LIFE INSURANCE – SAVINGS

PROACTIVE INSURANCE PLAN 2 (PIP2)

Grow your wealth with better potential long-term returns

Proactive Insurance Plan 2 helps you fulfil your ambitions and create a lifetime of prosperity

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AIA International Limited
(Incorporated in Bermuda with limited liability)

We all want to improve our financial situation and enjoy greater prosperity. Proactive Insurance Plan 2 brings you potentially higher returns over the long term and thorough protection of life insurance. You will also find comfort in the flexibility of our payment options should misfortune come your way. Whatever your ambitions or goals, AIA can help you get there.

Enjoy competitive potential long-term returns

Designed to simplify your savings while delivering a lifetime of competitive potential long-term returns, the ***Proactive Insurance Plan 2*** is a ***participating insurance plan*** that not only provides you with guaranteed cash value, but also non-guaranteed annual cash amounts, called Annual Dividends, which begin from the end of the 3rd policy year. You may choose to receive the Annual Dividends in cash or use them to reduce any premium due under this policy. Otherwise, these sums shall accumulate in your policy, potentially earning interest.

Also, once the policy has been in force for 3 years, we will also provide you with a non-guaranteed one-off payment, called a Terminal Dividend, if:

i. you surrender the policy; or

ii. the insured (who is the person protected under the policy) passes away (according to the death benefit calculation).

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 death benefit will include:

i. 105% of the total premiums paid for the basic plan, which will be increased by 2% of the total premiums paid for the basic plan immediately after the end of each policy year in the first 10 policy years, up to a maximum of 125% of the total premiums paid for the basic plan; or

ii. the guaranteed cash value of the policy plus any Terminal Dividend;

whichever is higher, plus any Annual Dividends accumulated with interest under this policy.

We will deduct all outstanding debt under your policy before we make the payment to the beneficiary.

If the insured passes away due to a covered accident within the first 12 months of the policy, the ***Proactive Insurance Plan 2*** also pays a benefit equal to the total premiums paid for your basic plan in addition to the above benefits. The maximum aggregate amount of this additional benefit under all ***Proactive Insurance Plan 2*** policies for the same insured is US$100,000.

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

Your choice of settlement option

Apart from a lump sum payment, if you wish your beneficiary to take the amount of death benefit and accidental death benefit in regular instalments, the plan provides a settlement option available to you.

You can select specific amounts of benefits to be paid to your beneficiary at regular intervals chosen by you, provided that the total annual payment is at least equal to 2% of the sum of the death benefit and accidental death benefit. Remaining amount of benefits will be left in our company to accumulate at the non-guaranteed interest rate determined by us, until the full amount of benefits has been paid to the beneficiary.

The death benefit settlement option is not available if the sum of death benefit and accidental death benefit payable is less than US$50,000.

Flexible premium payment terms

You can select from two premium payment terms according to your personal financial needs. Premium amounts are guaranteed to be fixed throughout the premium payment term, making it easy for you to budget flexibly.

Premium Payment Term	Insured's Age at Policy Issue	Benefit Term
5 years	15 days to age 75	Whole life
10 years	15 days to age 70	

Extra cover for more protection

To support you in unfortunate circumstances, you may select an add-on plan under which we will waive the future premiums for the ***Proactive Insurance Plan 2*** if the insured becomes totally and permanently disabled before the age of 60.

You may also select the ***Payor Benefit Rider*** under which we will waive the future premiums for the basic plan until the insured reaches the age of 25 should you pass away or suffer total and permanent disability before the age of 60.

All add-on plans are subject to additional premiums, underwriting and exclusions. All benefits under add-on plans will be terminated when your ***Proactive Insurance Plan 2*** terminates.

Easy to join

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

A currency that suits you

For your convenience, we offer this policy in US dollars and HK dollars. If the policy is issued in Macau, you can also choose Macau pataca as the currency.

Example

(The following example is hypothetical and for illustrative purposes only. Actual dividends are not guaranteed and are declared at AIA's sole discretion.)

