

Dementia Protection

EarlyIncome Annuity Plan - Optional Supplementary Benefit

Prevalence of dementia among the elderly

According to the World Health Organisation ("WHO"), dementia is one of the major causes of disability and dependency among older people worldwide and places significant burdens on families and societies*.

In Hong Kong, the cost of eldercare is around **HKD38.8 billion** per year in 2018 and is projected to rise to **HKD73.1 billion** by 2030, and **HKD126 billion** by 2040*. Life expectancy is increasing, but healthy aging isn't, thus, the responsibilities being placed on family members could have detrimental effects and place huge burdens on their shoulders.

* Eldercare Hong Kong – The Projected Societal Cost of Eldercare in Hong Kong 2018 to 2060.



Dementia Protection



Optional Supplementary Benefit:

- With additional premiums required;
- Not applicable to aggregate premium policies and policies with 1-year accumulation period;
- Can only be enrolled together with the application for the basic plan by any life insured aged² **between 55 and 70 years**.

Dementia is a progressive disease of the brain, and it is often accompanied by fluctuating emotions and poor verbal expression. In the later stages of the disease, dementia sufferers rely heavily on others to help them with their daily needs.

At HSBC Life, we understand that **Severe Dementia** can be overwhelming for those with the physical or financial responsibility to take care of loved ones and shoulder the long-term medical costs. That's why we introduce **Dementia Protection** ("benefit") which is an optional supplementary benefit of the EarlyIncome Annuity Plan ("EarlyIncome" or "basic plan"). By paying an additional premium on top of your basic plan, you can cover yourself against the financial burdens if the life insured is diagnosed with Severe Dementia.

If the life insured is diagnosed with Severe Dementia during the accumulation period:



You will recover your **premiums paid for this optional supplementary benefit** which will terminate right after the refund of premium.

If the life insured is diagnosed with Severe Dementia during the annuity period:



You or the Dementia Benefit Recipient will receive the Dementia Monthly Income which is an **additional 100% of the Monthly Guaranteed Annuity Payment** of the basic plan, subject to a maximum amount of USD 3,750 or its equivalent per month per life insured, until **the life insured passes away or reaches age² 99** (whichever is earlier) regardless of the annuity period as chosen.



Policy starts



End of accumulation period



End of annuity period (Policy ends)

How does Dementia Protection work?



Mr Lee is a 55-year-old² professional

- Mr Lee has a strong desire for a stable income throughout his retirement years. He plans to receive annuity after his retirement to support the living expenses of his wife and himself.
- When he noticed that some of his friends had relatives with Severe Dementia, he is worried about getting the disease himself, and wanted to alleviate the potential financial burden for his family just in case.

Mr Lee chooses EarlyIncome Annuity Plan and Dementia Protection to meet his needs:

Mr Lee pays his premiums in 3 years in order to receive Monthly Annuity Payments¹ in cash for 20 years. Meanwhile, Mr Lee nominates his wife who is the sole beneficiary of his basic plan as the Dementia Benefit Recipient and also assigns her to receive the Monthly Annuity Payments¹ of the basic plan (“Cash out” has to be selected as the payment option of the Monthly Annuity Payment¹) should he be diagnosed with Severe Dementia during the annuity period.

