

# Standard Illustration for Participating Policies

## X Y Z LIFE ASSURANCE COMPANY LIMITED

[A] **IMPORTANT:**  
**THIS IS A SUMMARY ILLUSTRATION OF THE PROJECTED SURRENDER VALUE AND DEATH BENEFIT OF YOUR POLICY. IT IS INTENDED TO SHOW THE PROPORTION OF ANY NON-GUARANTEED ELEMENTS AND THE IMPACT OF CHANGE OF SUCH ELEMENTS UNDER SPECIFIED SCENARIOS. IN NO WAY IT SHOULD AFFECT THE TERMS AND CONDITIONS STATED IN THE POLICY DOCUMENT.**

[B] **Proposal Summary for ABC product**

1. Name of Life Insured:	Age :	Sex :	[C] Smoker / Non Smoker
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2. **Benefit Summary**

[D] Policy Currency:

Benefit Description	[E] [Initial] Sum Assured / Protection Amount	[F] [Initial] [M/Q/SA/A] Premium	Premium Payment Term	Benefit Term
Basic Plan Supplementary Benefits eg. Accidental Death Benefit Double Indemnity Hospital Income				

[G] Total [Initial] [M/Q/SA/A] Premium:

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Name of Applicant: \_\_\_\_\_ Signature : \_\_\_\_\_ Date : \_\_\_\_\_

**Effective no later than:**

**(1) 1 April 2016 for new products; and**

**(2) 1 January 2017 for new and existing policies of current products**

## 3. Basic Plan – Illustration Summary

[H] End of Policy Year	[I] Total Premiums Paid	SURRENDER VALUE				DEATH BENEFIT			
		[J-1] Guaranteed	Non-Guaranteed		[J-4] Total	[K-1] Guaranteed	Non-Guaranteed		[K-4] Total
			[J-2] Accumulated Dividends and Interest	[J-3] Terminal Dividend			[K-2] Accumulated Dividends and Interest	[K-3] Terminal Dividend	
1	<b>9,999,999</b>	<b>9,999,999</b>	9,999,999	9,999,999	9,999,999	<b>9,999,999</b>	9,999,999	9,999,999	9,999,999
2									
3									
4									
5									
10									
15									
20									
25									
30									
At age 65 (5-year interval)									
At Age 100									

Explanation on above illustration:

Please refer to the Explanation Notes Section.

Name of Applicant: \_\_\_\_\_ Signature : \_\_\_\_\_ Date : \_\_\_\_\_

## Surrender Value – Illustration Under Different Investment Return 3

### X Y Z LIFE ASSURANCE COMPANY LIMITED

The table below illustrates the impact on Surrender Value under Pessimistic and Optimistic scenarios. The projected benefits under the two scenarios are calculated assuming the investment returns are lower and higher than company's current assumed investment return respectively; while other factors affecting these values are assumed to remain unchanged. The two scenarios do not represent lower and upper bounds for the actual investment return; the actual amount of non-guaranteed benefits payable may be higher or lower than those illustrated. They only illustrate, for reference purposes, the projected variation of return of the company based on the investment policies and objectives adopted for this policy.

#### 4. Basic Plan – Surrender Value – Illustration Under Different Investment Return

[H] End of Policy Year	[I] Total Premiums Paid	SURRENDER VALUE						
		[J-1] Guaranteed	Pessimistic Scenario			Optimistic Scenario		
			Non-Guaranteed		[J-4] Total	Non-Guaranteed		[J-4] Total
			[J-2] Accumulated Dividends and Interest	[J-3] Terminal Dividend		[J-2] Accumulated Dividends and Interest	[J-3] Terminal Dividend	
1	<b>9,999,999</b>	<b>9,999,999</b>	9,999,999	9,999,999	9,999,999	9,999,999	9,999,999	9,999,999
2								
3								
4								
5								
10								
15								
20								
25								
30								
At age 65 (5-year interval)								
At age 100								

Explanation on above illustration:  
Please refer to the Explanation Notes Section.

