after allowing for the costs incurred by, and profits attributable to the company in the form of crediting interest rate[1]. The actual crediting interest rate[1] declared may be higher or lower than the crediting interest rate[1] illustrated in any product materials provided (e.g. product brochure or benefit illustration). The volatility of the crediting interest rate[1] could be curbed with the use of derivative investment from limiting downside risk and upside potential of equities. We may retain returns during periods of strong investment performance to support or maintain stronger crediting interest rate[1] during periods of less favorable investment performance. Therefore, the crediting interest rate[1] we declare may not immediately reflect the ups and downs in the asset portfolio. It is expected that Zurich will not make any gain or loss from such handling of crediting interest rate[1] in the long run.

The non-guaranteed crediting interest rate[1] and policy fees and charges[2] are subject to review regularly and may be adjusted if necessary with the authorization from the Board. Determination and review of the crediting interest rate[1] as recommended by the Appointed Actuary, would be approved by our Board of Directors once a year or more frequent if required.

To determine crediting interest rate[1], we consider the actual experiences and the expected outlook of various factors. With respect to investment returns, these include interest earning of the investment portfolio, the market value changes of the investment portfolio reflecting different market factors such as bond yield, options price and default experience. The return of equity-like assets (including derivatives and equities) is the most important among all of investment returns factors to determine the crediting interest rate[1]. Besides, the unusual experience in policy lapses, surrenders, partial withdrawals and the corresponding impact on investments backing the product may be considered under extreme circumstances.

When determining the fees and charges[2] of the policy, we may consider the actual experience and the expected outlook of various factors, including the above-mentioned investment returns and persistency factors as well as claims and expenses. Claims factor refers to the cost of providing death benefit under the policies while expenses factor includes any policy applicable expenses, such as commission and general administrative expenses etc.

You may browse our company website (https://www.zurich.com.hk/en/crediting-interest-rate) to learn about our crediting interest rate[1] history for reference. Please note that historical crediting interest rate[1] should not be taken as indicator of the future performance of this product and the crediting interest rate[1] shown on the website is before the deduction of any applicable fees and charges[2].

Investment policy, objective and strategy

The investment policy aims to achieve the targeted long-term investment results, taking into account of risk control, diversification, liquidity and relationship between assets/liabilities.

The investment objective is to provide policyholder the upside return potential of equity market whilst limit the downside risk from traditional equity investment. The strategy utilizes a mixture of fixed income and equity-like investments to achieve this objective and is designed to profit from a moderate rise in equities.

Our current long-term target asset mix attributed to **Swiss Fortune** is as follows:

Asset class	Target asset mix (% of market value)
Bonds and other fixed income assets	50% to 100%
Equity-like assets	0% to 50%

The bonds and other fixed income instruments predominantly include investment grade government and corporate bonds, as well as private debt, and are mainly invested in the geographic region of the United States and Asia-Pacific. For equity-like assets, it may include derivatives and equities (e.g. call options on the S&P 500) to provide equity market upside with limited downside risk. Investments are predominantly denominated in US dollars. Actual investments (e.g. asset mix, geographical mix, credit rating) would depend on market opportunities at the time of purchase. Hence it may differ from the target asset mix.

The investment strategy may subject to change depending on the market conditions and economic outlook. Should there be any material changes in the investment strategy, we will inform policyholder for the changes, reasons for changes and the impact to the policyholder.

Remark

1. The crediting interest rate is not guaranteed and may even be zero. It is determined by Zurich from time to time.
2. There is a 1% premium charge for monthly payments. Zurich reserves the right to vary the current scale of fees and charges with not less than one month's prior written notice to policyholders.

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