



FAQS ON AIA CRITICAL YEAR SUPPORT PROGRAM

General Questions

1. How does the Critical Year feature in my policy work?

The Critical Year (CY) was the projection of the last policy year in which out-of-pocket premium payment is required. At this point, the policy would be projected to have accumulated enough dividends, which together with future cash dividends and interest, should be sufficient to fund future premium payments.

However, a projection of the Critical Year would have depended on, among other factors, (i) future cash dividends declared each year and (ii) the interest rate to be credited on dividend accumulation; both of which are not guaranteed. Hence, past projections of the Critical Year were not fixed and could vary, depending on actual annual dividend declarations and interest rates.

The Critical Year feature is available as an option only for policies that participate in the Company's surpluses in the form of dividends. For these policies, policyholders have the option to retain their dividends with the Company to earn interest or to utilize such dividends to reduce premium payments. The use of dividends to reduce premium payments is an option, which may be exercised by the policyholder. Once accumulated dividends and interest are exhausted, the policyholder may:

- Resume paying premiums; or
- Convert the policy to Reduced Paid Up (RPU); or
- Take a loan advanced against the cash values of the policy for payment of premiums.
Interest would be charged on the loan at such rate as may be stipulated by us from time to time.
The loan may also be offset against any benefits paid from the policy.

2. What is the Critical Year Support Program about?

We recognize that some policyholders may have important questions or concerns about the terms and conditions of policies with a "Critical Year" option. Hence, we have put in place a Critical Year Support Program, for all affected policyholders with policies featuring the Critical Year option. Starting August 2003, we have been sending out notification packages to affected policyholders who have reached or passed their Critical Year, and will continue to do so until all affected policyholders have received their notification packages. We believe that the last of notification packages under the Support Program sent out will be in 2014.

3. What are the affected plans and why are only these plans affected?

The affected plans are the Financial Guardian and Whole Life Participating with Dividends, which were issued between 1 May 1986 and 30 April 1994. These plans could have been sold with a Critical Year feature, and before May 1994, there were no industry or regulatory standards with regard to Benefit Illustrations.



4. My illustrated Critical Year is in year X. What do I have to do now? Can I stop paying premiums?

As your illustrated Critical Year is due in year X, we will only send you the notification package closer to your Critical Year due date. Meanwhile, you have two contractual options:

- a. Continue to pay your premiums at least until you have a chance to consider the Support Program. By continuing to pay premiums, your policy's death benefit and surrender values will continue to increase. You should refer to and review the Non-Forfeiture provisions of your policy contract.
- b. Stop out-of-pocket payment of premiums. Future premiums will be drawn down from the accumulated dividends of the policy as they fall due. Once the accumulated dividends are exhausted and the policyholder chooses not to resume out-of-pocket premium payments, the policy will be converted to a paid-up policy with a lower sum assured.

However, please note that in some situations, qualification for certain Support Offers may require a reinstatement of all dividends, with interest, previously withdrawn or applied to premium payment.

5. I understand that the Critical Year of my policy has extended due to the declining economic environment, but can you tell me at which point of time in the future will the Critical Year of my policy reach and I can cease all premium payment?

We wish to explain that the Critical Year was the projection of the last policy year in which out-of-pocket premium payment is required. At this point, the policy would be projected to have accumulated enough dividends, which together with future cash dividends and interest, should be sufficient to fund future premium payments. The projection of the Critical Year would have depended on, among other factors, (i) future cash dividends declared each year and (ii) the interest rate to be credited on dividend accumulation; both of which are not guaranteed. For this policy, the option exists where the accumulated dividends may be used to pay subsequent premiums, after the Critical Year. The Critical Year also depends on the following assumptions:

1. Premiums are fully paid up to and including the critical year;
2. Current dividend accumulation interest rate remains unchanged;
3. Dividend rates remain unchanged;
4. No future withdrawal of dividends during the policy term;
5. Premium rates remain unchanged for the balance term of the policy;
6. No new rider additions;
7. There is no loan taken out on this policy.

As such the Critical Year of the policy cannot be guaranteed. However, based on the accumulated dividends in the policy, you would be able to estimate the number of years that future premiums can be paid for using dividends.

6. Why did my Benefit Illustration not show me varying projections of the Critical Year ranging from 11 to 50 years?

The Critical Year for a particular policy proposal is a projected number of years based on a set of assumptions including, but not limited to, the future cash dividends declared, the dividend accumulation



rate, the sum assured, rider coverage, age of insured, gender, and whether the insured is a smoker or nonsmoker. As such, the Critical Year illustrated for a particular policy relating to a specific insured cannot vary for the same set of assumptions.

