



Policy Reverse Mortgage

Achieve your dream retirement

Years of hard work went into building your wealth and planning your retirement. You deserve to enjoy your success without worrying about your future finances. **PRU**Life Protector II and **PRU**life prestige wealth planner are now **eligible for simplified application under the Policy Reverse Mortgage Programme**, providing you with liquidity more quickly to support your dream retirement.



What is a Policy Reverse Mortgage?

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

Policy reverse mortgage is a loan arrangement. It enables borrower to use their life insurance policy as collateral to borrow from a lender. Borrower will receive monthly payouts either over a fixed period of their choice (10, 15 or 20 years) or throughout their entire life until the maturity of their life insurance policy, and borrower may also borrow lump-sum payouts for specific purposes when needed.

In general, borrower does not need to repay their policy reverse mortgage loan during their lifetime, unless their policy reverse mortgage loan is terminated under certain specified 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 HKD 15 million. For any application with the aggregate amount of death benefits exceeding such capped amount, case-by-case approval will be required.

In most cases, your policy reverse mortgage loan becomes 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 you owe. The amount recoverable from your life insurance policy to be used by the lender 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 owed by you under the policy reverse mortgage loan, the lender will pass the surplus to your personal representatives after repaying the outstanding loan amount in full. If there is any shortfall, your inheritors need not worry as the shortfall will be borne by HKMCI under an insurance arrangement between the lender and HKMCI.





Am I eligible for a policy reverse mortgage loan?

In general, you must:

- ✓ be aged 60 or above and a holder of a valid Hong Kong Identity Card
- ✓ not be an undischarged bankrupt or otherwise subject to bankruptcy petition or individual voluntary arrangement

In general, your life insurance must:

- ✓ be taken out by you as both the policyholder and the insured
- ✓ be issued by an authorised insurer in Hong Kong
- ✓ be denominated in Hong Kong Dollars or United States Dollars
- ✓ not be 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 those products regulated by the Securities and Futures Commission of Hong Kong under the investment linked assurance scheme)
- ✓ 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 a policy reverse mortgage



1. Flexible payment term

You can choose to receive monthly payouts for either a fixed period (10, 15 or 20 years) or throughout your entire life until the maturity of your life insurance policy.



4. No repayment during your lifetime

You do not need to repay the outstanding loan amount you owe to your lender during your lifetime, unless the policy reverse mortgage loan is terminated under certain specified circumstances.



2. Lump-sum payout

You may apply to borrow lump-sum payouts at the time of initial loan application and/or at any time during the payment term you choose for specific purposes such as repayment of an outstanding policy loan on your life insurance policy*, settlement of unpaid premium of your life insurance policy*, repayment of your outstanding policy reverse mortgage loan*, payment for home improvement, repairs and maintenance of your property in Hong Kong, medical expenses (treatment outside Hong Kong is acceptable), fees payable to the relevant solicitors and medical practitioners in connection with the enduring power of attorney or the application for 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.



5. No penalty for early full repayment

You may fully repay the outstanding loan amount and redeem your life insurance policy at any time, and there is no penalty for such full repayment.



6. Six-month cooling-off period

If you terminate your policy reverse mortgage loan, 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 refund and waiver of all mortgage insurance premiums. However, you still need to bear any accrued interest and financed fees in the outstanding loan amount and also the relevant legal fees relating to the termination of your policy reverse mortgage loan.



3. Two options of interest rate plan

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

* Only available at the time of initial loan application

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 specify an amount lower than the death benefits of your life insurance policy (i.e. specified policy value) for the payout calculation.

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

In principle, 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.

Table 1: examples of monthly payout amount (HKD)



Age of borrower	65
Gender of borrower	Male
Death benefits of life insurance policy	HKD 2 million

Monthly payouts (HKD)[#]

Payment term	10 years 	15 years 	20 years 	Life 
At floating rate	\$4,393	\$3,441	\$3,036	\$2,793
At fixed rate	\$5,194	\$3,998	\$3,480	\$3,157

[#] The above monthly payment 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.



Costs

- 1. Interest expense** – to be charged on the outstanding loan amount (including interest) on a compound basis.
- 2. Mortgage insurance premium** – to be debited to the outstanding loan amount.
 - (i) Upfront Mortgage Insurance Premium** – is 1% of the specified policy value, payable by 5 annual instalments starting from the 1st until the 5th anniversary. Each annual instalment 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.
- 3. Legal fees** – to be paid to the solicitors for the execution of the relevant legal documents.
- 4. Handling fees** – after a policy reverse mortgage loan has been granted, a handling fee of HKD 1,000 will be charged for each successful application for change of payment term or request for a lump-sum payout. Such handling fees will be debited to the outstanding loan amount.
- 5. Other fees** – to be paid to the insurance company of the life insurance policy in connection with the assignment of the life insurance policy (if any).

You may choose to finance the above fees in your policy reverse mortgage loan.

Source: Hong Kong Mortgage Corporation Limited



Need more details? Get in touch

Please contact your consultant or call our Customer Service Hotline at 2281 1333 for more details on **PRU**Life Protector II and **PRU**life prestige wealth planner.

Notes

The above information is for reference only and not to be used as a basis of decision making. Your decision should be based on your actual situation or needs. This flyer does not constitute any contract or any part thereof between Prudential Hong Kong Limited (“Prudential”) and any person or entities.

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