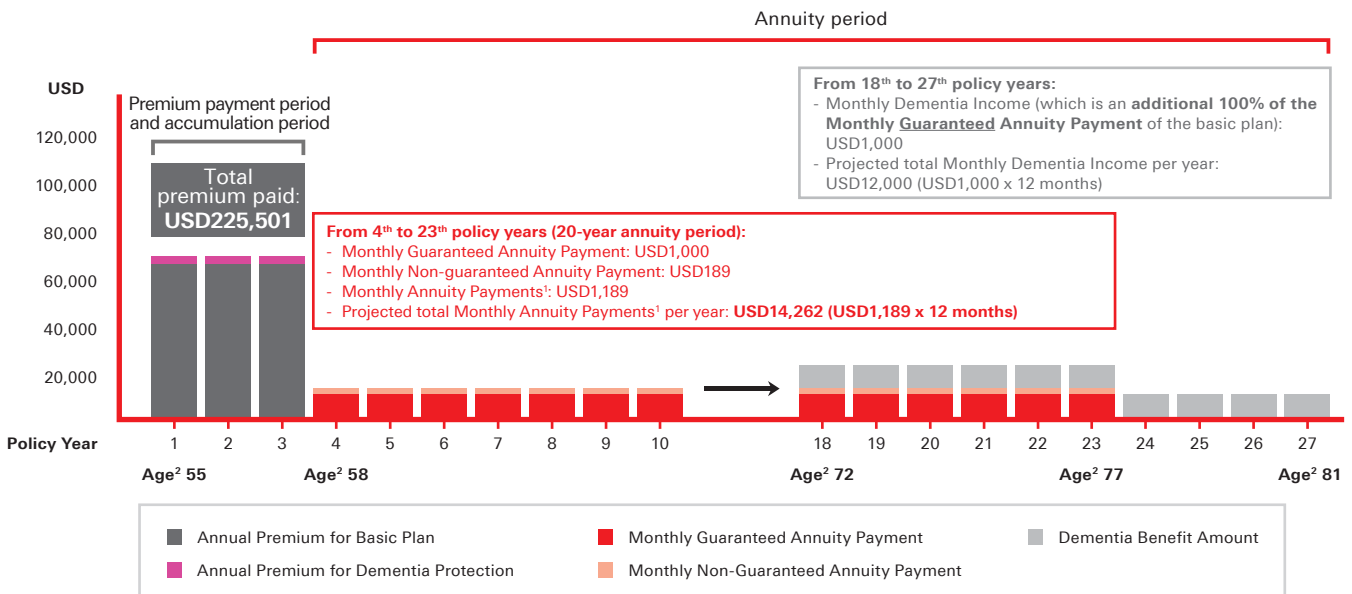
Annual premium	USD72,755 (for basic plan) / USD2,412 (for Dementia Protection)
Accumulation period	3 years
Annuity period	20 years
Total premium paid	(Basic plan premium of USD72,755 + Dementia Protection premium of USD2,412) x 3 years premium payment period = USD225,501

Example

- Mr Lee has paid up all his premiums in the first 3 years.
- He starts to receive Monthly Annuity Payments¹ from age² 58 (4th policy year).
- He **is diagnosed with Severe Dementia at age² 72 (18th policy year) and passes away at age² 81 (27th policy year).**



“This benefit gives me peace of mind and relieves my family of the financial burden and pressure of the treatment, nursing and medical expenses if I am diagnosed with Severe Dementia.”



Total Monthly Annuity Payment ¹ for 20-year annuity period:	USD14,262 x 20 years = USD285,242
Total Monthly Dementia Income until Mr Lee passes away:	USD12,000 x 10 years = USD120,000
Projected total Monthly Annuity Payment ¹ plus total Monthly Dementia Income:	USD405,242 → 180%³ of total premium paid at maturity

Note: The figures as shown in the above example are subject to rounding adjustment and are for illustrative purposes only.

What do you need to know before applying for Dementia Protection?

Dementia Protection is an optional supplementary benefit of the EarlyIncome Annuity Plan. You can enroll for this benefit together with the application for the basic plan if the life insured is aged² between 55 and 70 years by paying additional premiums. However, this benefit is not applicable to aggregate premium policies and policies with 1-year accumulation periods and is subject to the **following exclusions**:



Exclusions:

1. Any pre-existing condition⁵ from which the life insured was suffering prior to the Issue Date, the Policy Date or the effective date of reinstatement, whichever is the latest; or
2. Any Severe Dementia resulting directly or indirectly from, or caused by or contributed by (in whole or in part), any of the following:
 - a) any self-inflicted injury or attempted suicide while sane or insane; or
 - b) intoxication by alcohol or drugs not prescribed by a Registered Medical Practitioner; or
 - c) any Human Immunodeficiency Virus (HIV) or any HIV-related illness including Acquired Immune Deficiency Syndrome (AIDS) or any mutations, derivation or variations thereof; or
 - d) all psychiatric related causes; or
 - e) reversible organic brain disorder.



