

Sun Life Hong Kong Limited Reversionary / Terminal / Special Bonus Policies

Bonus Philosophy

This is the bonus philosophy for individual participating policies issued by Sun Life Hong Kong Limited (the "Company") with Reversionary/Terminal/Special Bonuses; in particular LIFE Brilliance, SunHealth UltraCare, SunHealth MaxiCare, FlexiRetire Annuity Plan, Generations, Prosperity, Commitment, SunHealth OmniCare, Vision and Foresight Deferred Annuity Plan policies.

Life insurance involves the transfer of risk from an individual to a life insurer, and the pooling of risks across large groups of policies. With participating insurance, a portion of these risks is borne by the policyholders or shared between the policyholders and the insurer. In return, policyholders may receive policyholder bonuses in the form of reversionary/terminal/special bonuses. These bonuses are not guaranteed and can vary from year to year.

In general, bonuses on these policies reflect the experience, over time, of the group to which they belong. Bonuses will typically vary based on the performance of a number of factors, with the investment return, including the impact of asset defaults and investment expenses, normally being the main determinant of bonus performance. Other factors include, but are not limited to, claims experience, taxes, expenses and policyholder persistency experience.

Favourable and unfavourable experience may be smoothed out over time to provide more stable bonuses to policyholders. For products with a terminal/special bonus feature, adjustments to terminal/special bonus scales pass through experience normally with less smoothing applied.

The bonus allocation process seeks to achieve reasonable equity among groups of policies and among policies issued at different times, to the extent practicable. Upon declaration of reversionary bonus or pay-out of terminal/special bonus to policyholders, shareholders will also be entitled to a share of the distribution.

At least annually, the Board of Directors of the Company determines the amount of bonus to be declared or paid to participating policyholders. This determination is based on the advice of the Company's appointed actuary, who applies accepted actuarial principles and practices. Management of participating business is also governed by the Company's internal policies, as well as advice by the internal Par Governance Committee.