

HKFI GUIDANCE NOTE ON ILAS ILLUSTRATION DOCUMENT

(I) Objective

The objective of this Guidance Note is to ensure that there is more consistency of approach in the illustration documents for ILAS policies, to ensure that customers receive proper information and disclosure and that the rates of illustration are appropriate to the current investment environment.

(II) Background

The contents of this Guidance Note have been created by the Life Insurance Council of the HKFI. Office of the Commissioner of Insurance and the Securities and Futures Commission, have been consulted about the contents of this Guidance Note.

(III) Guideline

Insurers have the choice of one of the two options below to illustrate the assumed rates of return:

- 1) four assumed rates of return for illustration, 0%, 3%, 6% and 9% on two pages with surrender value and death benefit shown on first and second page respectively, and
- 2) three assumed rates of return for illustration, 0%, 3% and 6% on one page with both surrender value and death benefit shown on the same page.

For both options, other than the 0% assumed rate of return, all rates of return are maximum rates and insurers can choose to illustrate lower rates. For further details regarding the above options, please refer to the sample templates attached in appendix A and B.

The illustration is prepared so that it includes all policy level charges but not the fund management charges. Here, the fund management charges are defined as solely the charges charged by fund managers.

Any charges applied by insurers in the form of fund management charges should be reflected through the numerical illustration no matter whether the charge is deducted through unit deduction or the charge is reflected through its unit price calculation (i.e. under the circumstance of “mirror fund”). For example, if there is a fund management charges applied by insurers either directly or in the form of “mirror fund”, above charges should be part of the numerical illustration e.g. if there is a 1% fund management charge accruing to the insurer and a 1.5% fund management charge accruing to the fund house then the expectation is that the numerical illustration will include the 1% charge mentioned above and the 1.5% fund management charge accruing to the fund house will be mentioned in the notes to the illustration.

Since it is possible to have zero policy value in a low investment yield scenario and only positive policy values in the high investment yield scenarios, a clear statement should be in place to remind policyholders regarding this situation like:

“Under the projection at x% investment return, your policy will remain in force up to an attained age of xx of the individual insured. The policy will terminate afterwards.” Please kindly note that above statement should cover the respective 0%, 3%, 6% and 9% investment return scenarios if applicable.

For example, assume that the projected policy value will become zero when the insured reaches attained age 58 and 67 under the assumed rates of return at 0% and 3% respectively. Below reminder statement will be in place in the illustration.

“Under the projection at 0% and 3% investment return, your policy will remain in force up to an attained age of 57 and 66 of the individual insured respectively. The policy will terminate afterwards. Your policy may also terminate under other adverse investment scenarios. If the actual investment return is below the above projected investment return, the policy may terminate earlier than above attained age(s). You could lose all your premiums paid and benefits accrued if any condition of automatic early termination is triggered.”

Under above example, 6% and 9% investment return is not applicable since the projected policy value will not become zero before the end of the illustration period.

The projected surrender values should be shown as at the end of each of the first five years of the contract, and for every fifth year thereafter until maturity or the end of policy whichever is applicable, after deduction of all relevant charges as described in the above approach. The number of policy year should not be illustrated higher than customer’s age at one-hundred (100). Besides, the last few lines should be illustrated by “at age 90”, “at age 95” and “at age 100” for the better understanding of customers.

The declaration in the notes should include reference to the fact that the fund management charges levied by the fund houses are not included in the illustration. Hence, the gross return required is higher (see example for the standard wording).

A warning statement is required alerting the proposer that early surrender or early premium discontinuance may result in significant loss. The standard wording for this is shown in the example illustration.

Insurers will be required to prepare an illustration reflecting the particulars of the customer (rather than using a standard illustration for all customers). The particulars of the customer should include but not limited to age, gender, target product, target premium amount, payment term and currency.

Insurers should present the illustration document in a font (i.e. typeface and size) that is easy to read and legible.

The principles and intent in this guideline should apply towards all pages of the benefit illustration.