More useful information about Dementia Protection:

Severe Dementia	"Severe Dementia" means an unequivocal diagnosis by a Registered Medical Practitioner who is a specialist of Neurologist, Psychiatrist or Neuropsychiatrist of severe permanent cognitive impairment resulting in the permanent need for continuous supervision of the life insured, with a Mini Mental State Examination score of less than 10 out of 30-point questionnaire.
Dementia Benefit Recipient	You need to designate one of the beneficiaries in your Policy as the Dementia Benefit Recipient to receive the Dementia Protection benefit. You may also allow the Dementia Benefit Recipient to receive your Monthly Annuity Payments ¹ together with the Monthly Dementia Income payments should the life insured be diagnosed with Severe Dementia during the annuity period. "Cash out" has to be selected as the payment option of the Monthly Annuity Payment ¹ .
Dementia Protection	<ul style="list-style-type: none">• If the life insured is diagnosed with Severe Dementia during the Accumulation period: you will receive all your premiums paid for this benefit and this supplementary benefit will cease after the refund of premium.• If the life insured is diagnosed with Severe Dementia during the Annuity Period: you or your assigned beneficiary(ies) will receive the Monthly Dementia Income until the death of the life insured or age² 99 of the life insured (whichever is earlier).
Benefit amount	The benefit amount of this benefit ("Monthly Dementia Income") is 100% of the Monthly Guaranteed Annuity Payment of your basic plan, subject to a maximum of USD3,750 or its equivalent per month per life insured. Note: There is no surrender benefit for this optional supplementary benefit. If you surrender a portion of the basic plan, the benefit amount of Dementia Protection will also be reduced accordingly. If such request is accepted by us, the reduced premium will be determined by us as shown under the revised policy schedule.
Benefit termination	This benefit will automatically terminate from the earliest of the following dates: <ol style="list-style-type: none">i) If whenever applicable, your basic plan terminates, expires, lapses, or is surrendered in accordance with the relevant provisions of your Policy; orii) The Benefit Cessation Date; oriii) Upon the refund of premiums paid for this benefit as the result of life insured's diagnosis of Severe Dementia during accumulation period; oriv) Upon the first payment of the Monthly Dementia Income (termination of this benefit shall not prejudice the ongoing payment of the Monthly Dementia Income by us); orv) If whenever applicable, your premium payments for basic plan or this benefit is missed.

Please refer to the respective supplementary benefit factsheet and Policy Provisions of Dementia Protection for detailed terms, conditions and exclusions of this optional supplementary benefit.

Endnotes:

1. Monthly Annuity Payment means Monthly Guaranteed Annuity Payment which consists of Monthly Guaranteed Base Annuity and Monthly Guaranteed Additional Annuity plus Monthly Non-guaranteed Annuity Payment (if any).
2. Age means the age of the life insured or the Policyholder where applicable at his/her next birthday.
3. The percentage of the total premium paid is not guaranteed. Please also refer to section "Assumptions for the illustrative examples" for detailed assumptions.
4. The interest rate used for accumulated dividends and accumulated Monthly Annuity Payments¹ (if any) is not guaranteed and may be adjusted by the Company at its discretion from time to time. The actual interest rate may be lower or higher than 3.7% p.a..
5. "Pre-existing Condition" means any condition or illness:
 - which existed or was existing; or
 - where its cause existed or was existing; or
 - where the life insured had knowledge, signs or symptoms of the condition or illness; or
 - where any laboratory test or investigation showed the likely presence of the condition or illness; or
 - where the life insured has demonstrated signs or symptoms of cognitive impairment including but not limited to memory loss, difficulty with time relationships, unable to function independently either at work, home or in the community or is not fully capable of self-care.If you need more details or are in doubt about these conditions, you should seek independent professional advice.

