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 in that it is not subsidiary legislation and should not be interpreted in a way that would override the provision of any law. Failure to follow the requirements in this Circular, however, may result in an authorized insurer contravening the related provision of the Guideline which this Circular supplement, the potential consequences of which are stated in paragraph 3.2 of the Guideline. 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.)

(Q&A 5 was updated on 30 October 2026. Q&A 5A was added on 30 October 2026.)

		General Questions
Q	1	Paragraph 1.2 of the Guideline specifies that ILAS products are long term contracts of insurance which provide both life insurance protection and investment options. What are the requirement(s) of life insurance protection for ILAS products?
A	1	ILAS products should bring insurance value to customers. At a minimum, therefore, ILAS products should provide a death benefit of at least 105% of the account value of the contracts except annuity policies written under linked long term business which are at the phase of annuitization. Of course, authorized insurers may (and are encouraged to) provide additional insurance benefits beyond this minimum level.
Q	2	Paragraph 4.1 of the Guideline specifies that customers should be given adequate opportunity to consider the risks, key features and the fees and charges structure of the ILAS product (including those of the underlying investment choices) before deciding to purchase the product. What matters should an authorized insurer and licensed insurance intermediary focus on to achieve this?
A	2	Both authorized insurers and licensed insurance intermediaries should provide sufficient time and resources for customers to understand the risks, key features and the fees and charges structure of the ILAS product (including those of the underlying investment choices). Presentation of information should be clear and

		easily understandable. They should allow customers to contact them for any questions before purchasing the ILAS products. Authorized insurers and licensed insurance intermediaries should also alert customers about their cooling-off rights.
Q	3	Paragraph 4.2 of the Guideline sets out the steps in the sale process of an ILAS product in order to achieve the objectives of the Guideline. Can an authorized insurer and licensed insurance intermediary use digital devices in the sale process?
A	3	The Guideline does not mandate the use of any particular medium (i.e. paper-based application, etc.) in the sale process. As such, authorized insurers and licensed insurance intermediaries may use digital devices in the sale process provided the objectives of the Guideline are achieved and the standards and practices stated in the Guideline are followed. Where signatures are required, digital signatures or other similar signature verification technology are permitted.
Q	4	Paragraph 4.2(i) of the Guideline refers "unusual" features of an ILAS product and requires licensed insurance intermediaries to take additional care when explaining the unusual features at the point-of-sale. What are the "unusual" features of an ILAS product? Are there any specific requirements on the extent of "additional care" to be taken?
A	4	Whether or not a relevant feature(s) is "unusual" should be assessed from the point of view of the customer looking to purchase the ILAS product. As such, it would generally depend on the knowledge and experience of a particular customer, which the licensed insurance intermediary should ascertain during the Risk Profile Questionnaire ("RPQ") process. Paragraph 4.2(i) references certain types of product features which may be considered "unusual" for guidance, but this list should not be considered as prescriptive or exhaustive. Licensed insurance intermediaries are required to identify and explain the unusual features (in respect of the ILAS product(s) being recommended by the licensed insurance intermediaries) to customers for their understanding. As stated in paragraph 4.3 of the Guideline, authorized insurers, licensed insurance agencies and licensed insurance broker companies are required to put in place an effective operational control mechanism and provide appropriate and regular training to licensed insurance intermediaries and staff, where appropriate, to ensure that the process as set out in this Guideline is duly completed. The relevant operational control mechanism and training should cover the above requirement(s) relating to the unusual features.
		<u>The RPQ Process</u>
Q	5	Paragraph 6.3 of the Guideline states that authorized insurers, licensed insurance agencies and licensed insurance broker companies may develop their own form of RPQ, subject to such RPQ conforming with the objectives, standards and practices in the Guideline. Are there any specific requirements as to the format of and questions that should be included in the RPQ?
A	5	As stated in paragraph 6.1 of the Guideline, the objective of the RPQ process is for an assessment of a customer's investment risk appetite to be made, and to determine if a particular ILAS product and its underlying investment choices are suitable for the customer, before making a recommendation. Given this objective, the RPQ:

		• may be either presented as a separate form, or included as a section within another point-of-sale document such as the application form; • must be clearly identified with the name of "Risk Profile Questionnaire" or other appropriate set of words that clearly conveys its purpose; and • must be completed for suitability assessment purposes, before any recommendation of an ILAS product is made to the customer. As stated in paragraph 6.2 of the Guideline, the form of the RPQ should include, as a minimum, questions covering the following areas: (a) investment objectives; (b) preferred investment horizon; (c) risk tolerance; (d) financial circumstances; and (e) knowledge (including investment knowledge in derivatives) and experience (including experience in investment and the period of such experience). Licensed insurance intermediaries should assess the customer's investment knowledge in derivatives before recommending an ILAS product to the customer. In assessing the customer's investment knowledge in derivatives, licensed insurance intermediaries are required to make appropriate enquiries of and gather relevant information about customers during the RPQ process so as to enable such assessment to made. Prior trading experience by customers in derivative funds or in selecting derivative funds as underlying investment choice(s)[1] (whether or not such investment choice(s) were made under an insurance product) can be regarded as one of the criteria for assessing investment knowledge in derivatives. If an authorized insurer, a licensed insurance agency or a licensed insurance broker company modifies its RPQ, any such modification must be justifiable on the basis that, (i) the substantive meaning of the information as stated above is retained in spite of the modification; (ii) in spite of the modification, the principle of "fair customer treatment" and the objective of the RPQ in paragraph 6.1 of the Guideline continue to be satisfied; and (iii) the reason(s) for such modification must be documented. Any documentation or record relating to the modification to the RPQ will be subject to the IA's inspection/review as the IA considers appropriate.
Q	5A	The revised "Code on Unit Trusts and Mutual Funds" issued by the Securities and Futures Commission ("SFC") shall become effective on 1 November 2026. The "derivative fund" classification will cease to apply, and SFC-authorized funds will be classified as either "complex products" or "non-complex products"[2]. What are the consequential implications of the revised classification framework on the applicable requirements under the Guideline and this Circular?

[1] This refers to where the customer has either invested in derivative funds before or, for example, selected a derivative fund as a linked investment for an ILAS product which the customer has previously purchased. For the avoidance of doubt, please also refer to Q&A 5A below for elaboration of requirements applicable to "derivative(s)", "derivative fund(s)", and "complex product(s)" under this Circular.

[2] For details of the classification of "complex products" and "non-complex products" effective on 1 November 2026, please refer to the revised "Code on Unit Trusts and Mutual Funds" and the classification indicated for the relevant fund(s) on the SFC's "List of publicly offered investment products" webpage (which may be updated from time time).

A	5A	With effect from 1 November 2026, for the purpose of this Circular: (a) any reference to "derivative(s)" in respect of the assessment of investment knowledge shall be construed as a reference to "any derivative(s) and/or SFC-authorized fund(s) classified as complex product(s)[3] (including those which may have derivative usage), depending on the nature of the underlying investment choice(s)"; and (b) any reference to "derivative fund(s)" shall be construed as a reference to "any SFC-authorized fund(s) classified as complex product(s) (including those which may have derivative usage) that are made available as an underlying investment choice(s) under an ILAS product", for compliance purposes. Authorized insurers should complete the necessary amendments and updates to their sales documents, marketing materials and other relevant documentation, etc. as soon as practicable and, in any event, no later than the 12-month transitional period from the effective date of 1 November 2026.
Q	6	Further to Q&A 5, please clarify what should be done in a situation where, in the case of application of a base plan or a top-up investment to an existing ILAS policy, the information collected in the RPQ process by the licensed insurance intermediary is insufficient for an assessment of a customer's investment risk appetite by the authorized insurer.
A	6	This situation may arise, for example, where the licensed insurance intermediary has used his/her own RPQ form for a customer's base plan application or top-up investment application, and the form does not exactly align with the RPQ form of the authorized insurer to assess a customer's investment risk appetite. Given that such ultimate responsibility lies with authorized insurers, in this situation the authorized insurer may either require, via the licensed insurance intermediary, that additional information to be provided by the customer, or that the customer complete the authorized insurer's own RPQ form.
Q	7	What is the extent and granularity of the information that should be collected in the RPQ?
A	7	The extent and granularity of the information to be collected in the RPQ may vary depending on the particular circumstances of the target customers and the mode of operation of the distribution channel. In any event, the objective of the RPQ process is for an assessment to be made of a customer's investment risk appetite, and to determine if a particular ILAS product and its underlying investment choices are suitable for the customer, before making a recommendation. The extent and granularity of the information collected should be benchmarked against achieving this objective.
Q	8	What is the validity period of a completed and signed RPQ form?

[3] Authorized insurers should refer to the prevailing classification of the relevant fund(s) under the SFC's applicable requirements and any guidance, circulars, frequently asked questions etc. issued by the SFC from time to time for the purpose of determining whether a fund is classified as a complex product. Virtual asset funds are currently classified by the SFC as complex products.

A	8	A completed and signed RPQ form is valid for 12 months from the date the customer signs it. The customer should be reminded to inform the relevant authorized insurer or the licensed insurance intermediary of any material changes to the information provided during the RPQ process. For the avoidance of doubt, the requirements as set out in paragraph 4.2(e) of the Guideline are also applicable to applications for new base plan(s).
Q	9	Referring to paragraph 4.2(e) of the Guideline, what are the requirement(s) of the RPQ process if a customer purchases a top-up investment from the same authorized insurer or via the same licensed insurance intermediary within 12 months from the completion of the previous RPQ process (in relation to applications for base plan or top-up)?
A	9	In the event that a customer purchases a top-up investment from the same authorized insurer or via the same licensed insurance intermediary within 12 months from the completion of the RPQ process for a previous purchase, the authorized insurer or the licensed insurance intermediary may rely on the information provided in the previous RPQ form provided that the customer confirms, for example, in writing that there have been no material changes in the circumstances to the customer's situation since its completion. Whenever any material change to the information is brought to the authorized insurer's or licensed insurance intermediary's attention, then the authorized insurer or licensed insurance intermediary should ask the customer to complete an updated RPQ for the purpose of assessing the suitability of the top-up investment which the customer purchases. For the avoidance of doubt, top-up investment does not include contractual increases due to indexation.
		IFS, Applicant's Declarations and Remuneration Disclosure
Q	10	What should the presentation format of an Important Facts Statement ("IFS") and Applicant's Declarations be?
A	10	An IFS together with Applicant's Declarations may be either presented as a separate form, or included as a section within another point-of-sale document such as the application form. In any event, it must be clearly identified as an "Important Facts Statement" and "Applicant's Declarations" or an appropriate set of words that clearly conveys this purpose.
Q	11	Does the IA have a template for an IFS and Applicant's Declarations as referenced in paragraph 7.3 of the Guideline? Please clarify the requirement(s) on the customer's reasons/ considerations for procuring the ILAS policy as set out in paragraph 1 "Statement of Purpose" of the IFS.
A	11	Yes, the template can be found in **Appendix 1**. Customer's reasons/considerations should duly reflect the requirements as set out in paragraph 1.2 of the Guideline, i.e. ILAS products are long term contracts of insurance which provide both life insurance protection and investment options, under paragraph 1 "Statement of Purpose" of the IFS.
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[4] of total premiums payable less withdrawals at different issue ages before the insured reaches the age of 65. 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. 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. 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). 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 retirement[5] (e.g., life-style funds, target date funds, or arrangement that reduces investment risk as policy holders approach target retirement age, etc.).
Q	12	Paragraph 7.1 of the Guideline indicates that one of the objectives of the IFS/Applicant's Declarations is to provide disclosure of the licensed insurance intermediaries' remuneration to the customer. What information on remuneration should be disclosed?
A	12	Authorized insurers are required to calculate and disclose in a fair and consistent manner the "all-year-average" remuneration payable to licensed insurance intermediaries based on the calculation methodology and disclosure format as set out in the Licensed Insurance Intermediaries' Remuneration Disclosure – Guide on Calculation Methodology and Disclosure Format at **Appendix 2**.

[4]

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%

[5] 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.

