



Information Checklist for Product Key Facts Statement (KFS) for Investment-linked Assurance Schemes (ILAS)

This Information Checklist should be used with effect from 1 January 2019 in support of any application for authorization of a new product KFS (which forms part of the offering document) of an ILAS.

The applicant should note that any representation in, or referred to in, this application, and any representation made from time to time in support of this application which is false or misleading in a material particular, the provision of any information to the Securities and Futures Commission (the “SFC”) which is false or misleading in a material particular and the provision of any record or document which is false or misleading in a material particular constitute an offence under either s.383(1), 384(1) and/or 384(3) of the Securities and Futures Ordinance (“SFO”).

Introduction

An applicant seeking authorization of a new product KFS of an ILAS pursuant to the section 105 of the SFO must complete this Information Checklist and submit it to the Investment Products Division of the SFC. The SFC reserves the right to request for more information and/or documents in reviewing and considering each application.

Name of the Scheme : _____ (“Scheme”)

Name of Applicant : _____ (“Insurer”)

This is a standard form document. When completing this Information Checklist, please do not make any deletion, addition or amendment to the form or headings. The applicant undertakes to notify the SFC immediately if there are any changes to the information and/or confirmations provided to the SFC from time to time in connection with the application or where the applicant has become aware of any matters or changes in circumstance that may affect the SFC’s assessment of this application.

The SFC reserves the right to return forthwith, without processing, an incomplete application or non-compliant application to the extent the application form¹, this Information Checklist, the ILAS Information Checklist² and/or the accompanying documents are not properly or fully completed, and/or where negative responses in this Information Checklist are not properly explained, and/or such application is accompanied by documents that do not meet the applicable requirements, not in good order or otherwise not suitable for clearance. The SFC reserves the right to request the applicant to submit updated and duly completed and properly executed checklist(s), confirmation(s) or undertaking(s) before authorization of the new product KFS.

A tick placed in the “yes” column of the following pages shall be read as a representation that the requirements set out opposite the tick have been satisfied.

¹ Application form refers to the Application Form for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products duly completed and executed by / for and on behalf of the applicant.

² ILAS Information Checklist refers to Information Checklist for Investment-Linked Assurance Schemes.

The list below is not exhaustive. The SFC may require additional information.

(1) Quick facts

(2) Important

- a. This investment-linked assurance scheme (“ILAS policy”) is a long-term investment-cum-life insurance product. It is only suitable for investors who:
- [state if the principal will be at risk]
 - [state how long investors should be prepared to hold the investment]
 - [state other key characteristics of the product to help investors determine whether it is suitable for them]
 - have both investment and estate planning objectives as it is a packaged product that includes both investment and insurance element with death benefits payable to third party beneficiaries.

- b. This ILAS policy is **not** suitable for investors with short- or medium- term liquidity needs.

c. Fees and charges –

For ILAS policy with only one premium option:
[Up to] [percent] of your premiums (after taking into account all applicable [non-discretionary bonuses/rebates/other similar features]) will be paid to the Insurer to cover all the fees and charges at the ILAS policy level, of which [percent] is the cost of [life / insurance (only if there is obligatory protection on top of life)] protection, and this will reduce the amount available for investment.

For ILAS policy with multiple premium options:
The percentage of your premiums [(after taking into account all applicable [non-discretionary bonuses/rebates/other similar features])] paid to the Insurer to cover all the fees and charges at the ILAS policy level is shown in a table as required. This will reduce the amount available for investment.

Disclosure table in respect of single premium and/or regular premium, as applicable.

Appropriate Disclosure		Remarks/Comments/reference in Principal Brochure (If any)
Yes	No (Please state reason)	

Please note that the above figure(s) are calculated based on the following assumptions:

- the life insured is non-smoking 40 year-old male with a sum insured of [amount];
- the payment of [single premium of [HKD1,000,000 or the minimum required single premium of the ILAS policy, whichever is higher] / regular premium of [HKD100,000 or the minimum required regular annual premium of the ILAS policy, whichever is higher] per annum];
- you hold your ILAS policy for [years];
- an assumed rate of return of 3% per annum throughout [years];
- any optional supplementary benefits are not included; and
- there is no early withdrawal / termination of your ILAS policy.

You must understand that these ILAS level charges are on top of, and in addition to, the underlying funds¹ level charges.

The above figure(s) do(es) not take into account any early surrender / withdrawal charges.

