

Insurance Authority (“IA”) Circular providing interpretation notes (“Circular”) relating to the Guideline on Sale of Investment-Linked Assurance Scheme (“ILAS”) Products

The Insurance Authority (“IA”) issues this Circular with the aim of providing further guidance to authorized insurers and licensed insurance intermediaries in respect of the sale process of ILAS products under the Guideline on Sale of Investment-Linked Assurance Scheme (“ILAS”) Products (GL26) (the “Guideline”).

This Circular is not intended to be a comprehensive guide and does not constitute legal advice. Authorized insurers and licensed insurance intermediaries are advised to seek professional legal advice if they have any questions relating to the application or interpretation of the relevant provisions of the Guideline.

This Circular does not have the force of law and should not be interpreted in a way that would override the provision of any law. The IA reserves the right to review and update this Circular from time to time. Unless otherwise specified, words and expressions in this Circular shall have the same meanings as given to them in the Guideline.

(Q&A 31A, 32A to 32E and 34 were added on 31 August 2021.)

(Q&A 11A was added on 28 December 2021. Appendices 1 and 2 were updated on 28 December 2021.)

(Q&A 11A was updated on 12 October 2022.)

		<u>IFS. Applicant’s Declarations</u>
Q	11A	The industry has come up with a proposition for an ILAS product with embedded high insurance protection called Protection Linked Plan (“PLP”). Does it mean the additional disclosure requirements added to the template for IFS and Applicant’s Declarations as referenced in new paragraphs 11, 12 and 13 of Appendix 1 are applicable to PLP?
A	11A	Yes. The industry has agreed that PLP should, as a minimum, meet the following criteria: 1. Death benefit: Before the insured reaches the age of 65, the minimum death benefit should be not less than the higher of: (i) 105% of account value; or (ii) prescribed percentage ¹ of total premiums payable less withdrawals at different issue ages before the insured reaches the age of 65.

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Issue Age	Prescribed % of total premium payable before age 65
0-45	150% or 200% or 250%
46-55	150% or 200%
56-64	150%

		<p>On or after the age of 65, the minimum death benefit should be not less than the higher of (i) 105% of the account value or (ii) total premiums paid less withdrawals.</p> <p>2. Fees and Charges: The policy holder may be charged either upfront charge or surrender charge, but not both. Single ongoing fee should be charged in fixed amount or based on account value at ILAS policy level.</p> <p>3. Optional protection features: Any additional protection features should be set as optional riders which require additional premium payment (i.e. unit deducting riders not allowed).</p> <p>4. Investment choices: At least one investment choice linked to an SFC- authorized Environmental, Social and Governance (“ESG”) fund should be provided for customers to choose. Each investment choice under the PLP should be solely linked to an SFC-authorized fund. Furthermore, at least one of the investment choices should facilitate de-risking of policy holders towards retirement² (e.g., life-style funds, target date funds, or arrangement that reduces investment risk as policy holders approach target retirement age, etc.).</p>

² The criteria of providing at least one of the investment choices facilitating de-risking of policy holders towards retirement shall become optional from 12 October 2022.