		The IFS must also expressly state that customers may ask their licensed insurance intermediaries for more details in respect of the remuneration information given. Reference should also be made to paragraph 7.6 of the Guideline with regards to the approach that should be formulated in handling such requests/enquiries from customers on remuneration.
Q	13	Can authorized insurers modify the IFS/Applicant's Declarations and, if so, under what circumstance(s) may they make such modifications?
A	13	The template for the IFS/Applicant's Declarations has been formulated with the aim of achieving the objectives in relation to these processes stated in paragraph 7.1 of the Guideline. Any modification must only be made if these objectives continue to be achieved in spite of the modification. For this purpose, if modification is contemplated, the following approach should be used. The "Statement of Purpose" must remain free format (i.e. no options should be pre-set as default options). Authorized insurers may make other necessary modifications on the IFS/Applicant's Declarations with due regard to the features and risks of their ILAS products. Any such modification must be justifiable on the basis that, (i) the substantive meaning of the information (in **Appendix 1**) is retained in spite of the modification; (ii) in spite of the modification, the principle of "fair customer treatment" and the objectives in paragraph 7.1 of the Guideline continue to be satisfied, and (iii) the reason(s) for such modification must be documented. Any documentation or record relating to the modification to the IFS will be subject to the IA's inspection/review as the IA considers appropriate.
Q	14	Please clarify the requirement(s) on the presentation of information for ILAS products in the IFS, in particular for those with complex charging and tenure-specific structures.
A	14	Authorized insurers are required to ensure that information contained in the IFS for their ILAS products are accurate, in plain language and in legible font size which can be easily understood and read by the average customer. Disclosure on fees and charges in the IFS should provide customers with a clear picture of the overall impact of all fees and charges on the ILAS product. For ILAS products with complex charging and tenure-specific structures, authorized insurers may provide the information in a table format in which all charges throughout the entire tenure are set out. Where an "all encompassing" table is used to show all tenure-specific charges, authorized insurers or licensed insurance intermediaries are required to highlight the specific charges that apply to the period which are applicable to the customer and delete inapplicable charges, as appropriate.
Q	15	Please clarify whether the contents of an IFS may be varied for ILAS products that are distributed through different distribution channels.
A	15	The template in **Appendix 1** incorporates certain wordings which should be used where the licensed insurance intermediary is a licensed insurance broker. Authorized insurers and licensed insurance intermediaries should also observe the relevant requirements imposed by the Hong Kong Monetary Authority from time to time with respect to the bancassurance channel, including its specific requirements in relation to the IFS.

Q	16	Paragraph 4.2(g) of the Guideline requires that the IFS/Applicant's Declarations must be completed for top-up applications. Are there any items of IFS/Applicant's Declarations which can be exempted for top-up applications?
A	16	Referring to the template provided by the IA (in **Appendix 1**), all items of the IFS, except paragraph 2 (Cooling-off period) and paragraph 4 (Long-term features) (for some legacy products without a Product Brochure and/or Product Key Facts Statement), should be completed for top-up applications. For the avoidance of doubt, "Section III: Suitability Declaration" of Applicant's Declarations is required for top-up on ILAS policies where FNA and RPQ have been performed. In the case where the FNA and RPQ processes are not required under the circumstances specified in paragraph 4.2(e) of the Guideline, "Section III: Suitability Declaration" of Applicant's Declarations should be completed based on the previous FNA and/or RPQ as referred in paragraph 4.2(e) of the Guideline that are being relied on.
Q	17	Please clarify the requirement(s)/the manner under which a completed IFS and Applicant's Declarations form using the template provided by the IA must be signed and dated by the customer and the licensed insurance intermediary as specified in paragraph 7.4 of the Guideline.
A	17	A completed IFS and Applicant's Declarations form must be signed and dated by the customer and the licensed insurance intermediary in the following manner: (a) The customer and the licensed insurance intermediary must sign and date the IFS and the declaration in "Section I: Disclosure Declaration" under the Applicant's Declarations to confirm that the customer understands and accepts the highlighted features of the product. (b) The customer and the licensed insurance intermediary must sign and date the declaration in "Section II: Affordability Declaration" under the Applicant's Declarations for a policy in respect of which regular premium payments are required. (c) The customer must tick one of either Box A or B in "Section III: Suitability Declaration" under the Applicant's Declarations: (i) Box A should be ticked where the licensed insurance intermediary and the customer agree that the product (and its underlying investment choices) is suitable for the customer, based on the information provided by the customer as part of the Financial Needs Analysis ("FNA") and RPQ processes. (ii) Box B should be ticked by the customer in a situation where the product (and/or its underlying investment choices) may not be suitable for the customer based on the information disclosed in the FNA and RPQ. In addition, whenever Box B is ticked, the customer must provide sufficient explanation as to why he/she has decided to proceed with the application, notwithstanding that the product (and/or its underlying investment choices) may not be suitable.

		(iii) The customer and the licensed insurance intermediary must sign and date at the bottom of "Section III: Suitability Declaration" under the Applicant's Declarations.
		Effective Controls and Procedures in relation to Suitability Checks and Product Disclosure
Q	18	Paragraph 8.2 of the Guideline requires that, where appropriate, authorized insurers should follow up via the licensed insurance intermediaries concerned, e.g. in case of mismatch. Under what circumstances is a mismatch considered to arise and what follow-up actions should be taken when a mismatch does arise?
A	18	When a licensed insurance intermediary recommends an ILAS product (including its underlying investment choices) which does not meet the needs or affordability of, or match the risk profile, etc. of the customer based on the information collected during the FNA and RPQ processes, this is regarded as a "mismatch". Authorized insurers, licensed insurance agencies and licensed insurance broker companies must put in place appropriate control measures to handle mismatch cases based on the principle of "fair customer treatment". Where a mismatch exists and the licensed insurance intermediary makes a recommendation despite the mismatch, the licensed insurance intermediary is required to clearly explain the mismatch to the customer and why (despite the mismatch) the product (including its underlying investment choices) is still recommended to the customer. The licensed insurance intermediary must also document the details of the explanation. In respect of any recommendation made under the circumstances as described above, the authorized insurer should, during the underwriting process, review and assess the reasonableness of such recommendation and satisfy itself that the mismatch case has been handled in accordance with the control measures it has put in place, before accepting the application. Reference should also be made to Guideline on Financial Needs Analysis (GL30) for requirements on mismatch situations.
Q	19	Paragraph 8.3 of the Guideline specifies that authorized insurers, licensed insurance agencies and licensed insurance broker companies should have effective controls in place to ensure customers are aware of the possible risks associated with switching investment choices or placing top-up investment after policy inception that may become inconsistent with their risk profile. What type of controls would be considered as effective?
A	19	(1) **At the point of sale of base plan of ILAS products** Licensed insurance intermediaries should alert the customers of the possible risks associated with switching investment choices or placing top-up investment after policy inception that may become inconsistent with their risk profile. (2) **Processing the switching instructions or top-up investments after policy inception** (a) Authorized insurers should put in place appropriate measures to ensure customers are aware of the possible risks of mismatch caused by switching or topping up investments, e.g. by way of appropriate warning statements in the paper

		forms or online platforms for switching investment choices or for placing top-up investments. Customers should also be reminded to read the information of the underlying investment choices as set out in the Investment Choice Brochure and other relevant documents. (b) Authorized insurers should assess the suitability of the investment choices before processing switching instructions into a derivative fund[6] as an underlying investment choice(s) or top-up investments. Authorized insurers should have effective controls in place for identifying transactions where the investment choice(s) selected by the customer for switching into a derivative fund as an underlying investment choice(s) or placing a top-up investment has a risk rating higher than that customer's last known risk tolerance level or when a customer without investment knowledge in derivatives wishes to select a derivative fund as an underlying investment choice(s). If the investment choice(s) selected by a customer does not match the risk profile/knowledge (including investment knowledge in derivatives) of the customer, the authorized insurer (either directly or via the relevant licensed insurance intermediary) should warn the customer of the possible risk associated with the mismatch and that the selected investment choice(s) may not be suitable for him/her and invite the customer to conduct an RPQ if he/she would like to switch into a derivative fund as an underlying investment choice(s) or place top-up investments that would result in a mismatch. (c) Authorized insurers should ensure that the customers understand the nature and risks of the derivative fund-underlying investment choices and has sufficient net worth to be able to assume the risks and bear the potential losses of trading in the derivative fund-underlying investment choices. (d) Where the risk level of the derivative fund that is the underlying investment choice(s) which the customer intends to select, fails to match the risk profile of the customer after conducting the RPQ, the customer should be advised that switching to the intended derivative fund as the underlying investment choice(s) does not match his / her risk profile and such switching may not be in his/her best interest. If, despite the advice, the customer insists on switching to the intended derivative fund as the underlying investment choice(s) that does not match his/her risk profile, the customer must provide sufficient explanation for this and confirm in writing as to why he/she still decides to proceed with the switching application for the authorized insurer's assessment. (e) Where appropriate, authorized insurers should issue a warning message to the customer that the derivative fund which is customer's selected underlying investment choice(s) does not match the risk profile of the customer. If the transaction is assessed to be unsuitable for the customer, the authorized insurer may only proceed to effect the transaction if to do so would be in accordance with the principle of "fair customer treatment", with the relevant justification(s) being documented in writing. (f) Records of the warning and other communications with the customer as mentioned above should be kept. (g) For the avoidance of doubt, whenever there is any circumstance(s) where an authorized insurer or a licensed insurance intermediary solicits or makes a recommendation in relation to switching investment choice(s), the assessment as

[6] Please see Footnote 1 for details.

		set out in (b) to (f) above should be performed, to ensure suitability of the investment choice(s), irrespective of whether the investment choice(s) being switched into are derivative funds or non-derivative funds. (h) Authorized insurers may adopt alternative equivalent mechanisms to the above effect where appropriate. (i) For the avoidance of doubt, please also refer to the requirements as set out in Q&A 17 above which are applicable to top-up investment(s). (j) For the avoidance of doubt, authorized insurers (either directly or via licensed insurance intermediaries) should also invite customers to conduct an RPQ whenever there are material changes to the customers' circumstances which are brought to the authorized insurers' or licensed insurance intermediaries' attention. (k) Authorized insurers should use the time available during the transitional period as specified in Q&A 33 below to review the process for ensuring compliance. (3) **Disclosure of risks associated with dividend payout investment choices** In addition to the disclosure of "Risks Associated with Investment Choices with an Objective to Distribute Cash Dividends on a Regular Basis" in the IFS template, authorized insurers and licensed insurance intermediaries should disclose such risks to the customer at the point of sale of the base plan and also upon switching or top-up investments, through other means, e.g. by way of appropriate risk disclosure statements on authorized insurer's website, investment choices switching instruction paper form, or other communication means such as dividend payout notices to customers.
Q	20	Referring to the requirements in paragraph 8.3 of the Guideline (i.e. requirement to have effective controls in place to ensure customers are aware of the possible risks associated with switching investment choices or placing top-up investment after policy inception that may become inconsistent with their risk profile), what should be the acceptable approach in relation to the customers whose ILAS policies had already been issued before the RPQ requirements became effective, such that authorized insurers do not have relevant records of the risk profiles of such customers?
A	20	For ILAS policies issued before the RPQ requirements became effective, authorized insurers may set the risk profile of the customers of those ILAS policies to "low risk" profile. Authorized insurers and licensed insurance intermediaries are also recommended to use the RPQ process to assess the customer's latest investment risk appetite if it is considered prudent to do so.
		Post-Sale Controls
Q	21	Paragraphs 4.2(k) and 9.3 of the Guideline require authorized insurers to conduct either post-sale calls or point-of-sale audio recordings for base plans of ILAS products. What are the requirement(s) in relation to top-up plans of ILAS products?
A	21	Authorized insurers are recommended to conduct post-sale calls for top-up plans of ILAS products if it is considered prudent to do so.