The above percentage(s) of your premiums for covering the total fees and charges are calculated based on the assumptions above for illustration purposes. The actual percentage(s) may change depending on individual circumstances of each case, and will be significantly higher if [the premium amount is lower, the sum insured is higher and/or your selected underlying investments are making losses].

d. Long-term features –

Upfront charges:

- [Up to [percent] of the] / [All] premiums you pay for the first [policy years] will be deducted upfront as charges and will not be available for investment. This means that

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Yes	No (Please state reason)	

¹ "Underlying fund(s)" can be used by the Insurer in the event that it has disclosed in the offering document that it will be investing the net premium received from the scheme participants into the funds corresponding to the investment options as selected by the scheme participants for the Insurer's asset liability management. Otherwise, the Insurer should adopt the term "reference fund(s)".

- the remaining amount of premiums available for investment may be [0]% of your premiums paid in this period.
- An illustration that, for each HKD1,000 of premiums you pay each policy year, the amount and percentage of premiums available for investment (after deduction of all upfront charges only).
 - You should note that the above illustration merely shows the impact of upfront charges on the premiums available for investment and does not reflect the impact of any other applicable fees and charges.

Early surrender / withdrawal charges:

- There will be an early surrender or withdrawal charge of up to [percent] of the [policy value / value of [Account name] / withdrawal amount] in case of [policy termination / surrender / partial withdrawal / suspension of or reduction in premium payment] within first [years]. [You may also lose your entitlement to loyalty and [bonuses].]

Loyalty bonuses:

- You will be entitled to a loyalty or special bonus of up to [percent] of the [policy value / value of [Account name] / first year premiums paid / total policy fees paid] if you keep your ILAS policy for [years].

e. Intermediaries' remuneration –

Although you may pay nothing directly to the intermediary who sells/distributes this ILAS policy to you, your intermediary will receive remuneration which, in effect, will be borne out of the charges you pay. Your intermediary should disclose to you in writing at the point-of-sale information about intermediary remuneration. The amount of remuneration actually receivable by your intermediary may vary from year to year and may be higher in the early policy years. You should ask your intermediary before taking up your ILAS policy to know more about the remuneration that your intermediary will receive in respect of your ILAS policy. If you ask, your intermediary

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Yes	No (Please state reason)	

should disclose the requested information to you.

- f. If the term “underlying funds¹” is being adopted in the KFS, please provide reference in the offering document(s) with the required disclosure which states that the Insurer will be investing the net premium received from the scheme participants into the funds corresponding to the investment options as selected by the scheme participants for the Insurer’s asset liability management.

(3) What is this product and how does it work?

- a. This product is an investment-linked assurance scheme. It is a life insurance policy issued by the Insurer. This is not a fund authorized by the SFC pursuant to the Code on Unit Trusts and Mutual Funds (“UT Code”).

- b. The premiums you pay, after deduction of any applicable fees and charges of your ILAS policy, will be invested by the Insurer in the “underlying funds¹” you selected (see below) and will accordingly go towards accretion of the value of your ILAS policy.

- c. Your ILAS policy value will be calculated by the Insurer based on the performance of your selected underlying funds¹ from time to time and the ongoing fees and charges which will continue to be deducted from your ILAS policy value.

- d. Note, however, that all premiums you pay towards your ILAS policy, and any investments made by the Insurer in the underlying funds¹ you selected, will become and remain the assets of the Insurer. You do not have any rights or ownership over any of those assets. Your recourse is against the Insurer only.

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Yes	No (Please state reason)	

e. Due to the various fees and charges levied by the Insurer on your ILAS policy, the return on your ILAS policy as a whole may be lower than the return of the underlying funds¹ you selected. Please see [page] for details of the fees and charges payable by you.

f. "Underlying funds¹" available for selection are the funds listed in the investment option brochure. These may include funds authorized by the SFC pursuant to the UT Code.

g. But these may also include other portfolios internally managed by the Insurer on a discretionary basis not authorized by the SFC under the UT Code.

h. Although your ILAS policy is a life insurance policy, because part of your death benefit is linked to the performance of the underlying funds¹ you selected from time to time, your death benefit is subject to investment risks and market fluctuations. The death benefit payable may be significantly less than your premiums paid and may not be sufficient for your individual needs.

i. More importantly, you should be aware of the following regarding your death benefit and the cost of insurance ("insurance charges"):

- Part of the fees and charges you pay that will be deducted from the value of your ILAS policy will be used to cover the insurance charges for the life coverage and any additional coverage you may choose.
- The insurance charges will reduce the amount that may be applied towards investment in the underlying funds¹ selected.
- The insurance charges may increase significantly during the term of your ILAS policy due to factors such as age and investment losses, etc. This may result in significant or even total loss of your premiums paid.
- If the value of your ILAS policy becomes insufficient to cover all the ongoing fees and charges, including the insurance charges,

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Yes	No (Please state reason)	

- your ILAS policy may be terminated early and you could lose all your premiums paid and benefits.
- You should consult your intermediary for details, such as how the charges may increase and could impact the value of your ILAS policy.

