

# Annuity Insurance

Expedite your life goals with a wise choice



EarlyIncome Annuity Plan

HSBC Life (International) Limited

HSBC   
Insurance

#### **HSBC Life (International) Limited**

HSBC Life (International) Limited ("the Company") is incorporated in Bermuda with limited liability, and is one of the HSBC Group's insurance underwriting subsidiaries.

#### **Registered office**

6 Front Street, Hamilton HM11, Bermuda

#### **Hong Kong SAR office**

18/F, Tower 1, HSBC Centre, 1 Sham Mong Road, Kowloon, Hong Kong

The Company is authorised and regulated by the Insurance Authority (IA) to carry on long-term insurance business in the Hong Kong SAR.

EarlyIncome Annuity Plan is underwritten by the Company.

The Hongkong and Shanghai Banking Corporation Limited (referred to as "HSBC") is an insurance agent of the Company. This product is a product underwritten by the Company and it is intended only for sale through HSBC in the Hong Kong SAR.

For monetary disputes arising between HSBC and you out of the selling process or processing of the related transaction, HSBC will enter into a Financial Dispute Resolution Scheme process with you; however any dispute over the contractual terms of the product should be resolved between the Company and you directly.

The Company accepts full responsibility for the accuracy of the information contained in the Product Brochure and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement misleading. The information shown therein is intended as a general summary. Please refer to your insurance policy for the detailed terms and conditions.

November 2017

## **EXPEDITE YOUR LIFE GOALS WITH A WISE CHOICE**

Make a smart move today to expedite your life goals, be it a comfortable retirement or funding for your children's education, while resting assured that your family will be protected should any mishaps befall you.

### **How does EarlyIncome Annuity Plan work?**

EarlyIncome Annuity Plan (the "Plan" or the "Policy") is a life insurance product which offers you life protection throughout the Policy Term while helping you reach your life goals.

Simply fund your Plan in the first three years at your choice of premium payment mode. You will then enjoy a steady stream of income in the form of Monthly Annuity Payment<sup>2</sup> for 20 years according to your chosen Annuity Payment Option to suit your needs.

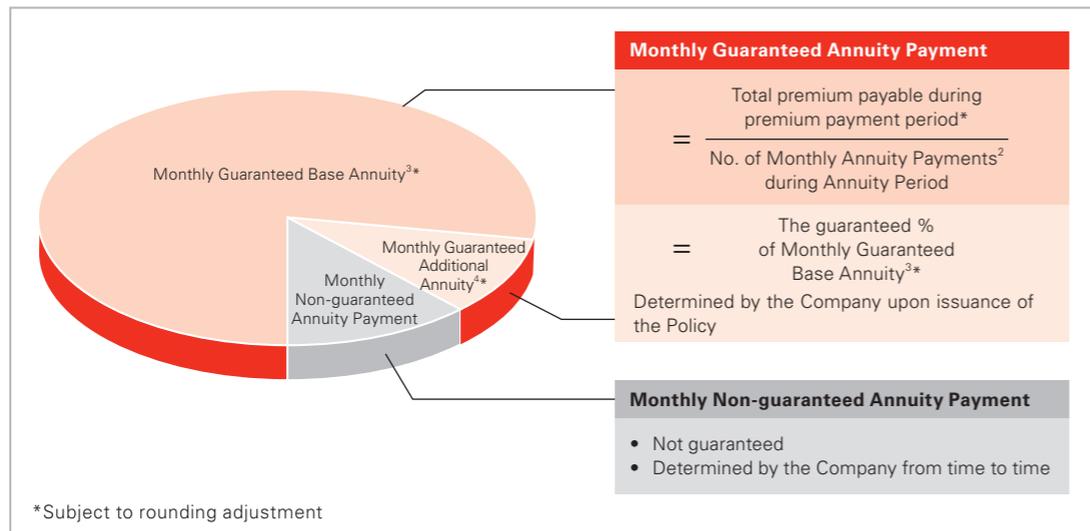
Throughout the Policy Term, if the Life Insured passes away, the Death Benefit payable to the Beneficiary(ies) plus the total amount of Monthly Guaranteed Annuity Payment we have paid to the Policyholder (if any) will be at least equal to 101% of the Total Premiums Paid<sup>1</sup>.

The Plan is not equivalent or similar to any kind of deposit.



## WHAT CAN YOU GET DURING ANNUITY PERIOD?

- Guaranteed Cash Value (the value payable under certain circumstances such as surrender<sup>12</sup> or maturity)
- Dividends (non-guaranteed and applicable if cash payment option is elected)
- Monthly Annuity Payment<sup>2</sup>:



Notes:

- For figures used and assumptions made in preparing the above chart, please refer to those stated in Example 1.
- The above diagram and the relative proportion of various payments depicted is for illustrative purpose only. Please refer to the figures illustrated in your insurance proposals.

