

Standard Illustration for Non Unit-linked Life Policies

X Y Z LIFE ASSURANCE COMPANY LIMITED

[A] IMPORTANT:
THIS IS A SUMMARY ILLUSTRATION OF THE BENEFITS OF YOUR POLICY AND IN NO WAY AFFECTS THE TERMS AND CONDITIONS STATED IN THE POLICY DOCUMENT.

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

1. Name : _____ Age : _____ Sex : _____ **[C]** Smoker / Non Smoker

2. **[D]** Basic Plan Summary (Currency : _____)

[E] Initial Sum Assured : _____ **[F]** Initial Monthly Premium : _____

3. Basic Plan – Illustration Summary (Currency : _____)

[G] End of Policy Year	DEATH BENEFIT			CASH VALUE			[J] Total Premiums
	[H1] Guaranteed	[H2] Non-Guaranteed	[H3] Total	[I1] Guaranteed	[I2] Non-Guaranteed	[I3] Total	
1							
2							
3							
4							
5							
10							
15							
20							
25							
30							
At age 65							

4. Benefit Summary (Currency : _____)

Benefit Description	[K] Initial Protection Amount	[L] Initial Monthly Premium
Basic Plan eg. Accidental Death Benefit Double Indemnity Hospital Income		

[M] Total Monthly Premium :

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5. Explanation

- (i) The above is only a summary illustration of the major benefits of your policy. You should refer to your agent or the Company for more information or, if appropriate, a more detailed proposal.
- (ii) The Basic Plan Illustration in Section 3 relates only to your Basic Plan excluding any riders or additional benefits as shown in Section 4 (if applicable) and assumes that all premiums are paid in full when due.
- [optional]** (iii) The amount of total premium(s) may differ slightly from the total of the premiums payable in the policy due to rounding differences.
- (iv) The projected dividend values included in the above are based on the Company's current dividend scales and are not guaranteed. The actual dividends paid may change with the values being higher or lower than those illustrated.
- [N1]** (v) As illustrated in the above, you can leave the amount of projected dividends and the cash payments to accumulate with the Company at a special interest rate which will change from time to time. The current interest rate used to illustrate the effect of accumulation in the above is X % pa. This rate is not guaranteed. You can also cash all or part of the amount of projected dividends and the cash payment without affecting the protection amount but the values shown above will be reduced accordingly.
- [N2]** (vi) If the interest rate and assumed dividend scales remain unchanged throughout your policy term, then the future premium on the Basic Plan can be paid out of accumulated dividends (and cash payments) from policy year XX onwards. This is not guaranteed; a change in either the interest rate or projected dividend scale may require you to pay additional premiums to maintain the Basic Plan.

[N3] 6. Declaration (optional)

I confirm having read and understood the information contained in this summary of illustrated benefits.

Name : _____ Signature : _____ Date : _____

Life Insurance Council - Non Unit-Linked Illustrations
Illustration Document

1. **Purpose**

The purpose is to ensure each prospective policyholder is provided as a minimum with a summary illustration of the benefits of a non unit-linked life assurance policy (excluding Universal Life product) where there is some form of return to the policyholder other than a pure death benefit. It must state clearly what is guaranteed and not guaranteed with a comparison of the premiums payable under the terms of the policy. Universal Life products will not be included in this initiative at this stage.

2. **Minimum Requirements**

The minimum information to be included in the Illustration Document of a typical non unit-linked policy (excluding Universal Life policy) with dividends dependent on the Company's future distributable surplus and paying regular cash payments or endowments is set out on the attached sample format.

3. **Company Customisation**

Companies may customise the Illustration Document to include additional information provided that such additional information is not misleading and does not otherwise detract from the information disclosed in the minimum requirements. The illustration document must be prepared on no more than one sheet of A4 paper, if necessary, with printing on both sides in which event there must be an indication that the illustration continues overleaf.

4. **Rates/Values**

The non guaranteed rates and values adopted in producing the illustration have either to be those used currently by the company or if different then this must be clearly stated. Companies are reminded that no misleading statement, promise or representation is made in the illustration, and that the Appointed Actuary has a responsibility to take all reasonable steps to ensure that the company's incoming policyholders should not be misled as to their expectations.

