

LIFE INSURANCE – RETIREMENT INCOME
AIA DEFERRED ANNUITY PLAN (ADAP)

PLAN AHEAD FOR A STABLE STREAM OF RETIREMENT ANNUITY INCOME



AIA Deferred Annuity Plan provides you guaranteed Monthly Annuity Payment, helping you to realise a fulfilling retirement life.



合資格延期年金保單
Qualifying Deferred
Annuity Policy



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AIA International Limited
(Incorporated in Bermuda with limited liability)



HEALTHIER, LONGER,
BETTER LIVES

We understand that you want to have a stable guaranteed annuity income stream that you can rely on for your retirement

With AIA Deferred Annuity Plan, you can choose Annuity Payment Start Age for the annuitant



Stable returns for retirement

AIA Deferred Annuity Plan is a **participating insurance plan** that provides guaranteed cash value, guaranteed Monthly Annuity Payment and non-guaranteed Monthly Annuity Payment for retirement. You can specify a person to become the annuitant⁺, who is the person to receive the Monthly Annuity Payment during the Annuity Period. You can choose for the annuitant to start receiving Monthly Annuity Payment at age 50, 55, 60, 65 or 70 (i.e. the Annuity Payment Start Age). Alternatively, you can choose to accumulate the Monthly Annuity Payment in your policy to potentially gain interest for your withdrawal later. If no payment option has been chosen by you, we will pay the Monthly Annuity Payment to the annuitant monthly. You can change your payment option without additional charge.

Also, once the policy has been in force for a year, we will provide you with a one-off non-guaranteed cash amount (if any), called a Terminal Dividend if:

- i. you surrender the policy;
- ii. the annuitant as the insured, who is the person protected under the policy, passes away before the policy matures and the death benefit is payable in lump sum (according to the death benefit calculation); or
- iii. the policy matures.

Monthly Annuity Payment is comprised of both guaranteed and non-guaranteed portions. During the Annuity Period, the guaranteed cash value of this plan will decrease when

(as the insured) to start receiving high guaranteed portion of annuity income at age 50, 55, 60, 65 or 70, and enjoy a regular annuity income stream for 10 years.

the guaranteed Monthly Annuity Payment begins whilst non-guaranteed Monthly Annuity Payment will be credited into your policy on a monthly basis.

Both Terminal Dividend and non-guaranteed Monthly Annuity Payment are a share of divisible surplus (if any) from this product group. Please refer to Dividend Philosophy for details.

You can also choose for the annuitant to receive the guaranteed Monthly Annuity Payment under the level pattern or the increasing pattern when applying for this plan:

Guaranteed Monthly Annuity Payment Pattern	Description
Level pattern	A fixed amount of guaranteed Monthly Annuity Payment is paid monthly giving the annuitant greater stability during retirement.
Increasing pattern	Guaranteed Monthly Annuity Payment amount increases by 5% every 3 years to help with the effects of inflation.

The range of minimum to maximum Internal Rate of Return (i.e. IRR) at maturity, assuming the Monthly Annuity Payments are received monthly by the annuitant who is a 45-year-old non-smoking male at application, is shown in the table on the next page.

The IRR at maturity varies with Insured's Age at Application, Annuity Payment Start Age, Guaranteed Monthly Annuity Payment Pattern and premium payment mode.

⁺ In order to be eligible for tax deduction, the annuitant must be you or your spouse. For details on tax deductions, please visit the website of Inland Revenue Department (IRD) of HKSAR or contact IRD for tax related enquiries. You can also consult your tax and accounting advisors for tax advice.

"AIA", "the Company", "We", "our", or "us" herein refers to **AIA International Limited** (Incorporated in Bermuda with limited liability).



Annuity Period	Guaranteed Monthly Annuity Payment Pattern	Annuity Payment Start Age	Range of Guaranteed IRR at maturity	Range of Total IRR [^] at maturity
10 years	Level pattern	Age 55	0.25% - 1.12%	2.29% - 3.12%
		Age 60	0.82% - 1.44%	2.53% - 3.12%
		Age 65	1.13% - 1.61%	2.66% - 3.12%
		Age 70	1.32% - 1.71%	2.74% - 3.12%
	Increasing pattern	Age 55	0.27% - 1.13%	2.29% - 3.11%
		Age 60	0.82% - 1.44%	2.52% - 3.11%
		Age 65	1.14% - 1.61%	2.65% - 3.12%
		Age 70	1.32% - 1.72%	2.75% - 3.13%

The calculation of guaranteed IRR includes guaranteed Monthly Annuity Payment and guaranteed cash value, while the calculation of total IRR includes guaranteed Monthly Annuity Payment, any non-guaranteed Monthly Annuity Payment, guaranteed cash value and any Terminal Dividend.

This plan is designed to be held for a long term period. Should you surrender (or partially surrender) your policy early, you may receive an amount considerably less than the total amount of premiums paid. If you surrender your policy at the end of the first policy year, the range of surrender value[^] which includes guaranteed cash value and any non-guaranteed Terminal Dividend that you will receive per US\$10,000 annual premium, is shown in the table below. The surrender value at the end of the first policy year varies with Insured's Age at Application.

Annuity Period	Range of surrender value [^] per US\$10,000 annual premium at the end of the first policy year
10 years	US\$4,110 – US\$4,130 (41.1% - 41.3% of annual premium)

To give you additional financial flexibility in times of need, you can borrow up to the guaranteed cash value of the policy before the commencement of the Annuity Period. Interest on a policy loan will be charged at a rate solely determined by us.

[^] The value illustrated is based on the current dividend scale which is neither indicative of future performance nor guaranteed. Past performance or current performance of our business should not be interpreted as a guide for future performance. The actual amount of any non-guaranteed Monthly Annuity Payment and any Terminal Dividend payable throughout the duration of the policy may vary at AIA's sole discretion, which may be more or less favourable than those illustrated. The value illustrated assumes that no cash withdrawal or policy loans are taken throughout the term of the policy and that all premiums are paid in full when due.



5-year premium payment term

AIA Deferred Annuity Plan is denominated in US dollars, the minimum annual premium is US\$4,800. With a 5-year premium payment term and premium amounts are guaranteed to remain stable throughout the entire period of your payments.

