



澳門金融管理局
AUTORIDADE MONETÁRIA DE MACAU

Notice No. 008/2023-AMCM

SUBJECT: “GUIDELINE ON THE IMPORTANT FACTS STATEMENT AND BENEFIT ILLUSTRATION OF PREMIUM FINANCING FOR THE PURCHASE OF LIFE INSURANCE PRODUCTS (OTHER THAN CLASS C PRODUCTS)”

In view of the experience gained since the implementation of the rules established by the Notice No. 002/2020-AMCM of 13th December – “Guideline on the Important Facts Statement and Benefit Illustration of Premium Financing for the purchase of Life Insurance Products (other than Class C Products)”

In order to ensure customers can understand the potential risk of Premium Financing for the purchase of life insurance products (other than class C products), AMCM shall promote and encourage credit institutions to provide customers with clear and complete information disclosure for the purpose of achieving the outcome of fair treatment of customers;

Taking into account of the above, pursuant to the provisions of Article 9 of the Statute of the Monetary Authority of Macao, as approved by Decree-Law No.14/96/M of 11th March, Article 6 of the Macao Financial System Act, as approved by Decree-Law No. 32/93/M of 5th July and paragraph 2 a) of Article 10 of the Macao Insurance Ordinance, Decree-Law no. 27/97/M of 30th June, amended by Law No. 21/2020 and republished by Dispatch of the Chief Executive No. 229/2020, the Board of Directors of the Monetary Authority of Macao hereby determines the following:

1. Established the “Guideline on the Important Facts Statement and Benefit Illustration of Premium Financing for the Purchase of Life Insurance Products (other than Class C Products)” (“the Guideline”) by the present notice and annexed thereto, which shall form an integral part thereof;
2. All Authorized Credit Institutions, Authorized Life Insurers and Authorized Insurance Intermediaries in Macao Special Administrative Region are obliged to follow the requirements set out in this Guideline;
3. Non-compliance with the rules of this Guideline shall constitute infringements. Entities and persons violating any aspect of this Guideline shall be punishable under the terms of the applicable laws and liable for the infringements committed; and
4. The Guideline shall take effect from 1 December 2023, and the Notice No. 002/2020-AMCM of 13th December shall be revoked on the same date.

Monetary Authority of Macao, 28 July 2023

For and on behalf of the Board of Directors:

Chairman, Chan Sau San, Benjamin

Executive Director, Vong Lap Fong, Wilson



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**GUIDELINE ON THE IMPORTANT FACTS STATEMENT
AND BENEFIT ILLUSTRATION OF PREMIUM
FINANCING FOR THE PURCHASE OF LIFE INSURANCE
PRODUCTS (OTHER THAN CLASS C PRODUCTS)**

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1. PURPOSE

- 1.1 In order to ensure customers can understand the potential risk of Premium Financing for the purchase of life insurance products (other than Class C products), the credit institutions have duty to provide clear information disclosure and put in place a proper mechanism to ensure full understanding of the relevant risk by the customers. The purpose of this Guideline is to make disclosure of Premium Financing for the purchase of life insurance products (other than Class C products) more understandable by means of the minimum requirements for risk disclosure together with standard format of Important Facts Statement and Benefit Illustration.

2. DEFINITION

- 2.1 For the purposes of this Guideline, “Premium Financing” is the lending of funds to customers to cover the cost of insurance premium, and the policy ownership used as a collateral assignment shall be transferred to the credit institution.

3. SCOPE

- 3.1 This Guideline is applicable to Premium Financing for the purchase of life insurance products (other than Class C products). The exemption from this Guideline is allowed if the life insurance products can meet all of the following conditions:
- (a) The insurance products are not participating, universal life or savings insurance product;
 - (b) The insurance products require that the insurer accepts significant mortality risk from the insured; and
 - (c) The insurance products do not provide cash value or maturity benefit at policy maturity.
- 3.2 The following are some examples of life insurance products which cover significant mortality risk:
- (a) Mortgage insurance product provides death benefit to ensure that the designated beneficiary has the financial capability to repay the mortgage loan; or



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- (b) Death benefit of the insurance product is at least equal to 130% of the total premiums paid at any time during the entire benefit term.
- 3.3 For the avoidance of doubt, Premium Financing for the purchase of participating, universal life or savings insurance products cannot be exempted from this Guideline.
- 3.4 In relation to the application of Premium Financing for new policies or in-force policies but not matured, credit institutions are required to provide customers with an appropriate information disclosure in accordance with this Guideline.

4. MINIMUM REQUIREMENT FOR RISK DISCLOSURE

- 4.1 In addition to product brochure and benefit illustration, credit institutions are required to provide customers with Important Facts Statement and Benefit Illustration of Premium Financing for the Purchase of Life Insurance Products when the customers purchase life insurance products (other than Class C products) through Premium Financing.

5. IMPORTANT FACTS STATEMENT OF PREMIUM FINANCING FOR THE PURCHASE OF LIFE INSURANCE PRODUCTS

- 5.1 The “General Principles” in structuring the Important Facts Statement of Premium Financing for the Purchase of Life Insurance Products (“IFSPF”) is as follows:
 - (a) The IFSPF is a document required for sales. Its template is shown in Appendix I;
 - (b) The intent of the IFSPF is to simply yet comprehensively demonstrate to the customers all material risks arising from purchasing specific product through Premium Financing;
 - (c) Credit institutions are responsible for formulating the IFSPF. The template should be adopted in terms of structure and signatures;
 - (d) The key information shown in template is the minimum requirement for risk disclosure, but it is not intended to be an exhaustive list of all material



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risks arising from a particular premium financing arrangement. Credit institutions are responsible to customize the IFSPF that the information not applicable to the product and not relevant to customers is excluded; and that the additional information for the illustration of the material risks arising from a particular premium financing arrangement is included;

- (e) Credit institutions may require insurers to provide assistance related to the insurance products, so that credit institutions can understand the features and risks of the insurance products while formulating the IFSPF;
- (f) Credit institutions have the duty to ensure that all material risks arising from Premium Financing for the purchase of a particular product shall be properly disclosed in the IFSPF and shall not be misleading; and
- (g) Credit institutions should respect the principles, intention and spirit of the IFSPF and be accountable for any major deviations.

