

## **POLICY REVERSE MORTGAGE PROGRAMME IMPORTANT NOTICE**

**Please read this notice carefully before you proceed with your application for a policy reverse mortgage loan. This notice only provides additional information about a policy reverse mortgage loan, and should be read together with the Information Pack and the other materials relating to the Policy Reverse Mortgage Programme operated by HKMC Insurance Limited (HKMCI).**

**If you have any questions or require any further information regarding the policy reverse mortgage loan, please consult your lender and seek independent legal and financial advice as necessary.**

Before you make an application for a loan under Policy Reverse Mortgage Programme (**policy reverse mortgage loan**), we would like to highlight some of its important features for your consideration.

### **BEFORE DRAWDOWN OF POLICY REVERSE MORTGAGE LOAN**

#### Initial costs

To avoid incurring any unnecessary costs and expenditures before you submit your application, you should approach your lender and the insurance company of your life insurance policy to fully understand how the terms of the policy reverse mortgage loan and the life insurance policy assignment may affect you before taking any action relating to your application.

#### Assignment of your life insurance policy

Only a single borrower is allowed and only one life insurance policy can be assigned under each policy reverse mortgage loan. If you have more than one life insurance policy, you may apply for more than one policy reverse mortgage loan (whether with

the same lender or not). Nonetheless, if the aggregate amount of death benefits under all of your life insurance policies assigned or to be assigned is over HK\$15 million, your application(s) will be considered on a **case-by-case basis**.

#### The lender who grants you the policy reverse mortgage loan

The bank, which you approach to apply for a policy reverse mortgage loan, acts as either the lender or the referrer. You may enquire with the bank if it is acting as the lender or the referrer in respect of your loan application.

In the case that the bank acts as the referrer, the lender who grants you the policy reverse mortgage loan will be HKMC Mortgage Management Limited, which is a wholly-owned subsidiary of The Hong Kong Mortgage Corporation Limited. For enquiries, comments or complaints, you may contact the lender.

## **MONTHLY AND LUMP-SUM PAYOUTS**

Your life insurance policy will be reviewed by the HKMCI to determine whether it is eligible for assignment under the Policy Reverse Mortgage Programme. Disbursement of the monthly and lump-sum payouts will only be made after completion of assignment of your life insurance policy.

#### Monthly payout

The monthly payout amount of your policy reverse mortgage loan is determined by the HKMCI on a **case-by-case basis**, with reference to a number of factors including the death benefits of your life insurance policy. As such, the payout amounts may differ from the indicative levels as shown in the leaflet and Information Pack. In principle, the monthly payout amount may remain constant or increase over the payment term, depending on the annual review of the death benefits of your life insurance policy.

### Effect on monthly payout after borrowing a lump-sum payout

The monthly payout amount will also be affected by the amount of lump-sum payout you borrow. Generally, the higher the amount of lump-sum payout, the lower will be the subsequent amount of the monthly payout. If at any time you borrow a lump-sum payout up to the maximum amount available to you, you will not be entitled to any further monthly payout even if the payment term of your policy reverse mortgage loan has not yet expired. You should carefully consider your financial needs before borrowing any lump-sum payout.

### Lump-sum payout for repayment of outstanding policy loan originated by your insurance company

You may apply for a lump-sum payout, at the time of application for your policy reverse mortgage loan, to repay in full any outstanding policy loan on your life insurance policy, provided that such policy loan was originated by your insurance company at least 12 months before the date of application of your policy reverse mortgage loan.

### Lump-sum payout for repayment of personal loans or indebtedness

You may borrow lump sum payout for repayment of your loans (including revolving credit facilities or credit card balances) which are originated by an authorized institution carrying on banking business under the Banking Ordinance, an authorized insurer carrying on insurance business under the Insurance Ordinance, or a licensed money lender under the Money Lenders Ordinance. The relevant loans must be made at least 12 months before the application date of lump-sum payout. However, this requirement is not applicable to revolving credit facilities or credit cards balances.

In addition, you may borrow lump-sum payout for full repayment of indebtedness under an individual voluntary arrangement at the time of your policy reverse mortgage loan application.

### Lump-sum payout for columbarium, cemetery and funeral services

If you wish to borrow lump-sum payout for the purchase of interment right in columbarium, cemetery and/or for the expenses of funeral services, the HKMCI may consider such request on a case-by-case basis. Please note that any such purchase or services shall be for yourself and/or your spouse only and the HKMCI does not endorse the legality of the relevant columbarium and cemetery.

### Change of beneficiary

In order for your life insurance policy to be eligible for assignment under a policy reverse mortgage loan, it is necessary that the beneficiary under your life insurance policy be yourself (or your estate). Therefore, you may be required to arrange with your insurance company to change the beneficiary, before you execute your life insurance policy assignment. You are requested to attend a meeting with the lender's solicitors to execute such life insurance policy assignment in the form as the lender may require.