Please refer to Product Summary and Policy Provisions for details.

## HOW MUCH PROTECTION CAN YOU ENJOY?

### Life Cover<sup>5</sup>

The Life Insured can enjoy life protection during the Policy Term. In the unfortunate event of death of the Life Insured, the Beneficiary(ies) will receive the Death Benefit (please refer to Product Summary for details).

### Extra Protection

The following Supplementary Benefits are embedded in the Basic Plan of the Policy, subject to eligibility, with no additional premiums required:

- **Additional Accidental Death Benefit<sup>6</sup>**  
In the unfortunate event that the death of the Life Insured results from an accident before the end of the Policy Term or the age<sup>7</sup> of 80 (whichever is earlier), an additional 30% of the Total Premiums Paid<sup>1</sup> will be paid to your Beneficiary(ies) in addition to the Death Benefit payable under the Policy.
- **Terminal Illness Benefit<sup>6</sup>**  
The Death Benefit will be paid in advance if the Life Insured is diagnosed with a terminal illness before the end of the Policy Term or the age<sup>7</sup> of 80 (whichever is earlier) and such illness is likely to result in death within one year.
- **Unemployment Benefit<sup>8</sup> (Not applicable for aggregate premium<sup>11</sup> policy)**  
If the Policyholder has become unemployed for at least 30 consecutive days before the Insurance Age<sup>10</sup> of 65, the Grace Period for payment of your premiums will be extended up to 365 days, during which the Life Insured will still enjoy the Policy's full protection. For details, please refer to the Policy Provisions.

### Hassle-free Application

Policy approval is generally guaranteed<sup>9</sup> and medical examinations are not required.

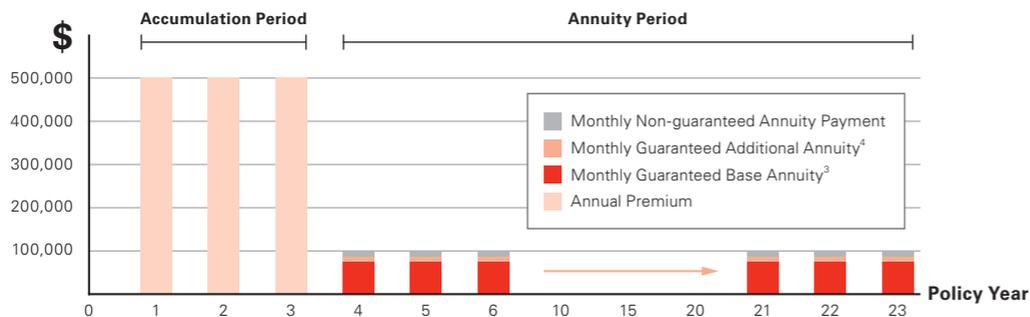
## EXAMPLES

The data below is for examples 1 and 2 and the amounts shown are in Hong Kong dollars (HKD).

Insurance Age <sup>10</sup> of Life Insured : <b>45</b>			
Premium payment period	: <b>3 years</b>	Annuity Period	: <b>20 years</b>
Accumulation Period	: <b>3 years</b>	Monthly Guaranteed Base Annuity <sup>3</sup>	: <b>6,250</b>
Annual premium	: <b>499,990</b>	Monthly Guaranteed Additional Annuity <sup>4</sup>	: <b>+812</b>
Total Premiums Paid <sup>1</sup>	: <b>1,499,969</b>	Monthly Non-guaranteed Annuity Payment	: <b>+958</b>

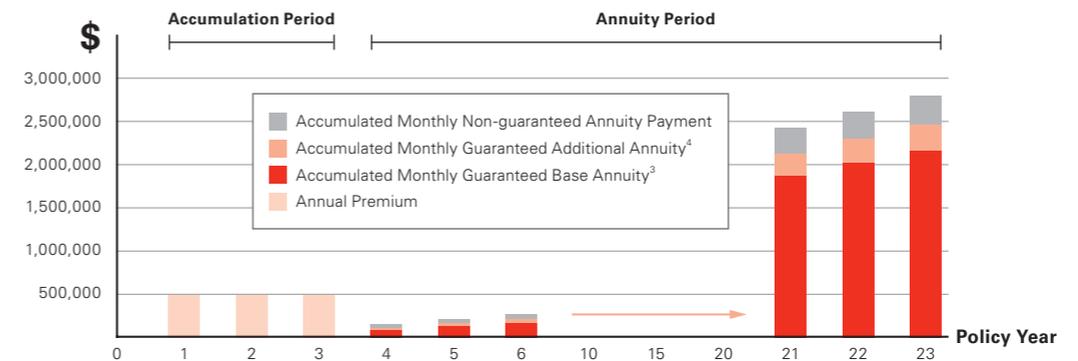
### Example 1

- Receive all Monthly Annuity Payment<sup>2</sup> in cash
- Total Monthly Annuity Payment<sup>2</sup> will be **HKD1,924,735**
- At maturity, you may get **128%** of Total Premiums Paid<sup>1</sup>