		All requirements relevant to post-sale calls under "Post-Sale Controls" in paragraph 9 of the Guideline and this Circular including those as set out in **Appendix 3**, except paragraph 3 (proper disclosure of product documents) (for some legacy products without a Product Brochure and/or Product Key Facts Statement) and paragraph 11 (cooling-off right), should be followed as appropriate. Authorized insurers can modify the requirements having due regard to the sale process (for example, post-sale control requirements relevant to FNA and RPQ processes are not required taking into account the requirements as set out in paragraph 4.2(e) of the Guideline). Any such modification must be justifiable on the basis that, (i) the substantive meaning of the information (in **Appendix 3**) is retained in spite of the modification; (ii) in spite of the modification, the principle of "fair customer treatment" and the objectives in paragraph 9.1 of the Guideline continue to be satisfied, and (iii) the reason(s) for such modification must be documented. Any documentation or record relating to the modification will be subject to the IA's inspection/review as the IA considers appropriate.
Q	22	Referring to the requirements in paragraph 9.4 of the Guideline, please clarify the content requirement(s) of the scripts for post-sale calls or point-of-sale audio recordings.
A	22	Authorized insurers are required to prepare the scripts which meet at least the minimum requirements as set out in **Appendix 3** and indicate the objectives of post-sale calls or point-of-sale audio recordings. Authorized insurers can modify the scripts having due regard to reflect accurately their specific products and corresponding features. However, any such modification must be justifiable on the basis that, (i) the substantive meaning of the information (in **Appendix 3**) is retained in spite of the modification; (ii) in spite of the modification, the principle of "fair customer treatment" and the objectives in paragraph 9.1 of the Guideline continue to be satisfied, and (iii) the reason(s) for such modification must be documented. Any documentation or record relating to the modification to the scripts will be subject to the IA's inspection/review as the IA considers appropriate.
Q	23	With reference to paragraphs 4.2(k) and 9.4 of the Guideline, please clarify the requirement(s) on the timeline and minimum number of attempts of conducting the post-sale calls.
A	23	Authorized insurers are required to make the post-sale calls within 5 working days of the date of policy issue (i.e. T plus 5 working days, where T is the date of policy issue). They are required to use their best endeavours (e.g. through various channels such as SMS alert, emails, other social networking platforms or apps as a means of advance arrangement) to make the post-sale calls and must make a minimum of 4 attempts for calling at different times of the day and different days of the week.
Q	24	With reference to paragraphs 9.4 and 9.5 of the Guideline, please clarify the requirement(s) on the follow-up actions by authorized insurer or licensed insurance intermediary in the event of disagreement or uncertain/negative replies by a customer during a post-sale call or in case the customer cannot be reached or the post-sale call cannot be completed properly.
A	24	In the event of disagreement or an uncertain reply by a customer during a post-sale call, the authorized insurer should follow-up either directly or through the relevant

		licensed insurance intermediary with the concerned customer. If such follow-up is made through the licensed insurance intermediary, then the licensed insurance intermediary should report back on the latest situation to the authorized insurer as soon as practicable after following-up, so that the authorized insurer is able to conduct follow-up calls within the next 5 working days to clarify the areas of concern with the customer before the expiry of the cooling-off period. In case of any negative replies received from the customer during a post-sale call, the authorized insurer is required to investigate the concerned areas. The authorized insurer is also required to put in place a proper mechanism to detect any potential non-compliance issue(s) and to ensure compliance with the relevant sale requirements. Authorized insurers should take appropriate actions in the event of negative replies from customers including, for example, where the customer opts to rescind the policy, providing full premium refund without market value adjustment when there is a substantiated non-compliance issue(s). In case the customer cannot be reached or the post-sale call cannot be completed properly, the authorized insurer is required to send a confirmation letter (alongside an email or SMS alert that draws the customer's attention to the importance of the confirmation letter) or, if previously agreed by the customer as a means of communication, a confirmation email to the customer in which the key areas/concerns and information of the policy are drawn to his/her attention. Authorized insurers should follow up with any confirmation letters which are returned mail(s), according to their internal returned mail policy. Authorized insurers are also required to put in place proper measures for monitoring post-sale calls, e.g. analysis on success rate of post-sale calls in terms of different distribution channels or different producing teams, where appropriate.
Q	25	Q&A 24 specifies that the authorized insurer is required to send a confirmation letter/email to the customer in which the key areas/concerns and information of the policy are drawn to his/her attention. Please clarify the content requirement(s) of the confirmation letter/email.
A	25	The confirmation letter/email to the customer should include, as a minimum, the information as set out in **Appendix 3**. For ease of reading, the contents and the font size must be legible. Such confirmation letter/email should also set out the means for the customer to contact the authorized insurer for any disagreement on the points as set out during the post-sale process and/or enquiries before the expiry of the cooling-off period. Authorized insurers can modify the confirmation letter/email having due regard to reflect the key areas/concerns and information of the policy. However, any such modification must be justifiable on the basis that, (i) the substantive meaning of the information (in **Appendix 3**) is retained in spite of the modification; (ii) in spite of the modification, the principle of "fair customer treatment" and the objectives in paragraph 9.1 of the Guideline continue to be satisfied, and (iii) the reason(s) for such modification must be documented. Any documentation or record relating to the modification to the scripts will be subject to the IA's inspection/review as the IA considers appropriate.
Q	26	In the case that authorized insurers adopt point-of-sale audio recordings ("PSAR") in lieu of post-sale calls for any cases of applications for ILAS products, are there any specific requirements that should be met by the authorized insurers?

A	26	In the case that authorized insurers adopt PSAR in lieu of post-sale calls for any cases of applications for ILAS products, the following requirements should be met: (a) the PSAR must be conducted in the offices of the authorized insurers; and (b) an employee of the authorized insurer is required to attend, manage and witness the whole PSAR process. Such employee should have no conflict of interest with the sale of the relevant ILAS product, i.e. the employee must not be entitled to, or obtain, any incentives, commission or any other kind of remuneration based on the sale of the relevant ILAS policy.
Q	27	Further to Q&A 26, please clarify the relevant requirement(s) for PSAR.
A	27	Authorized insurers are allowed to adopt either of the following approaches for conducting the PSAR: (a) when the sale process has been completed and all necessary forms, documents in relation to the application have been completed and signed by the customer, an employee or a service provider of the authorized insurer will activate an on-site audio recording device to conduct the PSAR; or (b) if no audio recording devices are available, all relevant documents will be passed to the authorized insurer's call centre staff (who should have no conflict of interest with the sale of the relevant ILAS product) who will conduct the PSAR with the customer over the telephone upon the completion of the sale process. The discussion should be recorded.
		Certification of Copies of FNA and RPQ
Q	28	Paragraph 10.1 of the Guideline specifies that authorized insurers should retain the original signed FNA, RPQ and IFS/Applicant's Declarations for record purpose. Can electronic copies instead of hard copies be retained? With reference to paragraph 10.2 of the Guideline, please also clarify the requirement(s) of "no conflict of interest with the sale of the relevant ILAS policy".
A	28	Electronic copies can be retained instead of hard copies. Representatives who have "no conflict of interest with the sale of the relevant ILAS policy" include those who would not be entitled to, or obtain, any incentives, commission or any other kind of remuneration based on the sale of the relevant ILAS policy.
		Documentation and Record Keeping
Q	29	Referring to paragraph 11.1 of the Guideline, please provide some example(s) of "records relevant to the post-sale controls".
A	29	Records relevant to the post-sale controls include, for example, the relevant post-sale call recordings or point-of-sale audio recordings, confirmation letters/emails and the emails/SMS alerts, as well as analysis on success rate of post-sale calls in terms of different distribution channels or different producing teams.
		Others
		Special Attention in relation to ILAS Products with Open Architecture

Q	30	Paragraph 2.2(h) of the Guideline specifies that a reference to an "ILAS product" or "ILAS policy" is to a contract of insurance within the definition of "linked long term business". Please clarify whether the Guideline is applicable to the sale of ILAS products with Open Architecture ("OA ILAS")? What types of ILAS products would constitute OA ILAS?
A	30	Yes. An OA ILAS product is an ILAS product which allows the customer to choose his/her investments on his/her own to be held in his/her OA ILAS policy (rather than being limited to a list of investment choices set by the authorized insurer). Even though OA ILAS products are characterised by not having a list of investment choices set by authorized insurers, the Guideline is applicable to the sale of OA ILAS products. As such, the requirements in relation to (and not limited to) assessing whether such product (including the underlying investments/ assets) is suitable for the customer based on his/her circumstances, objectives, needs and priorities, apply.
Q	31	Paragraph 4.2 of the Guideline specifies the requirements for the sale process for an ILAS product. Given the unique nature of OA ILAS products, please clarify under what circumstance(s) an OA ILAS product may be recommended to a customer.
A	31	Authorized insurers and licensed insurance intermediaries should restrict selling OA ILAS products only to Professional Investors[7] with investment and tax/estate planning objectives. An OA ILAS product may only be recommended if a customer, who must be a Professional Investor, indicates in the FNA and IFS that his/her objective(s) of procuring an insurance product is for investment and tax/estate planning. In general, OA ILAS products should only be considered for customers who have an overseas residency. As such, OA ILAS products should not be considered for a customer who does not have an overseas residency, unless such customer has special reasons for acquiring an OA ILAS product. Such reasons must be documented and clearly stated in the IFS. During the sale process for an OA ILAS product, a licensed insurance intermediary should not market, promote or offer any funds to the customer. Authorized insurers and licensed insurance intermediaries should ensure that customers who procure OA ILAS products are aware of the additional risks associated with such products (e.g. and without limitation (i) counterparty/valuation/liquidity/market risks, (ii) the fact that their investments are not set by authorized insurers and (iii) whether or not their investments are SFC-authorized funds), before executing customers' investment instructions in relation to the customers' choices. Records should be documented and retained for this purpose.
Q	31A	Further to the Professional Investor ("PI") requirement as set out in Q&A 31, please specify any specific requirement(s) on licensed insurance intermediaries for selling OA ILAS products to PIs.

[7] "Professional Investor" has the meaning assigned to it by Part 1 of Schedule 1 to the Securities and Futures Ordinance (Cap. 571).

A	31A	To ensure that new OA ILAS policies (i.e. ILAS with an open architecture which do not carry a list of investment choices set by the authorized insurers) are sold only to PIs, (a) licensed insurance intermediaries who sell such policies must possess the necessary knowledge and expertise to determine if a customer is truly a PI; and (b) authorized insurers must put into place adequate controls to ensure that licensed insurance intermediaries who sell such policies possess the necessary knowledge and expertise to determine if a customer is truly a PI. With regards to (b), an authorized insurer must satisfy itself that the relevant licensed insurance intermediaries possess the relevant expertise and will be able to provide the necessary documentary evidence for supervisory review by the IA upon request. Authorized insurers who intend to rely on insurance intermediaries being licensed by the Securities and Futures Commission for this purpose are required to ensure that such insurance intermediaries have adequate internal controls in place for conducting PI assessment competently.
Q	32	With reference to paragraphs 8 and 11 of the Guideline, please clarify the area(s) for which authorized insurers should pay special attention in respect of the sale of OA ILAS products given the unique nature of such products.
A	32	Proper risk and underwriting control measures should be put in place by authorized insurers to ensure, among other matters, that customers are Professional Investors who are procuring the product for investment and tax/estate planning objectives. Authorized insurers should also put in place risk governance and management control measures to ensure strict compliance with the requirements relevant to OA ILAS products. Special care should be paid to the risks associated with the relevant investments, in particular, any in-kind investments, upon investment onboarding process. For monitoring and inspection purpose, authorized insurers, licensed insurance agencies and licensed insurance broker companies should retain proper documentation and supporting evidence for the sale process of OA ILAS product. Authorized insurers, licensed insurance agencies and licensed insurance broker companies should provide such documentation and evidence for the IA's and other relevant regulatory bodies' inspection as soon as practicable upon request.
Q	32A	Further to the procurement objectives as set out in Q&A 31 and 32, please elaborate on the following: (i) any specific requirements that should be implemented to ensure an OA ILAS product is only to be recommended to a customer who is a PI for investment and tax/estate planning purpose; and (ii) the proper risk and underwriting control measures that should be put in place by authorized insurers for this purpose.
A	32A	As part of the FNA process, licensed insurance intermediaries should perform analysis on the customer's insurance, financial and investment needs and carry out adequate due diligence to establish that: a) the customer is a PI who has overseas residency (unless such customer has special reasons for acquiring an OA ILAS product as set out in Q&A 31);

		b) the customer may be subject to tax obligations (e.g., capital gain tax or estate tax) because of his/her overseas residency; and c) the OA ILAS product which the customer is seeking to procure for his/her investment and tax/estate planning purposes is suitable with regards to the specific investment and tax/estate planning objectives of the customer. Licensed insurance intermediaries are required to verify and ensure that all available information obtained from the customer is not contradictory. Authorized insurers are also required to verify the information (a), (b) and (c) above during their underwriting process and reject applications for such products if any of the applicable requirements are not met. In particular, authorized insurers should have in place effective controls and procedures to verify the customer's status as a PI with proper documentation in support, and his/her objective(s) of procuring such product (e.g. existence of any tax efficiencies or any efficiencies achieved in estate planning) with proper documentation supporting how the OA ILAS product which is the subject of the application, achieves the customer's investment and tax/estate planning objectives, with legal and tax advice as appropriate, before policy issuance. Records should be provided for inspection, review and investigation by the IA and other relevant regulatory bodies as soon as practicable upon request.
Q	32B	Further to the investment requirement as mentioned in Q&A 32, please clarify any specific requirement(s) which apply with regards to the investments to be made under new OA ILAS policies with PIs, specifically with a view to ensuring OA ILAS products are not used to enable investing in investments which are subject to less governance or regulation.
A	32B	All investments made under new OA ILAS policies should be restricted to SFC-authorized funds, listed securities, rated bonds, funds authorized or registered with financial regulators in jurisdictions which have entered into mutual recognition of funds arrangements with the Securities and Futures Commission ("SFC")[8] or schemes as set out in the list of Recognized Jurisdiction Schemes[9] as specified by SFC.
Q	32C	Further to the investment requirement as mentioned in Q&A 32 and elaborated on in Q&A 32B, please elaborate further on any specific requirement(s) necessary to ensure account is taken of the risks associated with the investments made under OA ILAS products for PIs, as part of the investment onboarding process.
A	32C	Although OA ILAS products for PIs do not carry a list of investment choices set by the authorized insurers, title to the underlying investments to which an OA ILAS policy is linked is usually vested in the authorized insurer issuing the policy. By making the investment to which the OA ILAS policy is linked, therefore, the authorized insurer cannot and should not seek to disassociate itself from the investment. Rather, an authorized insurer is required to perform due diligence on the investment and have in place appropriate control and monitoring mechanisms for assessment and identification of risks arising from investment activities as part of the investment onboarding process. These due diligence, control and monitoring