### Confirmation by beneficiary

If any person who had previously been named a beneficiary under your life insurance policy is or was your spouse or child, he/she will be required to attend with you the meeting with the lender's solicitors and sign a confirmation to agree to the subordination of his/her rights (if any) under the life insurance policy to those of the lender's. If any such person is still a minor (i.e. under 18 years old) at time of the application of your policy reverse mortgage loan, such application will not be accepted.

### Acknowledgement of assignment

Before your lender disburses the monthly and / or lump-sum payout(s) to you, your lender has to receive from the insurance company of your life insurance policy an acknowledgement of assignment containing certain confirmations. The date of drawdown or disbursement of payouts will depend on the return of such acknowledgement to your lender. In the absence of such acknowledgement, you may choose to cancel your policy reverse mortgage loan application and release the life insurance policy assignment at your own cost.

## **AFTER DRAWDOWN OF POLICY REVERSE MORTGAGE LOAN**

### Voluntary release of the life insurance policy assignment

You may apply to your lender for the termination of your policy reverse mortgage loan and release of the life insurance policy assignment at any time before your policy reverse mortgage loan becomes due and payable by **repaying the total amount outstanding under the loan in full.**

### Suspension Event

If you fail to return to the lender any declaration as required by the lender within the specified timeframe, or you breach any loan documents you have entered into with your lender (each a Suspension Event), your lender will have the right to stop making any more monthly and lump-sum payouts to you if the relevant Suspension Event which is capable of being remedied is not remedied within 3 months. Please refer to Annex I for a full list of the Suspension Events.

### Maturity Event due to death of borrower

Upon your passing away, your policy reverse mortgage loan will become due and payable. Your lender will enforce the life insurance policy assignment and apply the payment received to repay your policy reverse mortgage loan. Any remaining shortfall will be borne by the HKMCI under an insurance arrangement between your lender and the HKMCI. Any surplus after full repayment of the policy reverse mortgage loan will be passed to your personal representatives.

### Maturity Event not due to death of borrower

If a Maturity Event occurs before you pass away, your policy reverse mortgage loan will become due and payable. For example, if a Suspension Event which is capable of being remedied has occurred and is not remedied within 6 months, your lender is entitled to terminate your policy reverse mortgage loan. Furthermore, the occurrence of certain events outside your control may also result in your policy reverse mortgage loan becoming due and payable, such as the **maturity of your life insurance policy.**

In such case your lender will allow you to repay your policy reverse mortgage loan within 3 months from the date of the Maturity Event. Otherwise, your lender will enforce the life policy assignment and pass to you any surplus after repayment of your policy reverse mortgage loan **in full**.

## **FINANCIAL CRIME COMPLIANCE MEASURES**

Lenders and/or referrers are required to comply with all laws, regulations, policies and guidelines targeting financial crime including laws aimed at, among other things, detecting and preventing corruption, fraud, tax evasion, money-laundering, terrorist financing, provision of financial and other services to persons who are subject to sanctions and others (financial crime compliance measures). Accordingly, lenders and/or referrers are required to use the personal data which you provide them to screen your application and if you obtain the policy reverse mortgage loan, continually monitor your policy reverse mortgage loan. All rights and obligations under the policy reverse mortgage loan are subject to the financial crime compliance measures.

Where required by any regulator or law enforcement agency under any applicable financial crime compliance measures or in accordance with such measures, lenders may refuse to process any instruction from you, block any payment, demand repayment of the policy reverse mortgage loan, terminate the relationship with you or take other steps as detailed in the facility letter setting out the terms of the policy reverse mortgage loan (Facility Letter). If carried out, these steps may have the effect of a Suspension Event, Maturity Event or other effects as set out in the Facility Letter. Lenders are also required to comply with any court orders relating to financial crime compliance measures (including restraint, confiscatory or forfeiture orders). The lenders and/or referrers bear no responsibility or liability to you or any third party for any loss which may be incurred or result in connection with the compliance with any financial crime compliance measure.

## **TRANSFER/DISCLOSURE OF PERSONAL DATA**

Your personal data will be collected according to the purposes as set out in the Personal Information Collection Statement of the HKMC Group.

**Suspension Events**

A **Suspension Event** happens when:

- (a) you fail to provide the lender with a signed annual declaration or such other declaration as required by the lender from time to time; or
- (b) you breach any of your obligations under the relevant facility letter or any security document, or provide any incorrect or misleading information to the lender in connection with your policy reverse mortgage loan.

**Maturity Events**

A **Maturity Event** happens when:

- (a) you have passed away;
- (b) you are adjudged bankrupt or become the subject of an individual voluntary arrangement;
- (c) a Suspension Event which is capable of being remedied has happened and you fail to cure it within 6 months after it has happened;
- (d) a Suspension Event which is not capable of being remedied has happened;
- (e) your assigned life insurance policy matures, terminates or is invalid, null or void; or
- (f) the insurance company of your assigned life insurance policy has wound up.