Name of Applicant: \_\_\_\_\_ Signature : \_\_\_\_\_ Date : \_\_\_\_\_

**X Y Z LIFE ASSURANCE COMPANY LIMITED**

The table below illustrates the impact on Death Benefit under Pessimistic and Optimistic scenarios. The projected benefits under the two scenarios are calculated assuming the investment returns are lower and higher than company’s current assumed investment return respectively; while other factors affecting these values are assumed to remain unchanged. The two scenarios do not represent lower and upper bounds for the actual investment return; the actual amount of non-guaranteed benefits payable may be higher or lower than those illustrated. They only illustrate, for reference purposes, the projected variation of return of the company based on the investment policies and objectives adopted for this policy.

**5. Basic Plan – Death Benefit – Illustration Under Different Investment Return**

[H] End of Policy Year	[I] Total Premiums Paid	DEATH BENEFIT						
		[K-1] Guaranteed	Pessimistic Scenario			Optimistic Scenario		
			Non-Guaranteed		[K-4] Total	Non-Guaranteed		[K-4] Total
			[K-2] Accumulated Dividends and Interest	[K-3] Terminal Dividend		[K-2] Accumulated Dividends and Interest	[K-3] Terminal Dividend	
1	<b>9,999,999</b>	<b>9,999,999</b>	9,999,999	9,999,999	9,999,999	9,999,999	9,999,999	9,999,999
2								
3								
4								
5								
10								
15								
20								
25								
30								
At age 65 (5-year interval)								
At age 100								

Explanation on above illustration:  
Please refer to the Explanation Notes Section.

- (i) Sections 3, 4 and 5 are only summary illustrations of the major benefits of your Basic Plan excluding any supplementary benefits as shown in Section 2 (if applicable) and assume that all premiums are paid in full when due. You should refer to your intermediary or the company for more information or, if appropriate, a more detailed proposal.
- [optional] (ii) The amount of total premium(s) may differ slightly from the total of the premiums payable in the policy due to rounding differences.
- [only applicable to reversionary bonus plans] (iii) The face value of any reversionary bonus and terminal bonus will be paid when the company is paying the Death Benefit, whereas the cash value of these bonuses will be paid when the policy is surrendered in whole or in part or terminated (other than due to the death of the Insured). The cash value of these bonuses may not be equal to the face value of the bonuses.
- [only applicable to reversionary bonus plans] (iv) The face value of reversionary bonus is guaranteed once declared while the cash value of reversionary bonus is not guaranteed / [The face value and cash value of reversionary bonus are guaranteed once declared.]
- (v) The projected non-guaranteed benefits included in Section 3 are based on the company's dividend/bonus scales determined under current assumed investment return and are not guaranteed. The actual amount payable may change anytime with the values being higher or lower than those illustrated. As another example, the possible potential impact of a change in the company's current assumed investment return on the Total Surrender Value and the Total Death Benefit are illustrated in Sections 4 and 5. Under some circumstances, the non-guaranteed benefits may be **zero**.
- (vi) In Sections 4 and 5, benefits under Pessimistic Scenario are based on a decrease of about x% p.a. whereas benefits under Optimistic Scenario are based on an increase of about y% p.a. in comparing with the current assumed investment return.
- (vii) As illustrated in Sections 3, 4 and 5, you can leave the projected dividends and other cash payments with the company for interest accumulation at an interest rate which is not guaranteed. The current interest rate used to illustrate the effect of accumulation in Section 3 is A % pa. The actual interest rate may change from time to time with rate higher or lower than A %. In accordance with the change in the investment return under Pessimistic and Optimistic Scenario in Sections 4 and 5 as mentioned in note (v), the accumulation interest rate of B % and C % is used respectively. These rates are also not guaranteed. You may cash all or part of the amount of projected dividends and other cash payments without affecting the protection amount of Section 2 but the total values shown above will be reduced accordingly.
- (viii) When reviewing the values shown in the illustrations in Sections 3, 4 and 5, please note that the cost of living in the future is likely to be higher than it is today due to inflation.

