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Universal Life Insurance

PRU universal life wealth planner
Leave a lasting legacy
Plan highlights

PRU universal life wealth planner helps you grow, preserve and pass your assets on to your loved ones. It is a whole-life insurance plan that enables you to distribute your wealth as you desire or secure the future of your business.

Plan highlights:
- Earn interest on your premiums
- Provide greater liquidity of cash
- Control how you pass on your assets
- Death benefit to protect your family
- Secure the future of your business
The benefits

Safeguard and grow your wealth

When you pay the premium into your plan, we will pay interest on your premiums using 2 interest rates – the New Money Crediting Interest Rate and the General Crediting Interest Rate. Once we have received your premium, whether it is a Scheduled Premium or an additional contribution (“Lump Sum Additional Premium”), we will deduct a Policy Premium Charge from it. We will then add the net amount to your account value, where it will earn the crediting interest rates at the time.

Both interest rates will not be lower than the relevant Minimum Guaranteed Crediting Interest Rate, so you are protected from some of the effects of extreme market conditions.

There are more details on premium type, charges and crediting interest rates in the “More about PRU universal life wealth planner” section below.
You can pay a Lump Sum Additional Premium to increase your plan’s value, boost its growth potential and increase its savings element.

You can also withdraw cash from your plan or apply for a policy loan to give you financial flexibility.

There are more details on withdrawal, surrender and policy loans in the "More about PRU Universal Life wealth planner" section below.
Passing on your wealth

Use PRU universal life wealth planner to pass on your estate the way you want. You can leave a lasting legacy for your loved ones or use it to secure the future of your business.
With the life protection offered in the plan, your beneficiaries will be protected by its death benefit. You can choose how you would like the plan’s death benefit to be paid while the person covered by the policy (the “life assured”) is still alive. You can opt to pay the death benefit to your beneficiary in a lump sum or in monthly instalments or a mix of both. These options enable you to secure your loved ones’ financial future.

Additionally, we will pay any terminal illness benefits in advance if the life assured is diagnosed with a terminal illness.

There are more details on the plan’s death benefit and terminal illness benefit in the “More about PRU Universal Life Wealth Planner” section below.
If you own a business, you can use the plan for keyman insurance to compensate for the loss of profits if a key employee dies. You can also change the life assured (in case the keyman leaves the company) without having to apply for a new policy. There are more details about changing the plan’s life assured in the “More about PRU universal life wealth planner” section below.
More about PRU Universal Life Wealth Planner

- **Plan type**
  - Basic plan

- **Benefit term**
  - Whole life

- **Premium term/issue age/Currency option**
  - **Premium term**: Single
  - **Issue age (age next birthday)**: 19-75
  - **Currency option**: USD

- **Minimum sum assured**
  - USD 250,000

- **Premium type**
  - Scheduled Premium
  - Lump Sum Additional Premium

- **Scheduled Premium**
  - You can start your policy by paying the Scheduled Premium in a single payment.

- **Lump Sum Additional Premium**
  - You may pay an optional Lump Sum Additional Premium (minimum USD 10,000) at any time.
  - A Lump Sum Additional Premium will not increase the sum assured but will increase the savings element and reduce the protection element and the premium at our discretion.

- **Deducing crediting interest rates**
  - **Premium of PRU Universal Life wealth planner policies is pooled and invested in a diversified investment portfolio (“underlying assets”) with the majority invested in fixed income securities.**

- **Premium expense charge**
  - This is deducted monthly from your account value in the first 15 policy years since we issue your policy.
  - The policy expense charge rate is not guaranteed and may change in the future.
  - However, it will not be higher than the maximum rate we used when we issue your policy or the life assured changes, whichever happens later.

- **Cost of insurance**
  - This is deducted monthly from your account value since we issue your policy until and including the day before the anniversary of the policy when the life assured reaches age 120.

- **Surrender charge**
  - We will apply this charge if you surrender your policy in the first 15 policy years, whether it is full or partial, or policy termination (other than the death of the life assured or payment of terminal illness benefit). For details, please refer to the “Surrender” section below.

- **Policy premium charge**
  - This is an upfront one-off charge of 6% of both scheduled Premium and Lump Sum Additional Premium.

- **Policyholders of PRU Universal Life Wealth Planner policies receive a share of the investment returns of the investment portfolio, net of allowance for profits attributable to our shareholders.** In general, returns in a fixed income portfolio arise from changes in the market value of the fixed income securities; and the interest (“safes”) earned by those securities.

- **New Money Crediting Interest Rate**
  - This rate is fixed on the Premium Settlement Date when we issue your policy or on the date of each premium payment.