5.2 The rules for the completion of the IFSPF are as follows:

- (a) The customer(s) who purchase life insurance products through Premium Financing must complete the IFSPF. They cannot opt out of this requirement;
- (b) Credit institutions should fully explain the material risks arising from Premium Financing for the purchase of life insurance product to the customer(s) before he/she completes the IFSPF;
- (c) The customer(s) must sign the IFSPF to confirm that they have read and understood the contents of the IFSPF;
- (d) Credit institutions staff must sign the IFSPF to confirm that he/she has fully explained the contents of the IFSPF to the customer(s);
- (e) A copy of the signed IFSPF must be delivered to the customer(s).

5.3 Every application of Premium Financing for the purchase of life insurance product(s) must include the IFSPF, which may be either presented as a separate form, or included as a section within another point-of-sale document; but whichever option is adopted the IFSPF must be clearly identified as an “Important Facts Statement of Premium Financing for the Purchase of Life Insurance Products” or an appropriate set of words that clearly conveys the document’s purpose and must be signed and dated by the customer(s).



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6. BENEFIT ILLUSTRATION OF PREMIUM FINANCING FOR THE PURCHASE OF LIFE INSURANCE PRODUCTS

6.1 In addition to the “Guideline on the Benefit Illustration for Life Insurance Products (other than Class C Products)” (Notice no. 012/2017-AMCM and subsequent amendments), the Benefit Illustration of Premium Financing for the purchase of Life Insurance Products (the “PF Illustration”) should be provided by credit institutions if customers purchase life insurance product through Premium Financing.

6.2 The “General Principles” in structuring the PF Illustration is as follows:

- (a) The PF Illustration is the Supplementary Illustration referred to in the “Guideline on the Benefit Illustration for Life Insurance Products (other than Class C Products)”. Except otherwise stated in this Guideline, the PF Illustration shall comply with all requirements of the “Guideline on the Benefit Illustration for Life Insurance Products (other than Class C Products)”;
- (b) The templates of the PF Illustration for participating, universal life and non-participating insurance products are shown in Appendices II to V;
- (c) The standard format shown in Appendices is the “General Principles” in preparing the PF Illustration, but necessary adjustments should be made in accordance with the particular features of insurance products and different loan repayments terms;
- (d) Credit institutions are responsible for formulating the PF Illustration, but credit institutions may require insurers to offer technical support related to insurance products, including:
 - Assisting credit institutions in designing the format of the PF Illustration;
 - Ensuring the accuracy, appropriateness and completeness of any data and information disclosure of insurance products in the PF Illustration; and
 - Assisting credit institutions in reviewing if the PF Illustration is misleading;



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- (e) The insurers are responsible for the accuracy, appropriateness and completeness of any data and information disclosure of insurance products (including Surrender Value and Death Benefit etc.) in the PF Illustration; and the credit institutions are responsible for the accuracy, appropriateness and completeness of any data and information disclosure of Premium Financing (including bank loan and the projected value after repayments of the total loan amount) in the PF Illustration;
- (f) The intent of the PF Illustration is to simply yet comprehensively demonstrate to the customers the impact of change of the amount of recovery based on different scenarios and the risk arising from the change of loan interest rate;
- (g) The PF Illustration should separately show the remaining balance of Surrender Value / Death Benefit after repayments of the total loan amount;
- (h) Credit institutions are required to provide the PF Illustration under Current Assumed Basis and Pessimistic Basis to show the impact of change of loan interest rate;
- (i) If the benefits of the policy for the entire benefit term and the loan interest rate for the entire loan repayment period are guaranteed to be fixed, the credit institutions are not required to provide the PF Illustration under Pessimistic Basis;
- (j) For the avoidance of doubts, any reference indicators of interest rates (such as the prime rate or interbank interest rates, etc.), or the loan interest rates which credit institutions are entitled to adjust under the terms and conditions of the loan contract are not guaranteed to be fixed;
- (k) Assumptions should be adopted for the PF Illustration are as follows:

Scenarios	Assumed Loan Interest Rate	Other Assumptions
Current Assumed Basis	Guaranteed loan interest rate / Current assumed loan interest rate	It shall conform all requirements under Current Assumed Basis in the “Guideline on the Benefit Illustration for Life Insurance Products (other than Class C Products)”



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Pessimistic Basis	According to the assumption stipulated in (l)	It shall conform all requirements under Pessimistic Basis in the “Guideline on the Benefit Illustration for Life Insurance Products (other than Class C Products)” ¹
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- (l) If the loan interest rate for the entire loan repayment period are guaranteed to be fixed, guaranteed loan interest rate is adopted under Pessimistic Basis, or else the Assumed Loan Interest Rate is set as follows:

Bank Loan Repayment Period	Assumed Loan Interest Rate	
Less than or equal to 6 years	Loan Interest Rate under Current Assumed Basis + 2% p.a.	Or the upper limit of the guaranteed loan interest rate specified in the loan contract, whichever is lower
More than 6 years and less than 12 years	Loan Interest Rate under Current Assumed Basis + 3% p.a.	
More than or equal to 12 years	Loan Interest Rate under Current Assumed Basis + 4% p.a.	

- (m) In order to manage the reasonable expectations of customers, credit institutions could adopt the Assumed Loan Interest Rate which is higher than (k) and (l) as the Loan Interest Rate assumption;
- (n) Credit institutions are prohibited to adopt assumption which is less than current loan interest rate for any scenarios in projections;
- (o) Credit institutions shall provide a set of the PF Illustration on the assumption that the total loan amount will be repaid in one lump sum at the end of the repayment period, and an additional set of the PF Illustration may be provided according to the loans repayments terms requested by customer(s), on the condition that illustrations under both Current

¹ When the projection under Pessimistic Basis is not provided in universal life insurance products due to the provisions of the “Guideline on the Benefit Illustration for Life Insurance Products (other than Class C Products)” (Paragraph 5.5 of Notice no. 012/2017-AMCM), it shall conform with all requirements under Guaranteed Basis or Conservative Basis in the above mentioned notice.