(4) What are the key risks?

- a. Investment involves risks. Please refer to the principal brochure for details including the risk factors.
- b. **Credit and insolvency risks** - This product is an insurance policy issued by the Insurer. Your investments are subject to the credit risks of the Insurer.
- c. The investment options available under this product can have very different features and risk profiles. Some may be of high risk. Please read the principal brochure and the offering document of the underlying funds¹ involved for details.
- d. **Early surrender/withdrawal penalty** – This ILAS policy is designed to be held for a long term period. Early surrender or withdrawal of the policy/suspension of or reduction in premium may result in a significant loss of principal and/or bonuses awarded. Poor performance of underlying funds¹/assets may further magnify your investment losses, while all charges are still deductible.
- e. **Premium holiday** – with no premium contribution during premium holiday, the value of this ILAS policy may be significantly reduced due to fees and charges, which are still deductible during premium holiday, and your entitlement to bonuses may also be affected.
- f. **Market risks** – Return of this ILAS policy is contingent upon the performance of the underlying funds¹/assets and therefore there is a risk of capital loss.

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Yes	No (Please state reason)	

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(6) **Other features**
e.g. Bonuses

(7) **What are the fees and charges?**

a. The Insurer reserves the right to vary the policy charges or imposes new charges with not less than 1 month prior written notice or such shorter period of notice in compliance with the relevant regulatory requirements.

b. Scheme level, e.g.:
- Policy fee
- Administration charge
- Account maintenance charge
- Insurance charge / Cost of insurance
- Early surrender / withdrawal charge
- Please refer to [section]([page]) of the principal brochure of the Scheme for details of the charges

c. Underlying funds¹ level
E.g., You should note that the underlying funds¹ of the investment options may have separate charges on management fee, performance fee, bid-offer spread and/or switching fee. You do not pay these fees directly – either (1) the fees will be deducted and such reduction will be reflected in the unit price of the underlying funds¹ or (2) units will be redeemed from your investment options to pay these fees. For details, please refer to the offering document of the underlying funds¹ and/or the principal brochure of the Scheme, which are available from the Insurer upon request.

(8) **Additional information**
Insert any other additional important information.

(9) **What if you change your mind?**
Cooling-off period
• Cooling-off period is a period during which life insurance policyholders may cancel their policies and get back their original investments (subject to market value adjustment) within the earlier of 21 days after the delivery of the policy or issue of a notice to

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Yes	No (Please state reason)	

you or the your representative. Such notice should inform you of the availability of the policy and expiry date of the cooling-off period. Please refer to the cooling off initiative issued by HKFI from time to time for reference.

- You have to tell your insurer by giving a written notice. Such notice must be signed by you and received directly by the Insurer at [Address of the Insurer's Hong Kong Main Office]
- You may get back the amount you paid, or less if the value of the investment options chosen has gone down.

(10) Information of insurance company

(11) Important

The Insurer is subject to the prudential regulation of the Insurance Authority. However, the Insurance Authority does not give approval to individual insurance products, including the Scheme referred to in this statement.

If you are in doubt, you should seek professional advice.

The SFC takes no responsibility for the contents of this statement and makes no representation as to its accuracy or completeness.

(12) Miscellaneous

Any other material information (please specify)

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Yes	No (Please state reason)	

Confirmations and undertakings

Completed and submitted		Remarks / Comments (If any)
Yes	N/A	

(13) We confirm that the KFS conforms with the illustrative template of the ILAS KFS as appeared on the SFC website.

(14) We confirm that the information provided in the KFS is consistent with the other parts of the

- offering documents and constitutive documents.
- (15) We confirm that the key information and risk factors of the Scheme have been clearly disclosed.
- (16) We confirm that the relevant fees and charges have been clearly disclosed.

Completed and submitted		Remarks / Comments (If any)
Yes	N/A	

We hereby confirm that the information provided in this Information Checklist is in support of the application for authorization of a new product KFS.

Signed by and on behalf of:

Applicant² :

Name of authorized signatory³ :

Position :

Date :

Signature :

² The applicant should be the insurer of the ILAS.

³ Insert name of the senior management of the applicant or in the case of legal adviser, insert name of the firm and the name of the signatory.