Your choice of annuity arrangement for your retirement

AIA Deferred Annuity Plan offers Annuity Period of 10 years, helping you to enjoy your retirement.

You have to select the **① Annuity Payment Start Age** and **② Guaranteed Monthly Annuity Payment Pattern** when you apply the policy (see the table below).

To provide you with a greater flexibility, you may opt to change once for each of these options during the following period:

- i. from the end of the 2nd policy year or when the annuitant reaches age 49 (whichever is later), to
- ii. for the change of Annuity Payment Start Age, you should apply for 30 days before both the originally and newly selected Annuity Payment Start Age; for the change of Guaranteed Monthly Annuity Payment Pattern, you should apply for 30 days before your selected Annuity Payment Start Age.

All subsequent guaranteed Monthly Annuity Payment, any non-guaranteed Monthly Annuity Payment, guaranteed cash value and any Terminal Dividend will be adjusted according to your choice of Annuity Payment Start Age and / or Guaranteed Monthly Annuity Payment Pattern.

Premium Payment Term	Annuity Period	Insured's Age at Application	① Annuity Payment Start Age	② Guaranteed Monthly Annuity Payment Pattern	Benefit Term
5 years	10 years	Age 18 - 40	Age 50	<ul style="list-style-type: none"> • Level • Increasing 	From policy issue to the end of Annuity Period
		Age 18 - 45	Age 55		
		Age 18 - 50	Age 60		
		Age 18 - 55	Age 65		
		Age 18 - 60	Age 70		

Different premium payment modes (annually, semi-annually, quarterly and monthly) are available for this plan.

You can decide the amount of guaranteed Monthly Annuity Payment at the time of your application. The amount of any non-guaranteed Monthly Annuity Payment may fluctuate during the Annuity Period.

Before we make payments, including Monthly Annuity Payment, surrender value, policy value at maturity and death benefit, we will deduct all outstanding debt under your policy.

Benefit received when policy matures

Provided that the insured is alive at the end of the benefit term, the policy will mature and we will pay you any accumulated Monthly Annuity Payment with interest accrued (if accumulation has been chosen as the payment option of Monthly Annuity Payment) and any Terminal Dividend in a lump sum.



If the worst should happen

If the insured passes away, we will pay the death benefit to the person whom you select in your policy as beneficiary. The amount of death benefit will be calculated according to the tables below.

Death Benefit	
If the insured passes away before the commencement of the Annuity Period	The higher of: <ol style="list-style-type: none"> 110% of total premiums paid for the basic plan; and the guaranteed cash value of the policy plus any Terminal Dividend.
If the insured passes away on or after the commencement of the Annuity Period but before the policy matures	The higher of: <ol style="list-style-type: none"> 110% of total premiums paid for the basic plan minus any guaranteed Monthly Annuity Payment paid; and the guaranteed cash value of the policy plus any Terminal Dividend; Plus, any accumulated Monthly Annuity Payment with interest.

In either of the cases above, we will deduct all outstanding debt under your policy before we make the payment of death benefit to the beneficiary.



Protection for your loved ones

Apart from lump sum payment, during the insured's lifetime, you can choose in advance to let the beneficiary continue receiving the unpaid Monthly Annuity Payment from the insured's death (the death should occur on or after the commencement of the Annuity Period) until the end of the Annuity Period. If there is any accumulated Monthly Annuity Payment accrued before the insured passes away, such amount with any interest will be paid in a lump sum to the beneficiary at the time of the insured's death.



Easy to join

No medical examination is required for new applications, as long as the total annual premiums do not exceed the aggregate limit set for each insured, subject to our prevailing rules and regulations.



Delay premium payments in case of unemployment

Unemployment may cause a significant impact on your finances. Hence, the Unemployment Benefit helps ease your financial burden during tough times while keeping the insured protected, even if life takes an unexpected turn. Subject to terms and conditions and our approval, if you are laid off and become involuntarily unemployed during the premium payment term of your basic plan, you may claim for the Unemployment Benefit. Once it is approved, the grace period for late premium payment under the basic plan and any add-on plans will be extended from 31 days up to 365 days to give you a safe buffer. Your Unemployment Benefit claim needs to be submitted within 30 days of your involuntary unemployment. The Unemployment Benefit is available once per policy and relevant proof is required.



Extra cover for more protection

To help support you against unfortunate circumstances, depending on your needs you can select an add-on plan under which we will waive the future premiums for your **AIA Deferred Annuity Plan** if the insured becomes totally and permanently disabled before the age of 60.

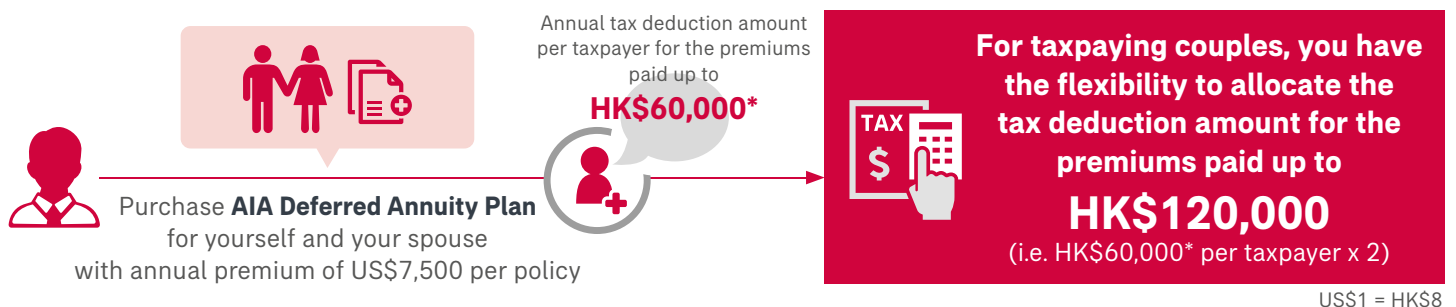
Please note that all add-on plans are subject to additional premiums, underwriting and exclusions. However, add-on plans premiums are not eligible for tax deduction. All benefits under add-on plans will be terminated when your **AIA Deferred Annuity Plan** terminates.



