

# Annuity Insurance



EarlyIncome Annuity Plan

HSBC Life (International) Limited

**HSBC**   
**Insurance**

#### HSBC Life (International) Limited

HSBC Life (International) Limited (“the Company”) is incorporated in Bermuda with limited liability, and is one of the HSBC Group’s insurance underwriting subsidiaries.

#### Registered office

6 Front Street, Hamilton HM11, Bermuda

#### Hong Kong SAR office

18/F, Tower 1, HSBC Centre, 1 Sham Mong Road, Kowloon, Hong Kong

The Company is authorised and regulated by the Insurance Authority (IA) to carry on long-term insurance business in the Hong Kong SAR.

EarlyIncome Annuity Plan is underwritten by the Company.

The Hongkong and Shanghai Banking Corporation Limited (referred to as “HSBC”) is an insurance agent of the Company. This product is a product of the Company but not HSBC and it is intended only for sale in the Hong Kong SAR. For monetary disputes arising between HSBC and you out of the selling process or processing of the related transaction, HSBC will enter into a Financial Dispute Resolution Scheme process with you; however any dispute over the contractual terms of the product should be resolved between the Company and you directly.

The Company accepts full responsibility for the accuracy of the information contained in the Product Brochure and confirms, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement misleading. The information shown therein is intended as a general summary. Please refer to your insurance policy for the detailed terms and conditions.



## **Expedite your life goals with a wise choice**

How can you expedite your life goals and give a life protection to you? EarlyIncome Annuity Plan (the "Plan" or the "Policy"), a long-term life insurance plan with a savings element, is your wise solution. Simply fund your plan in the first three years at your choice of premium payment mode, which offers life cover with extra protection, you will lead a joyful life from today.

## **How does EarlyIncome Annuity Plan work?**

The Plan provides life insurance cover to Life Insured throughout the Policy Term and a stream of Monthly Annuity Payment<sup>2</sup> during the Annuity Period. In the event of death of the Life Insured, the total amount that we have paid to the Policyholder (if any) together with the amount that we will pay to the Beneficiary(ies) is at least equal to the Total Premiums Paid<sup>1</sup>. You can choose the Accumulation Period of either one year or three years to accumulate your wealth. You will then receive Monthly Annuity Payment<sup>2</sup> for 20 years according to your selection of Annuity Payment Option.

The Monthly Annuity Payment<sup>2</sup> is composed of Monthly Guaranteed Annuity Payment and Monthly Non-guaranteed Annuity Payment.

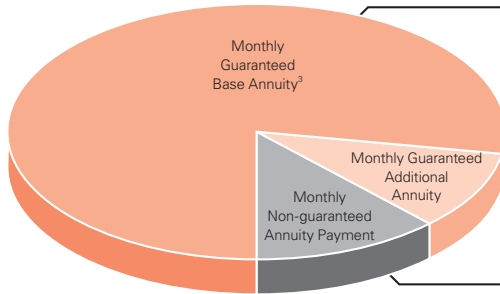
The Monthly Guaranteed Annuity Payment is the guaranteed amount which will be paid throughout the Annuity Period and it is equal to the Monthly Guaranteed Base Annuity<sup>3</sup> plus Monthly Guaranteed Additional Annuity<sup>4</sup>.

The Monthly Non-guaranteed Annuity Payment is determined by the amount of accumulated dividends and interest (if any) by the end of the Accumulation Period and any projected dividend payable during the Annuity Period. The amount is not guaranteed and may vary if there is any adjustment affecting the dividends. Such adjustment may include but is not limited to dividend withdrawal, change of dividend scale or applicable accumulation interest rate on dividends.

The Plan is not equivalent or similar to any kind of deposit.



### Monthly Annuity Payment<sup>2</sup>



This equals total annual premiums payable during the premium payment period divided by number of Monthly Annuity Payments<sup>2</sup> during the Annuity Period, subject to rounding adjustment.

This equals the guaranteed percentage (guaranteed rate) of Monthly Guaranteed Base Annuity<sup>3</sup>, subject to rounding adjustment. The guaranteed rate, which depends on the Accumulation Period chosen, is determined by the Company upon the issuance of the Policy.

The amount is not guaranteed and is determined by the Company from time to time.

#### Note:

- For figures used and assumptions made in preparing the above chart, please refer to those stated in the Illustrative Example 1.
- Assume no withdrawal of accumulated dividends and interest under the Policy and no adjustment affecting the dividends has been made during the Policy Term.
- The above diagram and the relative proportion of various payments depicted is for illustrative purpose only. Please refer to the figures illustrated in your insurance proposals.



# What can you get during Annuity Period?

- **Guaranteed Cash Value (the value payable under certain circumstances such as surrender or maturity)**
- **Dividends (non-guaranteed and applicable if cash payment option is elected)**
- **Monthly Annuity Payment<sup>2</sup>**

Please refer to Product Summary and policy provisions for details.

# How much protection can you enjoy?

## Life cover<sup>5</sup>

You can enjoy life protection during the Policy Term. In the unfortunate event of death of the Life Insured, the Beneficiary(ies) will be entitled to the Death Benefit (please refer to Product Summary for details), which is equivalent to 101% of Total Premiums Paid<sup>1</sup> for the Basic Plan, less any Monthly Guaranteed Annuity Payment paid or 101% of Guaranteed Cash Value at the date of death of the Life Insured (whichever is higher), plus any accumulated Monthly Annuity Payment<sup>2</sup> and any accumulated dividends and interest less any Indebtedness<sup>14</sup>.