### Example 2

- Accumulate all Monthly Annuity Payment<sup>2</sup> under the Policy
- Accumulated Monthly Annuity Payment<sup>2</sup> will be **HKD2,764,932\***
- At maturity, you may get **184%** of Total Premiums Paid<sup>1</sup>



### Assumptions for Examples 1 and 2

- All premiums are paid in full when due during the premium payment period.
- No withdrawal of accumulated dividends and interest under the Policy and no adjustment affecting the dividends has been made during the Policy Term.
- Monthly Guaranteed Additional Annuity equals to the guaranteed percentage (guaranteed rate) of Monthly Guaranteed Base Annuity<sup>3</sup>, subject to rounding adjustment. The guaranteed rate used for computing the illustrated Monthly Guaranteed Additional Annuity<sup>4</sup> is 13% (rounded to the nearest whole percentage). The guaranteed rate, which depends on Accumulation Period chosen, is determined by the Company upon the issuance of the Policy so the actual rate may be lower or higher than 13%.
- The current interest rate used for accumulated dividends and interest/accumulated Monthly Annuity Payment\* is 3.5% p.a.. This interest rate is not guaranteed and may be adjusted by the Company at its discretion from time to time. The actual interest rate may be lower than or higher than 3.5% p.a..

## PRODUCT SUMMARY

Premium payment period	3 years
Accumulation Period	1/3 years
Annuity Period	20 years
Policy currency	HKD/USD
Policy Term	21/23 years
Issue age	Insurance Age <sup>10</sup> 35 to 75
Premium payment method	Aggregate premium <sup>11</sup> , monthly or annual, through: <ul style="list-style-type: none"> <li>• HSBC bank account, or</li> <li>• Cheque, or</li> <li>• HSBC credit card (not applicable to aggregate premium<sup>11</sup>)</li> </ul> Notes: <ul style="list-style-type: none"> <li>• For aggregate premium<sup>11</sup> option, no withdrawal from the balance of the aggregate premium<sup>11</sup> together with interests accumulated is allowed once paid except in the event of death or surrender<sup>12</sup>.</li> <li>• If you choose to pay your premium monthly in respect of a Policy Year, the total premium paid for that Policy Year will be higher than if you pay annually.</li> </ul>
Minimum Monthly Guaranteed Annuity Payment	HKD2,000/USD250
Annuity Payment Option	<ul style="list-style-type: none"> <li>• Payment at monthly interval               <ul style="list-style-type: none"> <li>– Receive Monthly Annuity Payment<sup>2</sup> on each Monthiversary during the Annuity Period; or</li> </ul> </li> <li>• Rollover               <ul style="list-style-type: none"> <li>– Accumulate all paid Monthly Annuity Payment<sup>2</sup> to earn interest (if any) (the interest rate will be determined at the Company's discretion from time to time) until the end of the Annuity Period</li> </ul> </li> </ul>
Annuity payment	<ul style="list-style-type: none"> <li>• Accumulation Period: 1 year               <ul style="list-style-type: none"> <li>– Pay from the 13<sup>th</sup> Monthiversary until the end of the Annuity Period</li> </ul> </li> <li>• Accumulation Period: 3 years               <ul style="list-style-type: none"> <li>– Pay from the 37<sup>th</sup> Monthiversary until the end of the Annuity Period</li> </ul> </li> </ul>

### Notes:

When considering the above examples, please note the following:

- The Monthly Guaranteed Base Annuity<sup>3</sup> and Monthly Guaranteed Additional Annuity<sup>4</sup> are subject to rounding adjustments.
  - The amount of the Monthly Non-guaranteed Annuity Payment is not guaranteed and may vary from time to time. The actual future amount may be lower than or higher than that illustrated above.
  - Policy dividends and interest rate applied to accumulated Monthly Annuity Payments<sup>2</sup> and projected dividends are not guaranteed and may change from time to time which may be lower or higher than those illustrated in the examples.
  - These examples are shown for reference only and do not intend to predict the actual amounts payable under the Policy.
- \* The accumulated Monthly Annuity Payment<sup>2</sup> is projected based on the current dividend scales and interest rate(s) which are not guaranteed. The Company may adjust the dividend scale and the rates of interest at its discretion from time to time. Please refer to the insurance proposal for the current interest rate.
- ^ At maturity, the percentage of Total Premiums Paid<sup>1</sup> that you may get is the ratio of total Monthly Annuity Payment<sup>2</sup> or accumulated Monthly Annuity Payment\* received at the end of the Policy Term plus any accumulated dividends and interest less any Indebtedness<sup>15</sup> to Total Premiums Paid<sup>1</sup> and such percentage is not guaranteed.

