

## New Business Illustration

- **For Participating Life Insurance Products (e.g. Income Goal)**

**Q1: Why does the new business illustration also provide projections of non-guaranteed benefits under pessimistic and optimistic scenarios? What are the benefits showing different scenarios to our customers?**

**A1:** The additional pessimistic and optimistic scenarios are aimed to illustrate the variability of projected non-guaranteed benefits provided under different investment return scenarios. By doing so, our customers can have a better understanding on how the change in assumed investment return will affect their projected non-guaranteed benefits. The actual amount of non-guaranteed benefits payable may be lower or higher than those illustrated.

**Q2: What are the pessimistic and optimistic scenarios?**

**A2:** In a pessimistic scenario, projected policy benefits are based on a return lower than Company's current assumed investment return. In an optimistic scenario, projected policy benefits are based on a return higher than Company's current assumed investment return.

**Q3: Do the pessimistic and optimistic scenarios represent the minimum and the maximum return of my policy?**

**A3:** No, the two scenarios do not represent the minimum and the maximum investment returns of your policy. They are for reference purpose only. The actual amount of non-guaranteed benefits payable may be lower or higher than those illustrated.

## Annual Statement

**Q4: The Annual Statement looks very different, what are the key enhancements? What are the benefits to the customer?**

**A4:** The enhanced Annual Statement includes more comprehensive policy information to allow customer to have a better understanding of their policy. The enhancements include:

- a) Policy Loan Summary (if there is outstanding loan; Participating products only) – with projected lapsation year
- b) Assignment (if applicable) – show active assignment to indicate the name of the assignee
- c) General Crediting Interest Rate (Universal Life Insurance products only) – history of General Crediting Interest Rate/ Crediting Interest Rate declared during the statement period
- d) Important Notes - enhanced disclosures and information on the Annual Statement, Product Risk Rating, Insurance Terminology Table, Accumulation Interest Rates, Dividend, Policy Services and Policy Benefit Illustration, where applicable.

**Q5: What is projected policy year of policy lapsation? What are the factors that will change projected policy year of policy lapsation?**

**A5:** It is the earliest expected timeline (in policy year) at which the policy loan and accrued loan interest projected exceeds net cash value before indebtedness, which may trigger policy lapsation subject to the terms and conditions of the policy provision of each particular product.

The projected policy year of policy lapsation illustrated in the policy statements (sent annually) and policy loan balance illustrations (upon policyholder's request) are determined based on the latest total loan balance, latest Automatic Premium Loan / Policy Loan interest rate, and projected non-guaranteed policy benefits applicable to the policy as at the corresponding print date of the communication materials (i.e. annual statement pack). It is derived based on the following assumptions:

- a) There are no policy changes in the future (e.g. dividend option change, change of sum insured, etc.,)
- b) All premiums are paid in full when due
- c) There is no new Policy Loan application in future, and
- d) Except the loan repayment from the policy's benefit as prescribed in the policy provisions (if applicable), there is no other voluntary loan repayment by the policyholder in the future non-guaranteed benefit projections (e.g. projected dividend and accumulation interest rates) are assumed to be unchanged as of print date
- e) No change to policy loan interest rate

If there are any changes to the above assumptions, it may increase or decrease the actual amount of policy loan, leading to an earlier or later lapsation of policy than the projected policy year stated in your annual statement.

In addition, the projected policy year of policy lapsation serves for reference purpose. Please refer to the policy provisions of Basic Plan for detailed terms and conditions.

**Q6: My policy is projected to remain inforce, does it mean that I do not need to repay my policy loan? If I do not repay the Policy Loan, will my policy be affected?**

**A6:** The projected policy year of policy lapsation is projected based on the current loan balance and various assumptions. In particular, the current assumptions of loan interest rate and the current projected amount of non-guaranteed benefits under the plan are determined by the Company, and may change from time to time. Policyholders are still subject to lapsation risks when these loan interest rates and non-guaranteed benefits are revised regularly at the Company's discretion.

If there is any outstanding Policy Loan, life insured's benefit coverage (including both Basic Plan and Supplementary benefits) may be impacted. Any outstanding loan and accrued loan interest will reduce the cash value/surrender value, death benefit and other supplemental benefits, if any, under this policy which may lead to lapsation or early termination of your insurance policy.

**Q7: I want to understand more how the Policy Loan would affect my policy, where can I get additional information?**

**A7:** Customer can request for an updated illustration of the Policy Loan Balance at any time by calling the HSBC Insurance Service Hotline on (852) 3128 0145.

## **Policy Benefit Illustration (Re-projection)**

- **Purpose**

**Q8: Why have I started to receive this Policy Benefit Illustration this year, but not before?**

**A8:** To manage customer expectation and minimize the gap between the original illustration benefit and the actual performance, the Company will provide Policyholders with a Policy Benefit Illustration on projected policy benefits, based on the latest condition, policy status, assumptions and Company's current level of dividends/bonuses (for participating products) or charges/current forecast crediting interest rates (for universal life products) at each policy anniversary. In no way should it affect the terms and conditions stated in the policy document.

- **Interpretation**

**Q9: How should I read the Policy Benefit Illustration in comparison with the illustration I received at point of sales? Why the numbers are different to the illustration at point of sale?**

**A9:** The actual non-guaranteed benefits of your policy depends on the investment returns on the assets supporting the insurance policies, as well as other factors including but not limited to claims, lapse experience, expenses, and the long term future performance outlook. Shall any of these factors develop differently from the assumed basis at point of sales, the Company might need to revise those assumptions adopted in Policy Benefit Illustration, resulting your projected non-guaranteed benefits to be different with values being higher or lower than those illustrated at point of sales.

- **Others**

**Q10: Can I request for an updated Policy Benefit Illustration at any time?**

**A10:** Yes, you can request for an updated Policy Benefit Illustration at any time by calling our HSBC Insurance Service Hotline on (852) 3128 0145. However, the Company will only provide you with an Policy Benefit Illustration based on the latest condition, policy status, assumptions or Company's level of dividends / bonuses (**for participating products**) or charges /current forecast crediting interest rates (**for universal life products**) as at the print date after the request is received.