## Extra protection

The below Supplementary Benefits are embedded in the Basic Plan of the Policy, subject to eligibility, with no additional premiums required:

- **Additional Accidental Death Benefit<sup>6</sup>**
  - In the unfortunate event that the death of the Life Insured results from an accident before the end of the Policy Term or the age<sup>7</sup> of 80 (whichever is earlier), an additional 30% of the Total Premiums Paid<sup>1</sup> will be paid to your Beneficiary(ies) in addition to the Death Benefit payable under the Policy.
- **Terminal Illness Benefit<sup>6</sup>**
  - The Death Benefit will be paid in advance if the Life Insured is diagnosed with a terminal illness before the end of the Policy Term or the age<sup>7</sup> of 80 (whichever is earlier) and such illness is likely to result in death within one year.
- **Unemployment Benefit<sup>8</sup> (Not applicable for single payment<sup>11</sup> policy)**
  - If the Policyholder has become unemployed for at least 30 consecutive days before the age<sup>7</sup> of 65, the Grace Period for payment of your premiums will be extended up to 365 days, during which the Life Insured will still enjoy the Policy's full protection.

## Hassle-free Application

Policy approval is generally guaranteed<sup>9</sup> and medical examinations are not required.

# Annuity Payment Options – Illustrative Examples

The data below is for examples 1 and 2 and the amounts shown are in Hong Kong dollars (HKD).

• Insurance Age <sup>10</sup> of Life Insured	: 45	• Annuity Period	: 20 years
• Premium payment period	: 3 years	• Monthly Guaranteed Base Annuity <sup>3</sup>	: 6,250
• Accumulation Period	: 3 years	• Monthly Guaranteed Additional Annuity <sup>4</sup>	: +812
• Annual premium	: 499,990	• Monthly Non-guaranteed Annuity Payment	: +958
• Total Premiums Paid <sup>1</sup>	: 1,499,969		

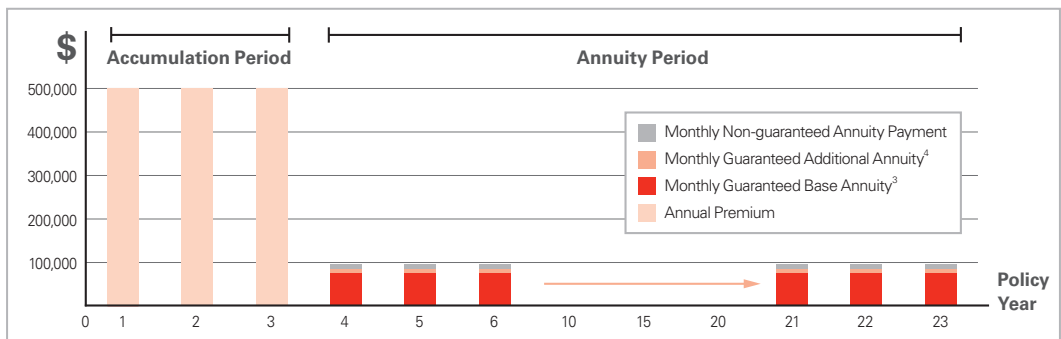
## Example 1

Assumptions:

- 1 Annuity Payment Option: payment at monthly interval.
- 2 All premiums are paid in full when due during the premium payment period.
- 3 No withdrawal of accumulated dividends and interest under the Policy and no adjustment affecting the dividends has been made during the Policy Term.
- 4 Monthly Guaranteed Additional Annuity equals to the guaranteed percentage (guaranteed rate) of Monthly Guaranteed Base Annuity<sup>3</sup>, subject to rounding adjustment. The guaranteed rate used for computing the illustrated Monthly Guaranteed Additional Annuity<sup>4</sup> is 13% (rounded to the nearest whole percentage). The guaranteed rate, which depends on Accumulation Period chosen, is determined by the Company upon the issuance of the Policy so the actual rate may be lower or higher than 13%.
- 5 The current interest rate used for accumulated dividends and interest/accumulated Monthly Annuity Payment\* is 3.5% p.a.. This interest rate is not guaranteed and may be adjusted by the Company at its discretion from time to time. The actual interest rate may be lower than or higher than 3.5% p.a..
- 6 It also shows that any Monthly Annuity Payment<sup>2</sup> and projected dividends (if any) to be accumulated in your policy at a rate of interest, which is illustrated at 3.50% p.a., 4.50% p.a. and 2.50% p.a. for Scenarios (1), (2) and (3) respectively.



<b>Receive Monthly Annuity Payment<sup>2</sup> on a monthly basis for 240 months (20 years)</b>		<b>Total Monthly Annuity Payment<sup>2</sup></b> <b>HKD1,924,735</b>
<b>Monthly Annuity Payment<sup>2</sup> HKD8,020</b> (Monthly Guaranteed Base Annuity HKD6,250 + Monthly Guaranteed Additional Annuity HKD812 + Monthly Non-guaranteed Annuity Payment HKD958)		<b>At maturity, you may get 128%<sup>^</sup> of Total Premiums Paid</b>
<b>Scenario 1</b> <i>(At the Company's assumed investment return rate)</i>	<b>Scenario 2</b> <i>(The Company's assumed investment return rate is increased by 1.5% p.a.)</i>	<b>Scenario 3</b> <i>(The Company's assumed investment return rate is lowered by 1.5% p.a.)</i>
128% <sup>^</sup>	143% <sup>^</sup>	115% <sup>^</sup>