Guaranteed Cash Value	Guaranteed Cash Value is calculated by reference to the Monthly Guaranteed Annuity Payment and the tabular cash value rates shown in the Policy Schedule. Such rates, and therefore the Guaranteed Cash Values, will vary by Policy Year.
Dividends	<p>Dividend, if any, is non-guaranteed so whether dividend will be paid or the amount of dividend will be determined annually by the Company and any such dividend will be paid to the Policy on each Policy Anniversary, provided that the premiums due to such anniversary have been paid before the expiry of the Grace Period. You may receive annual dividends (if any) by the following means:</p> <ul style="list-style-type: none"> <li>• accumulate in the Plan with interest (if any); or</li> <li>• take out as cash.</li> </ul> <p>The annual dividends and interest rates (earned on any accumulation interest rate on dividends and Monthly Annuity Payment<sup>2</sup>) are not guaranteed. The Monthly Non-guaranteed Annuity Payment is derived from accumulated dividends and interest and projected dividends (if any). The amount of accumulated dividends and interest (if any) after each Monthly Non-guaranteed Annuity Payment will gradually decrease with the intention that it will be reduced to zero at the end of the Annuity Period. Please refer to section "Key risks - Non-guaranteed benefits" for the details of key risk factors.</p>
Surrender Benefit	<p>Guaranteed Cash Value plus the :</p> <ul style="list-style-type: none"> <li>• Accumulated dividends and interest (if any);</li> <li>• Plus accumulated Monthly Annuity Payment<sup>2</sup> and interests (if any) (if surrender<sup>12</sup> is made during the Annuity Period);</li> <li>• Plus balance of aggregate premium<sup>11</sup> together with interests accumulated after deduction of Surrender Charge as determined by the Company from time to time (if aggregate premium<sup>11</sup> option is chosen);</li> <li>• Less any Indebtedness<sup>15</sup></li> </ul>
Death Benefit	<ul style="list-style-type: none"> <li>• During the Accumulation Period, Death Benefit payable is the higher of: <ul style="list-style-type: none"> <li>– 101 % of the Guaranteed Cash Value; and</li> <li>– 101 % of the Total Premiums Paid<sup>1</sup> for the Basic Plan, at the date of death of the Life Insured, plus any accumulated dividends and interest less any Indebtedness<sup>15</sup>.</li> </ul> </li> <li>• During the Annuity Period, Death Benefit payable is the higher of: <ul style="list-style-type: none"> <li>– 101 % of the Guaranteed Cash Value; and</li> <li>– 101 % of the Total Premiums Paid<sup>1</sup> for the Basic Plan, less any total Monthly Guaranteed Annuity Payment paid (if any) at the date of death of the Life Insured, plus any accumulated Monthly Annuity Payment<sup>2</sup> and any accumulated dividends and interest less any Indebtedness<sup>15</sup>.</li> </ul> </li> </ul>

	If the Policy is paid by aggregate premium <sup>11</sup> , the Death Benefit includes the balance of the aggregate premium <sup>11</sup> and any interest accrued to the balance of aggregate premium <sup>11</sup> .
Death Benefit settlement	<p>Based on the written instruction<sup>13</sup> of the Policyholder, the Beneficiary(ies) will receive:</p> <ul style="list-style-type: none"> <li>• the Death Benefit in one lump sum payment; or</li> <li>• Accumulated Monthly Annuity Payment<sup>2</sup> (if any) before the death of the Life Insured in one lump sum plus the unpaid Monthly Annuity Payment<sup>2</sup> (if any) until the end of the Annuity Period (this option is only applicable if it is elected during Life Insured's lifetime and the death of the Life Insured occurs in or after the fourth Policy Year).</li> </ul>
Embedded Supplementary Benefits (no additional premiums)	Additional Accidental Death Benefit
	Terminal Illness Benefit
	Unemployment Benefit (Not applicable for aggregate premium <sup>11</sup> policy)

The contents in this Product Brochure are for reference only. You should read this document in conjunction with the respective insurance proposal and Policy Provisions for details.

## IMPORTANT NOTES

### Cooling-off Period

The EarlyIncome Annuity Plan is a long-term life insurance plan with a savings element. Part of the premium pays for the insurance and related costs including but not limited to policy acquisition, maintenance and claims costs.