Save more while planning your retirement

AIA Deferred Annuity Plan is certified by the Insurance Authority as a qualifying deferred annuity policy where you can apply to deduct your premiums paid from your annual taxable income. This means if you are taxpayer in Hong Kong, you can apply for tax deduction of up to HK\$60,000* per taxpayer each year which allows you to plan ahead to grow wealth for your retirement while also enjoying a tax deduction.

As an example, the illustration below shows the maximum tax deduction amount you could claim for you and your spouse as a policy owner applying **AIA Deferred Annuity Plan**.



* HK\$60,000 is the maximum tax deductions per taxpayer per year for qualifying annuity premiums and MPF tax deductible voluntary contributions. For details on tax deductions, please visit the website of Inland Revenue Department (IRD) of HKSAR or contact IRD for tax related enquiries. You can also consult your tax and accounting advisors for tax advice.

Examples

(The following examples are hypothetical and for illustrative purposes only. Part of the Monthly Annuity Payment is non-guaranteed.)

Raymond and his wife, Karen, want to enjoy their retirement. They are looking for a plan that could provide them with a stable stream of guaranteed annuity income to help cover their living expenses during retirement. They decide to purchase **AIA Deferred Annuity Plan** for themselves, which can apply for tax deduction as well as having the flexibility to choose Annuity Payment Start Age, at which they can begin receiving annuity income to pursue their personal goals.

Policy 1. Raymond purchases AIA Deferred Annuity Plan for himself

Policy owner, annuitant and insured: Raymond (age 45, non-smoker)
Occupation: Sales Manager



Remaining HK\$20,000 premiums could be allocated to Karen for tax deduction[#]

Raymond and Karen as a taxpaying couple, they have the flexibility to allocate the tax deduction amount for the premiums paid up to

HK\$120,000

(i.e. HK\$60,000[#] per taxpayer x 2)

Policy 2. Karen purchases AIA Deferred Annuity Plan for herself

Policy owner, annuitant and insured: Karen (age 45, non-smoker)
Occupation: Marketing Manager



10 Years Annuity Period (will receive Monthly Annuity Payments in cash monthly)
(Annuity Payment Start Age: age 65, Guaranteed Monthly Annuity Payment Pattern: level)
Pay out Monthly Annuity Payments, which comprise of guaranteed Monthly Annuity Payment and non-guaranteed Monthly Annuity Payment[^]

Total Monthly Annuity Payment will be received by maturity (age 75): US\$101,292.00
Guaranteed IRR at maturity: 1.61%, Total IRR at maturity: 3.12%
(Total guaranteed Monthly Annuity Payment: US\$72,264.00, Total non-guaranteed Monthly Annuity Payment[^]: US\$29,028.00)

Should Raymond need liquidity to meet his financial needs, he can make withdrawals from guaranteed cash value* after the end of the premium payment term, but it would reduce the future policy values and the future Monthly Annuity Payments amount.

Annual tax deduction amount of Raymond for the premiums paid up to: HK\$60,000[#]

5 Years Premium Payment Term
Insured's age at policy application (Raymond): Age 45
Total Premiums Paid: US\$50,000

Monthly Annuity Payment: US\$844.10
(Guaranteed Monthly Annuity Payment: US\$602.20, Non-Guaranteed Monthly Annuity Payment[^]: US\$241.90)
At least 60% guaranteed portion of Monthly Annuity Payment⁺

Age 45 | **Age 50** | **Age 65** | **Age 75**

Raymond purchases AIA Deferred Annuity Plan
Annual Premium: US\$10,000 (HK\$80,000)
Annuity Payment Start Age: Age 65
Annuity Period: 10 years
Guaranteed Monthly Annuity Payment Pattern: Level
Benefit Term: 30 years

Annuity Payment Start Age

Policy matures at the end of the Annuity Period

10 Years Annuity Period (will receive Monthly Annuity Payments in cash monthly)
(Annuity Payment Start Age: age 65, Guaranteed Monthly Annuity Payment Pattern: level)
Pay out Monthly Annuity Payments, which comprise of guaranteed Monthly Annuity Payment and non-guaranteed Monthly Annuity Payment[^]

Total Monthly Annuity Payment will be received by maturity (age 75): US\$50,646.00
Guaranteed IRR at maturity: 1.61%, Total IRR at maturity: 3.12%
(Total guaranteed Monthly Annuity Payment: US\$36,132.00, Total non-guaranteed Monthly Annuity Payment[^]: US\$14,514.00)

Should Karen need liquidity to meet her financial needs, she can make withdrawals from guaranteed cash value* after the end of the premium payment term, but it would reduce the future policy values and the future Monthly Annuity Payments amount.

Total annual tax deduction amount of Karen for the premiums paid up to: HK\$60,000[#]

5 Years Premium Payment Term
Insured's age at policy application (Karen): Age 45
Total Premiums Paid: US\$25,000

Monthly Annuity Payment: US\$422.05
(Guaranteed Monthly Annuity Payment: US\$301.10, Non-Guaranteed Monthly Annuity Payment[^]: US\$120.95)
At least 60% guaranteed portion of Monthly Annuity Payment⁺

Age 45 | **Age 50** | **Age 65** | **Age 75**

Karen purchases AIA Deferred Annuity Plan
Annual Premium: US\$5,000 (HK\$40,000)
Annuity Payment Start Age: Age 65
Annuity Period: 10 years
Guaranteed Monthly Annuity Payment Pattern: Level
Benefit Term: 30 years

Annuity Payment Start Age

Policy matures at the end of the Annuity Period

US\$1 = HK\$8

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* If policy owner withdraws all of the guaranteed cash value or surrenders the policy, the policy will be terminated. The annuitant (as the insured) will no longer receive any Monthly Annuity Payments.

[#] HK\$60,000 is the maximum tax deductions per taxpayer per year for qualifying annuity premiums and MPF tax deductible voluntary contributions. For details on tax deductions, please visit the website of Inland Revenue Department (IRD) of HKSAR or contact IRD for tax related enquiries. You can also consult your tax and accounting advisors for tax advice.

⁺ The Monthly Annuity Payment is calculated from the value illustrated based on the current dividend scale.