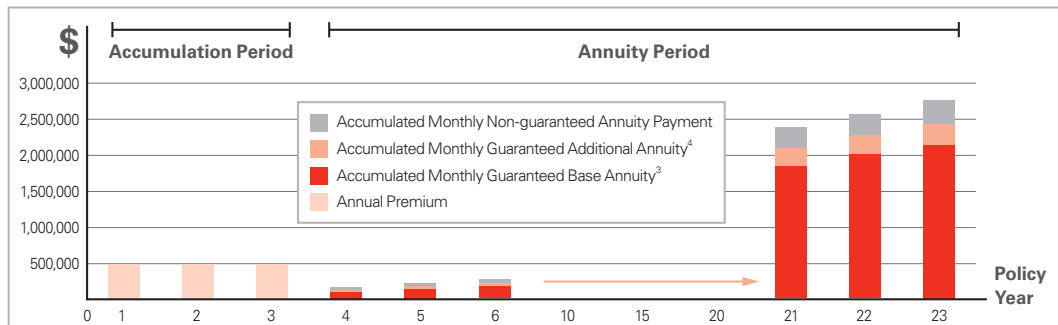
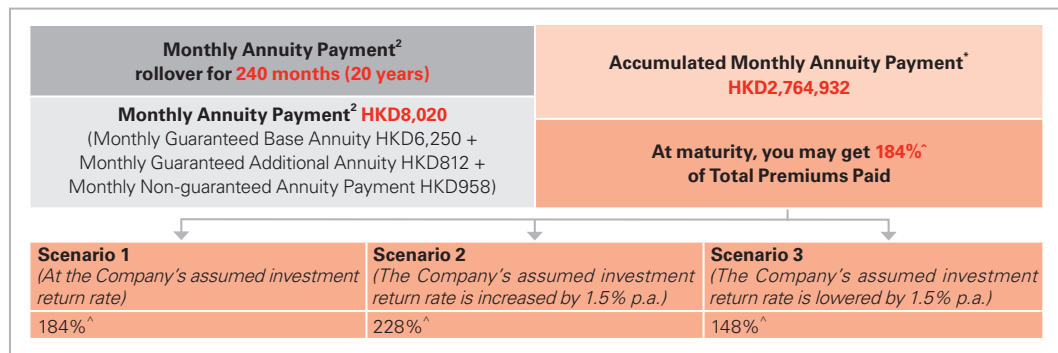


The above figures and charts are based on a number of assumptions and subject to rounding adjustment. They are for illustrative purpose only and do not represent the actual payments. Please refer to the figures as shown in your illustration statement for details.

## Example 2

Assumptions:

- 1 Annuity Payment Option: accumulate with interest
- 2 All premiums are paid in full when due during the premium payment period.
- 3 No withdrawal of the accumulated Monthly Annuity Payments\* and accumulated dividends and interest under the Policy, and no adjustment affecting the dividends has been made during the Policy Term.
- 4 Monthly Guaranteed Additional Annuity equals to the guaranteed percentage (guaranteed rate) of Monthly Guaranteed Base Annuity<sup>3</sup>, subject to rounding adjustment. The guaranteed rate used for computing the illustrated Monthly Guaranteed Additional Annuity<sup>4</sup> is 13% (rounded to the nearest whole percentage). The guaranteed rate, which depends on Accumulation Period chosen, is determined by the Company upon the issuance of the Policy so the actual rate may be lower or higher than 13%.
- 5 The current interest rate on accumulated dividends and accumulated Monthly Annuity Payment\* is 3.5% p.a.. This interest rate is not guaranteed and may be adjusted by the Company at its discretion from time to time. The actual interest rate may be lower than or higher than 3.5% p.a..
- 6 It also shows that any Monthly Annuity Payment<sup>2</sup> and projected dividends (if any) to be accumulated in your policy at a rate of interest, which is illustrated at 3.50% p.a., 4.50% p.a. and 2.50% p.a. for Scenarios (1), (2) and (3) respectively.



The above figures and charts are based on a number of assumptions and subject to rounding adjustment. They are for illustrative purpose only and do not represent the actual payments. Please refer to the figures as shown in your insurance proposal for details.

Note:

When considering the above examples, please note the following:

- The Monthly Guaranteed Base Annuity<sup>3</sup> and Monthly Guaranteed Additional Annuity<sup>4</sup> are subject to rounding adjustments.
  - The amount of the Monthly Non-guaranteed Annuity Payment is not guaranteed and may vary from time to time. The actual future amount may be lower than or higher than that illustrated above.
  - Policy dividends and interest rate applied to accumulated Monthly Annuity Payments<sup>2</sup> and projected dividends are not guaranteed and may change from time to time which may be higher or lower than those illustrated in the examples.
  - The table is to assist you in understanding the impact on your benefit under the Policy if there is a +/- 1.5% p.a. change in the assumed investment return rate that the Company is using to project the values stated in the table. This has not yet taken into account of any other factors that could affect the amount of the non-guaranteed benefits.
  - These scenarios are shown for reference only and do not intend to predict the actual amounts nor the maximum or minimum amounts payable under the Policy.
- \* The accumulated Monthly Annuity Payment<sup>2</sup> is projected based on the current dividend scales and interest rate(s) which are not guaranteed. The Company may adjust the dividend scale and the rates of interest at its discretion from time to time. Please refer to the insurance proposal for the current interest rate.
- ^ At maturity, the percentage of Total Premiums Paid<sup>1</sup> that you may get is the ratio of total Monthly Annuity Payment<sup>2</sup> or accumulated Monthly Annuity Payment\* received at the end of the Policy Term plus any accumulated dividends and interest less any Indebtedness<sup>14</sup> to Total Premiums Paid<sup>1</sup> and such percentage is not guaranteed.