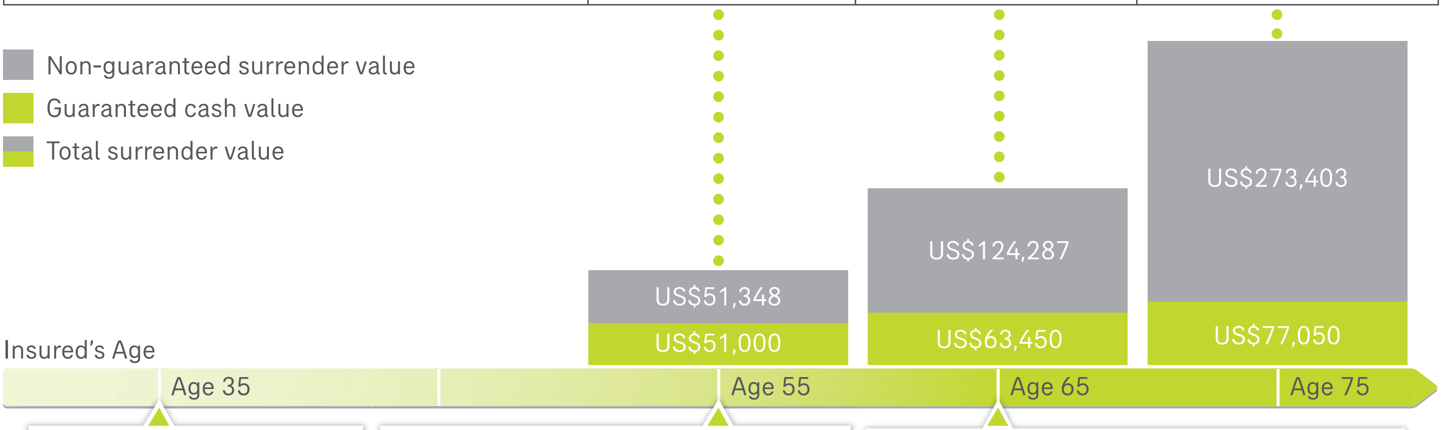
Case: Smart Professionals

Policy owner and insured:	Shirley Chu (Age 35)
Occupation:	Purchasing Director
Family status:	Married

Shirley is a successful businesswoman who also works hard to look after her family. She hopes to fulfil her dream of setting up her own café one day but she needs a lot of starting capital. That's why she has decided to purchase the ***Proactive Insurance Plan 2*** that can offer attractive potential long-term returns to accumulate wealth so that she can meet her long-term savings goals.

This case assumes that Shirley does not withdraw cash at any point, choosing instead to let the total surrender value accumulate in her policy.

Insured's age at the end of the policy year	Age 55	Age 65	Age 75
Total premiums paid (US$)	9,790 x 5 years = **48,950**		
Guaranteed cash value (US$)	51,000	63,450	77,050
Projected total surrender value (US$)	102,348^	187,737^	350,453^
Projected total return (up to percentage of total premiums paid)	2 times	3.8 times	7.1 times



At the age of 35, Shirley purchases the ***Proactive Insurance Plan 2*** with an annual premium of US$9,790. The premium payment term is 5 years.

At the age of 55, Shirley may choose to surrender the policy and use the projected total surrender value to finance her life-long dream of setting up her own café.

At the age of 65, Shirley may choose to surrender the policy and use the projected total surrender value to enjoy her retirement.

^ The total surrender value illustrated is the sum of the policy's guaranteed cash value plus accumulated non-guaranteed Annual Dividends with interest and non-guaranteed Terminal Dividend. The value is based on the current projected surrender value, dividend scales and accumulation interest rate of 3.5% p.a. on Annual Dividends. The current projected surrender value, dividend scales and interest rates are 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 Annual Dividends, accumulation interest rates and Terminal Dividend payable throughout the duration of the policy may vary at AIA's sole discretion, which may be less or more favourable than those illustrated. The above example 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. To receive the amounts illustrated, the policy owner must surrender her policy at the end of respective policy year. This policy will be terminated when the total surrender value has been withdrawn entirely.

Important Information

<u>*This brochure is for reference only. 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.*</u> 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 / Macau only.

Dividend Philosophy

This is a participating insurance plan designed to be held long term. Your premiums will be invested in a variety of assets according to our investment strategy, with the cost of policy benefits and expenses deducted as appropriate from premiums or assets. Your policy can share the divisible surplus (if any) from related product groups determined by us. We aim to ensure a fair sharing of profits between policy owners and shareholders, and among different groups of policy owners.

Future investment performance is unpredictable. Through our smoothing process, we aim to deliver more stable dividends payments by spreading out the gains and losses over a longer period of time. Stable dividends payments will ease your financial planning.

We will review and determine the dividend amounts to be payable to policy owners at least once per year. The actual dividends declared may be different from those illustrated in any product information provided (e.g. benefit illustrations). If there are any changes in the actual dividends against the illustration or in the projected future dividends, such changes 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 AIA Group level as well as Hong Kong local level, such as office of the Chief Executive, legal, compliance, finance and risk management. Each member of the committee will 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 decision 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.

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

Investment returns: include interest earnings, dividends and any changes in the market value of the product's backing assets. Depending on the asset allocation adopted for the product, investment returns could be affected by fluctuations in interest income (both interest earnings and the outlook for interest rates) and various market risks, including credit spread and default risk, fluctuations in equity prices, property prices and foreign exchange currency fluctuation of the backing asset against the policy currency.

