

**Standard Illustration for Universal Life (Non-Linked) Policies**

XYZ LIFE ASSURANCE COMPANY LIMITED

[A] **IMPORTANT:**  
**THIS IS A SUMMARY ILLUSTRATION OF THE PROJECTED SURRENDER VALUE AND DEATH BENEFIT OF YOUR POLICY AND IN NO WAY AFFECTS THE TERMS AND CONDITIONS STATED IN THE POLICY DOCUMENT. THE ASSUMED CREDITING INTEREST RATES USED BELOW ARE FOR ILLUSTRATIVE PURPOSES ONLY. UNLESS OTHERWISE STATED, THEY ARE NEITHER GUARANTEED NOR BASED ON PAST PERFORMANCE. THE ACTUAL CREDITING INTEREST RATES MAY BE DIFFERENT!**

[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

### 3a. Basic Plan Illustration

The table below illustrates projected policy values under Guaranteed Basis/ Conservative Basis and Current Assumed Basis. Figures under Guaranteed Basis are calculated based on minimum guaranteed crediting interest rate, maximum scale of charges and exclude non-guaranteed bonus (if any). / [Figures under Conservative Basis are not guaranteed and are calculated based on minimum guaranteed crediting interest rate / crediting interest rate of 0% p.a., maximum charges / current charges (which may be subject to changes), and exclude non-guaranteed bonus (if any).] Figures under Current Assumed Basis are calculated using current forecast crediting interest rate, current charges (which may be subject to changes), and include non-guaranteed bonus (if any), and are not guaranteed. The actual amount payable may be lower or higher than those illustrated. Under certain circumstances, the non-guaranteed bonus may be zero (if applicable). The current assumed crediting interest rate illustrated by the company shall in no way be interpreted as a projection or estimation of the future returns. The future crediting interest rate may be lower or higher. Details of the maximum and current scale of charges are presented in Summary of Charges.

[H] End of Policy Year	[I] Total Premiums Paid	[L] Guaranteed Basis / Conservative Basis			[M] Current Assumed Basis		
		[Description of Minimum Guaranteed Crediting Interest Rate / 0% p.a.]			[Description of Current Assumed Crediting Interest Rate]		
		Maximum / Current charges are applied			Current charges are applied		
		[J] Account Value	[J] Surrender Value	[J] Death Benefit	[K] Account Value	[K] Surrender Value	[K] Death Benefit
1							
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: \_\_\_\_\_

**3b. Basic Plan Illustration (Optional)**

The table below illustrates the impact on Account Value, Surrender Value and Death Benefit under Pessimistic and Optimistic Bases. All figures illustrated are not guaranteed and calculated based on pessimistic and optimistic view of future crediting interest rates, current scale of charges and include non-guaranteed bonus (if any). The two bases do not represent lower and upper bounds for the actual crediting interest rate. They only illustrate, for reference purposes, the projected variation of Account Value, Surrender Value and Death Benefit of this policy based on the investment policies and objectives adopted by the company. The actual amount payable may change anytime with the values being lower or higher than those illustrated. Under certain circumstances, the non-guaranteed bonus may be zero (if applicable). The crediting interest rates illustrated by the company shall in no way be interpreted as a projection or estimation of the future returns. The future crediting interest rate may be lower or higher. Details of the current scale of charges are presented in Summary of Charges.

[H] End of Policy Year	[I] Total Premiums Paid	[N] Pessimistic Basis			[N] Optimistic Basis		
		Crediting Interest Rate: X% p.a.			Crediting Interest Rate: Y% p.a.		
		Current Charges are applied			Current Charges are applied		
		[O] Account Value	[O] Surrender Value	[O] Death Benefit	[O] Account Value	[O] Surrender Value	[O] Death Benefit
1							
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: \_\_\_\_\_

#### 4. Explanation Notes

- (i) The above is only a summary illustration of the major benefits of your policy. You should refer to your intermediary or the company for more information or, if appropriate, a more detailed proposal.
- (ii) The Basic Plan Illustration in Section 3a and Section 3b (optional) relates to your Basic Plan excluding any riders or additional benefits as shown in Section 2 (if applicable). It assumes that all premiums are paid in full as planned without exercising the premium holiday option.
- [optional] (iii) The amount of total premium(s) may differ slightly from the total of the premiums payable in the policy due to rounding differences.
- (iv) When reviewing the values shown in the above illustration, please note that the cost of living in the future is likely to be higher than it is today due to inflation.

#### 5. Crediting Interest Rate History

[Website address that shows historical crediting interest rate history]

You may browse the above website to understand the company's crediting interest rate history for reference purposes. Please be reminded that the crediting interest rates shown on the website are before any relevant policy charges (e.g. cost of insurance, policy administration fees, etc).

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

## Summary of Charges

The scales of charges used in the Basic Plan Illustration in Section 3 are set out below. The current scale of charges, unless otherwise specified, is not guaranteed and is subject to the company's sole discretion to change with prior written notice to policyholders # months before effective (note: the # cannot be less than 1).

1) Premium Charge

x% of each premium paid will be deducted upfront.

2) Surrender Charge

You will be subject to a surrender charge if policy termination occurs before Nth policy year [or policy maturity if applicable] based on the following table.

