

Information about your 2024 policy bonuses

Resolution Life Whole of Life and Endowment (Conventional) policies

Annual and Terminal/End bonus rates

Participating Whole of Life or Endowment (Conventional) policies are able to participate in the profits earned on the underlying assets in the portfolio in the form of a bonus each year. There are two types of bonuses available:

1. Annual bonus; and
2. Terminal/End bonus.

We are declaring higher Annual bonus rates relative to the rates declared last year (an increase of 0.2% for former-AMP Life policies and of 0.3% for former-NMLA policies). These Annual bonus rates will apply on policy anniversary from 1 April 2024 for former-NMLA policies and from 1 May 2024 for former-AMP Life policies.

We are also declaring higher Terminal/End bonus rates effective from 1 April 2024 (former-NMLA) and 1 May 2024 (former-AMP Life) relative to the rates declared last year. The increase will depend on the policy type.

Your annual policy statement will show the impact of this bonus declaration on your policy. For a further explanation of the bonus rate changes, see 'Setting bonus rates for 2024'.

Note: The bonus rates declared may impact any recent estimates you may have received on your maturity value.

Setting bonus rates for 2024

The investment performance of the assets supporting your policy is an important factor in the levels of bonuses that can be declared.

As market values fluctuate over time, we analyse investment performance since the last bonus declaration and update bonus rates to reflect the impacts of changes to investment markets and expected future earnings rates. Bonus rates are reviewed throughout the year, although changes normally occur on 1 April and 1 May each year.

When setting Annual bonus rates, Resolution Life considers both past returns and estimates of future investment returns, with the aim of declaring rates that are sustainable and fair to our policyholders over the lifetimes of their policies.

Traditionally, movements in Annual bonus rates have trended directionally with historical movements in long-term bond yields. Long term bond yields influence our expectations for future investment returns and impact the amounts we need to set aside to ensure we can meet our contractual obligations to our policyholders. These obligations include paying guaranteed benefits (sum insureds and any previously accrued Annual bonuses) on claim and on policy maturity.

While fluctuating during 2023, medium-to-long-term bond yields in New Zealand ended the year at largely similar levels to the start, and remain considerably higher than the levels seen during the recent years of low interest rates.

Terminal/End bonuses are a way of passing on a greater level of capital appreciation, usually from growth-oriented assets such as equities (shares) and property. While there is some smoothing of returns, Terminal/End bonuses more closely reflect actual investment returns and, as such, can be more volatile than Annual bonuses. We aim to set Terminal/End bonus rates that distribute portfolio investment returns fairly to our policyholders over the lifetimes of their policies.

Investment markets rallied late in 2023, with portfolio returns ending the year strongly to finish ahead of expectations. Returns from growth-type assets were driven in particular by strong returns on overseas equities (shares), more than offsetting losses/lower returns from property and infrastructure assets.

We aim to set Annual and Terminal/End bonus rates that are sustainable and fair to our policyholders over the lifetimes of their policies. Accordingly, for 2024 we are declaring increases to Annual bonus rates (an addition of 0.2%-0.3%) and increases to Terminal/End bonus rates (increase depends on policy type) relative to the rates declared last year.

The impact of this bonus declaration on your policy's benefits and the bonuses for your policy are shown on your annual policy statement.

Annual bonuses

Like interest on a bank account, Annual bonuses accumulate and compound over time.

Annual bonuses are accrued on your policy on the anniversary of your policy commencement date. Once accrued, Annual bonuses are guaranteed and are payable in full when your base sum insured becomes fully payable (e.g. on claim or on policy maturity).

Note: Annual bonuses that are yet to accrue are not guaranteed.

Terminal/End bonuses

A Terminal/End bonus is normally paid upon claim or on maturity of your policy. If you do not wish to continue your policy, a partial Terminal/End bonus may be included in the Surrender Value paid to you.

Terminal/End bonuses for former-AMP Life policies are based on accrued Annual bonuses and Terminal/End bonuses for former-NMLA policies are based on sum insured, accrued Annual bonuses and the number of years your policy is in force.

Important: Unlike Annual bonuses, Terminal/End bonuses are not guaranteed.

Terminal/End bonuses reflect past investment returns that have not yet been guaranteed within your policy. They are used to pass on investment returns to you, usually from more volatile assets such as equities (shares). As they have a greater recognition of current investment returns and market values, Terminal/End bonuses are normally more volatile than Annual bonuses.

Note: Your Terminal/End bonus can increase or decrease over time for various reasons (e.g. actual investment returns being different than expected).

Any change you make to your policy terms (e.g. ceasing premium payments) may also affect the amounts of both your Annual and Terminal/End bonuses.

Surrender Value

If you do not wish to continue with your policy, you can request to surrender the policy and you will normally be entitled to take a proportion of your full benefit. The amount payable upon 'surrender' of your policy is called the 'Surrender Value'.

As with your claim and maturity values, the Annual bonus declared each year will usually increase your Surrender Value. Your Surrender Value will also generally increase or decrease as Terminal/End bonus rates change.

An increase in Terminal/End bonus rates will typically increase your Surrender Value and vice versa — a decrease in Terminal/End bonus rates will typically reduce your Surrender Value.

If bonus rates remain unchanged and premiums are paid on time as scheduled, your Surrender Value will typically increase as your policy ages.

Important: The full value of your sum insured and bonuses are only payable in full when the sum insured becomes payable, usually on claim or maturity. Therefore, the Surrender Value of a policy will generally be less than the amount you would receive upon claim or when the policy matures.

If you are considering surrendering your policy, we recommend that you talk to your financial adviser about whether this option is right for you.

Does your policy still match your needs?

Your policy is a valuable financial asset for your future. Your objectives or needs may have changed since your policy began and we recommend that you review your policy regularly with your financial adviser to make sure it continues to meet your needs.

Options are available to help keep your policy in line with your changing needs. For example, you can:

- increase your level of cover to help protect your policy value against the effects of inflation
- cash part of your Annual bonuses from your policy, but maintain an additional insurance cover
- convert to an endowment policy (in certain cases), or
- alter your premiums or your policy term (within certain restrictions).

For more information

Please refer to your policy document and your most recent policy statement for the full terms and conditions that apply.

For further information:

- Contact your financial adviser or our Customer Service Centre by emailing askus@resolutionlife.com.nz to discuss the options available to you or any questions about your policy; or
- Visit resolutionlife.co.nz/conventional for more information about Conventional products.

What you need to know

Conventional (Whole of Life & Endowment) products are issued by Resolution Life Australasia Limited ABN 84 079 300 379, AFSL No. 233671 (Resolution Life) which is part of the Resolution Life Group.

All forms of investment involve risk. None of Resolution Life, the trustee of the relevant product, any Resolution Life Adviser business, the underlying fund managers, any of their related companies, their directors, or any other person guarantees the products mentioned in this report, or any returns on the products, or makes any representation or warranty (express or implied) or accepts any responsibility arising in any way from any error or omission or otherwise in respect of the contents of this report. Returns can be positive or negative and they will vary over time. Past performance is not indicative of future performance and is not guaranteed by any party.

The information has been derived from sources believed to be accurate at the time of issue. This report will not be updated for any changes or events occurring subsequently.

The information contained in this report is factual information only and it does not contain any financial product advice or opinion or any recommendation about any financial product or service being right for you. This information is not intended to represent or be a substitute for professional financial or tax advice. If you have any questions or require any further information about any of the products mentioned in this report (including fees), you should refer to the policy document of the relevant product, or contact your Adviser, or us on 0800 808 267 or email us at AskUs@resolutionlife.co.nz.