Your Prudential Participating Policy

A guide on how we manage our Participating Life Fund

Objectives of this guide

The monies we receive for your participating policy are invested in our Participating Life Fund. This guide explains briefly:

- **how our Participating Life Fund works**
- **how we manage your money in the Participating Life Fund**
- **how this affects what you will get from your policy**

As our customer, you also receive sales illustrations and annual statements from us. Reading this guide together with those documents can help you better understand your participating policy.

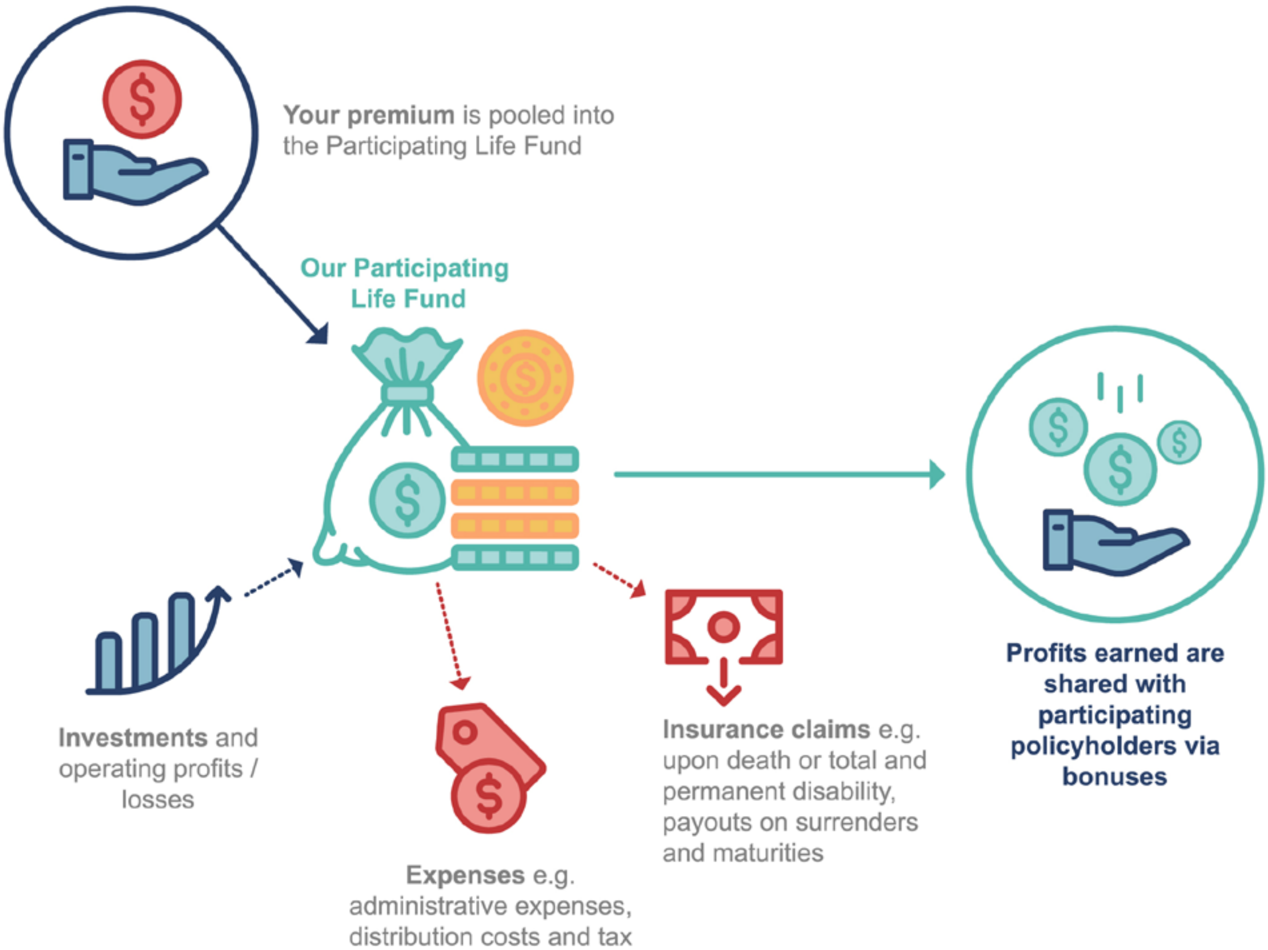
1. What is a participating policy?