# Product Summary

<b>Premium payment period</b>	3 years
<b>Accumulation Period</b>	1/3 years
<b>Annuity Period</b>	20 years
<b>Policy currency</b>	HKD/USD
<b>Policy Term</b>	21/23 years
<b>Issue age</b>	Insurance Age <sup>10</sup> 35 to 75
<b>Premium payment method</b>	<p>Single payment<sup>11</sup>, monthly or annual, through:</p> <ul style="list-style-type: none"> <li>• HSBC bank account, or</li> <li>• Cheque, or</li> <li>• HSBC credit card (not applicable to single payment<sup>11</sup>)</li> </ul> <p>Note: if you choose to pay your premium monthly in respect of a Policy Year, the Total Premium Paid<sup>1</sup> for that Policy Year will be higher than if you pay annually.</p>
<b>Minimum Monthly Guaranteed Annuity Payment</b>	HKD2,000/USD250
<b>Annuity Payment Option</b>	<ul style="list-style-type: none"> <li>• Monthly Annuity Payment <ul style="list-style-type: none"> <li>– Receive Monthly Annuity Payment<sup>2</sup> on each Monthiversary during the Annuity Period; or</li> </ul> </li> <li>• Rollover <ul style="list-style-type: none"> <li>– Accumulate all paid Monthly Annuity Payment<sup>2</sup> to earn interest (if any) (the interest rate will be determined at the Company's discretion from time to time) until the end of the Annuity Period</li> </ul> </li> </ul>
<b>First annuity payment</b>	<ul style="list-style-type: none"> <li>• Accumulation Period: 1 year <ul style="list-style-type: none"> <li>– Monthly Annuity Payment<sup>2</sup> will be paid from the 13<sup>th</sup> Monthiversary until the end of the Annuity Period</li> </ul> </li> <li>• Accumulation Period: 3 years <ul style="list-style-type: none"> <li>– Monthly Annuity Payment<sup>2</sup> will be paid from the 37<sup>th</sup> Monthiversary until the end of the Annuity Period</li> </ul> </li> </ul>
<b>Guaranteed Cash Value</b>	Guaranteed Cash Value refers to the amount as calculated by reference to the Monthly Guaranteed Annuity Payment and the tabular cash value rates shown in the Policy Schedule. Such rates, and hence the Guaranteed Cash Values derived, would vary by Policy Year of the Policy.
<b>Dividends</b>	<p>This is a participating policy. Dividend, if any, is non-guaranteed so whether dividend will be paid or the amount of dividend will be determined annually by us and any such dividend will be paid to the Policy on each Policy Anniversary, provided that the premiums due to such anniversary have been paid before the expiry of the Grace Period.</p> <p>You may receive annual dividends (if any) by the following means:</p> <ul style="list-style-type: none"> <li>• accumulate in the Plan with interest (if any); or</li> <li>• take out as cash.</li> </ul>

	<p>The annual dividends and interest rates (earned on any accumulation interest rate on dividends and Monthly Annuity Payment<sup>2</sup>) are not guaranteed. The dividend scale for distributing any dividends is determined by the Company and may vary from time to time at the Company's absolute discretion.</p> <p>The Monthly Non-guaranteed Annuity Payment is mainly derived from the accumulated dividends and interest and projected dividends (if any). Any adjustment affecting the dividends, which may include but is not limited to dividend withdrawal, change of dividend scale or applicable accumulation interest rate on dividends, will trigger re-calculation of the Monthly Non-guaranteed Annuity Payment and the future dividends to be credited in the Policy may be adjusted accordingly. The amount of accumulated dividends and interest (if any) after each Monthly Non-guaranteed Annuity Payment will gradually decrease with the intention that it will be reduced to zero at the end of the Annuity Period.</p>
<b>Surrender Benefit</b>	<p>Guaranteed Cash Value plus the following:</p> <ul style="list-style-type: none"> <li>• Accumulated dividends and interest (if any); plus</li> <li>• Accumulated Monthly Annuity Payment<sup>2</sup> and interests (if any) (if surrender is made during the Annuity Period); plus</li> <li>• Balance of single payment<sup>11</sup> with any interest accrued after deduction of Surrender Charge as determined by the Company from time to time (if single payment option<sup>11</sup> is chosen); less</li> <li>• Indebtedness<sup>14</sup> (if any)</li> </ul>
<b>Death Benefit</b>	<ul style="list-style-type: none"> <li>• During the Accumulation Period, Death Benefit payable is the higher of: <ul style="list-style-type: none"> <li>– 101% of the Guaranteed Cash Value; and</li> <li>– 101% of the Total Premiums Paid<sup>1</sup> for the Basic Plan, at the date of death of the Life Insured, plus any accumulated dividends and interest less any Indebtedness<sup>14</sup>.</li> </ul> </li> <li>• During the Annuity Period, Death Benefit payable is the higher of: <ul style="list-style-type: none"> <li>– 101% of the Guaranteed Cash Value at the date of death of the Life Insured; and</li> <li>– 101% of the Total Premiums Paid<sup>1</sup> for the Basic Plan, less any total Monthly Guaranteed Annuity Payment paid (if any), at the date of death of the Life Insured, plus any accumulated Monthly Non-guaranteed Annuity Payment<sup>2</sup> and any accumulated dividends and interest less any Indebtedness<sup>14</sup>.</li> </ul> </li> </ul> <p>If the Policy is paid by single payment<sup>11</sup>, the Death Benefit includes the balance of the single payment<sup>11</sup> and any interest accrued to the balance of single payment<sup>11</sup>.</p>
<b>Death Benefit settlement</b>	<p>Based on the written instruction<sup>12</sup> of the Policyholder, the Beneficiary(ies) will receive:</p> <ul style="list-style-type: none"> <li>• the Death Benefit in one lump sum payment; or</li> <li>• Accumulated Monthly Annuity Payment<sup>2</sup> (if any) before the death of the Life Insured in one lump sum plus the unpaid Monthly Annuity Payment<sup>2</sup> (if any) until the end of the Annuity Period (this option is only applicable if it is elected during Life Insured's lifetime and the death of the Life Insured occurs in or after the fourth Policy Year).</li> </ul>
<b>Embedded Supplementary Benefits (no additional premiums)</b>	<p>Additional Accidental Death Benefit</p> <p>Terminal Illness Benefit</p> <p>Unemployment Benefit (Not applicable for single payment<sup>11</sup> policy)</p>