[8] https://www.sfc.hk/en/Regulatory-functions/Products/List-of-publicly-offered-investment-products/Mutual-recognition-of-funds-arrangements

[9] https://www.sfc.hk/en/Regulatory-functions/Products/List-of-publicly-offered-investment-products/List-of-recognised-jurisdiction-schemes-and-inspection-regimes

		mechanisms also serve as important investor protection measures, aligning the interests of the authorized insurer with those of the policy holder. Authorized insurers should perform due diligence for investments which the authorized insurers make under both new and existing OA ILAS policies as part of its investment on-boarding process. This due diligence should include compliance with the investment requirements as set out in Q&A 32B. Authorized insurers should also carry out enhanced due diligence for top-up or switching-in investments under the existing OA ILAS policies, if the investments are not in SFC-authorized funds, listed securities, rated bonds, funds authorized or registered with financial regulators in those jurisdictions which have entered into mutual recognition of funds arrangements with the Securities and Futures Commission ("SFC") or schemes as set out in the list of Recognized Jurisdiction Schemes as specified by SFC. In carrying out this enhanced due diligence, authorized insurers should assess and identify all the risks arising from the investments, particularly for investments/assets which are less transparent or subject to less governance or regulation [10], before accepting the relevant investments/assets for investment under the OA ILAS policy[11]. For the avoidance of doubt, while existing investments made under existing OA ILAS policies will remain unaffected and can continue to be held pursuant to existing contractual provisions where there is no top-up or switching-in investment, they are subject to the requirements as set out in (iii) and (iv) in the next paragraph. Authorized insurers should establish an investment policy specific to their OA ILAS products setting out in detail, inter alia, the following matters: (i) the assessment and due diligence that the authorized insurers must perform on investments to ensure compliance with, including but not limited to the investment requirements as set out in Q&A 32B and 32C; (ii) the limitations on the investments the authorized insurers would accept for investment under OA ILAS products following the authorized insurers' assessment and due diligence; (iii) the ongoing monitoring on the relevant investment the authorized insurers should perform and the periodic disclosure to customers of material information on such investments the authorized insurers should provide in accordance with the principle of "fair customer treatment"; and (iv) the effective control and monitoring procedures the authorized insurers should establish and perform for compliance with the established investment policy with timely reporting and escalation of compliance status and breaches to senior management including the Investment Committee of the authorized insurers. For the purpose of (ii) above, in relation to existing OA ILAS policies, applications for top-up or switching-in into investments or assets under such existing policies which are considered (as part of the investment onboarding process) to be no less transparent or not subject to less governance or regulation than the relevant

[10] Reference to the requirements under paragraph 7.6 of Guideline on Enterprise Risk Management

[11] For the avoidance of doubt, please also refer to the requirements as set out in Q&A 30 above, which the suitability requirements apply, in particular, the applicable requirements as set out in Q&A 19(2) relating to processing the switching instructions into a derivative fund. These requirements are applicable to all existing policies of OA ILAS products authorized by SFC.

		limitation on investments set out in the investment policy of the authorized insurer, may generally be considered acceptable. For the purpose of (iii) above, authorized insurers should have adequate procedures in place to discharge their obligations regarding ongoing monitoring of the investments and inform customers as soon as reasonably practicable of information which is necessary to enable the customers to assess the financial and overall position of the investments involved. For supervisory monitoring and inspection purposes, authorized insurers should retain proper documentation and supporting evidence for compliance with the above requirements[12], and should provide such documentation and evidence for the IA's and other relevant regulatory bodies' inspection as soon as practicable upon request.
Q	32D	Further to risk awareness requirements as set out in Q&A 31 and 32, please elaborate on any specific enhanced risk disclosure requirement(s) expected to ensure customers' awareness of the risks associated with the investments made under OA ILAS products for PIs before executing customers' investment instructions.
A	32D	Paragraph 4.2(j) of the Guideline requires licensed insurance intermediaries to disclose and explain the risks associated with ILAS products (including those of the underlying investment choices), such as counterparty risk, credit risk, liquidity risk, foreign exchange risk, market risk, etc., to customers, and take all reasonable measures to satisfy themselves that customers fully understand and accept the relevant features and associated risks. Authorized insurers should explicitly highlight in their marketing literature to customers, among other matters, that (i) all investment choices are not operated or managed by the authorized insurers nor recommended by them; (ii) customers should bear all the risks in relation to the investment they choose including the investment return; (iii) authorized insurers are tasked with executing customers' investment instructions and have the right to reject any assets. For the avoidance of doubt, however, authorized insurers are still obliged to comply with other requirements specific to OA ILAS products as set out in Q&A 30 to 32E. Authorized insurers should have adequate procedures in place to ensure the matters as set out in (i) to (iii) of the last paragraph of Q&A 31, and in (i) to (iii) of the preceding paragraph are clearly explained and disclosed to customers. Such explanation and disclosure may be made through licensed insurance intermediaries. However such explanation or disclosure is provided, proper documentation in support of the explanation and disclosure should be provided and maintained, before executing customers' investment instructions (including top-up or switching-in applications). For existing OA ILAS policies where top-up or switching-in investments are not in SFC-authorized funds, listed securities, rated bonds, funds authorized or registered with financial regulators in those jurisdictions which have entered into mutual recognition of funds arrangements with the Securities and Futures Commission ("SFC") or schemes as set out in the list of Recognized Jurisdiction

[12] For the avoidance of doubt, the requirements as set out in (iii) and (iv) of Q&A 32C are applicable to all existing policies of OA ILAS products authorized by SFC.

		Schemes as specified by SFC, authorized insurers and licensed insurance intermediaries should, with due regard to the enhanced due diligence on the relevant investments as set out in Q&A 32C, expressly inform the customer in writing of all the risks assessed and identified, and obtain the customer's acknowledgement that he/she understands the risks associated with the investments. Proper documentation and supporting evidence should be retained for monitoring purpose.
Q	32E	Further to the governance and control requirements as set out in Q&A 32, please elaborate on the requirement(s) for risk governance and management controls which authorized insurers should put in place to ensure strict compliance with the requirements relevant to OA ILAS products for PIs.
A	32E	Authorized insurers should maintain clear and documented policies and procedures appropriate for the nature, scale and complexity of the risks associated with the OA ILAS business they conduct and also for strict compliance with all the regulatory requirements. The relevant policies and procedures should detail the governance of the associated risks across the business, including roles and responsibilities, reporting lines and authorities, as well as approaches, methodologies, processes, controls, systems and reviews. Proper procedures should be put in place for authorized insurers to apprise the IA of their OA ILAS products for PI prior to the launch of such products. In this respect an authorized insurer should provide the IA with sufficient details of the product sufficiently in advance of the intended product launch. The relevant policies and procedures should be at least approved by the Risk Committee of the authorized insurer. Any documentation or record relating to OA ILAS products will be subject to the IA's inspection / review as the IA considers appropriate.
		Transitional Period
Q	33	The Effective Date of the Guideline is 23 September 2019. Is there any transitional period to enable authorized insurers and licensed insurance intermediaries to align their documentation, controls and processes with the requirements of the Guideline and the details set out in this Circular?
A	33	Prior to 23 September 2019 with regards to the matters covered by the Guideline and this Circular, authorized insurers and licensed insurance intermediaries were required to comply with the requirements set by the self-regulatory organizations ("SROs") being the Hong Kong Federation of Insurers ("HKFI") in relation to authorized insurers and licensed insurance agents and the Hong Kong Confederation of Insurance Brokers ("CIB") and the Professional Insurance Brokers Association ("PIBA") in the case of licensed insurance brokers. The objectives and minimum standards and requirements in the Guideline do not represent a substantive change to the SRO's requirements. It is recognized, however, that in view of the more prescriptive detailed matters set out in this Circular (particularly the adoption of the revised template and the processes with regard to how to address mismatch situations in Q&A 18 and switching of investment choices and placing of top-up investment after policy inception in Q&A 19 above), an appropriate period may be required for authorized insurers and licensed insurance intermediaries to transition their documentation, controls and processes to align with the requirements set out in this Circular. A transitional

period of 12 months from the Effective Date (i.e. from 23 September 2019 to 22 September 2020) will therefore apply in respect of the requirements set out in this Circular ("Transitional Period"). During this Transitional Period, authorized insurers and licensed insurance intermediaries may (without it prejudicing their compliance with the Guideline) continue to comply with the requirements previously set by the SROs (including those set out below under the heading "Relevant SRO Requirements"), whilst they update their documentation, controls and processes to align with this Circular. This Transitional Period shall apply only to ILAS policies issued prior to the end of the Transitional Period. By the end of the Transitional Period, authorized insurers and licensed insurance intermediaries will be expected to have updated their documentation, controls and processes to align with this Circular. For the avoidance of doubt, authorized insurers and licensed insurance intermediaries should continue to comply with all the relevant rules, codes, circulars and guidelines relating to ILAS products administered or issued by HKMA, SFC or other regulatory/professional bodies (as applicable) during and after the Transitional Period.

Relevant SRO Requirements

(a) Requirements relating to ILAS products issued by the HKFI:
   a. "Updated Requirements Relating to the Sale of Investment Linked Assurance Scheme ("ILAS") to Enhance Customer Protection" (version effective from 1 January 2016); and
   b. Frequently Asked Questions on Updated Requirements Relating to the Sale of Investment Linked Assurance Scheme ("ILAS") to Enhance Customer Protection (version effective from 22 October 2013);

(b) Requirements relating to ILAS products issued by the CIB:
   a. "Guidance Note on Conducting "Know Your Client" Procedures for Long Term Insurance Business" (version effective from 1 January 2016);
   b. "Guidance Note on Client Agreement for Linked Long Term Insurance Business" (version effective from 22 July 2011);
   c. "Guidance Note on Product Recommendation for Long Term Insurance Business" (version effective from 1 January 2016);
   d. "Membership Regulations" (version effective from 15 July 2015), particularly Regulations 14.7.2, 14.7.6 and 14.8; and
   e. "Regulations for Insurance Brokers Engaged in Advising on Linked Long Term Insurance or Arranging or Negotiating Policies of Linked Long Term Insurance" (version effective from 1 November 2011);

(c) Requirements relating to ILAS products issued by the PIBA:
   a. "Code of Conduct for Insurance Brokers Conducting Investment Linked Business" (version effective from 1 March 2014);
   b. "Guidance Note on Conducting Investment Linked Business" (version effective from 1 January 2015);
   c. "Membership Regulations" (version effective from 1 February 2015) particularly paragraph 3A; and

		d. Circular "Updates on OCI's GN15 & PIBA's Guidance Note on Conducting Investment Linked Business" dated 24 December 2014.
Q	34	Further to Q&A 33 above, please clarify any transitional period to enable authorized insurers and licensed insurance intermediaries to align their documentation, controls and processes with the enhanced requirements on OA ILAS products for Professional Investor (PI) as set out in Q&A 31A and 32A to 32E of this Circular ("Enhanced OA ILAS Requirements").
A	34	A transitional period till 30 June 2022 will apply in respect of the Enhanced OA ILAS Requirements on OA ILAS products ("Extended OA ILAS Transitional Period"). During the Extended OA ILAS Transitional Period, authorized insurers and licensed insurance intermediaries should continue to comply with the requirements as set out in the Circular dated 20 September 2019 providing Interpretation Notes relating to the Guideline ("Circular dated 20 September 2019"), whilst they update their documentation, controls and processes to align with the Enhanced OA ILAS Requirements in this Circular. This Extended OA ILAS Transitional Period shall apply only to OA ILAS policies (base plan, top-up and switching-in applications) issued prior to the end of the Extended OA ILAS Transitional Period. By the end of the Extended OA ILAS Transitional Period, authorized insurers and licensed insurance intermediaries will be expected to have updated their documentation, controls and processes to align with this Circular.