- It is a life insurance policy that shares in the profits of our Participating Life Fund.
- Profits are shared with you in the form of bonuses (see '**3. What are bonuses?**' for more information).
- The bonuses are not guaranteed and can reduce (or increase) to reflect the investment and operating performance of the Participating Life Fund.
- The policy also provides guaranteed benefits on specified events e.g. claims on insured events, surrender or maturity of your policy (see '**6. Is the payout guaranteed?**' for more information).

2. How does our Participating Life Fund work?

- The premiums we receive from you and other participating policyholders are pooled together in our Participating Life Fund.
- We invest these monies in a wide range of investment assets as we aim to grow your monies over the long term.
- The monies in the Participating Life Fund are also used to pay for insurance claims and expenses (e.g. administrative costs and tax).
- The investment returns and payouts related to the Participating Life Fund are shared by all participating policyholders.
- Profits that are allocated to the participating policyholders are usually in the form of bonuses.
- The bonuses that we determine are such that payments under your policy (including guaranteed benefits) are in line with the Participating Life Fund's performance over the lifetime of your policy.

Illustration on how our Participating Life Fund works



3. What are bonuses?

- We aim to give you a fair share of the profits earned in the Participating Life Fund.
- We share our profits from the Participating Life Fund with you by adding bonuses to your policy.
- Different types of policies get different type of bonuses and bonus rates. We will inform you of the bonus amount applicable to your policy in the annual statement.
- There are two types of bonuses: **(a) Regular Bonus**, and **(b) Terminal Bonus.**

(a) Regular Bonus

We aim to provide you a regular bonus every year during the term of your policy. The regular bonus amount can be different each year and we do not guarantee that we will provide a regular bonus each year.

Depending on your policy, the regular bonus may be in the form of a **reversionary bonus** or a **cash bonus / cash dividend.**