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Assumed Basis and Pessimistic Basis shall be provided in each set of the PF Illustration;

- (p) Credit institutions have the duty to ensure that the PF Illustration is not misleading; and
- (q) Credit institutions should respect the principles, intention and spirit of the Illustration and be accountable for any major deviations.

6.3 The rules for the completion of the PF Illustration are as follows:

- (a) The customer(s) who purchase life insurance products through Premium Financing must sign the PF Illustration. The exemption is applicable to full compliance with paragraph 6.5;
- (b) Credit institutions should fully explain the material risks arising from Premium Financing for the purchase of life insurance products to the customer(s) before he/she completes the PF Illustration;
- (c) The customer(s) must sign the PF Illustration to confirm that they have read and understood the contents of the PF Illustration;
- (d) The credit institution staff must sign the PF Illustration to confirm that he/she has fully explained the contents of the PF Illustration to the customer(s);
- (e) A copy of the signed PF Illustration must be delivered to the customer(s).

6.4 Except the circumstances specified in paragraph 6.5, every application of Premium Financing for the purchase of life insurance product(s) must include the PF Illustration, and the PF Illustration must be clearly identified as a “Benefit Illustration of Premium Financing for the Purchase of Life Insurance Products” or an appropriate set of words that clearly conveys the document’s purpose and must be signed and dated by the customer(s). Except otherwise as prescribed in this Guideline, the PF Illustration shall comply with all requirements of the “Guideline on the Benefit Illustration for Life Insurance Products (other than Class C Products)”.

6.5 In the case that the PF Illustration cannot be provided, the credit institutions shall audio record or videotape the whole process of explanation, which must fully cover all risks of Premium Financing for the purchase of life insurance products and describe in detail of all the impacts to the customer(s), to prove



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that the customers have a full understanding of the risk of Premium Financing for the purchase of life insurance products even without demonstration of the PF Illustration. The credit institutions must not provide Premium Financing services to the customer(s) if it is not clearly proved that the customer(s) can fully understand and are willing to take the relevant risks during audio recording or video recording.

7. RESPONSIBILITIES OF CREDIT INSTITUTIONS, INSURERS AND INSURANCE INTERMEDIARIES

- 7.1 All Authorized Credit Institutions, Authorized Insurers and Authorized Insurance Intermediaries in Macao Special Administrative Region are obliged to follow the requirements set out in this Guideline. The Senior Management should ensure that requirements set out in this Guideline are observed. The Board of Directors should maintain general oversight over the implementation of measures in compliance with this Guideline and is ultimately responsible for ensuring fair treatment of customers.
- 7.2 Credit institutions are required to establish adequate operation controls to ensure that customers have a full understanding of the risk of Premium Financing for the purchase of life insurance products, and to evaluate the suitability to purchase life insurance products through Premium Financing based on the information provided by the customers. The evaluation of suitability to purchase life insurance products through Premium Financing must include an assessment of financial affordability of the customer(s). The credit institutions must not provide Premium Financing services to the customer(s) if it is not clearly proved that the customer(s) are suitable to purchase life insurance products through Premium Financing, and can fully understand and are willing to take the relevant risks.
- 7.3 When assessing whether the customer(s) have sufficient financial affordability, credit institutions must at least ensure that the customer(s) can meet all of the following conditions:
- (a) Customer(s) should have sufficient financial capacity and resources to meet all scheduled repayments throughout the entire term of premium financing.
 - (b) With regard to the portion of premiums not paid premium financing, the customer(s) should also have sufficient financial capacity and resources to make the respective payments or have already made the payments.



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- (c) If credit institutions demand repayment of the loan before the maturity of the life insurance policy or under the circumstances stated in the loan contract, the customer(s) should have sufficient financial capacity and resources to repay all remaining balance and interest owed on the loan of premium financing.
 - (d) If credit institutions demand repayment of the loan before the maturity of the life insurance policy or under the circumstances stated in the loan contract, but the self owned funds of the customer(s) are insufficient to repay all remaining balance and interest owed on the loan of premium financing, and have to use the surrender value of the life insurance policy or rising funds by the self-occupied properties to make the repayment, the credit institutions must take effective measures to protect the customer(s).
 - (e) Customer(s) should have knowledge and experience for understanding the risk of premium financing, and fully understand and are willing to bear all the risks arising from premium financing.
 - (f) Customer(s) should have sufficient financial capacity and resources to cover all the risks arising from premium financing.
- 7.4 With regard to the assessment of financial affordability of the customer(s), credit institutions should have comprehensive and prudent analysis to understand the financial situation of the customer(s) carefully, which includes knowing whether the customer(s) have other outstanding debts, other loans of premium financing or any hidden debts, etc., and carrying out prudent and conservative assessment on the income proof and asset valuation of the customer(s) with complete records.
- 7.5 Insurers are obligated to provide the necessary support and trainings to the insurance intermediaries in order to ensure that insurance intermediaries fulfill their obligations. The insurance intermediaries must not introduce any content of the Premium Financing for the purchase of life insurance products to the customer(s) if such insurance intermediaries are not able to fully explain all risks relating to the Premium Financing for the purchase of life insurance products to the customer(s) in conformance with the requirements set out in this Guideline.
- 7.6 Insurers must also set out and maintain effective underwriting precedures to verify whether the life insurance products meet the suitability and affordability of the customer(s) based on the information disclosed by the customer(s). If the insurance application documents can not prove that the customer(s) have



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sufficient financial affordability, the insurer should not accept the insurance application.

- 7.7 Credit institutions and insurers must have effective internal controls and adequate verification procedures to minimize the risks associated with sales and ensure that the relevant measures and procedures can continue to prevent inappropriate sales effectively.
- 7.8 Entities and persons who breach any aspect of this Guideline shall be punishable under the terms of the law applicable to the activities of credit institutions, insurance and insurance intermediariy business.