The content in this summary is for reference only. Please refer to Policy Provisions for details.

# Important Notes

## **Cooling-off Period**

The Plan is a long-term life insurance plan with a savings element. Part of the premium pays for the insurance and related costs including but not limited to policy acquisition, maintenance and claims costs.

If you are not satisfied with the Policy, you have a right to cancel it and obtain a refund of any premium(s) paid, subject to any market value adjustment (applicable to single payment<sup>11</sup> policies) (see section below for details of market value adjustment), by giving written notice. To cancel, you must sign on such notice, return the Policy (if received) and ensure that such notice and the Policy must be received directly by the office of HSBC Life (International) Limited at 18/F, Tower 1, HSBC Centre, 1 Sham Mong Road, Kowloon, Hong Kong within the Cooling-off Period (that is, 21 days after the delivery of the Policy or issue of a notice informing the availability of the Policy to you or your representative, whichever is earlier).

After the expiration of the Cooling-off Period, if you cancel the Policy before the end of the Policy Term, the Net Cash Value<sup>13</sup> that you may receive may be less than the total premium you have paid.

## **Market value adjustment for single payment<sup>11</sup> policy**

During the Cooling-off Period, the single payment<sup>11</sup> policy is subject to market value adjustment, which refers to the amount of the shortfall (if any) by which the value of investment for the single payment<sup>11</sup> at the time when the cancellation notice on the Policy is received by us has fallen below the amount of the single payment<sup>11</sup> paid.

## **Suicide**

If the Life Insured commits suicide, whether insane or not insane, within one year of the Issue Date or from the effective date of reinstatement, whichever is later, the Company's liability will be limited to the amount of premiums paid to the Company less any amount paid by the Company to you since the Policy Date. Please refer to Policy Provisions of the Basic Plan for detailed terms and conditions.

## **Eligibility**

The Plan is generally available to anyone who is between Insurance Age<sup>10</sup> of 35 to 75. The Plan is subject to the relevant requirements on nationality and/or addresses and/or residency of the Policyholder and/or Life Insured as determined by the Company from time to time.



### **Policy currency**

The Plan is available in Hong Kong dollars and US dollars and both premiums and benefits will be paid in the selected currency.

If the premium payments are paid in currencies other than the policy currency(ies), the premium payments would be subject to change according to the prevailing exchange rate of policy currency(ies) to payment currency(ies) to be determined by the Company from time to time; likewise any payments settled in currencies other than the policy currency(ies) would be subject to change according to the prevailing exchange rate of policy currency(ies) to payment currency(ies) to be determined by the Company from time to time. The fluctuation in exchange rates may have impact on the amount of payments including but not limited to premium payments and benefit payments.

### **Policy Loan**

If you need access to ready cash, you might consider borrowing from the Plan during the Accumulation Period, provided that the amount borrowed (including any previous unpaid borrowed amount) does not exceed 90% of the Net Cash Value<sup>13</sup> and Death Benefit of the Policy. Consequently, the value payable under certain circumstances such as surrender or maturity will be reduced. When the Policy Loan with accrued interest exceeds the Net Cash Value<sup>13</sup> before Indebtedness<sup>14</sup>, the Company has the right to lapse this Policy at any time, subject to the terms and conditions of the Policy Provisions.

Please be reminded that any Indebtedness<sup>14</sup> on this Policy outstanding at the time of any payment under the Policy shall be deducted from the Annuity and Death Benefit otherwise payable under this Policy. The Company's claim for any Indebtedness<sup>14</sup> shall be prior to any claim of the Policyholder or the Beneficiary(ies) or the assignee(s) or other persons under the Policy.

To apply for a Policy Loan, you are required to complete and submit our specified form and provide such information and/or documents as reasonably requested by us. We have discretion to determine whether and the amount of any loan to be granted.

## **Tax Reporting and Financial Crime**

The Company and other members of the HSBC Group have certain obligations to Hong Kong and foreign legal or regulatory bodies and government or tax authorities regarding you and your Policy and the Company may from time to time request information from you in relation to these obligations.