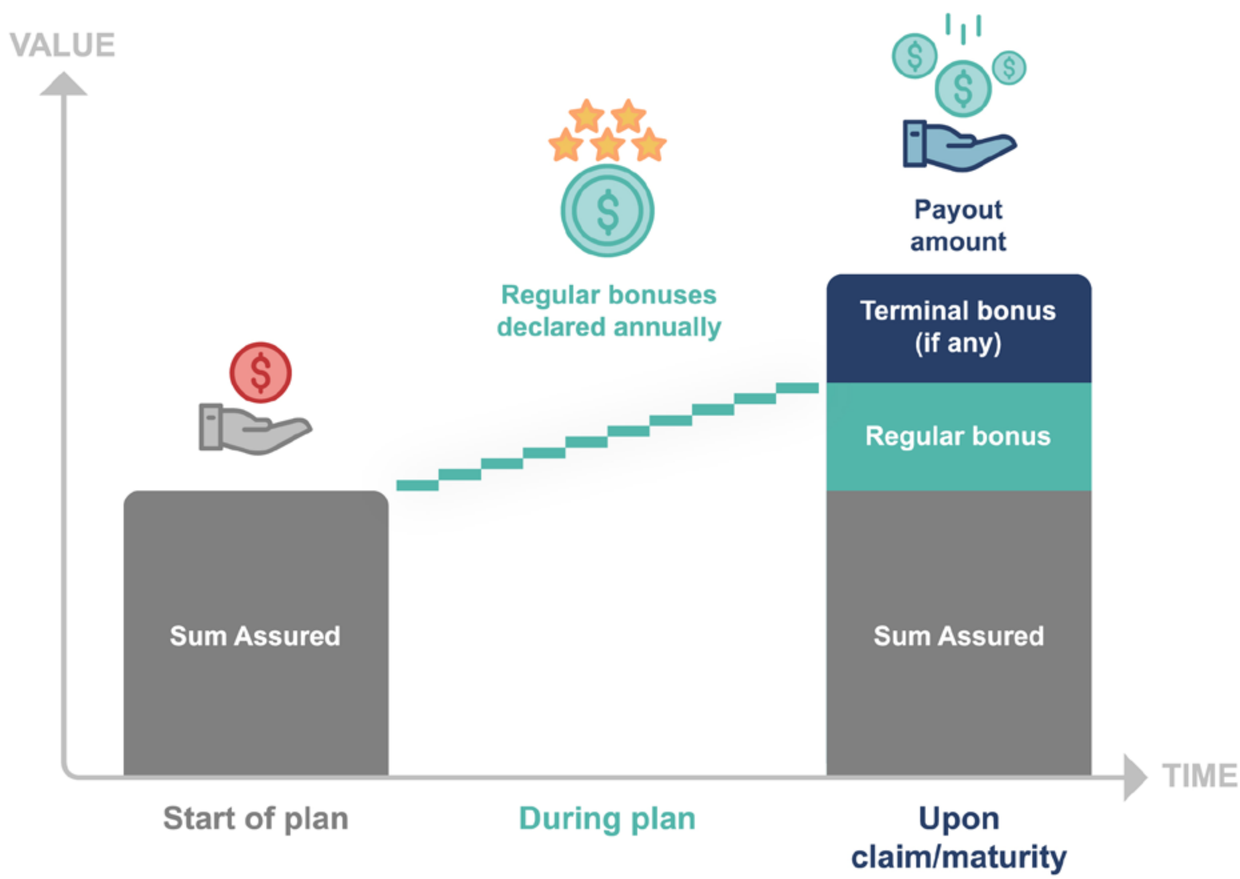
Reversionary bonus	Cash bonus / cash dividend
This is a non-guaranteed bonus which is determined annually and added to the sum assured of a participating policy, usually on an annual basis.	This is a non-guaranteed bonus which is determined annually and will be payable to you each year in cash.
Once the bonuses are added to the sum assured, they are payable in full upon death, total and permanent disability or maturity, provided you continue to pay the premiums as stated in your policy contract.	You will usually have the option of receiving the bonus in cash or leaving it in the Participating Life Fund to be accumulated with interest.
However, if you choose to surrender your policy, you may not receive the full amount of the bonuses. The amount of the bonuses payable may be significantly lower compared to those payable if you keep your policy until maturity, or on earlier death/ total and permanent disability.	The interest rate may vary from time to time at our discretion, and we do not guarantee that we will pay interest every year on your cash bonuses / cash dividends left in our Participating Life Fund.

(b) Terminal bonus

This is a non-guaranteed bonus which may be payable when your policy ends - upon death, total and permanent disability, maturity or if you choose to surrender your policy. The terminal bonus is usually designed to give you a fair share of the profits earned by the Participating Life Fund. However, there is a possibility that you may not be eligible in full for certain non-guaranteed terminal bonus if you surrender your policy earlier.

The terminal bonus, which is declared regularly for each time period (e.g. annual) can be different at each declaration depending on the Participating Life Fund's investment and operating performance. The terminal bonus declared only applies to policy terminations (death, total and permanent disability, surrender or maturity) that occur during the time period. For the next time period, the terminal bonus may decrease (or increase).

The chart below shows how we add bonuses to your policy to determine the amount payable on death or total and permanent disability, or at maturity of a participating policy.



This is for illustrative purposes only to explain how we add bonuses – it's not representative of any particular policy, time period or investment performance.

For policies paying cash bonuses / cash dividends, the illustration above assumes the cash bonuses/ cash dividends are left in the Participating Life Fund to be accumulated with interest (if any).

4. How are the bonuses determined?

We review the bonus rates at least annually. Some of the key factors considered when setting regular and terminal bonus rates are outlined in the table below. Although all key factors below are considered when determining regular and terminal bonuses, some factors have a bigger impact compared to others, and the key considerations between regular and terminal bonuses can vary.