8. RECORDS MAINTENANCE

- 8.1 Credit institutions are required to maintain adequate records to show that requirements set out in this Guideline are complied. The required documents and records for the loan contracts which have been successfully issued should be kept during the period of the loan contracts and for at least 5 (five) years (or longer, if such records are also subject to the retention requirements stipulated in other legislations or regulations in Macao Special Administrative Region) from the date on which the loan contracts expire or terminate. In the event that a concerned loan contract is not taken up, such records should be kept for at least 2 years (or longer, if such records are also subject to the retention requirements stipulated in other legislations or regulations in Macao Special Administrative Region).
- 8.2 In relation to complaints or disputes arising from the issue of Premium Financing for the purchase of life insurance products, the credit institutions shall provide these records with all relevant documentary evidences to the AMCM upon request.

APPENDIX I

[Logo of bank]

**IMPORTANT FACTS STATEMENT OF PREMIUM FINANCING
FOR THE PURCHASE OF LIFE INSURANCE PRODUCTS**

Name of the Life Insurance Product: [Product Name] (This Product)

This Product is underwritten by [The name of insurer]

[Name of bank] is providing Premium Financing services for this Product

You should carefully consider the information in this statement, loan contract and the insurance product documents (including the product brochure and the illustration document). **If you do not understand any of the following paragraphs or do not agree to that particular paragraph or what the bank staff has told you is different from what you have read in this statement, please do not purchase life insurance products through Premium Financing.**

SOME IMPORTANT FACTS ARE DISCLOSED BELOW FOR PURCHASING LIFE INSURANCE PRODUCTS THROUGH PREMIUM FINANCING. YOU SHOULD CAREFULLY READ BEFORE SIGNING. THE BANK STAFF SHOULD FULLY EXPLAIN THE CONTENTS TO YOU.

- (1) This product issued by [the name of insurer] is a life insurance product. The premium paid is not bank savings deposit or time deposit, and it is not protected under the Deposit Protection Scheme in Macao Special Administrative Region. You should carefully consider whether the product suitable for your needs and fully understand the risk involved in the product before application. You should not apply or purchase the product unless you fully understand it and you agree it is suitable for you.
- (2) **Premium Financing:** Premium Financing is the lending of funds to you to cover the cost of insurance premium, and the policy ownership used as a collateral assignment shall be transferred to the Bank. Premium Financing is the loan contract between you and the Bank. It is not, and does not form part of, the insurance contract. The insurer is also not a party to the loan contract or policy assignment agreement. However, the insurance policy will be assigned to the Bank via a deed of assignment, and all proceeds payable under the insurance policy are to be paid to the Bank first, and any changes or amendment to the insurance policy and exercises of the right under the insurance policy are also subject to the Bank's approval. You must therefore read the terms and conditions of the loan contract and the policy assignment agreement carefully and understand the additional risk of Premium Financing for the purchase of life insurance products. You should not purchase life insurance products through Premium Financing unless you fully understand the risks involved in Premium Financing.
- (3) **Policy Information:** The Bank will have the right to access your policy information, and the insurer may need to inform the Bank about your policy information, such as surrender value, cash value, and any loans or advance on the policy, from time to time as instructed by the Bank.

Applicant's Initial: _____

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- (4) **Additional Collateral and Loan Adjustment or Recovery:** The bank may request you to provide additional cash, collateral or deposit to pay down the outstanding loan or any part of it under the particular circumstances stated in the loan contract. Furthermore, the Bank may increase, reduce or cancel the loan or any part of it under the terms and conditions of loan contract. As such, you should carefully read the terms and conditions of the loan contract, and consider whether your financial affordability can meet the particular circumstances stated in the loan contract before purchasing life insurance products through Premium Financing. If your financial affordability is inadequate to meet the particular circumstances set out in the loan contract, you should not purchase life insurance products through Premium Financing.
- (5) **Consequence of Overdue Repayment and default of Loan Repayment:** If you purchase life insurance products through Premium Financing, you are obligated to repay the outstanding loan amount and interest payments according to the repayment schedule under the terms and conditions of the loan contract. Even though it is due to the proceeds payable under your life insurance policy unable to be remitted to the Bank on or before the repayment date as specified in the loan contract, and resulting in the overdue repayment or the default of loan repayment, you will be solely liable for any late penalty interest or defaulting interest imposed by the Bank under the terms and conditions of the loan contract. In the event of any overdue repayment or default of loan repayment, the Bank may demand all your repayments of the loan immediately. The Bank may also surrender your life insurance policy to recover the default loan repayment, causing you significant financial losses and loss of insurance coverage. You shall remain liable for any shortfall between the amount of the insurance policy surrender value and the outstanding amount of the loan.
- (6) **Credit Risk:** By applying for this insurance product or all benefits payable under this insurance policy, you are subject to the credit risk of [the name of insurer]. In the event that the insurer becomes default on its financial obligations under this insurance policy or an adverse change in its credit rating, the Bank may ask for additional collateral, adjust your credit limit, restructure or even terminate the loan. Even though the ownership of this insurance policy has been transferred to the Bank as a collateral assignment, you may be obligated to repay the loan, the interest and administrative fee accrued thereon. You shall also remain liable for any shortfall between the benefit amount under this insurance policy and the outstanding amount of the loan.
- (7) **Cooling-off:** Due to the policy assignment agreement, your cancellation rights of the life insurance policy within the cooling-off period may subject to the Bank's consent. Even if you have the right to cancel this life insurance product within the cooling-off period, you may be obligated to repay the bank loan, the accrued interest, the administrative fee and the early repayment penalty (if applicable) to the bank, and you may suffer a significant financial loss.
- (8) **Declinature:** All underwriting decisions are made by [the name of insurer], [the name of insurer] relies upon the information provided by the applicant and the Insured at the policy commencement to decide to accept or decline the application with a full refund of any premium paid without interest. Nevertheless, you may be obligated to repay the bank loan, the accrued interest, the administrative fee and the early repayment penalty (if applicable) to the bank, and you may suffer a significant financial loss.