## 7. Dividend / Bonus History

[Website address that shows dividend / bonus History]

You may browse the above website to understand the company's dividend / bonus history for reference purposes.

### Warning

- You should only apply for this product if you intend to pay the premium for the whole of the premium payment term.
- Should you terminate this product early or cease paying premiums early, you may suffer a significant loss.

### Declaration

I confirm having read and understood the information contained in this summary of illustrated benefits, and received the product brochure and the information regarding the relevant dividend/bonus history (if applicable).

Name of Applicant: \_\_\_\_\_ Signature : \_\_\_\_\_ Date : \_\_\_\_\_

## **HKFI Guidance Note on Illustration Document for Participating Policies**

### 1. **Purpose**

The purpose is to ensure each prospective policyholder is provided as a minimum with a summary illustration of the benefits of a participating insurance (except universal life).

### 2. **Standard Requirements**

The standard information to be included in the Illustration Document of a typical participating policy (except universal life) is set out on the attached sample format.

### 3. **Company Customization**

Companies may customize the Illustration Document, except otherwise stated, to exclude the information not applicable to the product and not relevant to customers; and to include additional information provided that such additional information is not misleading and does not otherwise detract from the information disclosed in the standard requirements. The additional information should be relevant to illustrate the product details to customers.

Despite that, companies are required to follow the insurance terminology specified in the template wherever possible for the sake of consistency across industry. In cases where the company has genuine need to use its own terminology, Insurance Authority ("IA") will consider on individual case basis depending on its justifications and whether the terminology is misleading or not. In addition, companies should follow the order of table whereby total premiums paid column is shown before the benefit payment columns, and surrender values are shown before the death payments.

Only those figures which are guaranteed can be highlighted (i.e. bold or color font). The Illustration Document can be prepared on more than one sheet of A4 paper, if necessary, with printing on both sides in which event there must be an indication that the illustration continues overleaf. Applicant's signature is required for all pages of the Illustration Document.

### 4. **Assumption setting**

In setting the best estimate assumptions for the base scenario, Appointed Actuary should have regard to the AGN on Best Estimate Assumptions by ASHK, in particular Appendix A, which provides guidance and consideration on setting the benefit illustration assumptions.

### 5. **Pessimistic and Optimistic Scenarios**

According to GN16, additional high and low return scenarios must be provided in the benefit illustration to show the variability of the ultimate results. A wider range of scenarios is expected for investment strategy with higher volatility. For consistency purpose, the terms "Pessimistic Scenario" and "Optimistic Scenario" should be used. The underlying change in investment returns and accumulation interest rate (if applicable) in these scenarios are required to be disclosed in the Explanation Notes underneath.

Companies are required to adopt 25<sup>th</sup> and 75<sup>th</sup> percentiles of the investment returns in the projections as pessimistic and optimistic scenarios (except otherwise as allowed by the IA after a company has demonstrated to the satisfaction of the IA that it has practical difficulties for so doing) while keeping other assumptions (except dividend/coupon accumulation interest rates, if applicable) unchanged. Companies could adopt a lower than 25<sup>th</sup> percentile as the pessimistic scenario but could not adopt a higher than 75<sup>th</sup> percentile as the optimistic scenario.

### 6. **Illustration Preparation**

An Illustration Document must be prepared by the company in conjunction with each policy to be issued. This document has to be provided to the prospective policyholder for review prior to signing the application form in which case the prospective policyholder must sign a Declaration as stated in the attached sample in respect of the illustration of benefits and premiums which will be those stated in the policy.

7. **Language & Font**

The Illustration Document will be in the same language(s) as used by the company in its other pre-sale literature. English or Chinese translation of the Illustration Document should be available to customers upon request. The Illustration Document should be presented in a font (i.e. typeface and size) that is easy to read and legible.

8. **Complaints or Disputes**

Companies are required to maintain records in respect of complaints or disputes arising from the issue of the Illustration Document and to provide these records to the HKFI and the IA upon request.