7. Why do I need any Support Offer from AIA? Isn't the Benefit Illustration given to me at the point of sale enough to prove that I have only a premium-paying period of X years?

The illustrated benefits given to you at the point of sale included a projection of Annual Dividends based on rates applicable at that time. As the investment environment has changed, the dividend declared in a particular year could be different from that which was projected in the Sales Illustration.

Since you purchased the policy in year X, there have been revisions in the dividend rate and accumulation interest rates. The Critical Year depends on the annual dividends declared each year and the interest rate credited on the dividend accumulations, both of which are not guaranteed.

The Support Offer from AIA will be dependant on our review of the Benefit Illustration and/or any relevant documents that were given to you in relation to the sale of the FG policy.

8. Will I waive my rights to participate in the Critical Year Support Program or to seek recourse before the Courts if I continue to pay premiums?

Please be assured that your continuation of premium payments will, in no way, prejudice your rights to participate in our Critical Year Support Program or any other rights you may have. The continued payment of premium should not be a factor in any support offer made to you. (See also Q40.)

9. What is an Automatic Premium Loan (APL) and how can AIA impose an APL on my policy without my consent?

The APL activation is an automated feature in accordance with the Non-Forfeiture provisions of the policy contract, to ensure continuity of coverage, even where premiums are not paid. The APL borrows the outstanding modal premium amount from the policy cash value to pay for premium due and an interest is charged at 8% per annum. As a result of the APL, cash values and bonuses have continued to accrue under the policy. You may wish to refer to your policy contract for details on the APL feature.

10. Will I be disqualified from the Support Program if I have added or deleted any riders after I have purchased the policy

No, you will not be disqualified from the Support Program if you have added or deleted any riders after the purchase of the policy.

11. Will I be disqualified from the Support Program if I have withdrawn dividends or interest or have taken a loan from my policy?

No, you will not be disqualified from the Support Program if you have withdrawn dividends or interest or have taken a loan from your policy. However, you will need to reinstate the withdrawn dividends and interest at the Dividend Accumulation rate as applied over time upon acceptance of the Support Offer.

12. Can I choose to terminate the policy instead of choosing an option under the Support Program?

The option to terminate the policy is always available to the policyholder at any time.



13. Who can I approach to learn more about the Support Program and its details?

Should you have any queries, please call our **AIA Customer Care Hotline at 6248 8211**, Monday - Friday, 8.45am - 5.30pm. Alternatively, you can visit our AIA Customer Service Centre at 1 Finlayson Green #01-00, Singapore 049246 for assistance.

Stage 1: Document Request Package

14. Does this Document Request Package apply to all affected policyholders?

Some policyholders who have earlier sent in complete documents for our review may have received the Support Offer Package **directly** instead of this Document Request Package. However, according to standard procedures, all affected policyholders would have first received this Document Request Package before proceeding to the Support Offer stage.

15. When will I receive this Document Request Package from AIA?

You will receive this Document Request Package from us as and when your illustrated Critical Year has passed or is reached. However, if your illustrated Critical Year is not due as yet, you will receive a Document Request Package/ Support Offer Package only as and when your illustrated Critical Year is due.

16. What is in the Document Request Package?

The Document Request Package will contain the following documents (which are translated into Chinese for the benefit of our policyholders who are only conversant with Mandarin):

- Cover Letter
- Post Sale Benefits Illustrations
- Claim Notification Form C
- Document Submission Form
- Business Reply Envelope

17. What are the available options in the Document Request Package?

There are 2 premium payment options available to all policyholders that are per your policy contract provisions. However, the Support Offer will depend on the documents that are provided by the policyholder. Here are some of the broad details:

- **Premium Payment Option 1: Continue to pay premiums**
By continuing to pay premiums, your Policy death and cash surrender values will continue to increase. The dividends will accumulate with interest at such a rate determined by us from time to time. The accumulated dividends and interest from your Policy Dividend Account can be withdrawn and you may take out a policy loan should the need arise at any time if you continue with payment of premiums.
- **Premium Payment Option 2: Stop paying premiums**
If you choose to do this, please note that future premiums due will be drawn down from your Dividend Account. When your Dividend Account is fully drawn down, you may need to resume payment of premiums out-of-pocket in order to maintain your Policy at 100% of the original sum assured.
- **Provide documents in order to enable AIA to make a Support Offer.**
- **Opt for adjudication**



18. What are the forms in the Document Request Package that I need to submit in application for each Option and what are the procedures?