Applicant's Initial: _____

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- (9) **Death of Insured:** If the insured dies before the end of the policy term, the amount of Death Benefit may be much lower than the payable amount of the bank loan, the accrued interest, the administrative fee and the early repayment penalty (if applicable), and you may suffer a significant financial loss.
- (10) **Early Surrender / Withdrawal:** As the ownership of this insurance policy has been transferred to the Bank as a collateral assignment for Premium Financing, you will not be able to exercise the rights under the insurance policy unless the Bank approved. However, the Bank will be entitled to surrender or partial withdrawal the policy value under the particular circumstances stated in the loan contract. If policy termination, surrender or partial withdrawal occurs before the end of the policy term, the amount of recovery may be much lower than the payable amount of the bank loan, the accrued interest the administrative fee, and the early repayment penalty (if applicable), and you may suffer a significant financial loss. In addition, you may not be able to obtain the same insurance coverage for reasons such as changes in health conditions. In cases where the policy is required as part of conditions or guarantee in your business or other arrangements, the termination of the policy may trigger further events of defaults in these arrangements with adverse consequences.
- (11) **Non-guaranteed Benefits:** This product is a life insurance product with non-guaranteed benefits, the actual amount of non-guaranteed benefits payable may be lower than those projected. Under some circumstances, the non-guaranteed benefits may be **zero**. In the event that the actual recovery of non-guaranteed benefits are lower than those projected, the amount of Surrender Value / Death Benefit may be much lower than the payable amount of the bank loan, the accrued interest the administrative fee and the early repayment penalty (if applicable), and you may suffer a significant financial loss.
- (12) **Exchange rate risk:** if the loan currency differs from the life insurance policy currency, you will be exposed to the risk caused by exchange rate fluctuation. In the case of premium financing, you may be required to convert the proceeds of the life insurance policy from the policy currency into the loan currency at the prevailing exchange rate, before being able to settle the loan repayments. In cases where the proceeds received from the policy is substantially lower than the payable amount of the bank loan, the accrued interest, the administrative fee and the early repayment penalty (if applicable), due to adverse fluctuation in the exchange rate, you will suffer a significant financial loss.
- (13) **Loan Interest Rate:** The net rate of return of your purchase of life insurance products through Premium Financing will be affected by the loan interest rate stated in the Bank's loan contract. In cases where the loan interest rate is substantially higher than the returns received from the life insurance policy, you will suffer a significant financial loss. [The loan interest rate is not guaranteed to be fixed in the loan contract jointly developed by you and the Bank, an increase in the loan interest rate will increase your cost of the loan repayment (such as the regular interest payment). In cases where the loan interest increase substantially, you may not be able to meet your repayments and hence default.] / [The loan interest rate is guaranteed to be fixed in the loan contract, and the loan interest rate is not changed for the entire loan repayment period. Under the terms and conditions of the loan contract, the Bank cannot adjust the loan interest rate.]

Applicant's Initial: _____

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(14) **Benefit Illustration:** The Benefit Illustration of Premium Financing for the Purchase of Life Insurance Products can show you the impact of change of the amount of recovery based on different scenarios. However, the pessimistic scenarios do not represent lower bound of the actual returns, and in some cases you may suffer more significant financial losses. If you have not received and understood the information contained in this Benefit Illustration, you should reconsider carefully the suitability of purchasing life insurance products through Premium Financing. In case of doubt, you should not purchase life insurance products through Premium Financing.

(15) **Conflict of interest:** Potential and actual conflicts of interest may arise from different roles of banks in providing loans and insurance products.

I hereby confirm that the contents of paragraphs (1) to (15) above have been explained to me by the Bank Staff and I have also read and understood the contents of paragraphs (1) to (15) above.

Applicant's Name

Applicant's Signature

Date

I hereby confirm that I have fully explained the contents of paragraphs (1) to (15) above, including the potential implications and the associated risks, to the Applicant.

I declare that I have not made any inaccurate or misleading statements, nor have I withheld any information which may affect the decision of the Applicant.

Bank Staff's Name

Bank Staff's Signature and
Company's Chop

Date

APPENDIX II

**BENEFIT ILLUSTRATION OF PREMIUM FINANCING
FOR THE PURCHASE OF LIFE INSURANCE PRODUCTS**

[Name of Bank]

The table below illustrates the impact on Surrender Value / Death Benefit under Current Assumed Basis and Pessimistic Basis. Figures under Current Assumed Basis are calculated based on current assumed loan interest rate adopted by banks and best estimate assumptions adopted by insurers. Figures under Pessimistic Basis are calculated based on bank's assumption of an increase of current loan interest rate and insurer's assumption of the investment returns are lower than insurer's current assumed investment return; while other factors affecting these values are assumed to remain unchanged. The two bases do not represent lower and upper bounds of the actual returns. The actual recovery may be higher or lower than those illustrated. Under certain circumstances, the amount of Surrender Value / Death Benefit under the insurance policy may be much lower than the total amount of outstanding bank loan and you may suffer a significant loss.

1. Surrender Value — Illustration under Current Assumed Basis

End of Policy Year	Total Premiums Paid	Current Assumed Basis										
		SURRENDER VALUE				PREMIUM FINANCING						
		Guar-anteed	Non-Guaranteed		Total	Bank Loan				Projected Value after Repayments of Total Loan Amount		
			Accumulated Dividends and Interest	Terminal Dividend		Loan Principal	Accumulated Loan Interest	Fees and Penalty	Total Loan Amount	Surrender Value after Repayments of Total Loan Amount	Self-financing Value	Profit / (Loss)

Explanation on above illustration:
Please refer to the Explanation Notes Section.

Applicant's Initial: _____

APPENDIX II

**BENEFIT ILLUSTRATION OF PREMIUM FINANCING
FOR THE PURCHASE OF LIFE INSURANCE PRODUCTS**

[Name of Bank]

The table below illustrates the impact on Surrender Value / Death Benefit under Current Assumed Basis and Pessimistic Basis. Figures under Current Assumed Basis are calculated based on current assumed loan interest rate adopted by banks and best estimate assumptions adopted by insurers. Figures under Pessimistic Basis are calculated based on bank's assumption of an increase of current loan interest rate and insurer's assumption of the investment returns are lower than insurer's current assumed investment return; while other factors affecting these values are assumed to remain unchanged. The two bases do not represent lower and upper bounds of the actual returns. The actual recovery may be higher or lower than those illustrated. Under certain circumstances, the amount of Surrender Value / Death Benefit under the insurance policy may be much lower than the total amount of outstanding bank loan and you may suffer a significant loss.