When determining the regular bonus, we will consider all the key factors with a focus on:

- The future investment return we expect to earn in the Participating Life Fund.
- The regular bonuses already added and the level of guaranteed benefits in your policy.
- To retain flexibility in our investment strategy and to preserve the long-term financial sustainability of the Participating Life Fund, we aim to hold back some of the profits earned and distribute a proportion of the profits as terminal bonus.

When determining the terminal bonus, we will consider all the key factors with a focus on:

- The Participating Life Fund's investment performance while your money has been invested, how long you have been invested in the Participating Life Fund and how we expect investments to perform in the near future.
- The regular bonuses already added and the level of guaranteed benefits in your policy.
- Smoothing and other expenses and payouts incurred in managing your policy.

Key factors considered when setting regular and terminal bonus:

a. Investment performance

This usually has the biggest impact on the performance of the Participating Life Fund. We will consider both the investment performance in the past and what we expect to earn in the future when setting bonus rates. If the investments have performed well over the past years and there is a positive outlook on the future investment performance, we may be able to pay a higher bonus. If the investments have performed poorly or there is a negative outlook on the future investment performance, we may pay a lower bonus, or we may not be able to pay a bonus at all.

b. Bonuses already added and the level of guaranteed benefits in your policy

Once regular bonuses are added to your policy, their values are permanent additions to your policy. This increases the level of guaranteed benefits. If the level of guaranteed benefits of your policy is high, we may only be able to pay a lower bonus, or we may not be able to pay a bonus at all. If the level of guaranteed benefits of your policy is low, we may be able to pay a higher bonus so that you get your share of the profits earned by the Participating Life Fund.

c. Administration cost

We aim to allocate administrative expenses and distribution costs fairly across all policies in the Participating Life Fund. If the level of expenses turns out to be higher or lower than expected, this may affect the bonus rates.

d. Insurance claims

The Participating Life Fund will pay out guaranteed insurance claims (e.g. upon death or total and permanent disability). If the actual level of death and disability claims in the Participating Life Fund are higher than expected, this will reduce the profits earned in the Participating Life Fund and may reduce the bonus rates on your policies.

e. Smoothing

We may hold back some of the investment returns in good years with the aim to support bonus rates when investment performance is poor. See '**5. What is smoothing?**' section for more information.

f. Tax

The Participating Life Fund will need to pay tax e.g. when it makes profits from its investments. This will reduce the profits available that we can share with you via bonuses.