Appendix 1

IMPORTANT FACTS STATEMENT AND APPLICANT'S DECLARATIONS INVESTMENT-LINKED ASSURANCE SCHEME ("ILAS") POLICY

[Name of authorized insurer]
Name of the ILAS Policy:

PART I – IMPORTANT FACTS STATEMENT

You should carefully consider the information in this statement and the product documents (including the Product Brochure, Product Key Facts Statement, and the Illustration Document). **If you do not understand any of the following paragraphs or do not agree to any particular paragraph or what your licensed insurance intermediary has told you is different from what you have read or understood from this statement, please do not sign the confirmation and do not purchase the ILAS policy.**

You may request the Chinese version of this statement from your licensed insurance intermediary. 閣下可向銷售的持牌保險中介人索取本文件的中文版本。

SOME IMPORTANT FACTS YOU SHOULD KNOW

(1) **Statement of Purpose:** Please set out your reasons/considerations for procuring this ILAS policy. The licensed insurance intermediary is required to take due account of the reasons/considerations as set out by you, together with other relevant information, in assessing whether a particular ILAS policy is suitable for you. (*Customer must set out your own reasons/considerations*.)

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(2) **Cooling-off Period: You have the right to cancel this ILAS policy** and get back your original investments (subject to market value adjustment) within the cooling-off period, which is the period of **21 calendar days** immediately following either the day of delivery of (i) the policy; or (ii) the Cooling-off Notice to you or your nominated representative containing the information regarding your right within the cooling-off period, whichever is the earlier. For details of how you can exercise this right, please refer to the application form.

(3) **No Ownership of Assets and No Guarantee for Investment Returns: You do not have any rights to or ownership over any of the underlying/reference investment assets** of this ILAS policy. Your recourse is against [pre-printed name of the authorized insurer] only. You are subject to the credit risk of [pre-printed name of the authorized insurer]. Investment returns are not guaranteed.

(4) **Long-term Features (delete wherever inapplicable):**

(a) **For complex charge structure:**

Upfront charges: An upfront charge will be deducted upfront from the premiums you pay as charges and will not be available for investment. **This means that the remaining amount of premiums available for investment will be lower than your premiums paid.** The upfront charge is calculated as follows:

Upfront Charge = Premiums received X Upfront Charge %

Policy year	Upfront charge %	% of premium received available for investment after upfront charge
1	A%	(100 – A)%
2	B%	(100 – B)%
3	C%	(100 – C)%
4	D%	(100 – D)%
5...	…..	…..

For simple charge structure:

Upfront charges: [% Range] of the premiums you pay for the first [ ] policy years will be deducted upfront as charges and will not be available for investment. **This means that the remaining amount of premiums available for investment may be as low as [ ]% of your premiums paid in this period.**

(b) **For complex charge structure:**

Early surrender/withdrawal charges: You will be subject to an **early surrender or withdrawal charge ("Early Termination Charge")** and **possible loss of entitlement to bonuses**, if policy termination or surrender, partial withdrawal, or suspension of or reduction in premium payment occurs within a prescribed period before the end of the policy term. The Early Termination Charge is calculated as follows:

Early Termination Charge = Account Value withdrawn/surrendered/lapsed X Early Termination Charge %

Policy year	Early Termination Charge %
1	A%
2	B%
3	C%
4	D%
5…	…..

For simple charge structure:

Early surrender/withdrawal charges: You will be subject to an **early surrender or withdrawal charge ("Early Termination Charge")** and **possible loss of entitlement to bonuses**, if policy termination or surrender, partial withdrawal, or suspension of or reduction in premium payment occurs within the initial [ ] years of the policy term.

(c) **Loyalty bonuses:** You will be entitled to a loyalty or special bonus if you meet certain conditions. For details, please refer to the product documents of this ILAS policy.

(5) **Fees and Charges:** **Some fees/charges will be deducted** from the premiums you pay and/or your ILAS policy value, and will reduce the amount available for investment. Accordingly, **the return on your ILAS policy as a whole may considerably be lower than the return of the underlying/reference funds you selected.** For details, please refer to the product documents of this ILAS policy.

(6) **Switching of Investment:** If you switch your investment choices, you may be subject to a charge and your risk may be increased or decreased.

(7) **Risks Associated with Investment Choices with an Objective to Distribute Cash Dividends on a Regular Basis:** If you choose any investment choice which aims to distribute cash dividends on a regular basis, please note that the distribution of cash dividends is **NOT GUARANTEED**. Also, the distribution of cash dividends may be/effectively be paid out of the capital of the corresponding underlying fund of the investment choice, which may therefore result in a drop in the unit price of that investment choice.

(8) **Premium Holiday:** Please check with your licensed insurance intermediary and the product documents whether and under what specific conditions a premium holiday (during which premium payment is suspended) may be taken. If your ILAS policy allows a premium holiday, you should note that:

(a) Premium holiday means that you may temporarily suspend your regular premium payments. It **does not mean that you are only required to make premium contribution during the initial contribution period**.

(b) As all relevant fees and charges will continue to be deducted from your ILAS policy value during the premium holiday, **the value of your ILAS policy may be significantly reduced**.

(9) **Risk of Early Termination:** **Your ILAS policy may be automatically early terminated and you could lose all your premiums paid and benefits accrued** if any condition of automatic early termination is triggered. This may happen if you fail to make premium contribution (for regular premium payment), or if your policy has very low or negative value (e.g. poor investment performance, exercise of premium holiday), etc. For details, please refer to the product documents of this ILAS policy.

(10) **Licensed Insurance Intermediaries' Remuneration:** **If you take up this ILAS policy, the (licensed insurance agent/licensed insurance broker) will on average receive remuneration of HK$x.x per HK$100 of the premium that you pay.**

The remuneration is an average figure calculated on the assumption that you will pay all the premiums throughout the entire premium payment period. It covers all payments to the (licensed insurance agent/licensed insurance broker) directly attributable to the sale of this policy (including upfront and future commissions, bonuses and other incentives).

[Note: Only print the relevant sections below]

[For remuneration structure where payments are made over a number of years and not at a flat rate] The amount of remuneration actually receivable by the (licensed insurance agent/licensed insurance broker) may vary from year to year and is higher in the first policy year/early policy years.

[For remuneration structure which involves non-monetary benefits] Certain benefits that are immaterial, not directly attributable to the sale of this policy and not readily convertible to cash are not included from the calculation.

[For whole-life premium payment policies] As this policy involves whole-life premium payment, a 30-year period has been adopted for calculating both the total premiums and the total remuneration.

You are entitled to make enquiry with your (licensed insurance agent/licensed insurance broker) if you wish to know more about the remuneration that he/she/they may receive in respect of this policy.

[The following paragraphs should be included for ILAS products with embedded high level of insurance protection. An ILAS product with high level of insurance protection generally refers to an ILAS product with a death benefit of at least 150% of total premiums payable before the insured reaches age 65. This is consistent with the requirements under the "Additional Guidance on Internal Product Approval Process" issued by the Securities and Futures Commission.]

(11) **Long Term Nature of the Policy**

An ILAS policy with high level of insurance protection provides the insured with life insurance protection in the form of a death benefit payment which is substantially more than the total premiums payable under the policy before you (being the insured)/he/she retire(s) (assuming a retirement age of 65)[1]. This is combined with an investment element whereby (through the investment choices you selected under the policy) you/he/she have/has the potential for (but not the guarantee of) long term capital growth over the course of the policy term. As such, such an ILAS policy is designed to be held for a long period and is not suitable for customers with short- or medium-term liquidity needs.

(12) **Cost of Insurance Protection**

Throughout the policy term, you will be required to pay for the cost of insurance protection provided by the policy (being the death benefit payable if the insured dies during the policy term). The cost of insurance protection will be deducted from the account value under your ILAS policy, which means that the amount available for investment under the policy will be reduced.

You should also note that, in general, the rates of the cost of insurance protection will increase with the insured's age, and as such the deduction from your account value under the ILAS policy to cover the cost of insurance protection will generally increase throughout the policy term. In addition, when the performance of the underlying investment choice(s) is poor, the cost of insurance protection may also increase.

[1] An ILAS product with high level of insurance protection generally refers to an ILAS product with a death benefit of at least 150% of total premiums payable before the insured reaches age 65.

In cases where the account value is insufficient to cover the cost of insurance protection and the applicable platform fees, the ILAS policy will lapse and you may lose all your investments and benefits (including the life insurance coverage). Please also refer to the **Supplementary Sheet of Benefit Illustration Statement**, which provides you with an at-a-glance table of how the cost of insurance protection and platform fees would affect the amount of premiums available for investment under your ILAS policy. Your licensed insurance intermediary is required to explain to you in detail the information as contained in that document.

(13) **Sum Assured under your ILAS Policy**

The amount of sum assured under your ILAS policy dictates the amount of the death benefit that will be paid out under the insurance protection provided by your policy in event of the insured's death during the policy term. The sum assured is calculated by reference to the account value, total premiums payable or total premiums paid under your ILAS policy depending on the insured's age and the account value at any given time. Where the sum assured is calculated by reference to the account value, the sum assured may vary depending on the performance of the underlying investment choice(s). If the performance of the underlying investment choice(s) is poor, the account value of your ILAS policy would decrease and there may be significant adverse impact on the sum assured and the death benefit.

I ("customer") confirm that I have read and understood and agree to be bound by paragraphs above.

Name of Customer	Signature of Customer	Date
Name of Licensed Insurance Intermediary	Signature of Licensed Insurance Intermediary	Date

PART II – APPLICANT'S DECLARATIONS

Section I: Disclosure Declaration

- I *("customer")* confirm that the licensed insurance intermediary, (insert name and registration number of the relevant licensed insurance intermediary), has conducted a Financial Needs Analysis and a Risk Profile Questionnaire for me.

- I have received, read and understood the following documents:

  - Product Brochure

- Product Key Facts Statement
- Illustration Document
- Supplementary Sheet of Benefit Illustration Statement (applicable to ILAS policy with embedded high level of insurance protection)
- Investment Choice Brochure
- # [Other documents provided]

- # I fully understand and accept the potential loss associated with any market value adjustment, where the authorized insurer has the right and absolute discretion under certain situations (e.g. early policy surrender) to apply a downward/negative market value adjustment to the ILAS policy.

Name of Customer	Signature of Customer	Date
Name of Licensed Insurance Intermediary	Signature of Licensed Insurance Intermediary	Date

 # Section II: Affordability Declaration (For regular premium payment)

- I *("customer")* anticipate that my disposable income and/or savings is/are sufficient to pay the regular premium payments for the entire payment term of the ILAS policy; and
- I confirm that I am willing to pay the premiums for the entire payment term of the ILAS policy.

Name of Customer	Signature of Customer	Date
Name of Licensed Insurance Intermediary	Signature of Licensed Insurance Intermediary	Date

 # delete as appropriate

Section III: Suitability Declaration

I *("customer")* understand and agree that (tick one only):

A ☐ the features and risk level of the ILAS policy and my selected mix of underlying investment choices are suitable for me based on my disclosed current needs and risk profile, etc. as indicated in the Financial Needs Analysis and Risk Profile Questionnaire.

OR

B ☐ despite the fact that the features and/or risk level of the ILAS policy and/or my selected mix of underlying investment choices may not be suitable for me based on my disclosed current needs and risk profile, etc. as indicated in the Financial Needs Analysis and Risk Profile Questionnaire, I confirm that it is my intention and desire to proceed with my application(s) as explained below:

(If Box B is ticked, customer must complete explanation in this box.)

I acknowledge I should not purchase this ILAS policy and/or the selected mix of underlying investment choices unless I understand these and their suitability has been explained to me and that the final decision is mine.

[For business introduced by licensed insurance brokers:

I understand that the authorized insurer will retain copy(ies) of the completed Financial Needs Analysis and Risk Profile Questionnaire for verification purpose.]