Claims: include the cost of providing death benefits and other insured benefits under the product(s).

Surrenders: include policy surrenders, partial surrenders and policy lapses; and the corresponding impact on the investments backing the product(s).

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

For further information, please visit our website at
http://www.aia.com.hk/en/dividend-philosophy.html

For the historical fulfillment ratio, please visit our website at
http://www.aia.com.hk/en/fulfillment-ratio.html

Dividend and Bonus Philosophy	Historical Fulfillment Ratio

Investment Philosophy, Policy and Strategy

Our investment philosophy is to deliver stable returns in line with the product's investment objectives and AIA's business and financial objectives.

Our investment policy aims to achieve the targeted long-term investment results and minimize volatility in investment returns over time. It also aims 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 product as follows:

Asset Class	Target Asset Mix (%)
Bonds and other fixed income instruments	*40% - 60%*
Equity-like assets	*40% - 60%*

Our investment strategy is to actively manage the investment portfolio i.e.: adjust the asset mix in response to the external market conditions. The proportion of equity-like assets would be lower when interest rate level is low and would be even lower than the long-term target strategy so to protect the guaranteed liability and to minimise volatility in investment returns over time, and vice versa when interest rate is high.

The bonds and other fixed income instruments predominantly include government and corporate bonds, and are mainly invested in the geographic region of the United States and Asia-Pacific (excluding Japan). Equity-like assets may include listed equity, mutual funds and direct / indirect investment in commercial / residential properties, and are mainly invested in Asia. Returns of equity-like assets are generally more volatile than bonds and other fixed income instruments. Subject to our investment policy, derivatives may be utilised to manage our investment risk exposure and for matching between assets and liabilities.

Our currency strategy is to minimise currency mismatches. For bonds or other fixed income instruments, our current practice is to currency-match their bond purchases with the underlying policy denomination on best-efforts basis (i.e.: US Dollar assets will be used to support US Dollar liabilities and HK Dollar assets will be used to support HK Dollar liabilities). Subject to market availability and opportunity, bonds may be invested in currency other than the underlying policy denomination and currency swap will be used to minimise the currency risks. Currently assets are mainly invested in US Dollar. For equity-like assets, currency exposure depends on the geographic location of the underlying investment where the selection is done according to our investment philosophy, investment policy and mandate.

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.

We will pool the investment returns from other long term insurance products (excluding investment linked assurance schemes and pension schemes) together with this participating insurance plan for determining the actual investment and the return will subsequently be allocated with reference to the target asset mix of the respective participating products. Actual investments (e.g. geographical mix, currency mix) would depend on market opportunities at the time of purchase. Hence it may differ from the target asset mix.

The investment strategy may be 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 impact to the policies.

Key Product Risks

1. 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 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 accumulated Annual Dividends with interest (if any) of the basic plan, 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.
2. The plan may make certain portion of its investment in equity-like assets. Returns of equity-like 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 dividend on the product. The savings component of the plan is subject to risks and possible loss. Should you surrender the policy early, you may receive an amount considerably less than the total amount of premiums paid.
3. We will terminate your policy and you / the insured will lose the cover when one of the following happens:
    - the insured passes away;
    - you do not pay the premium within 31 days of the due date and the policy has no cash value;
    - any benefit is paid under an add-on plan that triggers termination of the policy; or
    - the outstanding debt exceeds the guaranteed cash value of the policy. In the case of premium is covered by a loan taken out on the policy automatically, the outstanding debt exceeds the sum of guaranteed cash value and accumulated Annual Dividends with interest (if any) of your policy.
4. 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.
5. 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.
6. 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.

Key Exclusions to Accidental Death Benefit

Accidental Death Benefit will not cover any conditions that result from any of the following:

- self-destruction while sane or insane, participation in a fight or affray, being under the influence of alcohol or a non-prescribed drug
- war, service in armed forces in time of war or restoration of public order, riot, industrial action, terrorist activity, violation or attempted violation of the law or resistance to arrest
- racing on wheels or horse, scuba diving
- ptomaines or bacterial infection (except pyogenic infection occurring through an accidental cut or wound)
- air travel, including entering, exiting, operating, servicing or being transported by any aerial device or conveyance (except as a passenger of a commercial passenger airline on a regular scheduled passenger trip over its established passenger route)

The above list is for reference only. Please refer to the policy contract of this plan for the complete list and details of exclusions.

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 or the Customer Service Centre of AIA International Limited at Unit 1903. 19/F, AIA Tower, 251A-301 Avenida Comercial de Macau, Macau 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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