Please note that the qualifying deferred annuity policy (QDAP) status of this product does not necessarily mean you are eligible for the tax deduction available for QDAP premiums paid. This product's QDAP status is based on the features of the product as well as certification by the Insurance Authority (IA) and not the facts of your own situation. You must also meet all the eligibility requirements set out under the Inland Revenue Ordinance and any guidance issued by the Inland Revenue Department (IRD) of HKSAR before you can claim these tax deductions. Any general tax information provided is for your reference only, and you should not make any tax-related decisions based on such information alone. You should always consult with a professional tax advisor if you have any doubts. Please note that tax law, regulations or interpretations are subject to change and may affect related tax benefits including the eligibility criteria for tax deduction. We do not take any responsibility to inform you about any changes in the laws regulations or interpretations, and how they may affect you.

For the details of product features and the terms & conditions, please refer to this product brochure and the policy contract.

Joyce wants to get well prepared for a fulfilling retirement. She is looking for a tax-deductible annuity plan that could provide her with flexibility in retirement to suit different life situations. She decides to purchase **AIA Deferred Annuity Plan** for herself.

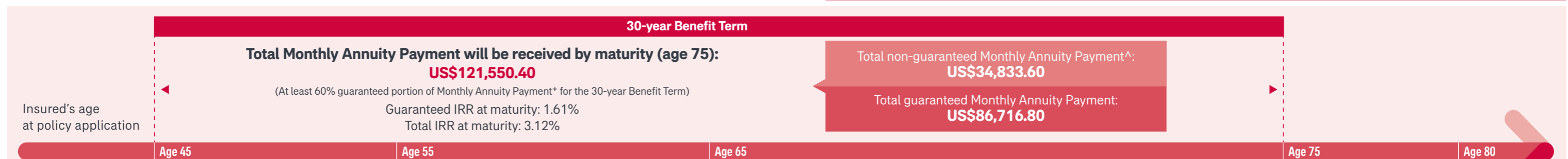


Policy owner, annuitant and insured:	Joyce (age 45, non-smoker)	Joyce's annual tax deduction amount for the premiums paid up to: HK\$60,000[#]
Occupation:	University Professor	
Total Premiums:	US\$60,000	
Annual Premium:	US\$12,000 (5 Years Premium Payment Term)	
Annuity Period:	10 Years (will receive Monthly Annuity Payments in cash monthly)	
	Pay out Monthly Annuity Payments, which comprise of guaranteed Monthly Annuity Payment and non-guaranteed Monthly Annuity Payment [^]	
Annuity Options Selected at Policy Application:	<ol style="list-style-type: none"> ① Annuity Payment Start Age: Age 65 ② Guaranteed Monthly Annuity Payment Pattern: Level 	

Joyce's Annuity Payment Start Age has been changed from age 65 to age 70

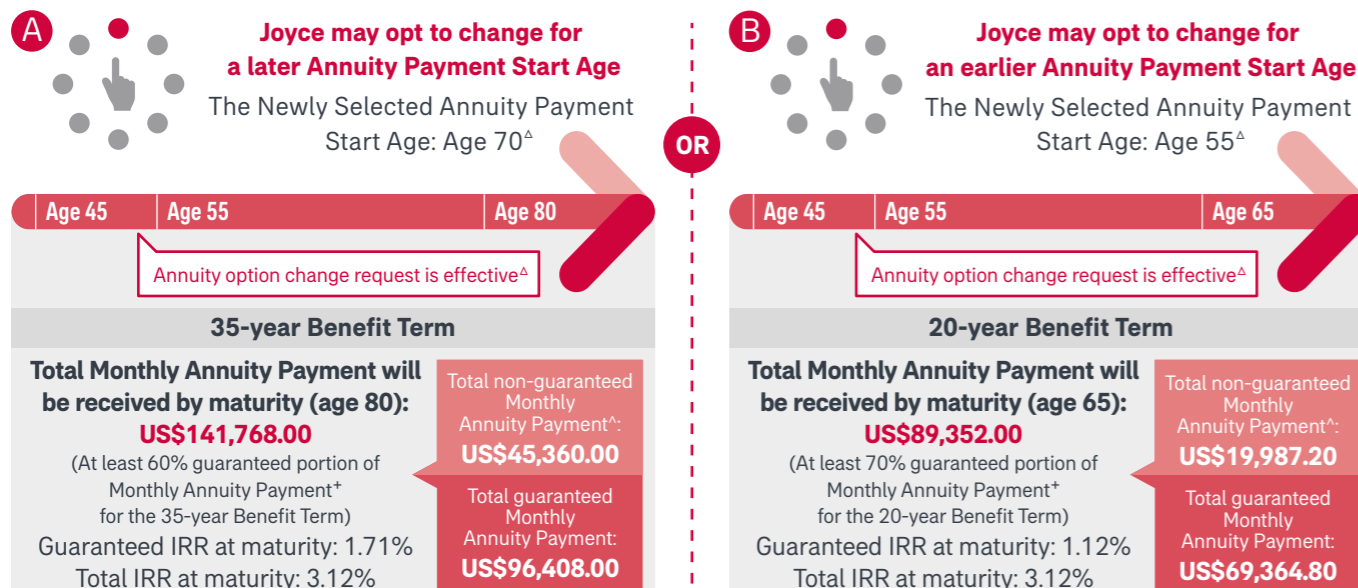
Joyce finally decides to pursue her passion in education and continue her career as a consultant. She postpones her retirement and changes the Annuity Payment Start Age to age 70.

When Joyce is 68 years old, she wants to use the Monthly Annuity Payments in settling part of the increasing living expenses, such as health care spending. **AIA Deferred Annuity Plan** allows Joyce to change her Guaranteed Monthly Annuity Payment Pattern once from Level to Increasing 30 days before her selected Annuity Payment Start Age (i.e. 30 days before Joyce reaches age 70).



