

More about participating policy

We issue participating life insurance policies providing both guaranteed and non-guaranteed benefits. The guaranteed benefits may include the death benefit, guaranteed cash value and other benefits that vary depending on your chosen plan. The non-guaranteed benefits comprise the policy dividends which allow policyholders to share in the financial performance of the life insurance operation.

For HSBC Wealth Goal Insurance Plan II, the policy dividends, if any, is in the form of:

Special Bonus¹ which is declared upon early termination of the policy due to, for example, death or surrender, the exercise of Policy Value Management Option or at policy maturity.

The Special Bonus¹ amount may change from time to time based on the performance over the life of the policy before the time of declaration and prevailing investment market conditions. The actual amount will not be determined until it is payable.

Please refer to section "Product Summary" of this brochure for more details.

What factors will affect your Special Bonus¹?

The Special Bonus¹, if any, is not guaranteed. The size of the Special Bonus¹ and whether it is payable depend on factors including but not limited to:

- The investment performance of the assets supporting the policies;
- Claims, lapses, and expenses experiences; and
- The long-term expected future performance of investment and other experiences mentioned above.

If the performance over the long term is better than expected, the Special Bonus¹ paid would increase. If the performance is below expectation, the Special Bonus¹ paid would decrease.

Please refer to section "Key risks - Non-guaranteed benefit" of this brochure for more details.

What are the key benefits of participating policies?

The key feature of participating policies over other forms of insurance policies is that in addition to the guaranteed benefits, you will also benefit from an additional Special Bonus¹ payment if the investment performance is better than that required to support the guaranteed benefits. The better the performance, the greater the Special Bonus¹, and, conversely, the worse the performance, the lower the Special Bonus¹.

Dividend philosophy

Establishing a risk-sharing mechanism

We have a clear interest in the performance of your participating policy as our participating business operates on the principle of sharing risks between you and ourselves to achieve a reasonable balance. We regularly review the level of Special Bonus¹ payable to you. Both the past actual performance and management's expectation for the long-term future performance will be assessed against the assumed level. If variances arise, considerations will be taken for sharing these with you through adjusting Special Bonus¹ scales.

Fairness across policyholder groups

To ensure fairness between policyholders of participating products, we will carefully consider the experience (including investment performance) of various policy groups such as products, product generations and currencies and issue years so that each policy group will receive a fair return based mainly on its own performance. To balance the interest between you and us, a dedicated committee formed from a group of professionals will provide independent advice on managing the participating policies and determining the Special Bonus¹.

Stable long-term returns

When considering adjusting the Special Bonus¹ scales, we strive to maintain a more stable payout to you by smoothing, which means the Special Bonus¹ level will only be changed if the actual performance is significantly different from the assumed level over a period of time, or if management's long-term future performance expectations change substantially.

We may also reduce the extent of smoothing or even stop smoothing the effects of the change in asset values for a time in the determination of the Special Bonus¹. We would do this to protect the interests of the remaining policyholders. For example, we may reduce smoothing when payouts with smoothing are higher than payouts without smoothing.

Investment policy and strategy

We follow an asset strategy that:

- i) Helps to ensure that we can meet the guaranteed benefits that we have committed to you;
- ii) Delivers competitive long-term payouts to you through Special Bonus¹; and
- iii) Maintains an acceptable level of risk

The assets supporting the participating policies consist of fixed income and growth assets. The fixed income assets predominately include fixed income assets issued by corporate entities with good credit ratings (average A-rated or above) and long-term prospects. Growth assets, including equity-type investments and alternative investments such as property, private equity or hedge funds, as well as structured products including derivatives, are utilised to deliver returns that are more reflective of economic performance over the long term.

Our investment portfolios are well diversified across various types of assets, and are invested in varied geographical markets (mainly Asia, the United States and Europe), currencies (mainly USD) and industries. The assets are carefully managed and monitored according to our own acceptable level of risk.