If you elect Option 1 or 2, you will need to submit:

- Claim Notification Form C
Indicate by ticking against the option you wish to elect. You are required to sign on this form and to get a witness' signature.
- Post Sales Benefit Illustration of the elected option. You are required to sign on all pages of the Post Sales Benefit Illustration.

If you elect to qualify for AIA Support Program, you will need to submit:

- Claim Notification Form C
Indicate by ticking in the box "I want to qualify for AIA Support Program". You are not required to sign on this form.
- Document Submission Form
Indicate the documents you wish to submit. You are required to sign on this form and to get a witness' signature.
- A copy of all documents indicated on the Document Submission Form

Please ensure that your signature is executed in the same manner as in our records. You may refer to your policy application form, which can be found on the last page of your policy contract.

19. What will happen to my policy, if I do not make a decision on your Document Request Package within the 75day period?

If you wish to accept any one of the options outlined in the Document Request Package, kindly complete and return the relevant forms to us by the given deadline. (Please refer to Q36 for an extension of time to this deadline.) Otherwise, the offer will lapse. In this case, your current premium payment arrangements will continue and you will continue to enjoy all the benefits that your policy has provided to you thus far.

Stage 2: Support Offer Package

20. Does this Support Offer Package apply to all affected policyholders?

All affected policyholders would first receive the Document Request Package. Upon complete and correct submission of the relevant forms in the Document Request Package, we would proceed to send all affected policyholders the Support Offer Package.

Some policyholders who have earlier sent in complete documents for our review may also have **received** the Support Offer Package **directly**.

21. When will I receive this Support Offer Package from AIA?

If your illustrated Critical Year has passed, you should have received a Support Program Package (i.e. Document Request Package or Support Offer Package) from us. If you have received your Document Request Package, select the option to "Qualify for AIA Support Offer" and submitted the relevant documents, you would receive the Support Offer Package after your documents have been processed.



However, if your illustrated Critical Year is not due as yet, you will receive a Support Program Package closer to the date of your illustrated Critical Year.

22. What is in the Support Offer Package?

The Support Offer Package will contain the following documents (which are translated into Chinese for the benefit of our policyholders who are only conversant with Mandarin):

- Cover Letter
- Appendix
- Post Sale Benefits Illustrations
- Claim Notification Form A or B
- Business Reply Envelope

23. What are the available options in the Support Offer Package?

There are 2 premium payment options available to all policyholders that are per your policy contract provisions. However, the Support Offer depends on the different circumstances and documents that are provided by the policyholder. Here are some of the broad details:

- **Premium Payment Option 1: Continue to pay premiums**
By continuing to pay premiums, your Policy death and cash surrender values will continue to increase. The dividends will accumulate with interest at such a rate determined by us from time to time. The accumulated dividends and interest from your Policy Dividend Account can be withdrawn and you may take out a policy loan should the need arise at any time if you continue with payment of premiums.
- **Premium Payment Option 2: Stop paying premiums**
If you choose to do this, please note that future premiums due will be drawn from your Dividend Account. When your Dividend Account is fully drawn down, you may need to resume payment of premiums out-of-pocket in order to maintain your Policy at 100% of the original sum assured.
- **Uncontested AIA Offer** (There may be more than 1 option.)
- **Opt for adjudication**

24. How does AIA assess the Support Offer Package that the policyholder would receive?

Our assessment is based on the relevant documents and circumstances in each case.

25. What are the forms in the Support Offer Package that I need to submit in application for each Option?

You will need to submit:

- Claim Notification Form A or B
Indicate by putting a tick against the option you wish to elect. You are required to sign on this form and to get a witness' signature.
- Post Sales Benefit Illustration of the elected option. You are required to sign on all pages of the Post Sales Benefit Illustration.

Please ensure that your signature is executed in the same manner as in our records. You may refer to your policy application form, which can be found on the last page of your policy contract.



26. What will happen to my policy, if I do not make a decision on your Support Offer Package within the 75day period?

If you do not make a decision within the 75day period, the support offer will lapse. In this case, your current premium payment arrangements will continue and you will continue to enjoy all the benefits that your policy has provided to you thus far.

Policy Documentation and Other Questions

27. Why do I need to submit policy documents to AIA? Does AIA not keep my policy documents upon my purchase of the policy?

We seek your understanding that, at the time the policy was sold, it was not then an industry practice or regulatory requirement to provide Benefit Illustrations or to file a copy in our records.

28. What are the policy documents that I need to submit to AIA?

You may wish to submit any of the following:

- Benefit Illustration that was given to you at the point of sale (compulsory)
- Policy Information Page (found on the front page of your policy contract) (compulsory)
- Form(s) signed by you relating to your policy's critical year
- Acknowledgement or release signed by you relating to your policy
- Document or notes provided by your agent
- Any other documents / letters / forms
- Statutory Declaration / Affidavit or Affirmation providing further information

29. What if I can't find any documents at all?

AIA would send you a "Policyholders Statement" for your completion. Kindly send the duly completed and signed statement back to AIA for our assessment on your case.