Joyce's First Annuity Option Change - Annuity Payment Start Age

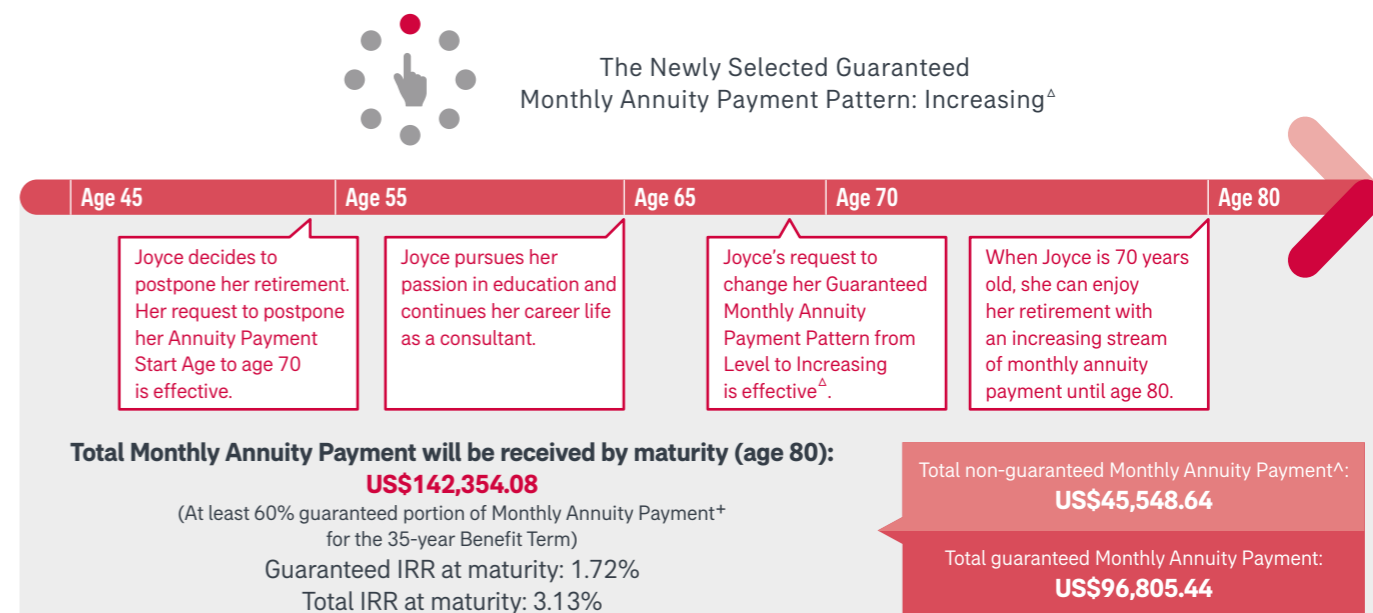
When Joyce is 54 years old, she will consider whether to continue her career as an education consultant and postpone her retirement, or simply enjoy an early retirement and travel around the world's greatest academies. **AIA Deferred Annuity Plan** allows Joyce to change her Annuity Payment Start Age once.



[^] In this case, changing the Annuity Payment Start Age can be applied for during the period from Joyce's age 49 to 30 days before the originally selected Annuity Payment Start Age (i.e. 30 days before Joyce reaches age 65) and 30 days before the newly selected Annuity Payment Start Age (i.e. 30 days before Joyce reaches **A** age 70 / **B** age 55).

Joyce's Second Annuity Option Change - Guaranteed Monthly Annuity Payment Pattern

When Joyce is 68 years old, she decides to change the Guaranteed Monthly Annuity Payment Pattern from Level to Increasing.



[^] In this case, changing the Guaranteed Monthly Annuity Payment Pattern can be applied for during the period from Joyce's age 49 to 30 days before her selected Annuity Payment Start Age (i.e. 30 days before Joyce reaches age 70).

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[#] HK\$60,000 is the maximum tax deductions per taxpayer per year for qualifying annuity premiums and MPF tax deductible voluntary contributions. For details on tax deductions, please visit the website of Inland Revenue Department (IRD) of HKSAR or contact IRD for tax related enquiries. You can also consult your tax and accounting advisors for tax advice.

⁺ The Monthly Annuity Payment is calculated from the value illustrated based on the current dividend scale.

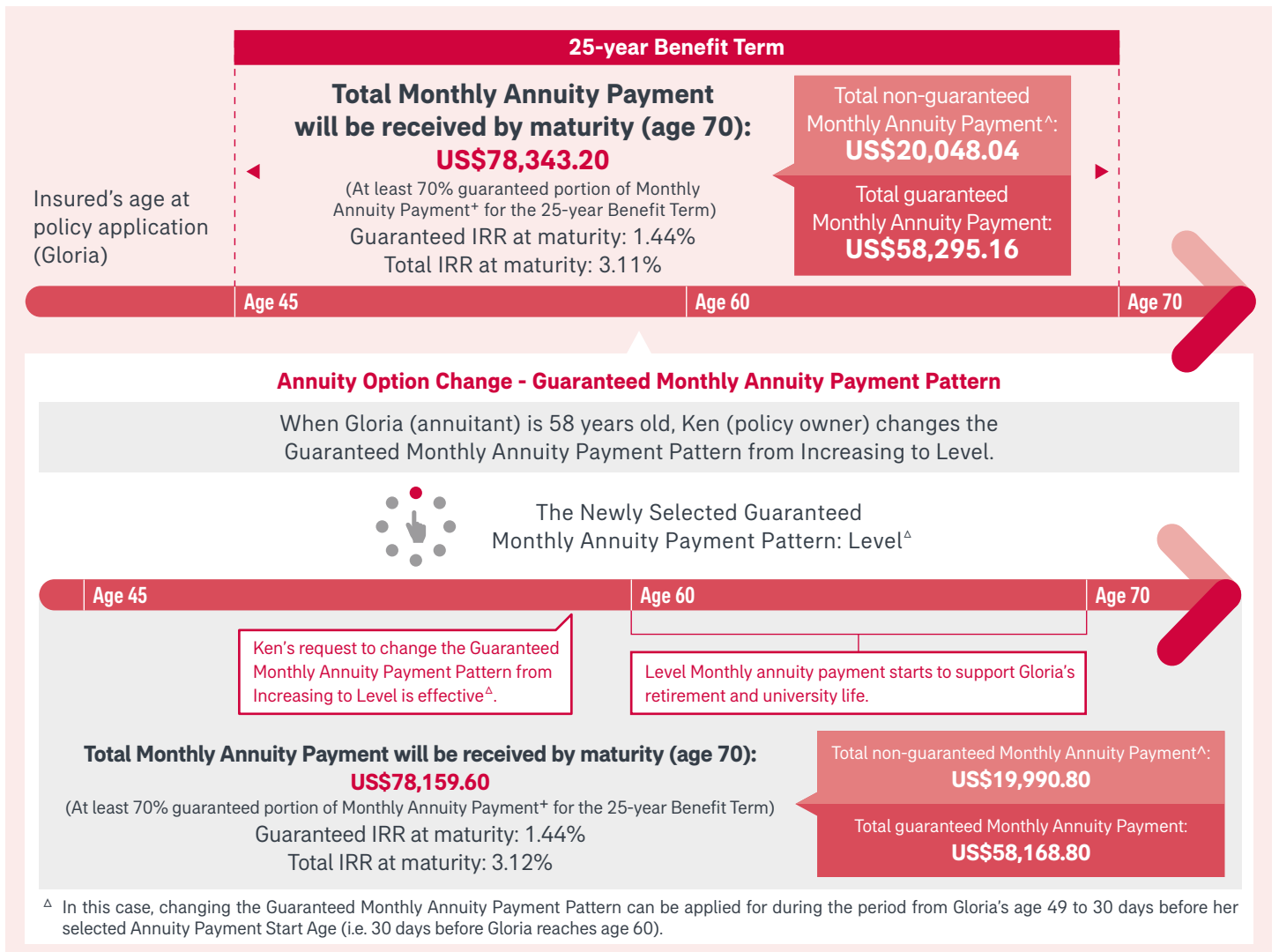
Ken hopes his beloved wife, Gloria, can enjoy a retirement life with peace of mind. He decides to purchase **AIA Deferred Annuity Plan** for his wife, which allows him to apply for tax deduction as well as enjoy the flexibility in retirement planning to suit Gloria's different life situations.