Assumptions for the illustrative examples:

- (i) Monthly payment as the annuity payment option. The Monthly Annuity Payment¹ is projected based on the current dividend scales and interest rate(s) which are not guaranteed and may vary from time to time. The actual future amount may be lower or higher than the illustrated above.
- (ii) All premiums are paid in full when due during the premium payment period.
- (iii) No withdrawal of accumulated dividends and interest (if any) under the policy, non-guaranteed dividend scale will not be adjusted.
- (iv) The interest rate⁴ used for accumulated dividends and accumulated Monthly Annuity Payments¹ (if any) is 3.7% p.a..
- (v) The percentage of the total premium paid is not guaranteed.

Key risks:

- **Credit and insolvency risks** - You are subject to the credit risk of the Company.
- **Non-guaranteed benefit** - The scales for calculating dividends are not guaranteed and are determined by the Company 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 could be affected by changes in interest rate and its outlook and fluctuations in prices of growth assets, etc.
 - **Claims factors** – The actual experience of mortality and morbidity is uncertain.
 - **Persistency factors** – The actual experience of policy surrender (full or partial) and policy lapse is uncertain.
 - **Expense factors** – The actual amount of any direct and indirect expenses incurred and apportioned to the group of policies may be higher than expected.
- **Risks from the delay or missing the payment of premiums due** - Any delay in or missing of the payment of premiums due for the basic plan and/or this optional supplementary benefit may lead to policy lapses and the amount, if any, you get back may be significantly less than what you have paid.
- **Risk from surrender** - You may receive an amount significantly less than the premiums paid for the basic plan if you surrender the policy in early years. For this Dementia Protection (an optional supplementary benefit of the basic plan), there is no surrender benefit. If you surrender a portion of the basic plan, the benefit amount of Dementia Protection will also be reduced accordingly.
- **Liquidity risk** - We would expect you to keep your policy for the entire policy term. In the event that you have liquidity needs for any unexpected events, you may apply for a policy loan or full or partial surrender your policy. This may cause your policy to discontinue or to be terminated earlier than the original policy term. There is always a risk that you could only receive an amount which may be less than the premiums you paid. Any partial surrender, Policy Loan, accrued loan interest and withdrawal will reduce the Death Benefit and Net Cash Value. Consequently, the value payable under certain circumstances such as surrender or maturity will be reduced.
- **Inflation risk** - Risk of inflation will likely cause the future cost of living to rise. You or your assigned beneficiary(ies) will receive an amount that is less in real terms in the future.
- **Policy currency risk** - You are exposed to exchange rate risks. The actual amount you paid or received will then be subject to the prevailing exchange rate.

Termination conditions:

We have the right to terminate your policy (together with this supplementary benefit) under any of the following circumstances:

- If you cannot make the overdue premium payments by the end of the grace period; or
- The policy loan with accrued interest exceeds the Net Cash Value before any outstanding policy loans, interest and premiums; or
- We reasonably consider that by continuing your policy or our relationship with you, we may break any laws or a member of HSBC Group may be exposed to action or censure from any authority; or
- We have the right to terminate according to any supplementary benefits terms.

Please refer to the respective supplementary benefit factsheet and Policy Provisions of Dementia Protection for detailed terms, conditions and exclusions of this optional Supplementary Benefit.

The figures as shown and the relative proportion of various values depicted in the above charts are subject to rounding adjustment. The actual benefit amount may change from time to time and may be lower or higher than those illustrated above. Please refer to the figures shown in your insurance proposal for details. The information shown above is intended as a general summary and is for illustrative purpose only and does not intend to predict the actual amount payable under your policy. You should read this material in conjunction with the respective product brochure, supplementary benefit factsheet of Dementia Protection, Policy Provisions and illustration.

Dementia Protection is an optional Supplementary Benefit to the EarlyIncome Annuity Plan, which is underwritten by HSBC Life (International) Limited ("the Company" or "we" or "us"), is a product of the Company but not The Hongkong and Shanghai Banking Corporation Limited (referred to as "HSBC") and it is intended only for sale in the Hong Kong SAR. HSBC is an insurance agent of the Company. 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.