Name of Customer	Signature of Customer	Date
Name of Licensed Insurance Intermediary	Signature of Licensed Insurance Intermediary	Date

Notes:

1. In this Statement & Declaration, "I" refers to customer. The singular shall include the plural; the word "I" shall include "we"; & the word "my" shall include "our". For joint customers, all customers must sign all sections.

2. The customer(s) are required to inform the licensed insurance intermediary or us (the authorized insurer) if there is any material change of information provided in these Declarations before the policy is issued.

《重要資料聲明書》及《申請人聲明書》
投資相連壽險計劃（"投連壽險"）保單

[獲授權保險人名稱]
投連壽險保單名稱:

第一部 : 重要資料聲明書

閣下應細閱本聲明書及產品資料文件（包括產品小冊子、產品資料概要及利益說明文件）。**若閣下不明白以下的任何一段、或不同意以下的任何特定段落、或閣下的持牌保險中介人的講述與閣下所閱讀或理解本聲明的內容有異，請勿簽署確認或購買此投連壽險保單。**

閣下可向銷售的持牌保險中介人索取本文件的英文版本。You may request the English version of this statement from your licensed insurance intermediary.

此乃重要資料 閣下必須細閱

⑴ **目標概要**：請閣下列出購買此投連壽險保單的原因／考慮因素。持牌保險中介人須就閣下列明的原因/考慮因素，以及其他相關資料，一併評估某特定投連壽險保單是否適合閣下。(客戶必須列出自己的原因／考慮因素。)

_____

_____

⑵ **冷靜期：閣下有權在冷靜期內取消此投連壽險保單，**並取回已作投資的款額（須按市值調整計算），冷靜期為緊接(i)此保單或(ii)冷靜期通知書(當中包含閣下在冷靜期內的權利)交付予閣下或閣下的指定代表之日起計的 **21 個曆日**的期間（以較早者為準）。詳情請參閱投保申請書上有關行使「冷靜期」權利的解釋。

⑶ **沒有資產擁有權及沒有投資回報保證：對於此投連壽險保單的相關／參考投資資產，閣下均沒有任何權利或擁有權**。任何追索只可向*[獲授權保險人]* 提出，而閣下亦須承擔*[獲授權保險人]* 的信貸風險。投資回報並非保證。

⑷ 計劃的長期性質（如不適用可刪除）：

(a) **複雜的收費結構:**

前期收費：前期收費會於保單的已繳付保費內即時扣除，有關款項將不會用作投資。**換言之，可供投資的尚餘保費金額會低於已繳付的保費。**前期收費的計算方法如下：

前期收費 = 已收取保費 X 前期收費%

保單年期	前期收費 %	扣減前期收費後可供投資的已收取保費之百分率（%）
1	A%	(100 – A)%
2	B%	(100 – B)%
3	C%	(100 – C)%
4	D%	(100 – D)%
5…	…	…

簡單的收費結構:

前期收費： 保單期首[ ]年的已繳付保費中的[%比率範圍]，將會被即時扣除用以支付前期收費， 有關款項將不會用作投資。**換言之，可供投資的尚餘保費金額，可能低至該保單期間內已繳付保費的[ ]%。**

(b) **複雜的收費結構:**

提前退保／提取保單價值的收費：若閣下在保單期滿前的指定時限內終止保單、退保、提取部份保單價值、暫停繳交或調低保費供款，均須支付**提前退保或提取保單價值的收費（「提前終止保單收費」），並可能因此損失獲得紅利的權利**。提前終止保單收費的計算方法如下：

提前終止保單收費 = 提取的戶口價值／退保的戶口價值／斷供保單的戶口價值 X 提前終止保單收費%

保單年期	提前終止保單收費%
1	A%
2	B%
3	C%
4	D%
5…	…

簡單的收費結構:

提前退保／提取保單價值的收費：若閣下在保單期的首[ ]年內終止保單、退保、提取部份保單價值、暫停繳交或調低保費供款，均須支付**提前退保或提取保單價值的收費（「提前終止保單收費」），並可能因此損失獲得紅利的權利**。

(c) 長期客戶紅利： 若閣下符合指定的要求，可享有長期客戶紅利或特別紅利。詳情請參閱此投連壽險保單的產品資料文件。

(5) **費用及收費：某些費用／收費將從閣下支付的保費及／或閣下投連壽險保單價值中扣減，**並會減少可供投資的金額。因此，**閣下投連壽險保單的整體回報有可能遠低於閣下所選取的相關／參考基金的回報。**詳情請參閱此投連壽險保單的產品資料文件。

(6) 轉換投資選項：若閣下轉換投資選項，可能需要支付相關收費，而閣下所承受的風險亦有可能因而增加或減少。

(7) 有關以定期派發現金股息為目的之投資選項的相關風險： 若閣下選擇任何以定期派發現金股息為目的之投資選項，請注意有關的現金股息分派**並非保證**。此外，現金股息的分派亦有可能從／實際上從投資選項之相關基金的資本中支付，因而或會導致投資選項的單位價格下跌。

(8) 保費假期：請向閣下的持牌保險中介人查詢及參閱產品資料文件，以確認此投連壽險保單是否設有保費假期（即在此期間可暫停保費供款），以及行使保費假期權利所需符合的指定條件。若閣下的投連壽險保單設有保費假期，閣下必須注意以下事項：

(a) 保費假期指閣下可在該期間暫時停止定期保費供款，**但並不表示閣下只須在最初的供款期內繳付保費。**

(b) 由於在保費假期內所有費用及收費仍會繼續從閣下的投連壽險保單價值中扣除，因此，**閣下的投連壽險保單價值或會因此而大幅減少**。

(9) 提早終止的風險：若有任何啟動保單自動提早終止的情況出現，**閣下的投連壽險保單或會被自動提早終止，而閣下亦會因此損失所有已繳付的保費及累算權益。** 此可能啟動保單自動提早終止的情況包括：閣下未能為定期保費供款繳付保費，或閣下的保單價值處於十分低或負數的水平（例如：投資表現不理想或於行使保費假期權利後等）。詳情請參閱此投連壽險保單的產品資料文件。

(10) 持牌保險中介人的酬勞：**若閣下選擇購買此投連壽險保單，(持牌保險代理人/持牌保險經紀)將會就閣下每繳付 100 港元的保費金額中，獲取平均 xx.x 港元的酬勞。**

持牌保險中介人的酬勞是基於閣下會在整個保費繳付期內繳付所有供款的假設下，計算所得的平均值。該酬勞包括所有直接因銷售此保單而向(持牌保險代理人/持牌保險經紀)支付的款項（包括前期及其後的佣金、花紅及其他獎金）。

[只列印以下相關章節]

*[*適用於需繳付數年而非劃一酬勞率的酬勞架構*](*持牌保險代理人/持牌保險經紀)每年實際上可獲取的酬勞金額可能有所不同，而酬勞金額於保單首年/初期會較高。

*[適用於涉及非金錢酬勞的酬勞架構]*某些無關重要、並非直接因銷售此保單而支付及難以兌現為現金的酬勞並不包括在計算當中。

*[適用於終生保費供款的保單]*此保單涉及終生保費供款，計算總保費及總酬勞金額時採用三十年為供款期的假設。

如果閣下希望進一步了解(持牌保險代理人/持牌保險經紀)就此保單可能取得的酬勞，閣下有權向閣下的 (持牌保險代理人/持牌保險經紀) 查詢。

[含高額人壽保障的投連壽險產品的重要資料聲明書內須包含以下的數個段落。高額人壽保障的投連壽險產品一般會為受保人於年屆65歲前提供最少150%的應繳總保費作身故賠償。這與證券及期貨事務監察委員會於《內部產品審批程序附加指引》中對高額人壽保障的投連壽險產品的規定一致。]

(11) <u>保單的長期性質</u>

高額人壽保障的投連壽險保單於受保人退休前（假設退休年齡為65歲）[1]提供遠超其保單應繳總保費的身故賠償額作人壽保障。由於此保單含投資成分，保單持有人於保單期內（透過保單持有人在保單下所選擇的投資選項）可能（但並非保證）獲取長期資本增值。因此，該類型的投連壽險保單是為長期持有而設，<u>並不適合</u>有短期或中期流動資金需要的顧客。

(12) <u>保險費用</u>

在保單期內，閣下將會被要求支付由保險保障（即如受保人不幸於保單期內逝世所觸發的身故賠償）所衍生的費用。保險費用將於閣下的投連壽險保單的保單價值中扣除，即表示保單中能用作投資的金額亦會因此而減少。

閣下亦應留意，保險費用在整個保單期內一般會隨著受保人的年紀增長而有所提高，故從投連壽險保單價值中扣除的金額亦會因此而上升。此外，保險費用亦可能因相關投資選項表現的不理想而增加。

假如保單價值不足以支付保險費用及適用的平台費用，投連壽險保單會因此失效，而閣下亦可能會因此損失所有投資和相關權益（包括人壽保障）。請閱覽**利益說明的補充文件**。該文件以簡潔的表格展示保險費用及平台費用將如何影響閣下的投連壽險保單中可用作投資的保費。閣下的持牌保險中介人須向閣下詳細解釋該文件的內容。

[1] 高額人壽保障的投連壽險產品一般指為受保人於年屆65歲前提供最少150%的應繳總保費作身故賠償的投連壽險產品。

(13) <u>投連壽險保單保額</u>

如受保人於保單期內不幸逝世，投連壽險保單保額將決定保單所提供的身故賠償。保額乃參考保單的保單價值、應繳總保費或已繳總保費計算，並取決於受保人的年齡及於該特定時刻的保單價值。如保額乃基於保單價值所計算，保額將受相關投資選項的表現所影響。如相關投資選項表現不理想，保單價值會隨之而下降，因而有可能會對保額和身故賠償額有顯著的不利影響。

本人(「客戶」)現確認已閱讀及明白，並同意受以上各段之約束。

_____	_____	_____
客戶姓名	客戶簽署	日期

_____	_____	_____
持牌保險中介人姓名	持牌保險中介人簽署	日期

第二部 : 申請人聲明書

甲部 : 披露聲明

- 本人(「客戶」)確認持牌保險中介人[相關持牌保險中介人的姓名及登記編號]已為本人進行「財務需要分析」及「風險承擔能力問卷」。
- 本人已收取，閱讀及明白以下文件：

- 產品小冊子
- 產品資料概要
- 利益說明文件
- 利益說明的補充文件（適用於含高額人壽保障的投連壽險保單）
- 投資選項小冊子
- # [其他已提供的文件]

- #本人完全明白及同意承受可能因市值調整所引致的潛在損失，及[獲授權保險人]在一些特定的情況下（例如：提前退保）有權及擁有絕對的酌情權對投連壽險保單作出市場價值下調/負市場價值調整。

_____	_____	_____
客戶姓名	客戶簽署	日期

_____	_____	_____
持牌保險中介人姓名	持牌保險中介人簽署	日期

 # 乙部 : 負擔能力聲明（適用於定期保費供款）

- 本人(「客戶」)預計本人的可動用收入及／或儲蓄將足以支付此投連壽險保單的整個保費繳付期的定期保費供款；以及

- 本人確認本人願意就此投連壽險保單的整個保費繳付期支付保費。

_____	_____	_____
客戶姓名	客戶簽署	日期

_____	_____	_____
持牌保險中介人姓名	持牌保險中介人簽署	日期

 # 如不適用請刪除

丙部 : 合適性聲明

本人(「客戶」)明白並同意（只可選一項）：

A ☐ 根據本人於「財務需要分析」及「風險承擔能力問卷」所披露的現時需要及風險承擔能力等資料，此投連壽險保單之特點和其風險水平，及本人所選擇的相關投資選項組合均適合本人。

或

B ☐ 儘管根據本人於「財務需要分析」及「風險承擔能力問卷」所披露的現時需要及風險承擔能力等資料， 此投連壽險保單之特點及／或風險水平及／或本人所選擇的相關投資選項組合可能並不適合本人，但本人確認基於下述原因，本人打算及意欲申請此投連壽險保單：

（ 如選擇「B」項， 客戶必須於此欄內提供原因。）

本人確認，除非本人清楚了解此投連壽險保單及／或所選擇的相關投資選項組合，並已獲解釋此投連壽險保單的合適性；否則，本人不應購買此投連壽險保單及／或選取相關的投資選項組合。本人擁有最終的決定權。

[就持牌保險經紀介紹的業務而言：

本人明白獲授權保險人會保留已填妥的《財務需要分析》表格及《風險承擔能力問卷》的副本，以作核實之用途。]

_____	_____	_____
客戶姓名	客戶簽署	日期
_____	_____	_____
持牌保險中介人姓名	持牌保險中介人簽署	日期

註釋:

1. 就《重要資料聲明書》及《申請人聲明書》而言，「本人」指客戶。單數包含複數；「本人」包含「我們」的涵義； 及「本人的」包含「我們的」之涵義。若為聯名客戶，所有客戶必須在所有部分內簽署。
2. 若《重要資料聲明書》及《申請人聲明書》上填報的資料有任何重大變更，閣下在保單發出前必須通知閣下的持牌保險中介人或獲授權保險人。

Appendix 2

Licensed Insurance Intermediaries' Remuneration Disclosure

Guide on Calculation Methodology and Disclosure Format (the "Guide")

1. Purpose

1.1 This Guide is issued pursuant to paragraph 10.2 of the Guideline on Underwriting Class C Business (GL15) and pursuant to question 12 of the Circular to Guideline on Sale of Investment-Linked Assurance Scheme ("ILAS") Products.