If you are not satisfied with the Policy, you have a right to cancel it and obtain a refund of any premium(s) and levy(ies) paid by giving written notice. To cancel, you must sign on such notice, return the Policy (if received) and ensure that such notice and the Policy are received directly by the office of HSBC Life (International) Limited at 18/F, Tower 1, HSBC Centre, 1 Sham Mong Road, Kowloon, Hong Kong within the Cooling-off Period (that is, 21 days after the delivery of the Policy or issue of a notice informing the availability of the Policy to you or your representative, whichever is earlier).

After the expiration of the Cooling-off Period, if you cancel the Policy before the end of the Policy Term, the Net Cash Value<sup>14</sup> that you receive may be less than the total premium you have paid.

### Suicide

If the Life Insured commits suicide, within one year of the Issue Date or from the effective date of reinstatement, whichever is later, whether sane or insane, the Company's liability will be limited to the amount of premiums paid to the Company less any amount paid by the Company to you since the Policy Date. Please refer to Policy Provisions of the Basic Plan for detailed terms and conditions.

### Policy Loan

You may apply for a Policy Loan before the Annuity Period, provided that the amount borrowed (including any previous unpaid borrowed amount) does not exceed 90% of the Net Cash Value<sup>14</sup> before Indebtedness<sup>15</sup>. You will be advised of the rate of interest determined by the Company which

may change from time to time. Consequently, the value payable under certain circumstances such as surrender<sup>12</sup> or maturity will be reduced. When the Policy Loan with accrued interest exceeds the Net Cash Value<sup>14</sup> before Indebtedness<sup>15</sup>, the Policy may lapse.

Please be reminded that any Indebtedness<sup>15</sup> on this Policy outstanding at the time of payment of Annuity or Death Benefit claim shall be deducted from the amount otherwise payable under this Policy. The Company's claim for any Indebtedness<sup>15</sup> shall be prior to the Death Benefit claim of the Policyholder or any Beneficiary(ies) or any assignee or any other person.

### Tax Reporting and Financial Crime

The Company may from time to time request information from you regarding you and your Policy for the Company and other members of the HSBC Group to meet certain obligations to legal or regulatory bodies and government or tax authorities in Hong Kong and overseas. If you fail to provide to the Company information that is requested from you or if you present a financial crime risk to a member of the HSBC Group, such consequences as set out in the policy terms include that the Company may:

- Take such actions as are necessary to enable it or a member of the HSBC Group to meet its obligations;
- Be unable to provide new, or continue to provide all of the services to you;
- Be required to withhold payments or benefits that would otherwise be due to you or your Policy and permanently pay those over to tax authorities; and
- Terminate your Policy.

Should any benefit or payments be withheld or the Policy be terminated by the Company, the amount you get back plus the total amount you have received before policy termination (if any) may be less than what you have paid. The Company recommends that

you seek your own independent professional advice on your tax liabilities and tax position in relation to your Policy.

### Termination conditions

The Company has the right to terminate the Policy under any of the following circumstances,

- If you cannot make the overdue premium payment by the end of the Grace Period, or
- The Policy Loan with accrued interest exceeds the Net Cash Value<sup>14</sup> before Indebtedness<sup>15</sup>; or
- We reasonably consider that by continuing the Policy or the relationship with you, we may break any laws or the Company, or a member of the HSBC Group, may be exposed to action or censure from any authority; or
- If the Company has the right to terminate pursuant to the terms of any Supplementary Benefits.

Please refer to the Policy Provisions for detailed terms and conditions on termination.

### Aggregate premium<sup>11</sup> option

The aggregate premium<sup>11</sup> option allows you to pre-pay the required premiums. The balance of the aggregate premium<sup>11</sup> after deducting the annual premium on the relevant premium due dates will be accumulated with interest at such interest rate which is not guaranteed and may change from time to time at our discretion. If the aggregate premium<sup>11</sup> together with interests accumulated exceed the total premiums required under the Policy, any balance amount will be refunded to you as soon as all premiums due under the Policy have been settled. If the aggregate premium<sup>11</sup> together with interests accumulated are not sufficient to cover the total premiums required under the Policy, you will then be requested to settle the premium shortfall upon receiving our written notification for the premiums due. Any failure to pay for the premium shortfall may result in lapsation of the Policy.

### Applicable laws

The laws governing the Policy are the laws of Bermuda. However, in the event of any dispute arising in the Hong Kong SAR, the non-exclusive jurisdiction of the Hong Kong SAR courts will apply.

### Eligibility

The Plan is generally available to anyone who is between Insurance Age<sup>10</sup> of 35 to 75. The Plan is subject to the relevant requirements on nationality and/or addresses and/or residency of the Policyholder and/or Life Insured as determined by the Company from time to time.