There are consequences, which will be set out in your policy terms, if you fail to provide to the Company information that is requested from you or if you present a financial crime risk to a member of the HSBC Group. Such consequences include that the Company may:

- take such actions as are necessary to enable it or a member of the HSBC Group to meet its obligations;
- be unable to provide new, or continue to provide all of the services to you;
- be required to withhold payments or benefits that would otherwise be due to you or your Policy and permanently pay those over to tax authorities; and
- terminate your Policy.

The amount you get back in the event of benefits or payments withholding and/or Policy termination by the Company as mentioned above plus the total amount that you have received from the Policy (if any) before policy termination may be less than the amount of the premium(s) you have paid. The Company recommends that you seek your own independent professional advice on your tax liabilities.

## **Taxation**

You should consult your own professional advisors for tax position in relation to your Policy.

## **Missing payment of premium**

There is a 30-day Grace Period for premium payments that are due. If you cannot make the payment by the end of the Grace Period, the Policy will lapse with effect from the due date of the first unpaid premium unless you have elected a non-forfeiture option which will then take effect; or if no non-forfeiture option is elected and the amount of Net Cash Value<sup>13</sup> calculated as at the date immediately preceding the due date of the relevant unpaid premium is greater than the relevant unpaid premium, an Automatic Premium Loan equivalent to the amount of the unpaid premium will be granted and applied to pay such due premium. Interest will apply on the principal of all Policy Loans (including any Automatic Premium Loan) made under the Policy and you will be advised of such rate of interest at that time, which may be adjusted by the Company at its discretion from time to time.

Please note that the Monthly Annuity Payment<sup>2</sup> will only be paid on each policy Monthiversary if all premiums due up to such Monthiversary have been fully paid.

## **Termination conditions**

The Company has the right to terminate the Policy under any of the following circumstances,

- If you cannot make the overdue premium payment by the end of a 30-day Grace Period, the Policy will terminate with effect from the due date of the first unpaid premium and the Net Cash Value<sup>13</sup> (if any) will be refunded to you unless a non-forfeiture option will take effect or an Automatic Premium Loan will be granted; or
- The Policy Loan with accrued interest exceeds the Net Cash Value<sup>13</sup> before Indebtedness<sup>14</sup>; or
- We reasonably consider that by continuing the Policy or the relationship with you, we may break any laws or the Company, or a member of the HSBC Group, may be exposed to action or censure from any authority; or
- If the Company the right to terminate pursuant to the terms of any Supplementary Benefits.

Please refer to Policy Provisions and the relevant Supplementary Benefit Provisions (if applicable) for detailed terms and conditions on termination.

## **Surrender**

If you surrender the Policy, you will receive the surrender value of the Policy as of the date such request is processed, which is equal to the sum of the Guaranteed Cash Value, any accumulated Monthly Annuity Payment<sup>2</sup> plus any accumulated dividends and interest, less any Indebtedness<sup>14</sup>.

If this is a single payment<sup>11</sup> policy, the surrender value will be paid together with the balance of the single payment<sup>11</sup> with any interest accrued subject to a Surrender Charge to be determined at the Company's discretion from time to time.

As the single payment option<sup>11</sup> allows you to pre-pay all the required premiums at a discount, the pre-paid amount after deducting the premiums due will be locked into an investment to ensure the premiums are paid and the projected investment return will be sufficient for future premiums.

Please be aware that if you choose the single payment option<sup>11</sup>, you should ensure that you can afford to leave your pre-paid lump sum in your plan. You are therefore advised to choose at the time of Application the premium payment method that best fit your financial circumstances.

## **Applicable laws**

The laws governing the Policy are the laws of Bermuda. However, in the event of any dispute arising in the Hong Kong SAR, the non-exclusive jurisdiction of the Hong Kong SAR courts will apply.

# Key Risks

## **Credit and insolvency risks**

The product is an insurance policy issued by the Company. You are subject to the credit risk of the Company. Your premiums paid will form part of the Company's assets. You do not have any rights or ownership over any of those assets. Your recourse is against the Company only.

## **Non-guaranteed benefit**

The scales for calculating dividends are not guaranteed and are determined by the Company from time to time.

The Monthly Non-guaranteed Annuity Payment is determined based on the amount of accumulated dividends and interest (if any) by the end of the Accumulation Period and any projected dividend payable during the Annuity Period and any projected accumulation interest rate on dividends, and may vary if there is a change in the dividend scales, investment return assumptions or applicable interest rate(s). If you withdraw any accumulated dividends and interest, the amount of future Monthly Non-guaranteed Annuity Payments will be adjusted accordingly.

The accumulation interest rate on dividends and Monthly Annuity Payments<sup>2</sup> is not guaranteed and may be adjusted by the Company at its discretion from time to time.

Whether dividends are payable and the size of the dividends to be paid depend on how well the Company has performed with regard to investment returns on the assets supporting the policies, as well as other factors including but not limited to claims, lapse experience, expenses, and the long-term future performance outlook. The key risk factors are further described below:

**Investment risk factors** – The investment performance of the assets supporting the policies is subject to various market risk factors including but not limited to:

- Interest rate risks – The risk that the values of assets and the interest earnings will be affected by the change of interest rate level and its outlook, and lead to investment loss.
- Equity risk – The risk that the prices and volatilities of equity type investments will change and lead to investment loss.
- Credit risk – The risk of investment losses due to the default or change in credit rating of issuers of debt securities or counterparties.
- Currency risk – The risk that the values of investments that are in other currencies different from the policy currency will be affected by the change of exchange rates.