5. **Illustration Preparation**

An Illustration Document must be prepared by the Company in conjunction with each policy to be issued. This document can be provided to the prospective policyholder for review prior to signing the application form in which case the prospective policyholder must sign a Declaration as stated in Section 6 of the attached sample in respect of the illustration of benefits and premiums which will be those stated in the policy. Alternatively, if the Declaration is not signed, the Illustration Document, without the Declaration, must be issued simultaneously with the provisions of the LIC Cooling-Off Initiative or at policy delivery.

6. **Language**

The Illustration Document will be in the same language(s) as used by the Company in its other pre-sale literature if the Declaration is signed prior to signing the application form, otherwise, in the same language(s) as used for other communication at the time of policy issue.

7. **Complaints or Disputes**

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

8. **Commencement Date**

The requirement to provide an Illustration Document will come into effect on 1 September 1998 but companies are encouraged to comply with this request before this date.

Life Insurance Council - Non Unit-Linked Illustration
- Illustration Document Explanatory Notes to Companies

- A. This “health warning” requires to be stated clearly in the format shown at the beginning of all Illustration Documents.
- B. The Illustration Document is to be provided for each non unit-linked product/policy/plan offered by the Company but not in relation to a pure term assurance where no return is provided except on death, nor for Universal Life type products.
- C. If a Smoker/Non Smoker discount is provided then the appropriate class must be stated otherwise this section may be blank.
- D. Where the plan/product/policy is made up of a basic plan plus riders then the key elements of the basic plan without riders is to be provided.
- E. Where the sum assured varies, the initial sum assured is to be stated.
- F. The initial modal premium actually paid by the policyholder is to be stated.
- G. Illustrations of benefits are to be provided for the years stated for not less than 30 years and at age 65 or on the maturity of the policy if earlier.
- H1. The amount of Guaranteed Death Benefit will be the sum assured plus any guaranteed cash payments or endowments being payable up to the specified policy year plus any interest rate accumulation if the interest is guaranteed and if the policyholder has the option of leaving these benefits with the Company (please refer to Explanation (v)).
- H2. Non guaranteed Death Benefit refers to the total of the non-guaranteed elements (eg. Dividends, bonuses or coupons) projected to be paid by the Company.
- H3. The Total Death Benefit will include any projected dividends, reversionary bonus or terminal bonus and accumulated guaranteed cash payment or endowments paid by the Company plus any interest rate accumulation (please refer to Explanation (iv) and (v)).
- I1. Guaranteed Cash Value refers to the total of the values the Company guarantees to pay upon total surrender of the policy provided premiums are fully paid but if the company offers no guaranteed cash values then the amounts shown must be zeros.
- I2. Non Guaranteed Cash Value refers to the total of the non-guaranteed elements (e.g. Dividends, bonuses or coupons) projected to be paid by the Company upon surrender of the policy provided premiums are fully paid. Where there is no Guaranteed Cash Value, Explanatory Note 5(iv) must be replaced as follows :-
- “The projected Non-Guaranteed Death Benefits above are based on the Company’s current dividend scales and are not guaranteed. The Non-Guaranteed Cash Value is a projection on the Company’s current surrender value basis and current dividend scales, both of which are not guaranteed. The actual values paid may change with the values being higher or lower than those illustrated”.
- I3. Total Cash Value is the total value of the policy including all guaranteed and non-guaranteed amounts (i.e. I1 plus I2).
- J. The total premiums each year are the accumulated premiums actually due to be paid by the policyholder.
- K. The protection amount may be a sum assured or the value of a regular payment as in the case of Hospital Income for any riders attaching to the policy.

- L. This is the initial modal premium actually paid by the policyholder.
- M. This is the total modal premium paid by the policyholder for the basic plan and its riders (if applicable) which may differ from the sum of the individual modal premiums depending on the rounding convention used by the Company.
- N1-N3. Inclusion of these Explanations and the definition of cash payments, etc as well as the rates of interest will depend on the individual circumstances of each Company and their products.
- O. The date on which the illustration is printed is to be provided for possible future reference.