Policy year	Surrender charge rate on [Account Value] [P]
1	
2	
3	
etc	

3) Cost of Insurance

Amount of cost of insurance depends on Insured's attained age, sex, smoking habit, sum assured, cost of insurance rates in the following table. The cost of insurance rates is applied to [sum at risk, which is the higher of sum assured less account value and zero]. The company retains the right to increase the cost of insurance rates up to the maximum rates as specified [if maximum rate is applicable] / The company retains the right to increase the cost of insurance rates above the current rates without limit [if maximum rate is not applicable].

Policy year [Q]	Attained age	Cost of insurance rate (Current rates)	Cost of insurance rate (Maximum rates) [R]
1			<u>(Mark "N.A." if not applicable)</u>
2			
3			
Etc			
(end of policy year)	(age at maturity)		

4) Policy Administration Fee

The policy administration fee will be charged from your policy account according to a percentage of your [account value] varied with policy year based on the following table. The company retains the right to increase the policy administration fee up to the maximum rates as specified [if maximum rate is applicable] / The company retains the right to increase the policy administration fee above the current rates without limit [if maximum rate is not applicable].

Policy year	% of [Account Value] (Current rates)	% of [Account Value] (Maximum rates) [R]
1		<u>(Mark "N.A." if not applicable)</u>
2		
3		
etc		

5) All other current and maximum (if available) fees and charges (e.g. Policy fee, etc) should also be included and disclosed as appropriate.

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

**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.
- Your policy may terminate if (i) the Account Value is insufficient to pay the charges, or (ii) policy loan balance (if applicable) exceeds the Account Value.

**Declaration**

I confirm having read and understood the information contained in this summary of illustrated benefits together with the Summary of Charges of this illustration document, and received the product brochure and the information regarding the relevant crediting interest rate history (if applicable).

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

## **HKFI Guidance Note on Illustration Document for Universal Life (Non-Linked) 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 universal life (non-linked) insurance.

### 2. **Standard Requirements**

The standard information to be included in the Illustration Document of a typical universal life (non-linked) policy 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 may be 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 and/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. **Charges**

The charges adopted in producing the illustration have either to be those used currently by the company or if different then this must be clearly stated and the charges could be higher than that of the current level. Companies are reminded that no misleading statement, promise or representation is made in the illustration, and that the Appointed Actuary has the responsibility to take all reasonable steps to ensure that the company's potential policyholders should not be misled as to their expectations.

### 5. **Rate of Return**

Companies should project the values using two different assumptions. The first one is based on the minimum guaranteed crediting interest rates prescribed under the policy. If the policy does not offer any minimum guaranteed crediting interest rate, a conservative crediting interest rate of 0% per annum should be used. The second one is based on the current assumed crediting interest rate (i.e. the current crediting interest rate assumption based on best estimate) forecast by the companies. The crediting interest rates are before policy charges. In setting the best estimate assumptions in the Current Assumed Basis, 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.

### 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 on the same timeline as GN16, but companies are encouraged to comply with this request before such date.



**HKFI Guidance Note on Illustration Document for Universal Life (Non-Linked) 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 universal life (non-linked) product/policy/plan offered by the company. 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 may be a sum assured or the value of a regular payment as in the case of hospital income for riders attaching to the policy. Where the sum assured varies, the initial sum assured is 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. Account Value, the total benefit amount payable on total surrender of the policy and the total benefit amount payable on death under Guaranteed Basis / Conservative Basis shall include only the guaranteed benefit and exclude any non-guaranteed bonus.
- K. Account Value, the total benefit amount payable on total surrender of the policy and the total benefit amount payable on death under Current Assumed Basis shall include both the guaranteed and non-guaranteed bonus.
- L. Under Guaranteed Basis or Conservative Basis, minimum guaranteed crediting interest rate (or 0% p.a. if not available) and maximum scale of charges (or current scale of charges if not available) should be adopted in the projection. The term “Guaranteed Basis” can only be used if and only if all values under the projection are guaranteed; otherwise, the term “Conservative Basis” should be used.
- M. Under Current Assumed Basis, current best estimate crediting interest rate and current scale of charges should be adopted in the projection. From time to time, current best estimate crediting interest rate may not be the same as the current crediting interest rate.
- N. Illustration based on an assumed crediting interest rate under Pessimistic and Optimistic Basis. This illustration is optional and can be shown only if:
- (a) the plan has significant (which is 20% or more) target equity investment, and
  - (b) in the opinion of the company’s appointed actuary, the optional illustration is not misleading to the applicants.

This illustration is allowed mainly for demonstration of variability of crediting interest rates due to exposure of equities. It should not be used as benchmark for future crediting interest rates in misleading applicants.

Companies are required to adopt 25<sup>th</sup> and 75<sup>th</sup> percentiles of the investment returns in the projections (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) as pessimistic and optimistic scenarios while keeping other assumptions (except dividend/coupon accumulation interest rates, if applicable) unchanged.

- O. Account Value, the total benefit amount payable on total surrender of the policy and the total benefit amount payable on death under Pessimistic Basis and Optimistic Basis shall include both the guaranteed and non-guaranteed bonus.
- P. Surrender charge rates / surrender charge amount (if applicable) should be disclosed. For surrender charge rates shown, the base to which the rates apply should be clearly stated.
- Q. Cost of Insurance rates in each of the first 10 policy years should be disclosed. For charges in later years, companies can show the rates with a 5-year interval until maturity.
- R. A column disclosing maximum rates of charges should be shown. In case there is no maximum charge, "N.A." should be marked in the column to represent 'not applicable'.
- S. The date on which the illustration is generated or printed is to be provided for possible future reference.