- **General Crediting Interest Rate**
  - This rate is variable and influenced primarily by the following 2 factors:

  1. **The performance of the underlying assets**
     - Policyholders receive a share of the investment returns of the investment portfolio, net of allowance for profits attributable to our shareholders. In general, returns in a fixed income portfolio arise from changes in the market value of the fixed income securities; and the interest (“safes”) earned by those securities.

  2. **Capital inflows to the portfolio**
     - The rate is designed to weather a persistently low interest rate environment and is mainly influenced by prevailing market interest rates and the volatility of such interest rates.

2. **Capital inflows to the portfolio**
   - Our experienced fund managers pool customer premiums to build the investment portfolio. The size and timing of the money flowing in (capital inflows) or out (capital outflows) of the pool may impact investment performance. For example, under a high interest rate environment, bigger capital inflows would allow fund managers less opportunity to lock in higher fixed income securities while smaller capital inflows during that period would offer fund managers less opportunity to lock in those higher interest rates.

   - Additionally, to provide more consistent investment returns for our policyholders, we may retain returns during periods of better investment performance to support higher Crediting Interest Rates during periods of weaker performance. This mechanism creates a more stable return for customers with reduced short-term volatility.

**Minimum Guaranteed Crediting Interest Rate**

- **The rate applicable to your Scheduled Premium when we issue your policy.**

- **For each Lump Sum Additional Premium you pay, the applicable Minimum Guaranteed Crediting Interest Rate will be guaranteed and apply throughout the policy year.**

- **Once this relevant rate is in effect, we will apply it to each of your premium payments.** This rate will be guaranteed and apply throughout the policy term.

- **The rate designed to weather a persistently low interest rate environment and is mainly influenced by prevailing market interest rates and the volatility of such interest rates.**
## Factors affecting the account value

The crediting interest rate, policy expense charge and cost of insurance are not guaranteed and may vary from year to year at our discretion. Factors that may affect your actual/illusory account value include (but not limited to) the following:

- Investment performance factors – your plan’s performance will be affected by the return on its underlying investment portfolio. This could be driven by:
  - interest earnings from fixed-income securities and dividends from equity-type securities (if any);
  - capital gains and losses from investment assets;
  - counterparty default risk of fixed-income securities (such as bonds);
  - investment outlook; and
  - external market risk factors such as recessions and changes in monetary policies and foreign exchange rates.

- Claims factors – Our historical claims experience on death and/or other covered benefits, and projected future costs of providing death benefit and/or other covered benefits.

- Expense factors – These include direct expenses associated with issuing and maintaining your policy, such as commissions, overrides, underwriting and policy administration expenses. They may also include indirect expenses (such as general overheads) allocated to your policy.

- Persistency factors – Policy persistency and any partial surrenders of a group of policies may impact the crediting interest rate we pay to the continuing policies.

Factors affecting the account value include (but not limited to):

- The return on its underlying investment portfolio.
- This could be driven by:
  - interest earnings from fixed-income securities and dividends from equity-type securities (if any);
  - capital gains and losses from investment assets;
  - counterparty default risk of fixed-income securities (such as bonds);
  - investment outlook; and
  - external market risk factors such as recessions and changes in monetary policies and foreign exchange rates.

### Withdrawal

- You may withdraw from account value derived from your policy’s Lump Sum Additional Premium.
- We will apply any applicable surrender charge to each withdrawal, and the surrender charge may be reduced upon partial surrender. The following table illustrates what happens if you partially surrender your policy from the 2nd policy year onwards.

<table>
<thead>
<tr>
<th>Partial surrender amount</th>
<th>Amount less than or equal to 5% of account value</th>
<th>Amount in excess of 5% of account value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sum assured adjustment</td>
<td>Reduce by the partial surrender amount</td>
<td></td>
</tr>
<tr>
<td>Account value</td>
<td>Reduce by the partial surrender amount</td>
<td></td>
</tr>
<tr>
<td>Surrender charge</td>
<td>Applicable to the partial surrender amount</td>
<td></td>
</tr>
</tbody>
</table>

#### Thereafter*

<table>
<thead>
<tr>
<th>Sum assured adjustment</th>
<th>Nil</th>
<th>Reduce by the portion of partial surrender amount in excess of 5% of account value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Account value</td>
<td>Reduce by the partial surrender amount</td>
<td>Reduce by the partial surrender amount</td>
</tr>
<tr>
<td>Surrender charge</td>
<td>Nil</td>
<td></td>
</tr>
</tbody>
</table>

* Calculated per policy year

**Account value derived from Scheduled Premium as at the immediately preceding policy anniversary of the partial surrender

### Surrender (cont’d)

- If you make a partial surrender within 12 months before the date of the life assured’s death (or diagnosis of a terminal illness), we may adjust the sum assured when calculating the plan’s death benefit or terminal illness benefit.