**Claims factor** – The actual experience of mortality and morbidity is uncertain which may lead to a higher than expected claim or living benefit payment and result in worse performance.

**Persistency factor** – The actual experience of policy surrender (full or partial) and policy lapse is uncertain, and therefore it has impacts on both the current performance and future return of the portfolio of the policies.

**Expense factor** – The actual amount of expenses incurred and apportioned to the group of policies may be higher than expected and impact the overall performance of the product. The expenses may include direct expenses which are specifically related to the group of policies, such as commission, underwriting, policy acquisition and maintenance expenses. It may also include indirect expenses such as general overhead costs which will be allocated to the group of policies.

### **Risks from the delay or missing the payment of premiums due**

You should pay the premium for the entire premium payment term. Any delay in or missing of the payment of premiums due may lead to policy lapse and the amount, if any, you get back may be significantly less than what you have paid.

### **Risks from surrender**

For a Policy being surrendered in the early years, the surrender proceeds to be received under the Policy may be significantly less than the premiums paid. For single payment<sup>11</sup> policy, if you surrender the Policy in full or partially, a Surrender Charge which is subject to change by us from time to time will be imposed on the balance of single payment<sup>11</sup> and any interest accrued therein.

### **Liquidity risk**

This Policy is designed to be held for the entire Policy Term. Should you have liquidity needs for any unexpected events, you may apply for a Policy Loan or surrender the Policy in full or in part subject to the respective policy terms, however this may cause the Policy to lapse or to be terminated earlier than the original Policy Term, and the amount (if any) you get back may be less than the premiums paid. You may also apply for withdrawal of any amounts that are accumulated within the Policy, but the amount available for withdrawal is not guaranteed and the amount of Death Benefit and Net Cash Value<sup>13</sup> will reduce accordingly subsequent to the withdrawal. Consequently, the value payable under certain circumstances such as surrender or maturity will be reduced.

### **Inflation risk**

Cost of living is likely to be higher in the future than it is today due to inflation, therefore you or your assigned Beneficiary(ies) may receive less from the Policy in real term in the future even if the Company meets all of its contractual obligations.

### **Policy currency risk**

You are subject to exchange rate risks for plans denominated in currencies other than local currency. Exchange rate fluctuates from time to time. You may suffer a loss of your benefit values and the subsequent premium payments (if any) may be higher than your initial premium payment as a result of the exchange rate fluctuations.



# More About Participating Policy

## **Participating policy**

Policies under the Plan are participating policies which consist of both the guaranteed benefits and non-guaranteed benefits. The non-guaranteed benefits comprise the policy dividends which allow Policyholders to participate in the financial performance of the life insurance operation. The policy dividends, if any, are in form of annual dividends which are declared by the Company on an annual basis. Once declared, the amount of annual dividend for the year becomes vested and will be credited to your Policy. Please refer to "Product Summary" above for more details of annual dividends.

The policy dividends are not guaranteed, whether they are payable and the size of the dividends to be paid depend on how well the Company has performed with regard to investment returns on the assets supporting the policies, as well as other factors including but not limited to claims, lapse experience, expenses, and the long-term future performance outlook. Please refer to section "Key risks - Non-guaranteed benefits" for the details of key risk factors. If the performance over the long-term is better than the assumed level, then dividends paid would increase and if performance is worse than the assumed level then dividends paid would reduce.

The key feature of participating policies over other forms of insurance policies is that in addition to the guaranteed benefits receivable, Policyholders will also benefit from additional dividend payments if the insurance company's performance is better than that required to support the guaranteed benefits. The better the performance, the greater the dividend payments, and, conversely, the worse the performance, the lower the dividend payments.

## **Dividend philosophy**

The Company conducts regular review on the level of dividends payable to Policyholders. Both the actual performance in the past and also management's outlook of the long-term future performance will be assessed against the assumed level, and where variances arise, gains and losses will be shared with Policyholders in a fair and equitable manner through the adjustment of dividend scales.

When considering the adjustment of dividend scales, the Company also operates a smoothing philosophy in order to maintain a more stable payout to Policyholders, so the level of dividends will only be changed if the actual performance is significantly different from the assumed level over a period of time or if management's expectation of the long-term future performance changes substantially.

In order to ensure the fairness between Policyholders of the Plan, the Company will carefully consider the experiences of different groups of policies (e.g. different products, currencies, issue years etc.) so that each group of policies will receive a fair return reflecting mostly its own performance. To balance the interest between Policyholders and shareholders, a dedicated committee is established to provide independent advice on the management of the participating policies and the determination of dividends.

## Investment policy and strategy

The Company follows an asset strategy that:

- i) Help to ensure that we can meet the guaranteed benefits that we have committed to you;
- ii) Delivers to you competitive long-term returns through the non-guaranteed dividends; and
- iii) Abides by a pre-defined set of risk tolerance.

The assets supporting the participating policies predominantly consist of fixed income assets issued by government and corporate entities with good credit quality (average A-rated or above) and long-term prospects. Growth assets, including equity-type investments and alternative investments such as property, private equity and hedge fund, as well as structured products including derivatives, are utilized in order to deliver returns reflecting real economic growth in the long run.