1.2 This Guide sets out (a) a clear and uniformed methodology to calculate the remuneration provided to licensed insurance intermediaries for the sale of ILAS products; and (b) a clear and uniformed format for the disclosure of such remuneration to customers who procure ILAS products.

1.3 The objective of such remuneration disclosure is to enhance the transparency of the sale of ILAS products and allow customers to consider whether there exists any potential conflicts of interests and whether the remuneration would affect the licensed insurance intermediaries' recommendation relating to the ILAS product concerned.

2. Key Principles

2.1 The overarching principle for the calculation methodology is that the remuneration figure disclosed must be accurate, realistic and meaningful to the customers.

2.2 The disclosure format must be simple and understandable by an average customer.

3. Duty of Authorized Insurer's Director, Controller, Key Person in Relevant Control Function and Appointed Actuary

3.1 Authorized insurers underwriting linked long term business are required to strictly adhere to the calculation methodology and disclosure format. Any deviation is not allowed unless the Insurance Authority's ("IA") prior written consent has been obtained. In case of doubt, authorized insurers are advised to consult the IA.

3.2 It is the duty of the Appointed Actuary to ensure that the calculation follows the prescribed methodology in this Guide using sound actuarial principles and that the calculation is accurate. He/she has to sign off the worksheet for audit purpose by the IA.

3.3 Any attempt to circumvent the methodology and format prescribed in this Guide would be regarded as an act or omission likely to be prejudicial to the interests of policy holders or potential policy holders. This may also reflect on the IA's view of the continued fitness and properness of the directors, controllers, key persons in relevant control functions and Appointed Actuaries of the authorized insurers. Further, as far as Appointed Actuaries are concerned, this may constitute a non-compliance with professional standards under section 15C of the Insurance Ordinance, and may render the incumbent not acceptable to the IA.

3.4 The IA will carry out random audit from time to time, with or without prior notice. In determining whether the prescribed methodology has been duly followed, and whether certain

payments should be included in the calculation or not, the IA will consider the substance and nature of payments. The name or form of the payments adopted by authorized insurers is only one factor to be taken into account but not conclusive by itself as to whether the substance of this Guide has been met.

4. Distribution Channels Covered

4.1 The calculation methodology and disclosure format apply to all distribution channels.

4.2 For licensed insurance broker companies and licensed insurance agencies, the calculation applies to the remuneration at corporate level i.e. the remunerations paid to licensed insurance broker companies/licensed insurance agencies for the sale of ILAS products.

4.3 In the case of licensed insurance broker companies as set out in paragraph 4.2 above, the calculation is applicable to the remuneration paid to all licensed insurance broker companies by the authorized insurer. The authorized insurer can decide whether an average figure for all licensed insurance broker companies should be calculated and disclosed, or a "banding"[1] approach should be adopted. In cases where the authorized insurer adopts a banding approach, it is required to provide the IA with the criteria used for categorizing the individual licensed insurance broker companies into different bands and ensure that the banding approach is consistently adopted, i.e. the authorized insurer is not permitted to use the banding approach for some licensed insurance broker companies and use an average figure for others.

4.4 For licensed individual insurance agents, the calculation applies to the remuneration paid to licensed individual insurance agents for the sale of ILAS products.

4.5 For authorized institutions, the calculation applies to the remuneration paid to individual authorized institutions. For the avoidance of doubt, authorized insurers are required to calculate the remuneration figure using data specific to the authorized institution (i.e. commission rate, remuneration payments, etc. applicable to the authorized institution concerned).

4.6 Accordingly, the wordings in the disclosure statements in the Important Facts Statement ("IFS") specified in paragraph 10 should be suitably modified with respect to the different features and requirements for a specific distribution channel.

4.7 For the avoidance of doubt, an authorized insurer has the duty to ensure that the all-year-average which is disclosed to the customer at the point of sale, is up-to-date (for example, the figures in the disclosure must reflect any higher rate of remuneration paid to licensed insurance intermediaries during a promotion campaign).

5. Ground Rules

5.1 For ease of reference, calculations should be based on the assumption of a single premium in the sum of HK$1,000,000, and regular premium in the sum of HK$120,000 per annum.

5.2 Premiums payable throughout the entire premium payment period of the ILAS policy concerned should be included.

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[1] A banding approach refers to an approach whereby the licensed insurance broker companies which refer applications for ILAS policies to the authorized insurer, are allocated by the authorized insurer into differing bands reflecting the differing remuneration paid by the authorized insurer across different licensed insurance broker companies. The authorized insurer then calculates an all-year average figure for each band.

5.3 For whole-life premium payment term, a term of 30 years should be used as the proxy for both the denominator and the numerator.

5.4 In case where the actual underwriting experience in the preceding 3 years for the relevant premium payment term exhibits higher than historic average lapse rate, rendering it unrealistic to assume full payment of premiums over the whole premium payment term of the policy, adjustments should be made for both the remuneration and the premium figures. Authorized insurers are required to seek the IA's prior written consent for making the adjustments in such cases.

5.5 For new products, authorized insurers are required to project the relevant figures based on the business and financial plan for the product using sound actuarial principles and assumptions.

5.6 Annual review of the relevant assumptions and figures based on the latest data is required. If there is any change to the assumptions or figures, both the calculation and the remuneration disclosure statement should be updated.

5.7 Subject to paragraph 5.4 above, in the calculation of future payments to the licensed insurance intermediaries (e.g. renewal commission, trailer commission, bonuses etc.), no allowance should be provided for any assumptions on lapse of policy, the termination of business relationship with any licensed insurance agencies or licensed insurance broker companies or the departure of any licensed individual insurance agents.

6. Methodology

6.1 The "all-year-average" approach should be adopted in the calculation, i.e. total payments to the licensed insurance intermediary directly attributable to the sale of the ILAS product as a percentage of the total premium payable over the whole premium payment term.

6.2 The remuneration to be included should cover all monetary and non-monetary remuneration payable to the licensed insurance intermediary involved in the sale of the ILAS policy, including the basic commission, renewal commission, trailer commission, facilitation fee, referral fee, production bonus, persistency incentive, overriding commission etc.

6.3 Exemptions for in-kind rewards are generally not allowed, except with the IA's prior written consent. The IA will consider such requests only if:

(a) they are immaterial (relative to the other monetary and non-monetary remuneration for the concerned ILAS product);

(b) they are not readily convertible to cash or cash-equivalent; and

(c) they are not directly attributable to the sale of the concerned ILAS product.

6.4 In calculating trailer commissions based on account values of ILAS policies, the cumulative premium payable before deduction of fees and charges should be used as the proxy for the account value.

(a) For regular premium products, the trailer commission payable within the premium payment term would be included for the calculation of "all-year-average".

(b) For single premium products, the trailer commission payable within the period with surrender charges would be included for the calculation of "all-year-average".

(c) For the avoidance of doubt, trailer commission derived from single top-up premiums outside the surrender charge period of the ILAS policy should be excluded from the calculation of the all-year-average for single top-up premiums of ILAS products.

6.5 All payments which are in substance payments to the licensed insurance intermediary directly attributable to the sale of the ILAS policy concerned must be included in the calculation of the "all-year-average", irrespective of the name given to such payments or the form which such payments take.

6.6 If an authorized insurer wishes to modify any requirements in this paragraph 6 in respect of any of its ILAS products, it must provide sufficient justification (e.g. materiality, etc) to the IA for such modification. The IA may seek further justification for such modification as it deems appropriate before deciding whether or not to provide its prior written consent.

Production Bonus/Persistency Incentive

6.7 All bonuses and/or persistency incentives attributable to the sale of the relevant ILAS products should be included.

(a) For the calculation of such bonus/incentive, suitable allocation of an appropriate amount of bonus/incentive to the relevant ILAS product should be made if such ILAS product is part of a pool of the product portfolio.

(b) All calculations should be based on actual data in the preceding 3 years except for ILAS products with a history of less than 3 years, in which cases the calculations should be based on all data available. In any event, all calculations should be based on sound actuarial principles.

6.8 If the ILAS product is part of a pool which also includes non-ILAS products, when calculating the suitable allocation of the production bonus/ persistency incentive to the ILAS product for the calculation of the all-year-average for the ILAS product, the authorized insurer may only exclude amounts of the production bonus/persistency incentive which apply to the ILAS product in the pool, if it has demonstrated to the IA's satisfaction (as confirmed by the IA providing its prior written consent) that the following criteria are satisfied:

(a) the pooling of the ILAS product with the non-ILAS products is a genuine arrangement which is not designed to reduce the production bonus/ persistency incentive that should be allocated to the calculation of the all-year-average for the ILAS product and the exclusion of such amounts would not create any misaligned incentive for the licensed insurance intermediaries to engage in mis-selling activities when recommending the ILAS product to customers;

(b) all life insurance products of the authorized insurer concerned which the authorized insurer is (at the time) offering to customers are included in the 'pool' for the purpose of calculating the production bonus/persistency incentive;

(c) the ILAS product and non-ILAS products are subject to the same calculation basis (irrespective of insurance products sold) for the determination of the amount of production bonus/persistency incentive; and

(d) the business of the authorized insurer concerned is not overly concentrated on the sale of ILAS products in terms of new business premiums.

6.9 In order for an authorized insurer to demonstrate to the IA's satisfaction that the criteria in paragraph 6.8 are met, the authorized insurer is required to provide the following information (and such other information as the IA deems appropriate) for the IA's review:

(a) list of all insurance products included in the 'pool' (and insurance products excluded, if any);

(b) detailed calculation methodology for the determination of the amount of production bonus/persistency incentive; and

(c) impact analysis showing the all-year-average for the individual ILAS product before and after the exclusion of production bonus/persistency incentive.

6.10 In relation to paragraph 6.9(c) above, if there is any material difference(s) between the all-year-average for the ILAS product before and after the exclusion of production bonus/persistency incentive, the IA may seek further justification and information from the authorized insurer as it deems appropriate before deciding on whether or not to provide its prior written consent (per paragraph 6.8 above).

6.11 The "Template for the Calculation of All-Year-Average of Licensed Insurance Intermediaries' Remuneration" is attached at **Annex**.

7. Disclosure Format

7.1 Authorized insurers are required to calculate the all-year-average for each ILAS product (and each distribution channel employed) and disclose in the IFS for base plan and top-up applications. For the avoidance of doubt, all-year-average for top-up can be disclosed either in a separate IFS (for existing policy holders of closed ILAS products) or in the IFS of the base plan.

7.2 Separate figures should be disclosed for ILAS products with both single and regular payment mode.

7.3 For regular payment ILAS products with variable premium payment term, authorized insurers may adopt a banding approach (i.e. the highest of individual bands with maximum of 5-year interval, or the highest of premium payment term) in disclosing the all-year-average for ease of compliance.

7.4 For the purpose of paragraph 7.3 above, authorized insurers are required to confirm the approach they intend to use for the purpose of disclosing the all-year-average, i.e. by using the banding approach or actual premium payment term.

7.5 If the policy holder:

(a) is appointing a third party financial professional to provide management services in relation to the investment choices under the ILAS product and paying fees to the financial professional for these services (which are collected by the authorized insurer and paid onto the third party financial professional); and

(b) this is a service which the policy holder has the discretion either to have or not to have,

given that the fees payable to the third party financial professional are not directly attributable to the sale of the ILAS policy, such fees may be excluded from calculating the all-year-average. The fee payable to the third party financial professional should, however, be separately disclosed in the fees and charges table in the Product Brochure and Product Key Facts Statement of the ILAS products concerned.