### Surrender value

- This means the account value of Scheduled Premium and Lump Sum Additional Premium minus any applicable surrender charge and outstanding amounts you own under the policy.

### Policy loan

- You may apply for a policy loan starting from the 2nd policy year subject to the payment of interest at a rate we set.
- The total loan amount you may apply up to 80% of the surrender value.
- If the total outstanding loan amount you owe us under the policy (including interest) exceeds 90% of the surrender value, we will terminate the policy immediately and deduct any debt from the amount payable under the policy.

### Death benefit and its settlement option

- The death benefit payable before the anniversary of the life assured when reaches age 120 will be the higher of sum assured 1 and account value. Therefore, the death benefit will be the account value, which is determined at the date of death of the life assured, subject to the deduction of any outstanding loans and interest you owe us.

#### Death benefit settlement option

- You can decide, while the life assured is still alive, whether we pay your beneficiary the death benefit in a lump sum or as a series of monthly instalments or a mix of the 2. If the death benefit amount you opt to settle by monthly instalments is less than a certain amount, as determined by us, we will only pay the death benefit in a lump sum.

- You can choose to settle the minimum instalment in a certain number of year options provided by us.

### Terminal illness benefit

- The terminal illness benefit is a one-off advance benefit paid when the life assured is diagnosed with a terminal illness confirmed by a registered specialist and our appointed registered doctor.

- We will calculate the terminal illness benefit based on the “Sum at Risk”. This means the sum assured minus the account value or nil - whichever is greater.

- The terminal illness benefit amount will be:
  - If the Sum at Risk is less than or equal to USD 2,000,000, we will pay either the sum assured or nil, whichever is higher, then terminate the policy after this benefit is paid.
  - If the Sum at Risk is greater than USD 2,000,000, we will pay USD 2,000,000 and reduce the account value by the same amount after this benefit is paid.

- We will deduct any outstanding loans and interest you owe us from the terminal illness benefit payable.

### Additional Premium

- You can decide, while the life assured is still alive, whether we pay your beneficiary the death benefit in a lump sum or as a series of monthly instalments or a mix of the 2. If the death benefit amount you opt to settle by monthly instalments is less than a certain amount, as determined by us, we will only pay the death benefit in a lump sum.

- You can choose to settle the minimum instalment in a certain number of year options provided by us.

- If you choose the monthly instalment option, your beneficiary will receive the death benefit of a fixed amount on a monthly basis and earn an interest on the remaining death benefit amount. We will pay the accumulated interest in the last instalment. We will determine the instalments size from time to time. This means the rate is not guaranteed and it depends on several factors including investment performance and the yields available in the market.

- The beneficiary cannot make any changes to the way we pay the benefits at any time.

- The interest rate applicable to the remaining balance of the death benefit is different from the crediting interest rates.
Changing the life assured

- This applies to policies owned by a corporate business entity which has set up the plan as a keyman insurance policy.
- We may require extra premiums and adjust relevant charges for this feature.
- We have the right to accept or reject a change of life assured application subject to underwriting and our terms and conditions, and administration rules.

Termination of this plan

We will terminate this plan when the first of these happens:
- death of the life assured;
- your policy is fully surrendered;
- the amount of terminal illness benefit to be paid reaches the amount of death benefit under your policy;
- the policy’s account value becomes zero or negative after we have deducted our charges, including the surrender charge;
- the total outstanding amount (including but not limited to monies from a policy loan with interest) owed to us under this policy exceeds 90% of the surrender value.

Key exclusions

We will not pay any terminal illness benefit if:

(I) the terminal illness existed before the date this policy takes effect or, in case of reinstatement, before the date the reinstatement takes effect or, in case of change of life assured, before the date the change of life assured takes effect, whichever comes last;
(II) the life assured suffers from any pre-existing condition or shows any sign or symptoms of any pre-existing condition that may be the cause or triggering condition of a terminal illness before the date this policy takes effect or, in case of reinstatement, before the date the reinstatement takes effect or, in case of change of life assured, before the date the change of life assured takes effect, whichever comes last;
(III) the life assured is diagnosed with a terminal illness by a registered specialist, or shows signs or symptoms of an illness, disease or physical condition that may be the cause or triggering condition of a terminal illness, within 90 days of the date this policy takes effect or, in case of reinstatement, within 90 days of the date the reinstatement takes effect or, in case of change of life assured, within 90 days of the date of change of life assured, whichever comes last (please note this exclusion does not apply if the terminal illness is caused by an accident and the life assured is diagnosed as having the terminal illness within 90 days of said accident); or
(IV) the terminal illness is a direct or indirect result of:
   a. the life assured’s attempted suicide or self-inflicted injuries, while sane or insane;
   b. Acquired Immune Deficiency Syndrome (AIDS), AIDS-related complex or infection by Human Immunodeficiency Virus (HIV);
   c. any congenital or inherited disorder or developmental condition of the life assured;
   d. any narcotics used by the life assured, unless taken as prescribed by a registered doctor, or the life assured’s abuse of drugs and/or alcohol.