Target asset allocation

Asset type	Long-term target allocation percentage
Fixed Income Assets (government bonds, corporate bonds and alternative credit)	30%-50%
Growth Assets	50%-70%

Note: there could be slight deviation from the above range due to market fluctuation.

We consider other factors when deciding the actual asset allocations, including, but not limited to:

- Current and expected future market conditions;
- Guaranteed and non-guaranteed benefits of the policies;
- The acceptable risk level of the policies;
- Expected economic growth after adjustment for inflation over a period of time; and
- Investment performance of the assets supporting the policies.

Subject to our investment policy, actual asset allocation could deviate from the above long-term target allocation from time to time.

For policies with the Policy Value Management Option^{2,3} exercised, the assets supporting the Policy Value Management Balance⁴ are 100% invested into fixed-income assets.

Accumulation interest rate

You can choose to exercise the Policy Value Management Option^{2,3} to allocate a portion of the Net Cash Value to the Policy Value Management Balance⁴ to accumulate with interest (if applicable).

Interest rates are not guaranteed, and will be reviewed by us regularly with reference to the following factors:

- Portfolio yields of fixed income assets;
- Prevailing market conditions;
- Expectations of future fixed income asset yields; and
- The likelihood and duration of policyholders leaving their payment for accumulation.

The policy of determining the Special Bonus¹ (if any) and accumulation of interest rates may be reviewed and adjusted by us from time to time. For more updated information, please visit our website www.hsbc.com.hk/insurance/info.

You may also visit the above website to refer our dividend history. The past or current performance of our business may not be a guide for future results.

Endnotes

1. The amount of Special Bonus is not guaranteed and the payment is subject to the Company's discretion.
2. You may apply to exercise this Policy Value Management Option to allocate a portion of the Net Cash Value as of the date of such request is processed, to the Policy Value Management Balance⁴ provided that:
 - This Policy has been in force for 20 policy years or more;
 - All premiums are paid up when due; and
 - There is no Indebtedness⁵ under the Policy.
3. The exercise of the Policy Value Management Option is subject to the minimum amount requirements on (i) the Net Cash Value to be allocated per transaction; and (ii) the Policy Amount⁶ after the exercise of this option. Such minimum amount requirements are determined by the Company from time to time without prior notice to Policyholder.
4. Policy Value Management Balance means the amount of the accumulation of the proceeds from exercising the Policy Value Management Option^{2,3} which is allocated to the Policy to accumulate at such non-guaranteed interest rate(s) that are determined at the Company's discretion from time to time, and less any previously withdrawn amounts.
5. Indebtedness means the sum of all outstanding Policy Loans or Automatic Premium Loans advanced in accordance with the Policy, any accrued interest on such loans, and any outstanding premiums or payments under this Policy.
6. Policy Amount is an amount used to determine the premiums payable under the Policy and your cash values and Special Bonuses¹ to be received under the basic plan of this policy. It does not represent the amount of death benefit payable or cash value of your policy.

HSBC Wealth Goal Insurance Plan II

HSBC Life (International) Limited

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

Hong Kong Special Administrative Region 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 Special Administrative Region.

The Hongkong and Shanghai Banking Corporation Limited ("HSBC") is registered in accordance with the Insurance Ordinance (Cap. 41 of the Laws of Hong Kong) as an insurance agency of the Company for the distribution of life insurance products in the Hong Kong Special Administrative Region. HSBC Wealth Goal Insurance Plan II is a product of the Company but not HSBC, underwritten by the Company and it is only intended for sale through HSBC in the Hong Kong Special Administrative Region.

In respect of an eligible dispute (as defined in the Terms of Reference for the Financial Dispute Resolution Centre in relation to the Financial Dispute Resolution Scheme) arising between HSBC and the HSBC Commercial Banking Customer out of the selling process or processing of the related transaction, HSBC is required to enter into a Financial Dispute Resolution Scheme process with the HSBC Commercial Banking Customer; however, any dispute over the contractual terms of the above insurance product should be resolved between the Company and the HSBC Commercial Banking Customer 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 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.

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