30. Why do I have to sign the Post Sales Benefit Illustration should I decide on one of the Options? I was not asked to sign on the Benefit Illustration when I first bought the policy.

To regulate the use of sales illustrations at policy proposal, the LIA (Life Insurance Association of Singapore) has required that the policyholder sign on the Benefit Illustration from Jul 1, 1997 onwards. This is simply a prudent measure to ensure that the illustration shown to the policyholder is consistent with the actual policy subsequently issued. These requirements were not yet in force at the time of your policy proposal and issue. In relation to the Post Sales Benefit Illustration under AIA's Critical Year Support Program, you are required to sign a declaration to confirm that you understand the Post Sales Benefit Illustration. You may wish to obtain independent advice if you need further clarification.

31. What is the CYNR form about?

The Critical Year Notification Request form (CYNR) is one of the documents that may be presented to policyholders and signed at policy inception. The nonguaranteed nature of the Critical Year is indicated in the form. The form states that the Critical Year is "based on the current dividend and interest scales which I understand are not guaranteed for the future".



32. Why was a copy of the CYNR form not given or not included in my policy?

Before May 1994, there were no industry or regulatory standards with regard to the CYNR form.

33. Can I request a copy of the CYNR form?

Yes, you may, if you wish, request a copy of the CYNR form.

34. Why do you set a deadline for my response to your Document Request Package/Support Offer Package/ Request for Adjudication Package?

This is because there is a set process for the Critical Year Support Program and there is a need to adhere to the procedures to ensure the smooth running of the Critical Year Support Program that is expected to continue until the Critical Year of the last affected policy sold is reached. A delay in responding to the Critical Year Support Program would also affect the cash values of your policy.

35. Can I request for an extension of time to consider more thoroughly my response to the Document Request Package/ Support Offer Package/ Request for Adjudication Package and how?

We understand that these are important matters requiring your careful consideration and therefore we would be pleased to extend the time period available to you. You may wish to call our Customer Service Hotline at 62488211 or write in to request for an extension of time. Please note that you would need to reply within the new time period, or the Support Offer will lapse.

36. What will happen to my policy, if I do not make a decision on your Support Offer Package within the 75day period?

If you do not respond within 75 days from the date of the letter, AIA's Support Offer will lapse. If you continue to pay premiums, the policy will continue to be in force and accrue further dividends. If you decide not to take any action in relation to the Critical Year issue, this does not in any way prejudice your right to receive benefits payable under the policy. You may also file your case with the Financial Industry Disputes Resolution Centre (FIDReC) or go to Court.

Adjudication and other alternatives

37. How does the Adjudication process work?

If you elect for the "Request For Adjudication Form" at the Document Request Package or Support Offer Package stage, we would forward you an Adjudication Package.

The Adjudication Package will contain the following documents (which are translated into Chinese for the benefit of our policyholders who are only conversant with Mandarin):

- Acknowledgement Letter
- Document Submission Form
- Request For Adjudication Form
- FAQs on Adjudication
- Business Reply Envelope



38. Why should I trust the Adjudication process since the Independent Adjudicator is hired by AIA?

We would like to assure you that the Independent Adjudicator is empowered to work independently and without interference from AIA. The Adjudicator has been given authority in relation to the award that he can grant. In this respect, the Adjudicator may award more or less than what was initially offered by AIA. We are committed to the adjudication process and will be bound by the determination of the Adjudicator.

Affected policyholders may choose not to take their cases to the Independent Adjudicator and instead to approach the Financial Industry Disputes Resolution Centre (FIDReC) directly. However, both the adjudication process and FIDReC are alternatives.

You should appreciate that our involvement in the adjudication process is on an “uncontested basis”. In other words, we will not be challenging any points raised by an affected policyholder before the Adjudicator.

We aim to approach this matter in a spirit of goodwill and believe that you will find our revised Support Program to be clear, comprehensive and fair.

39. Who is the appointed Independent Adjudicator?

Our current Adjudicator is Mr. Amarjeet Singh S.C., a former Supreme Court judge and currently a consultant with legal firm Khattar Wong and Partners.

40. Will I waive my rights to seek recourse before the Courts if I participate in the Critical Year Support Program?

Please be assured that you retain your rights to seek legal advice and recourse while you participate in AIA's Critical Year Support Program. (See also Q8.)