2. Surrender Value — Illustration under Pessimistic Basis

End of Policy Year	Total Premiums Paid	Pessimistic Basis										
		SURRENDER VALUE				PREMIUM FINANCING						
		Guar-anteed	Non-Guaranteed		Total	Bank Loan				Projected Value after Repayments of Total Loan Amount		
			Accumulated Dividends and Interest	Terminal Dividend		Loan Principal	Accumulated Loan Interest	Fees and Penalty	Total Loan Amount	Surrender Value after Loan Repayments of Total Loan Amount	Self-financing Value	Profit / (Loss)

Explanation on above illustration:
Please refer to the Explanation Notes Section.

Applicant's Initial: _____

APPENDIX II

**BENEFIT ILLUSTRATION OF PREMIUM FINANCING
FOR THE PURCHASE OF LIFE INSURANCE PRODUCTS**

[Name of Bank]

The table below illustrates the impact on Surrender Value / Death Benefit under Current Assumed Basis and Pessimistic Basis. Figures under Current Assumed Basis are calculated based on current assumed loan interest rate adopted by banks and best estimate assumptions adopted by insurers. Figures under Pessimistic Basis are calculated based on bank's assumption of an increase of current loan interest rate and insurer's assumption of the investment returns are lower than insurer's current assumed investment return; while other factors affecting these values are assumed to remain unchanged. The two bases do not represent lower and upper bounds of the actual returns. The actual recovery may be higher or lower than those illustrated. Under certain circumstances, the amount of Surrender Value / Death Benefit under the insurance policy may be much lower than the total amount of outstanding bank loan and you may suffer a significant loss.

3. Death Benefit — Illustration under Current Assumed Basis

End of Policy Year	Total Premiums Paid	Current Assumed Basis										
		DEATH BENEFIT				PREMIUM FINANCING						
		Guar-anteed	Non-Guaranteed		Total	Bank Loan				Projected Value after Repayments of Total Loan Amount		
			Accumulated Dividends and Interest	Terminal Dividend		Loan Principal	Accumulated Loan Interest	Fees and Penalty	Total Loan Amount	Death Benefit after Repayments of Total Loan Amount	Self-financing Value	Profit / (Loss)

Explanation on above illustration:
Please refer to the Explanation Notes Section.

Applicant's Initial: _____

APPENDIX II

**BENEFIT ILLUSTRATION OF PREMIUM FINANCING
FOR THE PURCHASE OF LIFE INSURANCE PRODUCTS**

[Name of Bank]

The table below illustrates the impact on Surrender Value / Death Benefit under Current Assumed Basis and Pessimistic Basis. Figures under Current Assumed Basis are calculated based on current assumed loan interest rate adopted by banks and best estimate assumptions adopted by insurers. Figures under Pessimistic Basis are calculated based on bank's assumption of an increase of current loan interest rate and insurer's assumption of the investment returns are lower than insurer's current assumed investment return; while other factors affecting these values are assumed to remain unchanged. The two bases do not represent lower and upper bounds of the actual returns. The actual recovery may be higher or lower than those illustrated. Under certain circumstances, the amount of Surrender Value / Death Benefit under the insurance policy may be much lower than the total amount of outstanding bank loan and you may suffer a significant loss.

4. Death Benefit — Illustration under Pessimistic Basis

End of Policy Year	Total Premiums Paid	Pessimistic Basis										
		DEATH BENEFIT				PREMIUM FINANCING						
		Guaranteed	Non-Guaranteed		Total	Bank Loan				Projected Value after Repayments of Total Loan Amount		
			Accumulated Dividends and Interest	Terminal Dividend		Loan Principal	Accumulated Loan Interest	Fees and Penalty	Total Loan Amount	Death Benefit after Repayments of Total Loan Amount	Self-financing Value	Profit / (Loss)

Explanation on above illustration:
Please refer to the Explanation Notes Section.

Applicant's Initial: _____

APPENDIX II**BENEFIT ILLUSTRATION OF PREMIUM FINANCING
FOR THE PURCHASE OF LIFE INSURANCE PRODUCTS****5. Explanation Notes**

- (i) [The projected values included in Sections 1 and 3 are calculated based on current assumed loan interest rate adopted by banks and best estimate assumptions adopted by insurers, and are not guaranteed. The actual recovery may change anytime with the values being higher or lower than those illustrated. As another example, the possible impact of a change in the bank's current assumed loan interest rate and insurer's current assumed investment return on the values after repaying the total loan amount are illustrated in Sections 2 and 4.] / [The projected values included in Sections 1 and 3 are calculated based on current assumed loan interest rate adopted by banks and current assumed crediting interest rate adopted by insurers. All the policy benefits for the entire benefit term and the loan interest rate for the entire loan repayment period are guaranteed to be fixed.] Under some circumstances, the amount of Surrender Value / Death Benefit under the insurance policy may be much lower than the total amount of outstanding bank loan and you may suffer a significant loss.
- (ii) In Sections 1 and 3, assuming loan interest rate of banks used to illustrate under Current Assumed Basis is a%. [The actual loan interest rate is not guaranteed to be fixed, the loan interest rate is susceptible with the economic fluctuations. In the case of an increase in the loan interest rate, the amount of Surrender Value / Death Benefit may be much lower than the total amount of outstanding bank loan principal and interest and you may suffer a significant loss.] / [The loan interest rate is guaranteed to be fixed for the entire loan repayment period.]
- (iii) In Sections 2 and 4, benefits under the Pessimistic Basis are based on an increase of x% p.a. in comparing with bank's current assumed loan interest rate, and a decrease of about y% p.a. in comparing with insurer's current assumed investment return.
- (iv) Details of fees and penalty for bank loans, please refer to the summary of charges for bank loans.
- (v) Self-financing Value is the balance of the total premiums paid less the loan principal.
- (vi) Profit / (Loss) is the balance of Surrender Value / Death Benefit after loan repayments of total loan amount less Self-financing Value.
- (vii) The above demonstrations illustrate the potential impact on the amount of recovery under different scenarios, these scenarios do not represent lower and upper bounds of the actual recovery, the actual recovery is subject to the actual payment of insurers and the actual loan interest rate of banks.