Policy owner: Ken (age 50, non-smoker, accountant)
 Annuitant and Insured: Gloria (Ken's wife, age 45, non-smoker, clerk)
 Total Premiums: US\$45,000
 Annual Premium: US\$9,000 (5 Years Premium Payment Term)
 Annuity Period: 10 Years (will receive Monthly Annuity Payments in cash monthly)
 Pay out Monthly Annuity Payments, which comprise of guaranteed Monthly Annuity Payment and non-guaranteed Monthly Annuity Payment[^]
 Annuity Options Selected at Policy Application: **1** Annuity Payment Start Age: Age 60
2 Guaranteed Monthly Annuity Payment Pattern: Increasing

Ken's annual tax deduction amount for the premiums paid up to: **HK\$60,000[#]**

When Gloria is 58 years old, she wants to realise her dream of gaining a bachelor's degree. After discussions, Ken and Gloria decide to change the Guaranteed Monthly Annuity Payment Pattern from Increasing to Level, to ensure level annuity payment to settle part of the tuition fee.



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⁺ The Monthly Annuity Payment is calculated from the value illustrated based on the current dividend scale.

Important Information

This brochure does not contain the full terms and conditions of the policy. It is not, and does not form part of, a contract of insurance and is designed to provide an overview of the key features of this product. The precise terms and conditions of this plan are specified in the policy contract. Please refer to the policy contract for the definitions of capitalised terms, and the exact and complete terms and conditions of cover. In case you want to read policy contract sample before making an application, you can obtain a copy from AIA. This brochure should be read along with the illustrative document (if any) and other relevant marketing materials, which include additional information and important considerations about this product. We would like to remind you to review the relevant product materials provided to you and seek independent professional advice if necessary.

This brochure is for distribution in Hong Kong only.

Dividend Philosophy

This is a participating insurance plan in which we share a portion of the profits earned on it and related participating insurance plans with the policy owners. It is designed to be held long term. The premiums of a participating insurance plan will be invested in a variety of assets according to our investment strategy. The cost of policy benefits (including guaranteed and non-guaranteed benefits as specified in your plan that may be payable on death or surrender, as well as charges we make to support policy guarantees (if applicable)) and expenses will be deducted as appropriate from premiums of the participating insurance plan or from the invested assets. We aim to ensure a fair sharing of profits between policy owners and shareholders, and among different groups of policy owners.

Divisible surplus refers to profits available for distribution back to policy owners as determined by us. The divisible surplus that will be shared with policy owners will be based on the profits earned from your plan and related groups of similar plans or similar group of policies (as determined by us from time to time by considering factors such as benefit features, policy currencies and period of policy issuance), divisible surplus may be shared with the policy owners in the form of terminal dividends and other non-guaranteed benefit payments as specified in your policy.

We review and determine the dividend amounts payable to policy owners at least once per year. Divisible surplus depends on the investment performance of the assets which we invest in and the amounts of benefits and expenses we need to pay for the plan. It is therefore inherently uncertain. Nevertheless, we aim to deliver relatively stable dividend payments over time through a smoothing process by spreading out the gains and losses over a period of time. The actual dividends declared may be different from those illustrated or projected in any insurance plan information provided (e.g. benefit illustrations) depending on whether the divisible surplus, past experience and/or outlook are different from what we expected. If dividends are different, this will be reflected in the policy anniversary statement.

A committee has been set up to provide independent advice on the determination of the dividend amounts to the Board of the Company. The committee is comprised of members from different control functions or departments within the organisation both at the AIA Group level as well as Hong Kong local level, such as office of the Chief Executive of the Company, legal, compliance, finance, investment and risk management. Each member of the committee will endeavour to exercise due care, diligence and skill in the performance of his or her duties as a member. The committee will utilise the knowledge, experience, and perspectives of each individual member to assist the Board in the discharge of its duty to make independent decisions and to manage the risk of conflict of interests, in order to ensure fair treatment between policy owners and shareholders, and among different groups of policy owners. The actual dividends, which are recommended by the Appointed Actuary, will be decided upon the deliberation of the committee and finally approved by the Board of Directors of the Company, including one or more Independent Non-Executive Directors, and with written declaration by the Chairman of the Board, an Independent Non-Executive Director and the Appointed Actuary on the management of fair treatment between policy owners and shareholders.