41. Q. What incentives do affected policyholders have in choosing not to join in the legal action?

The improved and revised Support Offers are comprehensive and attractive. Depending on which category they come under, affected policyholders can choose to stop paying premiums when the original Critical Year is reached. Some policyholders will also be entitled to receive annual dividends and other nonguaranteed benefits declared by us.

Instead of legal action, there are other avenues such as seeking adjudication by the AIA Independent Adjudicator, or going to FIDReC for mediation if the affected policyholders are not satisfied.

It is likely that AIA would contest issues of liability on a number of grounds if the policyholder goes to FIDReC or the Court. This may be time consuming and costly for both policyholders and AIA.

Closure of the Critical Year Support Program

42. How will I get confirmation of the processing of my selected option and have premiums refunded to me, if applicable?

We will be writing to all affected policyholders as and when they have completed the stages of the Support Program to confirm and advise on their elected option and to refund premiums, if any.



Sources of Funding

43. How will AIA fund this Support Offer to the affected policyholders – from shareholders' fund or participating policyholders' fund?

This will be in accordance with MAS' previous communication to all insurers, including AIA, that its policy is not to permit any insurance company to charge the cost of remedying the misselling of insurance policies to its policyholders.

Dividends Calculation

44. What are dividends/ terminal dividends and how are they calculated?

The calculation of dividends depends on several factors but in particular, on the investment returns of the participating fund. Dividends are not guaranteed and may vary from year to year. Dividends are usually declared as a dollar amount per \$1,000 of sum assured.

The Terminal Dividend is a special, nonguaranteed additional dividend that may be payable in the event of maturity, death or surrender provided your policy has been in force for at least 20 years. Like Annual Dividends, the Terminal Dividend rate is reviewed regularly (at least once a year) and is subject to change. As such, the actual Terminal Dividend payable may be different from that previously illustrated.

The current illustrated rates for Annual and Terminal Dividends are lower than those illustrated at the point of policy sale. This is due to the decline in investment returns experienced in recent years.

Affected policies that were surrendered or had been converted into Extended Term Insurance/Reduced Paid-Up

45. What is an Extended Term Insurance (ETI)?

Under the Non-Forfeiture provisions of the policy contract, conversion of your policy to ETI could be effected either as an *elective* or *automatic* option. ETI is an *automatic* option if premium payment is in default for more than a year.

Prior to automatic ETI conversion, if there is sufficient cash value, the Company would advance the premium due as an Automatic Premium Loan (APL – see Q9) for up to a year, after which the policy is automatically converted to ETI. Under ETI, further payment is not required, riders are no longer in force and only basic life coverage is provided. The insured amount under ETI may consist of the Face Amount of the Basic policy, plus paid-up additions and/or reversionary bonus (if any) and accumulated dividends (if any). The insured amount under ETI will be reduced by any loans outstanding on the policy. The period of coverage (also known as the term period) will depend on the available policy cash value and the insured's attained age on the due date of the premium in default.

If the cash value is more than sufficient to provide ETI coverage until the original policy maturity date, the excess cash value will be used to provide nonparticipating, pure endowment insurance. This pure endowment amount would be payable on the maturity date, if the insured is then living.

The Non-Forfeiture provisions of the contract also allow a policyholder the *elective* option to convert the policy to ETI, provided there is sufficient cash value.



46. What is a Reduced Paid-Up (RPU) policy?

Conversion of the policy to nonparticipating RPU is one of the elective options under the Non-Forfeiture provisions of the policy contract. Under the RPU option, further premium payment is not required, riders would no longer be in force and the basic life coverage is reduced. The sum assured will depend on the available policy cash value and the insured's attained age, on the date of conversion. Under RPU, the policy maturity date remains the same as the original coverage, with the RPU sum assured being payable on survival at maturity or in the event of prior death.

47. Are affected policies that were surrendered or have been converted into ETI/ RPU policies eligible under the Support Program?

Eligibility under the Support Program would be subject to both the successful reinstatement of the policy **and** our review of the relevant documents provided.

Policies that do not fall within the date range – Pre May 1, 1986 and Post May 1, 1994

48. Why are these policies not eligible under the Support Program?

Policies which were illustrated with a Critical Year feature, such as Life Endowment Special, Choice Life 10 or Choice Life 15, are not covered under the AIA Critical Year Support Program. This is because as industry and regulatory standards were in place after May 1994, Benefit Illustrations issued after May 1994 are in accordance with the Life Insurance Association's (LIA's) standards. Any complaints on post-May 1994 policies will be handled in accordance with our complaint management process and will take into account the different individual circumstances of the policyholders.