Declaration

I hereby confirm having read and understood the information contained in this summary of illustrated benefits, and clearly known that the amount of Surrender Value / Death Benefit under the insurance policy may be much lower than the total amount of outstanding bank loan and I may suffer a significant loss.

Applicant's Name: _____ Applicant's Signature: _____ Date: _____

I hereby confirm that I fully explained the information contained in this summary of illustrated benefits.

Bank Staff's Name: _____ Bank Staff's Signature: _____ Date: _____

APPENDIX III

BENEFIT ILLUSTRATION OF PREMIUM FINANCING
FOR THE PURCHASE OF LIFE INSURANCE PRODUCTS

[Name of Bank]

The table below illustrates the impact on Surrender Value / Death Benefit under Current Assumed Basis and Pessimistic Basis. Figures under Current Assumed Basis are calculated based on current assumed loan interest rate adopted by banks, and current assumed crediting interest rate and current scale of charges adopted by insurers. Figures under Pessimistic Basis are calculated based on bank's assumption of an increase of current loan interest rate and insurer's assumption of a decrease of current crediting interest rate; while current scale of charges are assumed to remain unchanged. The two bases do not represent lower and upper bounds of the actual returns. The actual recovery may be higher or lower than those illustrated. Under certain circumstances, the amount of Surrender Value / Death Benefit under the insurance policy may be much lower than the total amount of outstanding bank loan and you may suffer a significant loss.

1. Surrender Value — Illustration under Current Assumed Basis

End of Policy Year	Total Premiums Paid	Current Assumed Basis								
		SURRENDER VALUE		PREMIUM FINANCING						
		[Description of assumed crediting interest rate]	Bank Loan					Projected Value after Repayments of Total Loan Amount		
		Current charges are applied								
		Account Value	Surrender Value	Loan Principal	Accumulated Loan Interest	Fees and Penalty	Total Loan Amount	Surrender Value after Repayments of Total Loan Amount	Self-financing Value	Profit / (Loss)

Explanation on above illustration:
Please refer to the Explanation Notes Section.

Applicant's Initial: _____

APPENDIX III

**BENEFIT ILLUSTRATION OF PREMIUM FINANCING
FOR THE PURCHASE OF LIFE INSURANCE PRODUCTS**

[Name of Bank]

The table below illustrates the impact on Surrender Value / Death Benefit under Current Assumed Basis and Pessimistic Basis. Figures under Current Assumed Basis are calculated based on current assumed loan interest rate adopted by banks, and current assumed crediting interest rate and current scale of charges adopted by insurers. Figures under Pessimistic Basis are calculated based on bank's assumption of an increase of current loan interest rate and insurer's assumption of a decrease of current crediting interest rate; while current scale of charges are assumed to remain unchanged. The two bases do not represent lower and upper bounds of the actual returns. The actual recovery may be higher or lower than those illustrated. Under certain circumstances, the amount of Surrender Value / Death Benefit under the insurance policy may be much lower than the total amount of outstanding bank loan and you may suffer a significant loss.

2. Surrender Value — Illustration under Pessimistic Basis

End of Policy Year	Total Premiums Paid	Pessimistic Basis								
		SURRENDER VALUE		PREMIUM FINANCING						
		[Description of assumed crediting interest rate]		Bank Loan				Projected Value after Repayments of Total Loan Amount		
		Current charges are applied								
		Account Value	Surrender Value	Loan Principal	Accumulated Loan Interest	Fees and Penalty	Total Loan Amount	Surrender Value after Repayments of Total Loan Amount	Self-financing Value	Profit / (Loss)

Explanation on above illustration:

Please refer to the Explanation Notes Section.

Applicant's Initial: _____

APPENDIX III**BENEFIT ILLUSTRATION OF PREMIUM FINANCING
FOR THE PURCHASE OF LIFE INSURANCE PRODUCTS**

[Name of Bank]

The table below illustrates the impact on Surrender Value / Death Benefit under Current Assumed Basis and Pessimistic Basis. Figures under Current Assumed Basis are calculated based on current assumed loan interest rate adopted by banks, and current assumed crediting interest rate and current scale of charges adopted by insurers. Figures under Pessimistic Basis are calculated based on bank's assumption of an increase of current loan interest rate and insurer's assumption of a decrease of current crediting interest rate; while current scale of charges are assumed to remain unchanged. The two bases do not represent lower and upper bounds of the actual returns. The actual recovery may be higher or lower than those illustrated. Under certain circumstances, the amount of Surrender Value / Death Benefit under the insurance policy may be much lower than the total amount of outstanding bank loan and you may suffer a significant loss.

3. Death Benefit — Illustration under Current Assumed Basis

End of Policy Year	Total Premiums Paid	Current Assumed Basis								
		DEATH BENEFIT		PREMIUM FINANCING						
		[Description of assumed crediting interest rate]		Bank Loan				Projected Value after Repayments of Total Loan Amount		
		Current charges are applied								
		Account Value	Death Benefit	Loan Principal	Accumulated Loan Interest	Fees and Penalty	Total Loan Amount	Death Benefit after Repayments of Total Loan Amount	Self-financing Value	Profit / (Loss)

Explanation on above illustration:
Please refer to the Explanation Notes Section.

Applicant's Initial: _____

APPENDIX III

**BENEFIT ILLUSTRATION OF PREMIUM FINANCING
FOR THE PURCHASE OF LIFE INSURANCE PRODUCTS**

[Name of Bank]

The table below illustrates the impact on Surrender Value / Death Benefit under Current Assumed Basis and Pessimistic Basis. Figures under Current Assumed Basis are calculated based on current assumed loan interest rate adopted by banks, and current assumed crediting interest rate and current scale of charges adopted by insurers. Figures under Pessimistic Basis are calculated based on bank's assumption of an increase of current loan interest rate and insurer's assumption of a decrease of current crediting interest rate; while current scale of charges are assumed to remain unchanged. The two bases do not represent lower and upper bounds of the actual returns. The actual recovery may be higher or lower than those illustrated. Under certain circumstances, the amount of Surrender Value / Death Benefit under the insurance policy may be much lower than the total amount of outstanding bank loan and you may suffer a significant loss.