To determine the dividends of a participating policy, we consider both past experience and the future outlook of all factors including, but not limited to, the following:

Investment returns: include interest earnings, dividends and any changes in the market value of the backing assets, i.e. the assets in which we invest your premiums (the cost of policy benefits and expenses will be deducted from the investment). Depending on the asset allocation adopted for the insurance plan, investment returns could be affected by fluctuations in interest income (both interest earnings and the outlook for interest rates) and various market risks, including interest rate risk, credit spread and default risk, fluctuations in listed and private equity prices, real estate prices as well as foreign exchange currency if the currency of the backing assets is different from the policy currency, etc.

Claims: include claims for death benefits and any other insured benefits under the insurance plan.

Surrenders: include policy surrenders, partial surrenders and policy lapses; and their corresponding impact on the backing assets.

Expenses: include both expenses directly related to the policy (e.g. commission, underwriting, issue and premium collection expenses) and indirect expenses allocated to the insurance plan (e.g. general administrative costs).

Some participating insurance plans (if applicable) allow the policy owners to place their annual dividends, guaranteed and non-guaranteed cash payments, guaranteed and non-guaranteed incomes, guaranteed and non-guaranteed annuity payments with us, potentially earning interest at a non-guaranteed interest rate. To determine such non-guaranteed interest rate, we consider the returns on the pool of assets in which these amounts are invested with reference to the past experience and future outlook. This pool of assets is segregated from other investments of the Company and may include bonds and other fixed income instruments. You have the right to request for historical accumulation interest rates before committing the purchase.

For dividend philosophy and dividend history, please visit our website at <https://www.aia.com.hk/en/dividend-philosophy-history.html>



Investment Philosophy, Objective and Strategy

Our investment philosophy aims to deliver sustainable long-term returns in line with the insurance plan's investment objectives and the Company's business and financial objectives.

Our aforementioned objectives are to achieve the targeted long-term investment results while minimising volatility in investment returns to support the liabilities over time. They also aim to control and diversify risk exposures, maintain adequate liquidity and manage the assets with respect to the liabilities.

Our current long-term target strategy is to allocate assets attributed to this insurance plan as follows:

Asset Class	Target Asset Mix (%)
Bonds and other fixed income instruments	75% - 95%
Growth assets	5% - 25%

The bonds and other fixed income instruments predominantly include government and corporate bonds and are mainly invested in the United States and Asia-Pacific. Growth assets may include listed equity, equity mutual funds, physical real estate, real estate funds, private equity funds and private credit funds, and are mainly invested in the United States, Asia-Pacific and Europe. Growth assets generally have a higher long-term expected return than bonds and fixed income assets but may be more volatile in the short term. The range of target asset mix may be different for different participating insurance plans. Our investment strategy is to actively manage the investment portfolio i.e. adjust the asset mix in response to the external market conditions and the financial condition of the participating business. For example, there is a smaller proportion of growth assets when interest rates are low and a larger proportion of growth assets when interest rates are high. When interest rates are low, the proportion of growth assets may be even smaller than the long-term target strategy, so as to allow us to minimise volatility in investment returns and to protect our ability to pay the guaranteed benefits under the insurance plans, whereas the proportion of the growth assets may be even larger than the long-term target strategy when interest rates are high to allow for the possibility that we may share more investment opportunities in growth assets with the policy owners.

Subject to our investment objectives, we may use a material amount of derivatives to manage our investment risk exposure and for matching between assets and liabilities, for example, the effects of changes in interest rates may be moderated, while allowing for more flexibility in asset allocation.

Our currency strategy is to minimise currency mismatches. For bonds or other fixed income instruments, our current practice is to endeavour to currency-match bond purchases with the currency of the underlying policy (e.g. US Dollar assets will be used to back US Dollar insurance plans). Subject to market availability and opportunity, bonds may be invested in a currency other than the currency of the underlying policy and currency swaps may be used to minimise the currency risks. Currently assets are mainly invested in US Dollar. Growth assets may be invested in a currency other than the currency of the underlying policy and the selection is done according to our investment philosophy, investment objectives and mandate.

We will pool the investments from similar participating insurance plans to determine the return and we will allocate the return to specific participating insurance plans with reference to their target asset mix. Actual investments (e.g. geographical mix, currency mix) would depend on market opportunities at the time of purchase, hence may differ from the target asset mix.

The investment strategy is subject to change depending on the market conditions and economic outlook. Should there be any material changes in the investment strategy, we will inform policy owners of the changes, with underlying reasons and expected impact to the dividends.

Key Product Risks

1. Investment and Early Surrender Risk

The plan may make certain portion of its investment in growth assets. Returns of growth assets are generally more volatile than bonds and other fixed income instruments, you should note the target asset mix of the product as disclosed in this product brochure, which will affect the non-guaranteed Monthly Annuity Payment and Terminal Dividend on the product. The savings component of the plan is subject to risks and possible loss. The policy is designed to be held for a long term period. Should you surrender (or partially surrender which will be allowed after the end of the premium payment term and all premiums when due have been paid) the policy early, you may receive an amount considerably less than the total amount of premiums paid.

2. Non-payment of Premium Risk

You should pay premium(s) on time and according to the selected premium payment schedule. If you stop paying the premium before completion of the premium payment term, you may surrender the policy, otherwise, the premium will be covered by a loan taken out on the policy automatically. When the loan balance exceeds the sum of guaranteed cash value and any accumulated Monthly Annuity Payment with interest of the basic plan less any outstanding debt of your policy, the policy will terminate and you will lose the cover. The surrender value of the policy will be used to repay the loan balance, and we will refund any remaining value. You may receive an amount considerably less than the total amount of premiums paid in case you reduce or stop paying the premium.

3. Termination Conditions

You may request for the termination of your policy by notifying us in written notice. Also, we will terminate your policy and you / the insured will lose the cover when one of the following happens before the policy matures:

- the insured passes away and
 - i. the death benefit is payable in a lump sum; or
 - ii. when all the due amounts of the death benefit have been paid if the death benefit is payable monthly in the form of guaranteed Monthly Annuity Payment and any non-guaranteed Monthly Annuity Payment;
- you do not pay the premium within 31 days (or 365 days under Unemployment Benefit) of the due date and the policy has no cash value;
- any benefit is paid under the basic plan or an add-on plan that triggers termination of the policy; or
- the outstanding debt exceeds the guaranteed cash value of the policy. Where the premium is covered by a loan taken out on the policy automatically, the outstanding debt exceeds the sum of guaranteed cash value and any accumulated Monthly Annuity Payment with interest of the basic plan less any outstanding debt of your policy.