### Policy Currency

The Plan is available in Hong Kong dollars and US dollars. Both premiums and benefits can be paid in currencies other than the policy currency. Please refer to section "Key risks - Policy currency risk" for the details of key risk factors.

### Missing payment of premium

There is a 30-day Grace Period for premium payments that are due. If you cannot make the payment by the end of the Grace Period, the non-forfeiture option which you have selected will then take effect. If no non-forfeiture option is elected, an Automatic Premium Loan will be granted to cover the unpaid premium provided that the Non-forfeiture Value<sup>16</sup> is greater than the amount of the unpaid premium. Interest will apply on such loan at a rate determined by the Company which may change from time to time. When the Non-forfeiture Value<sup>16</sup> is not enough to cover the unpaid premium, the Policy will lapse and the amount you get back may be significantly less than what you have paid.

The Monthly Annuity Payment<sup>2</sup> will only be paid if all premiums due up to the relevant Monthiversary have been fully paid.

## KEY RISKS

### Credit and insolvency risks

The product is an insurance policy issued by the Company. You are subject to the credit risk of the Company. Your premiums paid will form part of the Company's assets. You do not have any rights or ownership over any of those assets. Your recourse is against the Company only.

### Non-guaranteed benefit

The scales for calculating dividends are not guaranteed and are determined by the Company from time to time.

The Monthly Non-guaranteed Annuity Payment is mainly derived from the accumulated dividends and interest and projected dividends (if any). Any adjustment affecting the dividends, which may include but is not limited to dividend withdrawal, change of dividend scale or applicable accumulation interest rate on dividends, will trigger re-calculation of the Monthly Non-guaranteed Annuity Payment and the future dividends to be credited in the Policy may be adjusted accordingly.

The accumulation interest rate on dividends and Monthly Annuity Payments<sup>2</sup> (if any) is not guaranteed and may be adjusted by the Company at its discretion from time to time.

Whether dividends are payable and the size of the dividends to be paid depend on how well the Company has performed with regard to investment returns on the assets supporting the policies, as well as other factors including but not limited to claims, lapse experience, expenses, and the long-term future performance outlook. The key risk factors are further described below:

- **Investment risk factors** – The investment performance of the assets supporting the policies could be affected by changes in interest rate and its outlook (which affect both interest earnings and values of assets), fluctuations in prices of growth assets and various market risks including but not limited to currency risk, credit spread and default risk.
- **Claims factors** – The actual experience of mortality and morbidity is uncertain which may lead to a higher than expected claim or living benefit payment and result in worse performance.
- **Persistency factors** – The actual experience of policy surrender<sup>12</sup> (full or partial) and policy lapse is uncertain, and therefore it has impacts on both the current performance and future return of the portfolio of the policies.
- **Expense factors** – The actual amount of any direct (e.g. commission, underwriting, policy acquisition and maintenance expenses) and indirect expenses (e.g. general overhead costs) incurred and apportioned to the group of policies may be higher than expected and impact the overall performance of the product.

### Risks from the delay or missing the payment of premiums due

Any delay in or missing of the payment of premiums due may lead to policy lapses and the amount, if any, you get back may be significantly less than what you have paid.

### Risk from surrender<sup>12</sup>

If you surrender<sup>12</sup> the Policy in the early years, you may receive an amount significantly less than the premiums paid. For aggregate premium<sup>11</sup> policy, a Surrender Charge to be determined at the Company's discretion from time to time will be imposed on the balance of the aggregate premium<sup>11</sup> together with interest accumulated upon Policy surrender<sup>12</sup>.

### Liquidity risk

This Policy is designed to be held for the entire Policy Term. Should you have liquidity needs for any unexpected events, you may apply for a Policy Loan or surrender<sup>12</sup> the Policy in full or in part, subject to the respective policy terms. However this may cause the Policy to lapse or to be terminated earlier than the original Policy Term, and the amount (if any) you get back may be less than the premiums paid. You may also apply for withdrawal of any amounts that are accumulated within the Policy, but the amount available for withdrawal is not guaranteed and the withdrawal of aggregate premium<sup>11</sup> balance is not allowed. Any partial surrender<sup>12</sup>, Policy Loan, accrued loan interest and withdrawal will reduce the Death Benefit and Net Cash Value<sup>14</sup>. Consequently, the value payable under certain circumstances such as surrender<sup>12</sup> or maturity will be reduced.

### Inflation risk

Cost of living is likely to be higher in the future than it is today due to inflation. Therefore you or your assigned Beneficiary(ies), as applicable, may receive less from the Policy in real terms in the future even if the Company meets all its contractual obligations.

