

## How can you benefit from the new Important Facts Statement?

### Tips for potential investors

In order to facilitate understanding of many unique product features and risks of ILAS products and to raise awareness of intermediaries' remuneration, the IFS highlights some important facts relating to ILAS products in plain and easy-to-understand language. The information set out in the IFS is however not meant to be exhaustive and is not a substitute for the offering document. Therefore, do not rely solely on the IFS to make a decision. You must read the offering document before deciding whether or not to purchase ILAS products.

The following table provides tips to help you understand how you can benefit from the IFS –

| Items in the IFS                                                                    | Tips for potential investors                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
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| <p>Item 1 asks for your reasons / considerations for procuring the ILAS policy.</p> | <ul style="list-style-type: none"> <li>• In general ILAS products are not suitable for people who –               <ul style="list-style-type: none"> <li>(i) are not prepared to hold the policy throughout the lock-in period;</li> <li>(ii) do not have a need to achieve dual objectives of investment and insurance (such as estate planning) through acquiring ILAS product; and/or</li> <li>(iii) expect they may have short- or medium-term liquidity needs.</li> </ul> <p>As many ILAS products have death benefits tied to the value of investment, if you do not want your death benefits to be subject to investment risks, you should avoid such products.</p> </li> <li>• <b><i>Consider your intended purpose(s).</i></b> Read the offering document, and understand from the intermediary why the recommended ILAS product suits your intended purpose(s) and circumstances.</li> <li>• <b><i>Affordability is one of the major factors to consider.</i></b> Rule of thumb: If you choose a regular premium ILAS plan, you should ensure your ability and willingness to pay premiums during the entire contribution period. If you choose a single premium ILAS plan, you should consider the implications on your long-term financial position. In both cases, you need to take into account your own circumstances,</li> </ul> |

| Items in the IFS                                                                                                                                                            | Tips for potential investors                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
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|                                                                                                                                                                             | including your long-term financial plan and resources, the need to reserve sufficient liquid funds for contingencies, etc.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Item 2 highlights the cooling-off period arrangement.                                                                                                                       | <ul style="list-style-type: none"> <li>• <b><i>Don't wait until the cooling-off period to consider the investment decision</i></b>, because you could lose part of your original investments due to market value adjustments.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Item 3 explains that you have no ownership of assets and no guarantee for investment returns.                                                                               | <ul style="list-style-type: none"> <li>• You do not have any rights to or ownership over any of the underlying/reference investment assets of the ILAS policy. As your recourse is against the ILAS insurer only, you should consider the credit risk of the insurer.</li> <li>• <b><i>Don't base your decision solely on the rates of returns used in the illustration document</i></b>. The rates of returns shown in the illustration document are assumed and do not represent guaranteed investment performance or actual past performance. In reality, you may have a lower return or suffer losses while the fees and charges remain deductible.</li> </ul>                                                                  |
| Item 4 highlights the long-term features, including upfront charges, early surrender / withdrawal charges, and loyalty bonuses (wherever applicable).                       | <ul style="list-style-type: none"> <li>• <b><i>Typically, ILAS is a long term product. It usually involves long-term premium commitment, long policy tenor, long lock-in period (redemption charges could be as substantial as 100% in early policy years for some plans) and/or significant upfront charges.</i></b></li> <li>• ILAS products usually involve a long lock-in period during which surrender or cashing-in will possibly lead to significant loss of principal<sup>1</sup> and/or loss of bonus entitlement.</li> <li>• Some ILAS products carry upfront charges which will reduce the amount of your investment. Ask your intermediary for the amount of upfront charges applicable to your ILAS policy.</li> </ul> |
| <p>Item 5 draws your attention to the fees and charges.</p> <p>Item 6 states that switching of investment choices may be subject to a charge and a change in investment</p> | <ul style="list-style-type: none"> <li>• <b><i>Fees and charges are complex, and reduce the amount of investment and return.</i></b></li> <li>• It is important to fully understand the charging structure, computation methods, computation bases and rates (including any mechanism in place for subsequent increase in fees and charges, e.g. premium charge).</li> </ul>                                                                                                                                                                                                                                                                                                                                                        |

| Items in the IFS | Tips for potential investors                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
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| risk.            | <ul style="list-style-type: none"> <li>● In general, the structure of fees and charges of ILAS products is complex: <ul style="list-style-type: none"> <li>❖ On top of the fees and charges at the individual underlying or reference fund level, unlike direct fund investment, another layer of fees and charges are imposed by the insurer at the ILAS policy level.</li> <li>❖ The fees and charges of ILAS products may not be easy to understand. There are: <ul style="list-style-type: none"> <li>➤ a diversity of types of fees and charges and different terms used by different insurers (e.g. initial charge, premium charge, contribution charge, policy fee, administration fee, maintenance fee, etc.),</li> <li>➤ various bases and methods of calculation (e.g. the fees and charges may be determined on premium amount, policy account value, etc.), and</li> <li>➤ different timing of charges, e.g. front-end load (typically charged from the premiums you paid before they are made available for investment), level load (levied about evenly throughout the term), and back-end load (which may be imposed upon any withdrawal or surrender).</li> </ul> </li> <li>❖ For some ILAS products, the amount of the total fees and charges at the ILAS policy level payable to the insurer could be considerable.</li> </ul> </li> <li>● As some of the premiums you pay will be deducted to cover fees and charges, this will reduce the amount available for investment or repayment under the policy. The return of an ILAS policy as a whole may be considerably lower than the aggregated return of the underlying/reference funds you select.</li> <li>● <b><i>Some ILAS products do not entail payment of fees and charges for switching of investment choices. However, free switching of investment choices together with bonus/dividend may not outweigh the overall fees and charges.</i></b> <ul style="list-style-type: none"> <li>❖ The feature of free switching of investment</li> </ul> </li> </ul> |