4. Payment Options of Monthly Annuity Payment

The annuitant / insured will receive Monthly Annuity Payment if you choose to receive the Monthly Annuity Payment in cash. If you choose to accumulate the Monthly Annuity Payment in the policy, the surrender value will be paid to you upon surrender of your policy. You have the absolute right to change and choose the payment options of Monthly Annuity Payment. Under both scenarios, you will receive the policy value (if any) at maturity.

5. Credit Risk

We underwrite the plan and you are subject to our credit risk. If we are unable to satisfy the financial obligations of the policy, you may lose your premium paid and benefits.

6. Exchange Rate and Currency Risk

You are subject to exchange rate risks for plans denominated in currencies other than the local currency. Exchange rates fluctuate from time to time. You may suffer a loss of your benefit values and the subsequent premium payments (if any) may be higher than your initial premium payment as a result of exchange rate fluctuations. You should consider the exchange rate risks and decide whether to take such risks.

7. Inflation Risk

Your current planned benefit may not be sufficient to meet your future needs since the future cost of living may become higher than they are today due to inflation. Where the actual rate of inflation is higher than expected, you may receive less in real terms even if we meet all of our contractual obligations.

Effective from 1 January 2018, all policy owners are required to pay a levy on each premium payment made for both new and in-force Hong Kong policies to the Insurance Authority (IA). For levy details, please visit our website at www.aia.com.hk/useful-information-ia-en or IA's website at www.ia.org.hk.

Note for Unemployment Benefit

You must be employed under a continuous contract for not less than 24 months and be eligible for a severance payment upon termination under the employment or labour laws of Hong Kong prior to the involuntary unemployment. Further, such employment cannot be self-employment, employment by a family member (including spouse, parent, grandparent, child or grandchild) or employment as a domestic servant. The Unemployment Benefit starts on the premium due date at the time when we approve your claim and continues for up to 365 days. Proof of continuous unemployment is required by you upon our request. The Unemployment Benefit is not available if you were informed of your pending involuntary unemployment on or before the issue date or commencement date of the policy, whichever is later. The Unemployment Benefit will cease on the earliest of the following dates: (i) at the end of extended grace period, (ii) you fail to provide proof of continuous unemployment upon our request, (iii) the date on which the policy owner has been changed, (iv) the date on which any claims on waiver of premium under your basic plan is approved, (v) at the end of premium payment term of your basic plan, (vi) the date when any claims of your basic plan and/or add-on plans is made, if the premium payment mode is not changed to monthly, (vii) the date when you pay all outstanding premiums and (viii) termination date of your basic policy. Claim for Unemployment Benefit must be submitted within 30 days of your involuntary unemployment. The Unemployment Benefit could only be claimed once per policy and relevant proof is required. Please note that, during application of tax deduction, deductible amount should be qualifying annuity premiums paid, delay of premium payments may affect the tax deductions. For details on tax deductions, please visit the website of Inland Revenue Department (IRD) of HKSAR or contact IRD for tax related enquiries. You can also consult your tax and accounting advisors for tax advice. The approval of the Unemployment Benefit is subject to our prevailing rules and regulations, and the handling of policy during the extended grace period will be subject to our discretion.

Tax Implication of Qualifying Deferred Annuity Policy (QDAP)

Please note that the qualifying deferred annuity policy (QDAP) status of this product does not necessarily mean you are eligible for the tax deduction available for QDAP premiums paid. This product's QDAP status is based on the features of the product as well as certification by the Insurance Authority (IA) and not the facts of your own situation. You must also meet all the eligibility requirements set out under the Inland Revenue Ordinance and any guidance issued by the Inland Revenue Department (IRD) of HKSAR before you can claim these tax deductions.

Any general tax information provided is for your reference only, and you should not make any tax-related decisions based on such information alone. You should always consult with a professional tax advisor if you have any doubts. Please note that tax law, regulations or interpretations are subject to change and may affect related tax benefits including the eligibility criteria for tax deduction. We do not take any responsibility to inform you about any changes in the laws regulations or interpretations, and how they may affect you. Further information may be found in IA's website at www.ia.org.hk.

Certification by Insurance Authority (IA)

The IA certification is not a recommendation or endorsement of the policy nor does it guarantee the commercial merits of the policy or its performance. It does not mean the policy is suitable for all policyholders / policy owners nor is it an endorsement of its suitability for any particular policyholder / policy owner or class of policyholders / policy owners. The policy has been certified by the IA but such certification does not imply official recommendation. The IA does not take any responsibility for the contents of the product brochure of the policy, makes no representation as to its accuracy or completeness, expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the product brochure of the policy.

Claim Procedure

If you wish to make a claim, you must send us the appropriate forms and relevant proof. You can get the appropriate claim forms in www.aia.com.hk, from your financial planner, by calling the AIA Customer Hotline (852) 2232 8888 in Hong Kong, or by visiting any AIA Customer Service Centre. For details related to making a claim, please refer to the policy contract. If you wish to know more about claim related matter, you may visit "File A Claim" section under our company website www.aia.com.hk.

Suicide

If the insured commits suicide within one year from the date on which the policy takes effect, our liability will be limited to the refund of premiums paid (without interest) less any outstanding debt.




Incontestability







Except for fraud or non-payment of premiums, we will not contest the validity of this policy after it has been in force during the lifetime of the insured for a continuous period of two years from the date on which the policy takes effect. This provision does not apply to any add-on plan providing accident, hospitalisation or disability benefits.

Cancellation Right

You have the right to cancel and obtain a refund of any premiums and any levy paid by giving written notice to us. Such notice must be signed by you and submitted to the Customer Service Centre of AIA International Limited at 12/F, AIA Tower, 183 Electric Road, North Point, Hong Kong within 21 calendar days immediately following either the day of delivery of the policy or the Cooling-off Notice to you or your nominated representative, whichever is the earlier.

Please contact your financial planner or call AIA Customer Hotline for details

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