

STRAITS

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GE offers to return \$250m to investors

Surprise move related to investment-linked products sold to 18,000

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IN A stunning development, about 18,000 Great Eastern Life customers who bought investment products similar to the ill-fated Lehman Minibonds will get all of their money back.

And they did not have to ask for it. The move by GE Life, which will cost the insurer a whopping \$250 million, is purely voluntary.

The products in question are called GreatLink Choice (GLC) – a series of single-premium investment-linked insurance products sold in five tranches between 2005 and 2007, netting \$594 million in investments.

Like Lehman Minibonds, GLC was linked to a class of complex financial instruments whose value has been badly hit by diving financial markets.

So despite diversifying the risk and

building in various loss-protection features, the values of the GLC plans have plummeted between 40 and 80 per cent.

“Great Eastern understands that these steep discounts have given rise to concerns among GLC policyholders,” group chief executive Ng Keng Hooi said in a statement yesterday.

“To address GLC policyholders’ concerns in these extraordinary times, we have taken a decision to make this one-time offer, as a gesture of goodwill, to redeem these products. Our offer is voluntary, and is made without any admission of liability.”

The GLC plans, available for a minimum investment of \$5,000, had aimed to provide investors with fixed annual payouts ranging from 3.5 to 4.9 per cent.

They also aimed to return to investors their principal on maturity, though both the annual payouts and principal repayment on maturity were not guaranteed.

The plans came with a five- or seven-year maturity period and the first tranche would have matured in September next year.

But policyholders can now opt, any time from Monday to Aug 28, to redeem their investments and receive a sum equal

to their original investment, less total payouts received to date.

The unprecedented move comes three weeks after a lengthy investigation by the Monetary Authority of Singapore (MAS) into the selling of similar structured products in the banking and securities sectors.

About 9,900 people lost most or all of their investments totalling about \$520 million in structured products such as Lehman Minibonds and DBS Hi Notes 5.

Ten financial institutions were penalised, and 3,900 investors received a total of \$107 million as compensation.

GE’s surprise offer yesterday to redeem up to \$250 million is more than twice that amount, and that immediately drew high praise from consumer advocates such as the Securities Investors Association of Singapore (Sias).

“It shows that if you really care about your customer, you can take pre-emptive action,” said Sias chief executive David Gerald.

“GE need not have done this but it is an established institution with 100 years of history here,” he added.

“It does not want to wait for the situation when the underlying investments collapse and there is unhappiness among clients before taking action.”

The MAS said yesterday it welcomed efforts by financial institutions to take appropriate steps to maintain the trust and confidence of their customers based on their own commercial considerations.

Other than the GLC plans, Great Eastern did not sell any other similar structured products to its policyholders.

Yesterday’s move took GE’s 2,500 agents by surprise. They were summoned to the Rock auditorium at Suntec City yesterday to be briefed on the exercise.

The move, while popular with retail investors, will cost GE and its parent OCBC Bank dearly.

The company will take the hit from the \$250 million in redemption in this quarter. Its parent OCBC will rack up a loss of \$218 million.

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