| Items in the IFS                                                               | Tips for potential investors                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
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|                                                                                | <p>choices may be highlighted in the sale and marketing process. This “free switching of investment choices ” is not free, because you will have to pay various fees and charges for the bundled structure!</p> <ul style="list-style-type: none"> <li>❖ Consider the level of fees and charges of the ILAS product in totality. Don’t focus on a single “free” item only.</li> <li>❖ Switching of investment choices, or frequent switching of investment choices, may not in fact be desirable, as it depends on various factors such as market conditions and your views, risk tolerance and preference etc.</li> <li>❖ Understand clearly the conditions and timing of bonus / dividend entitlement.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <p>Item 7 reminds you to check for information related to premium holiday.</p> | <ul style="list-style-type: none"> <li>• <b><i>Watch out for the meaning and consequences of “premium holiday”.</i></b> <ul style="list-style-type: none"> <li>❖ Some ILAS plans allow the policyholder to take a “premium holiday” under specified conditions. But this “holiday” often involves risks and consequences.</li> <li>❖ “Premium holiday” means that the client may temporarily suspend his/her regular premium payments. But it does not mean that the client is only required to make premium contribution during the initial contribution period. It is intended to address the client’s unexpected short-term needs.</li> <li>❖ As all relevant fees and charges will continue to be deducted during the “premium holiday”, the ILAS policy value may be significantly reduced. Bonus/dividend entitlement may be adversely affected.</li> <li>❖ During the “premium holiday”, in general, the client will have to resume paying premiums if the policy account value drops below some level (e.g. a pre-defined minimum policy value). If the client fails to pay the premiums, the ILAS policy may be automatically early terminated (which is also subject to early surrender charge during the</li> </ul> </li> </ul> |

| Items in the IFS                                 | Tips for potential investors                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
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|                                                  | lock-in period) and all the premiums paid <sup>1</sup> and benefits accrued may be lost.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Item 8 highlights the risk of early termination  | <ul style="list-style-type: none"> <li>• <b><i>Find out the conditions under which automatic early termination may be triggered.</i></b> Your ILAS policy may be automatically early terminated if, for example, <ul style="list-style-type: none"> <li>❖ you fail to make premium contribution (for regular premium payment), or</li> <li>❖ your policy has very low or negative value (e.g. poor investment performance, exercise of premium holiday).</li> </ul> </li> <li>• When automatic early termination occurs, you could <ul style="list-style-type: none"> <li>❖ be subject to the applicable early surrender charge (if this happens within the lock-in period), and</li> <li>❖ lose all the premiums you paid<sup>1</sup> and benefits accrued.</li> </ul> </li> </ul> |
| Item 9 is about the intermediaries' remuneration | <ul style="list-style-type: none"> <li>• An intermediary may be tempted to introduce ILAS products that generate higher remuneration, and less motivated to introduce other financial products with lower remuneration.</li> <li>• <b><i>Banks are required to disclose the level or amount of remuneration receivable by them from the insurer in respect of each ILAS transaction.</i></b> You may compare this information with the remuneration receivable by the bank in respect of other investment products to facilitate your investment decision.</li> </ul>                                                                                                                                                                                                               |

### **Other tips**

- You can ***obtain basic facts about ILAS products*** from different sources, e.g. Investor Education Centre (website: <http://www.hkiec.hk/iec/en/html/section/index.html>) and the Hong Kong Federation of Insurers (website: [http://www.hkfi.org.hk/en\\_home1.asp](http://www.hkfi.org.hk/en_home1.asp)).
- ***Consider alternatives.*** Ask your intermediary for information about other financial products that may suit your intended purpose(s) and circumstances, and compare the features, fees and charges, risks and benefits of such products with those of ILAS products. It would be helpful to understand from the intermediary the pros and cons, as well as the overall level of fees and charges, of ILAS products compared with direct investment in the underlying investment

assets and taking out a life insurance policy separately.

- ***Take your time to digest the information and think carefully.*** Read the ILAS product offering document carefully. Take time to think thoroughly whether the ILAS policy suits your long-term needs, risk tolerance level, affordability and other circumstances, and whether other financial products can better serve your intended purpose(s). You have every right to ask your intermediary or the insurer questions if you do not understand the information provided to you.

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<sup>1</sup> The policyholder may suffer loss if the ILAS product does not have any guarantee of the repayment of principal.