### Policy currency risk

You are subject to exchange rate risks. If your plan is denominated in currencies other than local currency, or, if you choose to pay premium or receive benefit in currencies other than the policy currency(ies), the actual amount paid or received by you will be subject to change according to the prevailing exchange rate between the policy currency and the local / payment currencies. The fluctuation in exchange rates may have impact on the amount of payments including but not limited to premium payments and benefit payments.

## MORE ABOUT PARTICIPATING POLICY

### Participating policy

Policies under the Plan are participating policies which consist of both the guaranteed benefits and non-guaranteed benefits. The non-guaranteed benefits comprise the policy dividends which allow Policyholders to participate in the financial performance of the life insurance operation. The annual dividend of the Policy, if any, are declared by the Company on an annual basis. Once declared, the amount of annual dividend for the year becomes vested and will be credited to your Policy. Please refer to "Product Summary" above for more details of annual dividends.

The policy dividends are not guaranteed, whether they are payable and the size of the dividends to be paid depend on how well the Company has performed with regard to investment returns on the assets supporting the policies, as well as other factors including but not limited to claims, lapse experience, expenses, and the long-term future performance outlook. Please refer to section "Key risks - Non-guaranteed benefits" for the details of key risk factors. If the performance over the long-term is better than the assumed level, then dividends paid would increase and if performance is worse than the assumed level then dividends paid would reduce.

The key feature of participating policies over other forms of insurance policies is that in addition to the guaranteed benefits receivable, Policyholders will also benefit from additional dividend payments if the insurance company's performance is better than that required to support the guaranteed benefits. The better the performance, the greater the dividend payments, and, conversely, the worse the performance, the lower the dividend payments.

### Dividend philosophy

The Company conducts regular review on the level of dividends payable to Policyholders. Both the actual performance in the past and also management's outlook of the long-term future performance will be assessed against the assumed level, and where variances arise, gains and losses will be shared with Policyholders in a fair and equitable manner through the adjustment of dividend scales.

When considering the adjustment of dividend scales, the Company also operates a smoothing philosophy in order to maintain a more stable payout to Policyholders, so the level of dividends will only be changed if the actual performance is significantly different from the assumed level over a period of time or if management's expectation of the long-term future performance changes substantially.

In order to ensure the fairness between Policyholders of the Plan, the Company will carefully consider the experiences of different groups of policies (e.g. different products, currencies, issue years etc.) so that each group of policies will receive a fair return reflecting mostly its own performance. To balance the interest between Policyholders and shareholders, a dedicated committee is established to provide independent advice on the management of the participating policies and the determination of dividends.

### Investment policy and strategy

The Company follows an asset strategy that:

- i) Helps to ensure we can meet the guaranteed benefits we have committed to you;
- ii) Delivers to you competitive long-term returns through the non-guaranteed dividends; and
- iii) Abides by a pre-defined set of risk tolerances.

The assets supporting the participating policies predominantly consist of fixed income assets issued by corporate entities with good credit quality (average A-rated or above) and long-term prospects. Growth assets, including equity-type investments and alternative investments such as property, private equity and hedge fund, as well as structured products including derivatives, are utilized in order to deliver returns reflecting real economic growth in the long run.

Our investment portfolios are well diversified in different types of assets, and are invested in different geographical markets (mainly Asia, US and Europe), currencies (mainly HKD and USD) and industries. The assets are carefully managed and monitored according to a pre-defined set of risk appetite.

### Target asset allocation

Asset type	Allocations%
Fixed income	80% - 100%
Growth assets	0% - 20%
- Equities	0% - 15%
- Alternative investments	0% - 15%

There could be slight deviation from the above range due to market fluctuation.

Actual allocations will take into consideration past investment performance of the assets supporting the policies, prevailing market conditions and future outlook, and the guaranteed and non-guaranteed benefits of the policies. This includes assessing factors such as risk tolerance and real economic growth over the appropriate time horizon.

### Accumulation interest rate

Policyholders can, amongst other options, choose to leave the dividends and annuity payments in the Plan to accumulate with interests (if any). The rates of interests are not guaranteed and will be determined by the Company from time to time. We review such accumulation interest rates regularly with reference to the portfolio bond yields, prevailing market conditions, outlook on bond yields, and the likelihood of Policyholders leaving their payment for accumulation.

The policy in determining the dividends and accumulation interest rates may be reviewed and adjusted by the Company from time to time. For more updated information, please visit our website [<https://www.personal.hsbc.com.hk/1/2/hk/insurance/life/detail#policy>]. You may also visit the above website to understand the Company's dividend history for reference. The past performance or current performance of the Company's business may not be a guide for future performances.

