

## Savings & Protection

### **Policies issued by Sun Life Financial (Hong Kong) Limited or Sun Life Hong Kong Limited other than Reversionary / Terminal / Special Bonus Policies**

#### **Dividend Philosophy**

This is the dividend philosophy for individual participating policies issued by Sun Life Financial (Hong Kong) Limited after March 31, 2000 but on or before March 17, 2006, and for individual participating policies issued by Sun Life Hong Kong Limited (the "Company") after March 17, 2006; other than Sun Life Reversionary/Terminal/Special Bonus 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 dividends. These dividends are not guaranteed and can vary from year to year.

In general, dividends on these policies reflect the experience, over time, of the group to which they belong. Dividends 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 dividend performance. Other factors include, but are not limited to, claims experience, taxes, and policyholder persistency experience. Expenses (other than investment expenses) are not included.

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

The dividend allocation process seeks to achieve reasonable equity among groups of policies and among policies issued at different times, to the extent practicable.

At least annually, the Board of Directors of the Company determines the amount of dividend to be declared 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.