Annex

Template for the Calculation of All-Year-Average of Licensed Insurance Intermediaries' Remuneration

INSTRUCTIONS FOR COMPLETION OF THIS TEMPLATE

Principle of remuneration disclosure

The overarching principle for remuneration disclosure is that the figure(s) to be disclosed must be accurate and meaningful to potential policy holders. The disclosure must be simple and understandable for an average policy holder, so that he or she can obtain an appreciation of how much the licensed insurance intermediary will be paid in respect of the ILAS policy and thereby the extent of financial benefit the licensed insurance intermediary would obtain from the policy holder to enter into the ILAS policy concerned.

Proposed methodology

An authorized insurer should use an "all-year-average" methodology[2] for calculating the figures for the remuneration disclosure and should include in the calculation all payments to the licensed insurance intermediary which are directly attributable to the sale of the ILAS policy concerned (i.e. basic/renewal commission, trailer commission, production bonus, persistency incentive, overriding commission, etc). Overheads and in-kind remuneration (subject to the prior written consent of the IA) may be excluded from the calculation. Authorized insurers are required to include relevant remuneration items in the calculation based on substance rather than form or name (i.e. items which are in substance payments to the licensed insurance intermediary directly attributable to the sale of the ILAS policy concerned must be included in the calculation, irrespective of the name given to such payments or the form which such payments take).

For trailer commission based on account value:

An authorized insurer should adopt a "no-growth" assumption for the purpose of calculating the figures for the remuneration disclosure (i.e. the cumulative premium payable before deduction of fees and charges should be adopted as the proxy for the account value in the calculation). For ILAS products with regular premium, trailer commission payable within the premium payment term (except in the case of ILAS products with whole-life premium payment term where a maximum of 30 years should be adopted) needs to be included in the calculation. For ILAS products with single premium, trailer commission payable within the policy period with surrender charges needs to be included.

For production bonus / persistency incentive:

If a production bonus or persistency incentive is specific to a particular ILAS product, it needs to be included in full in calculating the all-year-average. If the production bonus or persistency incentive is based on a pool of insurance products including both ILAS and non-ILAS products, the portion attributable to a particular ILAS product needs to be calculated and allotted in the calculation. All calculations should be based on the preceding 3 years of actual data (this can, of course, be shorter for ILAS products which have been in existence for less than 3 years) and sound actuarial principles. An authorized insurer is required to carry out an annual review of the relevant assumptions and figures based on latest data. For a new ILAS product, the authorized insurer is required to project the relevant figures based on its business and financial plan for the ILAS product using sound actuarial principles and assumptions.

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[2] For the avoidance of doubt, an authorized insurer should follow paragraph 4.7 of **Appendix 2** which provides that it has the duty to ensure that the all-year-average which is disclosed to the customer at the point of sale, is up-to-date (for example, the figures in the disclosure must reflect any higher rate of remuneration paid to licensed insurance intermediaries during a promotion campaign).

Scope of the field test

For the purposes of the field test, authorized insurers are required to calculate the all-year-average for each ILAS product. Please use one template for each ILAS product (except those allowing both single and regular payment mode, and in such case, please use a separate template for each payment mode). For regular payment ILAS products, please use a separate template for each premium payment term if the applicable rate and/or structure of remuneration are different. Authorized insurers using broker channel and/or bancassurance channel for distribution are required to further break down the all-year-average in accordance with the requirements set out in paragraph 4 of the **Appendix 2**.

Sign-off

Appointed actuaries are required to sign off the final figures before submission.

Remuneration for ILAS Product

Policy Year	Premiums Payable (Note)	Cumulative Premiums Payable	Payments to Licensed Insurance Intermediaries Directly Attributable to the Sale of ILAS Products (HK$)								Total (HK$)
			C01	C02	C03	C04	C05	C06	C07	C08	
1	0	0	0	0	0	0	0	0	0	0	**0**
2	0	0	0	0	0	0	0	0	0	0	**0**
3	0	0	0	0	0	0	0	0	0	0	**0**
4	0	0	0	0	0	0	0	0	0	0	**0**
5	0	0	0	0	0	0	0	0	0	0	**0**
6	0	0	0	0	0	0	0	0	0	0	**0**
7	0	0	0	0	0	0	0	0	0	0	**0**
8	0	0	0	0	0	0	0	0	0	0	**0**
9	0	0	0	0	0	0	0	0	0	0	**0**
10	0	0	0	0	0	0	0	0	0	0	**0**
11	0	0	0	0	0	0	0	0	0	0	**0**
12	0	0	0	0	0	0	0	0	0	0	**0**
13	0	0	0	0	0	0	0	0	0	0	**0**
14	0	0	0	0	0	0	0	0	0	0	**0**
15	0	0	0	0	0	0	0	0	0	0	**0**
16	0	0	0	0	0	0	0	0	0	0	**0**
17	0	0	0	0	0	0	0	0	0	0	**0**
18	0	0	0	0	0	0	0	0	0	0	**0**

Policy Year	Premiums Payable (Note)	Cumulative Premiums Payable	Payments to Licensed Insurance Intermediaries Directly Attributable to the Sale of ILAS Products (HK$)								Total (HK$)
			C01	C02	C03	C04	C05	C06	C07	C08	
19	0	0	0	0	0	0	0	0	0	0	**0**
20	0	0	0	0	0	0	0	0	0	0	**0**
21	0	0	0	0	0	0	0	0	0	0	**0**
22	0	0	0	0	0	0	0	0	0	0	**0**
23	0	0	0	0	0	0	0	0	0	0	**0**
24	0	0	0	0	0	0	0	0	0	0	**0**
25	0	0	0	0	0	0	0	0	0	0	**0**
26	0	0	0	0	0	0	0	0	0	0	**0**
27	0	0	0	0	0	0	0	0	0	0	**0**
28	0	0	0	0	0	0	0	0	0	0	**0**
29	0	0	0	0	0	0	0	0	0	0	**0**
30	0	0	0	0	0	0	0	0	0	0	**0**
Total	**0**	**-**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
			0.00%	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**

Code Table:

Payments to Licensed Insurance Intermediaries Directly Attributable to the Sale of ILAS Products	
Code	**Item**
C01	Basic / renewal commission
C02	Overriding commission
C03	Facilitation fee
C04	Trailer commission
C05	Production bonus
C06	Persistency incentive
C07	Referral fee
C08	Others (MPF)

Note:

For the preparation of this template, (i) for single payment ILAS products, please assume a single premium of HK$1,000,000; and (ii) for regular payment ILAS products, please assume a regular premium of HK$120,000 per annum.

Detailed information about remuneration structure for this distribution channel:

(a) Basis of calculation (with sufficient details allowing verification by the Insurance Authority)

(b) Actuarial assumptions made (with sufficient details allowing verification by the Insurance Authority)

Appendix 3

Requirements of Post-sale Controls

1. Introduction

1.1 Authorized insurers are required to ensure that the purpose of the post-sale control is explained to customers and that it is a regulatory requirement to conduct post-sale control.

2. Performance of Financial Needs Analysis ("FNA") and Risk Profile Questionnaire ("RPQ")

2.1 Authorized insurers are required to confirm with customers that FNA and RPQ processes have been performed by the licensed insurance intermediaries based on the information provided by the customers before any ILAS products were recommended to the customers.

2.2 They are required to confirm with customers the answers they have provided in the FNA and RPQ processes and that different insurance options have been compared by the licensed insurance intermediaries based on information provided by the customers in the FNA and explained to the customers before any ILAS products are recommended to the customers.

3. Proper Disclosure of Product Documents

3.1 Authorized insurers are required to confirm that the licensed insurance intermediaries have disclosed and explained to the customers the marketing literature, including Product Brochure ("PB"), Product Key Facts Statement ("KFS"), Important Facts Statement ("IFS")/Applicant's Declarations, and other relevant materials in which the key features and risks of the product, the level of all charges and fees and the risk disclosure statements (including those of the underlying investment choices) were set out.

3.2 Authorized insurers are also required to confirm that the customers are given adequate opportunity to consider the risks associated with the product, its key features and the fees and charges structure (including those of the underlying investment choices) before the customers purchase the product, and the customers have received the relevant marketing literature, understood and accepted the features and risks associated with the ILAS products (including those of the underlying investment choices).

3.3 Authorized insurers are required to draw customers' attention to the fact that copies of the IFS and Applicant's Declarations which customers read and signed during the application process are attached to the ILAS policy which will be delivered to them by the authorized insurer or the licensed insurance intermediary. They should also remind the customers to read the important information and facts contained therein.

4. Confirmation of the Purchase of ILAS Policy and Affordability

4.1 Authorized insurers are required to confirm with customers the names of the authorized insurers who provided the relevant ILAS products that the customers have purchased and the names of the licensed insurance intermediaries who recommended such ILAS products to the customers, and the customers' objectives of purchasing the ILAS products as stated in their FNA and IFS and Applicant's Declarations.

4.2 They are required to confirm that the customers understand the premium amount and the premium term of their ILAS policies.

4.3 They are also required to remind the customers that they should not purchase the ILAS products if they do not intend or expect to be unable to continue with the premium payment for the whole payment term they have chosen. In the event that premium is not paid, the customers may suffer a loss resulting from fees and charges being continued to be deducted from the cash value of the policies.

5. Understanding of Upfront and Withdrawal/Surrender Charges

5.1 Authorized insurers are required to confirm the customers' understanding that an upfront fee will be charged on the premium paid before an investment is made, where applicable.

5.2 They are also required to confirm the customers' understanding that a withdrawal fee or surrender charge will be deducted from the cash value of the ILAS policies for early withdrawal or surrender of the ILAS policies (as the case may be).

6. Understanding of Penalties, Fees and Charges

6.1 Authorized insurers are required to confirm with the customers that they are aware of the types of penalties, fees and charges (including penalties and charges for premium reduction, early encashment, cash withdrawal, temporary suspension of premium payment, switching of investment choices and market value adjustment for cooling-off cancellation, etc.) which are applicable to their policies and that such penalties, fees and charges have been clearly explained to them by the licensed insurance intermediaries.

7. Understanding Potential Risk of Investments

7.1 Authorized insurers are required to draw the customers' attention to the risks inherent in their investment choices which are set out in the marketing literatures (e.g. KFS, PB, investment choice brochure, etc.) that have been provided to them. They should also remind the customers that investment returns are not guaranteed. Each investment choice is subject to market and interest rate fluctuations, and the value of their investment choices may go down or up. Past performance is not indicative of future performance of an investment. High risk investment choices may be subject to higher volatility.

7.2 Authorized insurers are required to draw the customers' attention to the market value adjustment on their ILAS policies, which is determined at the sole discretion of authorized insurers under certain situations where applicable.

7.3 For those customers who have chosen investment choices which may distribute cash dividends on a regular basis, authorized insurers should draw the customers' attention to the associated risks of such feature.

8. Confirmation/Switching of Investment Choices/Top-up Investments

8.1 Authorized insurers are required to confirm the investment choices chosen by the customers and draw the customers' attention if their investment choices belong to the risk category higher than their risk profile.

8.2 They are required to draw the customers' attention to the types of potential charges and changes in risk levels of the investment choices following a fund switching instruction or placing of top-up investment in investment choices that are inconsistent with their risk profiles. They should also remind the customers of their rights to seek professional financial advice as the customers consider appropriate.

9. Licensed Insurance Intermediaries' Remuneration

9.1 Authorized insurers are required to seek the customers' confirmation of understanding that the licensed insurance intermediaries are remunerated from every HK$100 premium they paid and that they have the right to request details of the licensed insurance intermediaries' remuneration.

10. Confirmation of Suitability

10.1 Authorized insurers are required to confirm the understanding and agreement of the customers on their choice of Box A or Box B as set out in "Section III: Suitability Declaration" under the Applicant's Declarations, and explain the suitability of the ILAS product (including its underlying investment choices) with due regard to customers' answers in the FNA and RPQ processes, their reasons/considerations as set out in "Statement of Purpose" under the IFS and the explanations as set out in "Section III: Suitability Declaration" under the Applicant's Declarations, where applicable.

10.2 They are required to remind the customers that the customers should not purchase the ILAS policies and/or the selected mix of underlying investment choices unless their suitability have been explained to their understanding. The customers should make an informed decision in purchasing the relevant ILAS product(s) (including its underlying investment choices).

11. Cooling-off Right

11.1 Authorized insurers are required to draw customers' attention to their cooling-off right and the expiry date of the cooling-off period.