

Policy Reverse Mortgage Programme

offers financial flexibility after retirement

Sun Life's **Vital** and **LIFE Brilliance** are the eligible life insurance plans under Policy Reverse Mortgage Programme, providing you a stable income to improve the quality of retirement life.



What is a Policy Reverse Mortgage Programme?

The Policy Reverse Mortgage Programme (PRMP) is operated by HKMC Insurance Limited ("HKMCI"), a wholly-owned subsidiary of The Hong Kong Mortgage Corporation Limited (HKMC), for people who are aged 60 or above to apply for policy reverse mortgage loans.

Policy reverse mortgage is a loan arrangement. It enables you to use your life insurance policy as collateral to borrow from a lender. You can opt for receive monthly payouts either over a fixed period of 10, 15 or 20 years or throughout your entire life until the maturity of your life insurance policy. You may also borrow lump-sum payouts for specific purposes when needed.

In general, you do not need to repay your policy reverse mortgage loan during your lifetime, unless your policy reverse mortgage loan is terminated under specific circumstances.

There is no limit on the number of policy reverse mortgage loans to be taken out by a borrower, but each loan can only have one life insurance policy as collateral. The aggregate amount of death benefits of all your life insurance policies assigned or to be assigned as collateral under the programme is capped at HKD15 million. For any application with the aggregate amount of death benefits exceeding such capped amount, such application will be considered on a case-by-case basis.

In most cases, your policy reverse mortgage loan will become due and payable when you pass away. The lender will enforce your life insurance policy within a specified timeframe to repay in full the outstanding loan amount. The amount recoverable from your life insurance policy to be used for repayment of your policy reverse mortgage loan will be the death benefits of your life insurance policy.

If the amount of the death benefits exceeds the outstanding loan amount under the policy reverse mortgage loan, the lender will pass the surplus to you (or your personal representative) after repaying the outstanding loan amount in full. If there is any shortfall, it will be borne by the HKMCI under an insurance arrangement between the lender and the HKMCI.

Vital and LIFE Brilliance are the eligible life insurance plans under the Policy Reverse Mortgage Programme.

Am I eligible for a policy reverse mortgage loan?

You must:

- be aged 60 or above and a holder of a valid Hong Kong identity card; and
- not be an undischarged bankrupt or otherwise subject to bankruptcy petition or individual voluntary arrangement (except if the indebtedness under the relevant individual voluntary arrangement is to be repaid in full at closing by way of lump-sum payout).

In general, your life insurance must:

- be taken out by you as both the policyholder and the insured
- be issued by an authorized insurer in Hong Kong
- be denominated in Hong Kong Dollars or United States Dollars
- not subject to any restrictions or deductions on the payment of death benefit by the insurance company
- not be associated with any investment features (such as Investment-Linked Assurance Schemes regulated by the Securities and Futures Commission of Hong Kong)
- have the premium fully paid up
- be assignable and not contain any restriction on change of beneficiary
- have the policyholder or the policyholder's estate as the beneficiary



Key features and benefits of Policy Reverse Mortgage Programme



Flexible payment term

You can choose to receive monthly payouts either over a fixed period of 10, 15 or 20 years or throughout your entire life (until the maturity of your life insurance policy). You have the flexibility, at any time during your payment term, to apply to switch to another payment term.



Lump-sum payout

You may apply to borrow lump-sum payouts at the time of policy reverse mortgage loan application and/or at any time during the selected payment term for the following purposes¹:

- full repayment of your outstanding policy reverse mortgage loan or an outstanding policy loan on your life insurance policy (only applicable at the time of policy reverse mortgage loan application)
- settlement of unpaid premium of your life insurance policy (only applicable at the time of policy reverse mortgage loan application)
- repayment of the borrower's personal 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 Ordinance²
- payment for home improvement, repairs and maintenance of your property in Hong Kong
- payment for medical expenses (treatment outside Hong Kong is acceptable)
- payment for fees payable to solicitors and medical practitioners in connection with the enduring power of attorney, or fees in connection with the application for a court order under Part II of the Mental Health Ordinance
- purchase of interment right in columbarium and cemetery, as well as expenses for funeral services

You can contact the participating institution to find out the maximum amount of lump-sum payout that you can borrow, from time to time, under your policy reverse mortgage loan. The maximum amount of lump-sum payout is determined at the time of initial loan application and such amount decreases over the payment term.

The maximum lump-sum payout amount is 90% of the actuarial value of the policy reverse mortgage loan while the minimum lump-sum payout amount is the higher of HKD100,000 or 15% of the maximum lump-sum payout amount.

If you withdraw a larger lump-sum payout amount, there will be a correspondingly lower monthly payout amount. If you withdraw the maximum amount of lump-sum payout, you will not receive any monthly payouts thereafter.



Two options of mortgage plans

To meet your financial needs, you can choose either a floating-rate or fixed-rate mortgage plan. In general, a fixed-rate mortgage plan offers higher payout amounts than a floating-rate mortgage plan.



No repayment during your lifetime

In general, you do not need to repay the outstanding loan amount during your lifetime, unless your policy reverse mortgage loan is terminated under specific circumstances.



No penalty for early full repayment

You may fully repay the outstanding loan amount and redeem your life insurance policy at any time without penalty. However, you may not repay only a part of the outstanding loan amount.