4. Death Benefit — Illustration under Pessimistic Basis

End of Policy Year	Total Premiums Paid	Pessimistic Basis								
		DEATH BENEFIT		PREMIUM FINANCING						
		[Description of assumed crediting interest rate]	Bank Loan					Projected Value after Repayments of Total Loan Amount		
		Current charges are applied								
		Account Value	Death Benefit	Loan Principal	Accumulated Loan Interest	Fees and Penalty	Total Loan Amount	Death Benefit after Repayments of Total Loan Amount	Self-financing Value	Profit / (Loss)

Explanation on above illustration:

Please refer to the Explanation Notes Section.

Applicant's Initial: _____

APPENDIX III**BENEFIT ILLUSTRATION OF PREMIUM FINANCING
FOR THE PURCHASE OF LIFE INSURANCE PRODUCTS****5. Explanation Notes**

- (i) The projected values included in Sections 1 and 3 are calculated based on current assumed loan interest rate adopted by banks and current assumed crediting interest rate adopted by insurers, and are not guaranteed. The actual recovery may change anytime with the values being higher or lower than those illustrated. As another example, the possible impact of a change in the bank's current assumed loan interest rate and insurer's current assumed investment return on the values after the repayment of total loan amount are illustrated in Sections 2 and 4. Under some circumstances, the amount of Surrender Value / Death Benefit under the insurance policy may be much lower than the total amount of outstanding bank loan and you may suffer a significant loss.
- (ii) In Sections 1 and 3, assuming the loan interest rate of banks used to illustrate under Current Assumed Basis is a%. [The actual loan interest rate is not guaranteed to be fixed, the loan interest rate is susceptible with the economic fluctuations. In the case of an increase in the loan interest rate, the amount of Surrender Value / Death Benefit may be much lower than the total amount of outstanding bank loan and you may suffer a significant loss.] / [The loan interest rate is guaranteed to be fixed for the entire loan repayment period.]
- (iii) In Sections 1 and 3, assuming crediting interest rate of insurance policy used to illustrate under Current Assumed Basis is b%. The actual crediting interest rate is not guaranteed to be fixed. In the case of a decrease in the actual crediting interest rate, the amount of Surrender Value / Death Benefit may be much lower than the total amount of outstanding bank loan and you may suffer a significant loss.
- (iv) In Sections 2 and 4, benefits under the Pessimistic Basis are based on an increase of x% p.a. in comparing with bank's current assumed loan interest rate, and a decrease of y% p.a. in comparing with insurer's crediting interest rate of insurance policy.
- (v) Details of fees and penalty for bank loans, please refer to the summary of charges for bank loans.
- (vi) Self-financing Value is the balance of the total premiums paid less the loan principal.
- (vii) Profit / (Loss) is the balance of Surrender Value / Death Benefit after repayments of total loan amount less Self-financing Value.
- (viii) The above demonstrations illustrate the potential impact on the amount of recovery under different scenarios, these scenarios do not represent lower and upper bounds of the actual recovery, the actual recovery is subject to the actual payment of insurers and the actual loan interest rate of banks.

Declaration

I hereby confirm having read and understood the information contained in this summary of illustrated benefits, and clearly known that the amount of Surrender Value / Death Benefit under the insurance policy may be much lower than the total amount of outstanding bank loan and I may suffer a significant loss.

Applicant's Name: _____ Applicant's Signature: _____ Date: _____

I hereby confirm that I fully explained the information contained in this summary of illustrated benefits.

Bank Staff's Name: _____ Bank Staff's Signature: _____ Date: _____

APPENDIX IV**Alternate Format for the PF Illustration of Non-participating Life Insurance Policies:**

For the first page and the second page:

Surrender Value — Illustration under Current Assumed Basis / Pessimistic Basis

End of Policy Year	Total Premiums Paid	Current Assumed Basis / Pessimistic Basis							
		SURRENDER VALUE	PREMIUM FINANCING						
		Guaranteed	Bank Loan				Projected Value after Repayments of Total Loan Amount		
			Loan Principal	Accumulated Loan Interest	Fees and Penalty	Total Loan Amount	Surrender Value after Repayments of Total Loan Amount	Self-financing Value	Profit / (Loss)

For the third page and the fourth page:

Death Benefit — Illustration under Current Assumed Basis / Pessimistic Basis

End of Policy Year	Total Premiums Paid	Current Assumed Basis / Pessimistic Basis							
		DEATH BENEFIT	PREMIUM FINANCING						
		Guaranteed	Bank Loan				Projected Value after Repayments of Total Loan Amount		
			Loan Principal	Accumulated Loan Interest	Fees and Penalty	Total Loan Amount	Death Benefit after Repayments of Total Loan Amount	Self-financing Value	Profit / (Loss)

For detailed requirements of the above formats, please refer to Appendix II.

APPENDIX V**Alternate Format for the PF Illustration of Universal Life Insurance Policies:**

For the second page:

Surrender Value — Illustration under Pessimistic Basis

End of Policy Year	Total Premiums Paid	Pessimistic Basis								
		SURRENDER VALUE		PREMIUM FINANCING						
		[Description of Minimum Guaranteed Crediting Interest Rate / 0% p.a.]		Bank Loan				Projected Value after Repayments of Total Loan Amount		
		Maximum / Current charges are applied								
		Account Value	Surrender Value	Loan Principal	Accumulated Loan Interest	Fees and Penalty	Total Loan Amount	Surrender Value after Repayments of Total Loan Amount	Self-financing Value	Profit / (Loss)

For the fourth page:

Death Benefit — Illustration under Pessimistic Basis

End of Policy Year	Total Premiums Paid	Pessimistic Basis								
		DEATH BENEFIT		PREMIUM FINANCING						
		[Description of Minimum Guaranteed Crediting Interest Rate / 0% p.a.]		Bank Loan				Projected Value after Repayments of Total Loan Amount		
		Maximum / Current charges are applied								
		Account Value	Death Benefit	Loan Principal	Accumulated Loan Interest	Fees and Penalty	Total Loan Amount	Death Benefit after Repayments of Total Loan Amount	Self-financing Value	Profit / (Loss)

For detailed requirements of the above formats, please refer to Appendix III.