9. **Commencement Date**

The requirement to provide an Illustration Document based on this updated requirement will apply to all policies and come into effect with the same timeline as GN16, but companies are encouraged to comply with this request before such date.

**HKFI Guidance Note on Illustration Document for Participating Policies**  
**Explanatory Notes to Companies**

- A. This “health warning” is required to be stated clearly in the format shown at the beginning of all Illustration Documents.
- B. The Illustration Document is to be provided for each participating product/policy/plan offered by the company (except universal life). Only those figures which are guaranteed can be highlighted (i.e. bold and/or color font).
- C. If a Smoker/Non Smoker discount is provided then the appropriate class must be stated otherwise this section may be blank.
- D. If payment currency is different from policy currency or policy currency is other than Hong Kong Dollars, it should be stated clearly and the applicant should be aware of the relevant exchange rate risk.
- E. The protection amount could be a sum assured or the value of a regular payment as in the case of hospital income riders attaching to the policy. Where the sum assured varies, the initial sum assured at the policy commencement has to be stated.
- F. Where the premium varies over the premium payment term, the initial premium at the policy commencement has to be stated. The monthly, quarterly, semi-annually or annually premium actually paid by the policyholder is to be stated. In case of single premium, it should be stated as ‘Single Premium’ with premium payment term of 1.
- G. This is the total (initial) monthly, quarterly, semi-annually or annually premium paid by the policyholder for the basic plan and its riders (if applicable) which may differ from the sum of the individual monthly, quarterly, semi-annually or annually premiums depending on the rounding convention used by the company.
- H. Only End of Policy Year should be shown. Illustrations of benefits are to be provided to maturity and for the years:
- (a) stated for not less than 30 years (with a 5-year interval after policy year 5) or benefit term if shorter, and
  - (b) at age 65 or on the maturity of the policy if earlier, and
  - (c) at age 100 or on the maturity of the policy if earlier.
- I. The total premiums each year are the accumulated premiums actually due to be paid by the policyholder since policy inception.
- J-1. Guaranteed Surrender Value refers to the total of the values the company guarantees to pay upon total surrender of the policy provided premiums are fully paid. If the company offers no guaranteed cash values then the amounts shown must be zeros.
- J-2. Non guaranteed Surrender Value – Accumulated Dividends (or Reversionary Bonus) and Interest refers to the total of the non guaranteed annual/regular dividend (or cash value of Reversionary Bonus) projected to be declared by the company plus any interest accumulation on dividends or any guaranteed cash payments or endowments if the interest rate is not guaranteed.
- J-3. Non guaranteed Surrender Value – Terminal Dividend (or Bonus) refers to the non-guaranteed elements projected to be paid by the company upon total surrender of the policy provided premiums are fully paid (e.g. Terminal dividend or terminal bonus).
- J-4. Surrender Value is the total value of the policy including all guaranteed and non-guaranteed amounts (i.e. sum of J-1 to J-3).
- K-1. Guaranteed Death Benefit refers to the total of the values the company guarantees to pay upon death of the person insured. If the company offers no guaranteed death benefits then the amounts shown must be zeros.



- K-2. Non guaranteed Death Benefit – Accumulated Dividends (or Reversionary Bonus) and Interest refers to the total of the non guaranteed annual/regular dividend (or Reversionary Bonus) projected to be declared by the company plus any interest rate accumulation if the interest is non guaranteed on the dividends or any guaranteed cash payments or endowments.
- K-3. Non guaranteed Death Benefit – Terminal Dividend (or Bonus) refers to the non-guaranteed elements projected to be paid by the company upon death of the insured (e.g. Terminal dividend or terminal bonus).
- K-4. Death Benefit will include guaranteed death benefit, any projected dividends, reversionary bonus or terminal bonus and accumulated guaranteed cash payment or endowments paid by the company plus any interest rate accumulation (i.e. sum of K-1 to K-3) (please refer to Explanation Notes (iv) and (vi)).
- L. The date on which the illustration is generated or printed is to be provided for possible future reference.