6-month cooling-off period

If you terminate your policy reverse mortgage loan for whatever reason, provided that you notify the lender within the first 6 months and repay in full the outstanding loan amount on the proposed repayment date, you will be given a full refund or waiver of the relevant mortgage insurance premiums. However, you still need to bear any accrued interest and financed fees in the outstanding loan amount.

¹ Supporting documents are required for each lump-sum payout application. Other purposes not listed above may be considered on a case-by-case basis.

² 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 card balances.

Monthly payout amount

The monthly payout amount of your policy reverse mortgage loan is solely determined by the HKMCI on a case-by-case basis, with reference to a number of factors including your age, gender, payment term and the death benefits of your life insurance policy at the time of loan application. In general, the higher is the death benefits of your life insurance policy, the higher will be the monthly payout amount. The older you are at the time of loan application and the shorter is the payment term, the higher will be the amount of the monthly payout. You may choose to use an amount lower than the death benefits of your life insurance policy (i.e., specified policy value) for the payout calculation.

The mortgage plan you choose will also affect the amount of monthly payout. In general, the payout amounts offered under a fixed-rate mortgage plan are higher than those under a floating-rate mortgage plan.

In general, the monthly payout amount will remain constant or increase over the payment term, depending on the annual review of the death benefits of your life insurance policy.

Example of monthly payout amounts (HKD)



Age of borrower **65**

Gender of borrower **Male**

Death benefits of life insurance policy **HKD2 million**

Monthly payout amounts* (HKD)

Payment term	10-year	15-year	20-year	Life
Floating-rate mortgage plan[#]	\$4,393	\$3,441	\$3,036	\$2,793
Fixed-rate mortgage plan[^]	\$5,194	\$3,998	\$3,480	\$3,157

* The above monthly payout amounts are based on a specific life insurance policy of a well-known insurance company and are for illustration purpose only. The actual monthly payout amount for individual life insurance policies may vary.

[#] The above monthly payout under the floating-rate mortgage plan is calculated at the interest rate as at June 30, 2021 (i.e., the Hong Kong Prime Rate minus 2.5% p.a.), and is for reference only. The floating interest rate and the Hong Kong Prime Rate will be determined by the HKMCI and the HKMC from time to time respectively.

[^] The above monthly payout under the fixed-rate mortgage plan is calculated at the interest rate of 4% p.a. for the first 25 years and the Hong Kong Prime Rate minus 2.5% p.a. thereafter, and is for reference only. The fixed interest rate and the Hong Kong Prime Rate will be determined by the HKMCI and the HKMC from time to time respectively.



Costs

Interest Expense - Policy reverse mortgage is a loan arrangement and interest is charged by the lender on the outstanding loan amount (including interest) on a compound basis. Please refer to the Indicative Loan Schedules to see how interest builds up over time.

Mortgage insurance premium - Under the insurance arrangement between the lender and the HKMCI, the lender pays mortgage insurance premiums to the HKMCI for mortgage insurance cover and seeks reimbursement from you. The mortgage insurance premium is divided into two parts and the amount payable by you will be posted to the outstanding loan amount:

- (i) **Upfront Mortgage Insurance Premium** is 1% of the specified policy value, payable by 5 annual installments on the 1st, 13th, 25th, 37th and 49th monthly payout dates respectively. Each annual installment is calculated at 0.2% of the specified policy value under the policy reverse mortgage loan.
- (ii) **Monthly Mortgage Insurance Premium** is payable on a monthly basis at the annual rate of 1% of the outstanding loan amount.

Please refer to the Indicative Loan Schedules to get an idea of the amount of mortgage insurance premium.

Handling fee - A handling fee of HKD1,000 will be charged for each successful application for change of payment term or request for a lump-sum payout, after a policy reverse mortgage loan has been granted. Such handling fee will be debited to the outstanding loan amount.

Other fees and expense - You may need to pay for the fees and expenses charged by your insurance company of your life insurance policy, if any, for any necessary arrangement relating to the assignment of your life insurance policy.

Source: The Hong Kong Mortgage Corporation Limited

**You can find out more about
eligible life insurance plan of
Policy Reverse Mortgage Programme,
Vital and LIFE Brilliance via:**

- ▶ **Website: sunlife.com.hk**
- ▶ **Client Service Hotline: 2103 8928**
- ▶ **Please contact your Advisor**

Important Information:

PRMP is operated by the HKMCI. Customers must meet all the eligibility requirements set out by the HKMCI before applying for a policy reverse mortgage loan under the PRMP. All mortgages under the PRMP are subject to relevant terms and conditions. Please contact HKMCI for details.

Policy Reverse Mortgage Programme Hotline: 2536 0136

Website: www.hkmc.com.hk

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During the sales process, this leaflet should be read in conjunction with the relevant product brochure. This leaflet is intended to be distributed in Hong Kong only and shall not be construed as an offer to sell or a solicitation to buy or provision of any products of Sun Life Hong Kong Limited outside Hong Kong.

For more details of the product features of Vital and LIFE Brilliance including the risk disclosure, please refer to relevant product brochures. Please also refer to a sample Policy Document, which will be provided upon request, for details including definitions, full terms and conditions, and exclusions.

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(Incorporated in Bermuda with limited liability)

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