## ENDNOTES

1. Total Premiums Paid refers to the total amount of premiums due for the Basic Plan (whether or not actually paid) as of the date of death of the Life Insured. For aggregate premium<sup>11</sup> policy, the balance of aggregate premium<sup>11</sup> will not be counted as the Total Premiums Paid until such part of premium is due. Please refer to the Policy Provisions for detailed terms and conditions.
2. Monthly Annuity Payment means Monthly Guaranteed Annuity Payment plus Monthly Non-guaranteed Annuity Payment (if any).
3. Monthly Guaranteed Base Annuity means the total annual premiums payable during the premium payment period divided by the number of Monthly Annuity Payments<sup>2</sup> during the Annuity Period, subject to rounding adjustment. Please refer to the Policy Provision for detailed terms and conditions.
4. Monthly Guaranteed Additional Annuity equals to the guaranteed percentage (guaranteed rate) of Monthly Guaranteed Base Annuity<sup>3</sup>, subject to rounding adjustment. The guaranteed rate, which depends on Accumulation Period chosen, is determined by the Company upon the issuance of the Policy.
5. If the Life Insured commits suicide, within one year of the Issue Date or from the effective date of reinstatement, whichever is later, whether sane or insane, the Company's liability will be limited to the amount of premiums paid to the Company less any amount paid by the Company to you since the Policy Date. Please refer to Policy Provisions of the Basic Plan for detailed terms and conditions.
6. Additional Accidental Death Benefit and Terminal Illness Benefit will terminate when the Life Insured attains the age<sup>7</sup> of 80 or payout of the relevant benefits or the Policy is terminated (whichever is the earliest). Please refer to the Policy Provisions of the respective Supplementary Benefits for detailed terms and conditions.
7. The Policy Anniversary at which the Policyholder or the Life Insured (as the case may be) reaches the specified age based on age at next birthday.
8. Unemployment Benefit is applicable to Policyholder's Insurance Age<sup>10</sup> between 19 and 64 who is the holder of the Hong Kong Identity Card. The benefit will terminate when the Policyholder attains the age<sup>7</sup> of 65 or all due premiums have been paid or the Policy is terminated (whichever is the earliest). Such benefit is not applicable for aggregate premium<sup>11</sup> policy. Please refer to the Policy Provisions of the respective Supplementary Benefit for detailed terms and conditions.
9. For the same Life Insured, if the total premiums of all of the pending Applications and in-force policies of HSBC Wealth Goal Insurance Plan, RetireEnrich Protection Plus, EarlyIncome Annuity Plan, RetireIncome Annuity Plan and Income Goal Insurance Plan of the Life Insured are more than the 'guaranteed approval' limit of HKD30,000,000/USD3,750,000, the Life Insured is required to complete a number of simple health questions. And we reserve the right to accept or reject any Applications for the Plan based on the information provided by the Life Insured during Application.
10. Insurance Age means the age of the Life Insured or Policyholder where applicable at his or your next birthday.
11. The aggregate premium option allows you to pre-pay the required premiums. The required annual premium will then be deducted from the aggregate premium balance on the relevant premium due dates. Please refer to section "Important notes - Aggregate premium option" for the details.

## MORE INFORMATION

12. If you surrender the Policy in full or in part, the relevant portion of the balance of aggregate premium<sup>11</sup> together with interests accumulated will be paid subject to deduction of a Surrender Charge to be determined at the company's discretion from time to time. Please be aware that if you choose the aggregate premium<sup>11</sup> option, you should ensure that you can afford to leave your pre-paid lump sum in your plan as no withdrawal from the balance of the aggregate premium<sup>11</sup> together with interests accumulated is allowed once paid except in the event of death or surrender. You are therefore advised to choose at the time of Application the premium payment method that best fit your financial circumstances.
13. The written request must be accepted and endorsed by the Company while the Life Insured is alive.
14. Net Cash Value means before the commencement of the Annuity Period, an amount equal to the sum of Guaranteed Cash Value plus accumulated dividends and interest, less any Indebtedness<sup>15</sup>. On or after commencement of the Annuity Period, Net Cash Value means sum of the Guaranteed Cash Value and any accumulated Monthly Annuity Payment<sup>2</sup>, plus any accumulated dividends and interest, less any Indebtedness<sup>15</sup>.
15. Indebtedness means the sum of all outstanding Policy Loans, any interest accrued on such Policy Loans, and any outstanding premiums under this Policy.
16. Non-forfeiture Value means for the purposes of Automatic Premium Loan, the Net Cash Value<sup>14</sup> calculated as at the date immediately preceding the due date of the relevant unpaid premium. Please refer to the Policy Provision for detailed terms and conditions.

Planning for your financial future is important. Let us review your current and future needs to help you decide if EarlyIncome Annuity Plan is the right product to help you fulfil your personal goals.

You can visit any HSBC branch to arrange for a financial planning review with us.

**Go to [www.hsbc.com.hk](http://www.hsbc.com.hk)  
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