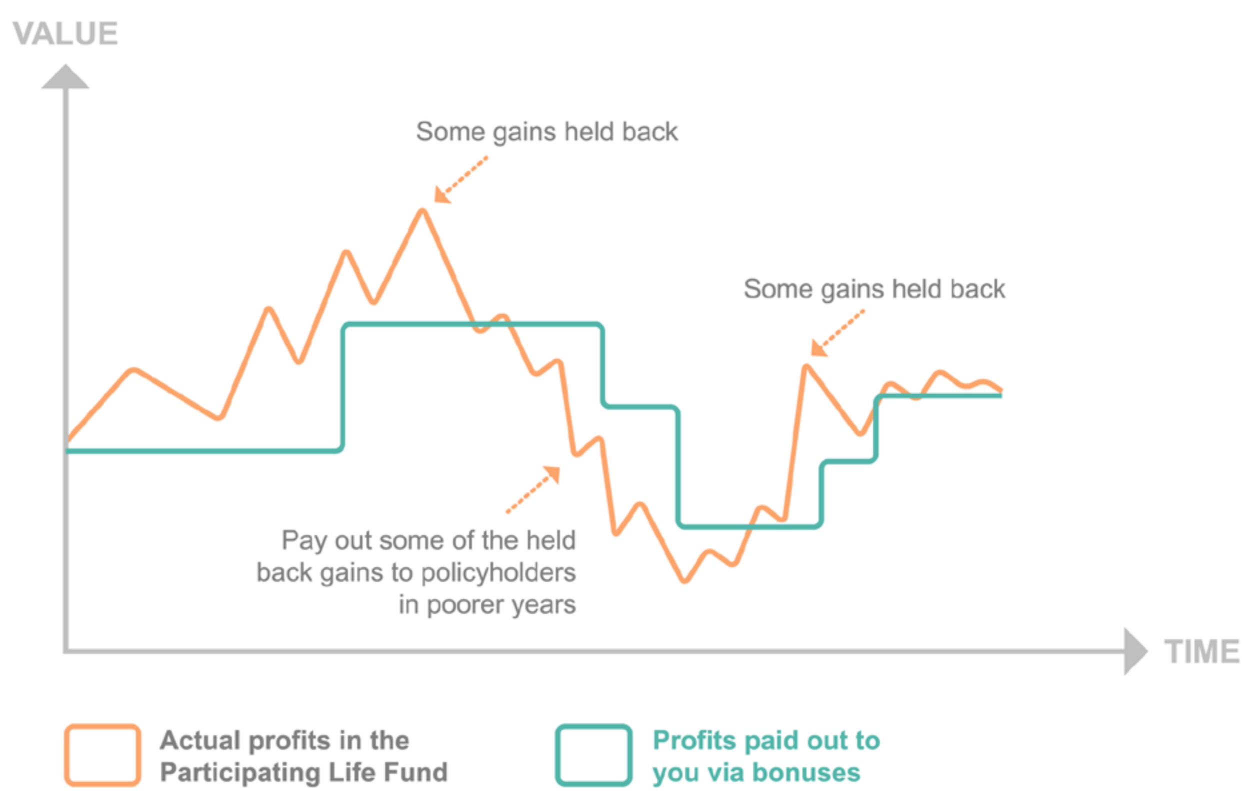
g. Transfers to shareholders

The profits in the Participating Life Fund are allocated to participating policyholders via bonuses, and a portion of these bonuses are paid to the shareholders, in accordance with regulation.

5. What is smoothing?

- The bonuses paid are 'smoothed'. This is a feature that is unique to participating policies.
- This means that, in years where the Participating Life Fund has experienced good operating and investment results, we may hold back some of the profits and use them to top up bonuses in poorer years.
- We will try to even out the payout to you when results have not been so favourable, which gives you some protection and stability in what you can get back from your policy.
- However, smoothing does not give you complete protection against poor results.
- If poor results continue over several years, we may need to reduce bonuses to reflect the poor results.

Below is an illustrative chart, which aims to explain how smoothing works. This is not representative of any particular policy, time period or investment performance.



6. Is the payout guaranteed?

- The payout of your participating policy is not fixed. See '**4. How are the bonuses determined?**' for more information.
- We guarantee that you will receive the guaranteed amount of payout, but only on specified events such as upon claims (e.g. death or total and permanent disability), surrender or on maturity of your policy.
- We may also add a terminal bonus on such events which is usually designed to give you a fair share of the profits earned by the Participating Life Fund. However, the terminal bonus is not a guaranteed payout.

7. How is the Participating Life Fund governed?

- Our Board of Directors are responsible for ensuring the Participating Life Fund is managed in a fair and sustainable manner, in line with our 'Management of Participating Life Business' policy.
- The Board of Directors are supported by other experienced staff, including the Appointed Actuary.
- The Appointed Actuary is appointed by our Board of Directors with the approval of Bank Negara Malaysia. The Appointed Actuary is responsible for assessing the sustainability of the bonus rates annually, and will make recommendations on any changes to the bonus rates to our Board of Directors.
- In addition, we will obtain an independent evaluation at least once every three years to assess whether we have been managing the Participating Life Fund appropriately.

8. Where can I find out more information?

Please contact your servicing representative or contact us at **03-2771 0228** or customer.mys@prudential.com.my if you have any questions.

Glossary

This is a glossary to help you with the terms specifically in this guide.

Participating Life Fund	The fund where participating life business of Prudential Assurance Malaysia Berhad (“Prudential”) is written. Participating policyholders can share in the profits of the Participating Life Fund in the form of non-guaranteed bonuses.
Policyholder	A person that holds a Prudential participating policy.
Premium	The amount paid or to be paid by the policyholder.
Shareholder	A person or group that owns one or more shares in Prudential.
Sum assured	This is normally the guaranteed amount set out at policy inception, which will be paid out to the policyholder if the insured event (e.g. death or total and permanent disability) occur within the policy term.

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