Our investment portfolios are well diversified in different types of assets, and are invested in different geographical markets (mainly Asia, US and Europe), currencies (mainly HKD and USD) and industries. The assets are carefully managed and monitored according to a pre-defined set of risk appetite.

## Target asset allocation

Asset type	Allocations%
Fixed income	80% - 100%
Growth assets	0% - 20%
- Equities	0% - 15%
- Alternative investments	0% - 15%

There could be slight deviation from the above range due to market fluctuation.

Actual allocations will take into consideration past investment performance of the assets supporting the policies, prevailing market conditions and future outlook, and the guaranteed and non-guaranteed benefits of the policies. This includes assessing factors such as risk tolerance and real economic growth over the appropriate time horizon.

**Accumulation interest rate**

Policyholders can choose, amongst other options, to receive their dividends (if any) and annuity payments (if any), by leaving them in the Plan to accumulate with interests (if any). The rates of interests are not guaranteed and will be determined by the Company from time to time. The review on such accumulation interest rates will be conducted regularly with reference to the portfolio bond yields, prevailing market conditions, outlook on bond yields, and the likelihood of Policyholders leaving their payment for accumulation.

The policy in determining the dividends and accumulation interest rates may be reviewed and adjusted by the Company from time to time. For more updated information, please visit our website [<https://www.personal.hsbc.com.hk/1/2/hk/insurance/life/detail#policy>]. You may also visit the above website to understand the Company's dividend history for reference purposes. The past performance or current performance of the Company's business may not be a guide for future performances.

# Endnotes

- 1 Total Premiums Paid refers to the total amount of premiums due for the Basic Plan (whether or not actually paid) as of the date of death of the Life Insured. Please refer to the Policy Provisions for detailed terms and conditions.
- 2 Monthly Annuity Payment means Monthly Guaranteed Annuity Payment plus Monthly Non-guaranteed Annuity Payment (if any).
- 3 Monthly Guaranteed Base Annuity means the total annual premiums payable during the premium payment period divided by the number of Monthly Annuity Payments<sup>2</sup> during the Annuity Period, subject to rounding adjustment. Please refer to the Policy Provision for detailed terms and conditions.
- 4 Monthly Guaranteed Additional Annuity equals to the guaranteed percentage (guaranteed rate) of Monthly Guaranteed Base Annuity<sup>3</sup>, subject to rounding adjustment. The guaranteed rate, which depends on Accumulation Period chosen, is determined by the Company upon the issuance of the Policy.
- 5 If the Life Insured commits suicide, whether sane or insane, within one year of the Issue Date or from the effective date of reinstatement, whichever is later, whether sane or insane, the Company's liability will be limited to the amount of premiums paid to the Company less any amount paid by the Company to you since the Policy Date.
- 6 Additional Accidental Death Benefit and Terminal Illness Benefit will terminate when the Life Insured attains the age<sup>7</sup> of 80 or payout of the relevant benefits or the Policy is terminated (whichever is the earliest). Please refer to the Policy Provisions of the respective Supplementary Benefits for detailed terms and conditions.
- 7 The Policy Anniversary at which the Policyholder or the Life Insured (as the case may be) reaches the specified age based on age at next birthday.
- 8 Unemployment Benefit is applicable to Policyholder's Insurance Age<sup>10</sup> between 19 and 64 who is the holder of the Hong Kong Identity Card. The benefit will terminate when the Policyholder attains the age<sup>7</sup> of 65 or all due premiums have been paid or the Policy is terminated (whichever is the earliest). Such benefit is not applicable for single payment policy. Please refer to the Policy Provisions of the respective Supplementary Benefit for detailed terms and conditions.
- 9 For the same Life Insured, if the total premiums of all of the pending Applications and in-force policies of HSBC Wealth Goal Insurance Plan, RetireEnrich Protection Plus, EarlyIncome Annuity Plan, RetireIncome Annuity Plan and Income Goal Insurance Plan of the Life Insured are more than the 'guaranteed approval' limit of HKD30,000,000/USD3,750,000, the Life Insured is required to complete a number of simple health questions. And we reserve the right to accept or reject any Applications for the Plan based on the information provided by the Life Insured during Application.

- 10 Insurance Age means the age of the Life Insured or Policyholder where applicable at his or your next birthday.
- 11 If you surrender the Policy in full or in part, the balance of single payment with any interest accrued will be paid subject to deduction of a Surrender Charge to be determined at the company's discretion from time to time. Please be aware that if you choose the single payment option, you should ensure that you can afford to leave your pre-paid lump sum in your plan. You are therefore advised to choose at the time of Application the premium payment method that best fit your financial circumstances.
- 12 The written request must be accepted and endorsed by the Company while the Life Insured is alive.
- 13 Net Cash Value means before the commencement of the Annuity Period, an amount equal to the sum of Guaranteed Cash Value plus accumulated dividends and interest, less any Indebtedness. On or after commencement of the Annuity Period, Net Cash Value means sum of the Guaranteed Cash Value and any accumulated Monthly Annuity Payment, plus any accumulated dividends and interest, less any Indebtedness.
- 14 Indebtedness means the sum of all outstanding Policy Loans, any interest accrued on such Policy Loans, and any outstanding premiums under this Policy.

# More Information

Planning for your financial future is important. We are happy to help you to review your current and future needs and help you decide if EarlyIncome Annuity Plan is the right product to fulfil your personal goals. You can visit any HSBC branch and arrange for a financial planning review with us.

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