The Appointed Actuary should be responsible for the accuracy of the calculations and the preparation of the illustration so that the presentation of the illustration will not mislead the customers.

(IV) Effective Date

Insurers which sell ILAS products are required to implement this Guidance Note no later than 1st January 2015. Early adoption before the effective date is highly recommended.

Questions regarding the interpretation of this Guidance Note should be addressed to the HKFI.

退保說明文件須披露的資料

根據以下資料作出的退保發還金額及身故賠償額說明：

產品名稱：[產品名稱]

保險公司名稱：[保險公司名稱]

申請人名稱：[申請人名稱]

以下假設的比率僅作說明之用，並非一項保證或按照過往業績為基礎，亦非根據過往表現釐定，因此與實際的回報率可能有所差別！

注意：

下文僅概括說明〔產品名稱〕的退保發還金額及身故賠償額(表列在下一頁)，旨在根據下述的假設顯示出有關的費用和收費如何影響退保發還金額及身故賠償額，然而卻絕不影響保單所訂明的條款及條件。

合約年期：[實際合約年期]

[保費供款年期:] [(如有別於實際合約年期)]

保費: [實際保費金額]

假設回報率：以每年0%、[3%]、[6%] 及 [9%] 說明ⁱ

預計退保發還金額 - 以[產品名稱][定期/一次過繳付]保費(供款[\$XXX]，共[XXX 期])計					
保單生效後的年數	保單生效後繳付的保費總額	假設淨回報率為每年0%*	假設淨回報率為每年[3%]*	假設淨回報率為每年[6%]*	假設淨回報率為每年[9%]*
1					
2					
3					
4					
5					
10					
XX					

聲明

我確認已閱讀及明白本退保說明文件所提供的資料，並已收到本計劃的主要推銷刊物。

簽署及日期：_____

[申請人全名(以正楷填寫)]

ⁱ 此等假設回報率必須符合香港保險業聯會的壽險總會不時發出的指引。

(Effective no later than 1st January 2015)

預計身故賠償額 - 以[產品名稱][定期/一次過繳付]保費(供款[\$XXX], 共[XXX 期])計					
保單生效後的年數	保單生效後繳付的保費總額	假設淨回報率為每年0%*	假設淨回報率為每年[3%]*	假設淨回報率為每年[6%]*	假設淨回報率為每年[9%]*
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* 以上說明摘要所列出的退保發還金額及身故賠償額，是根據淨回報率計算。淨回報率是經扣除基金公司收取的基金費用及收費後的淨額回報，而基金費用及收費會因基金不同而有所分別。假設基金費用及收費為每年 [1.50%]，根據以上說明摘要，總回報率則分別為每年[1.50%]、每年[4.50%]、每年 [7.50%] 及每年[10.50%]。關於基金費用及收費詳情，請參閱有關基金的銷售文件。請注意，如果你日後轉換基金，本說明摘要可能未必適用於屆時情況。如欲了解詳情，請向你的顧問查詢。如你選擇的是貨幣市場基金或定息基金，上述的假設回報率在很多情況下會被視為偏高，如低息環境持續，可取得上述回報率的機會不大。無論屬首次或日後的基金選擇，你應諮詢你的財務顧問以獲取更多有關該等基金的資料。

[以每年0%[及b%]為假設回報率，你的保單將維持有效至受保人分別年屆x[及y]歲，有關保單因而會被終止。你的保單亦可能會因應其他不利的投資情況而終止。若實際的投資回報率低於上述假設回報率，你的保單可能在到達以上年齡前提早被終止。假如出現保單自動提早終止的情況，你會因此損失所有已付的保費及累算權益。]

警告： 除非你有意就已選擇的保險計劃年期支付全期保費，否則不應投資於本產品。如果你提早終止投資於本產品或提前停止支付保費，則可能會蒙受重大損失。

聲明

我確認已閱讀及明白本退保說明文件所提供的資料，並已收到本計劃的主要推銷刊物。

簽署及日期：_____

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		退保發還金額	身故賠償額	退保發還金額	身故賠償額	退保發還金額	身故賠償額
1							
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