For more details on exclusions, please refer to relevant policy provisions.

Remarks

If the life assured dies or is diagnosed with a terminal illness after the first 10 policy years, we will reduce the sum assured by the total partial surrender amount being withdrawn within 1 year before the death of the life assured or the date of diagnosis of terminal illness. We will exclude the amount equivalent to the total sum assured having reduced under the “Surrender” section above in respect of the partial surrender.
Investment strategy

Premiums for PRU Universal Life wealth planner policies are pooled and invested in a diversified investment portfolio (the “underlying assets”), with the majority invested in fixed-income securities.

Our investment objective is to balance policyholders’ returns with an acceptable level of risk. We do this through a broad mix of investments which aims to protect the rights and manage reasonable expectations of all Universal Life policyholders.

The following paragraphs explain the current investment ranges according to our current investment strategy. If we make any material changes to the investment strategy, we will inform you afterwards and explain the reasons behind them and their implications.

The current long-term target asset allocation is as follows:

- Current long-term target ranges of asset mix for the investment fund underlying PRU Universal Life wealth planner by asset type

  We invest in fixed-income type securities to back both guaranteed and non-guaranteed liabilities to policyholders. Our primary investment objective is to maintain a highly diversified credit profile in the fixed-income portfolio.

  We primarily invest in long-term investment-grade corporate bonds. We also include a small portion in high yield and emerging market bonds to further improve yield.

- Current long-term target ranges of currency mix for the investment fund underlying PRU Universal Life wealth planner

  We invest a reasonably higher proportion of assets in the currency of the underlying policies to reduce currency risks which may affect non-guaranteed benefits.

- Current long-term target ranges of geographic mix for the investment fund underlying PRU Universal Life wealth planner

  Higher relative allocation of assets to the US is targeted for the investment fund of PRU Universal Life wealth planner. Moreover, our strategy is to invest globally to achieve diversification benefits.

We actively manage and adjust actual exposure in response to changing market conditions, opportunities and asset availability on the market. Additionally, we regularly review long-term targets, i.e. equity allocation, asset mix, credit mix, currency mix, and geographical mix, etc., to line with our investment objectives and risk appetite. For more information on the asset mix, credit mix, currency mix, and geographical mix, please refer to the summary tables made available at www.prudential.com.hk/investmentmix_en.

Investment philosophy

Key risks

How our credit risk may affect your policy?

The guaranteed cash value (if applicable) and insurance benefit of your plan are subject to our credit risk. If we become insolvent, you may lose the value of your policy and its coverage.

How currency exchange rate risk affects your return?

Foreign currency exchange rates may fluctuate. As a result, you may incur a substantial loss if you choose to convert your benefits to other currencies. Additionally, the conversion of your benefits to other currencies is subject to applicable exchange restrictions applicable at the time when the benefits are paid.

You have the sole responsibility to decide if you want to convert your benefits to other currencies.

What are the risks of surrendering your plan or withdrawing money from your plan?

The liquidity of an insurance policy is limited. You have the sole responsibility to reserve adequate liquid assets for emergencies. For any surrender/withdrawal especially at the early stage upon policy inception, you may receive an amount considerably less than the premiums you paid.

How inflation affects the value of your plan?

We expect the cost of living to rise in the future because of inflation. That means the insurance you take out today will not have the same buying power in the future, even if the plan offers increasing benefits intended to offset inflation.

What influences non-guaranteed fees and charges?

We have the right to adjust the cost of insurance and policy expense charge rates. These rates may change, depending on our claims and expense experience. However, they will not exceed the maximum rates set when we issue the policy or the life assured changes, whichever happens later.

The risk of a Universal Life plan lapsing because its account value reaches zero

We will terminate your policy when its account value reaches zero (or lower) after deduction of all the policy charges (including surrender charge).
Important information

- ** Suicide clause:**
  - If the life assured commits suicide regardless of sane or insane within 1 year from the effective date of the policy or from the date of any reinvestment, whatever is later, the death benefit will be limited to a refund of the Account Value of the policy account (calculated as at the date of death) and the charges we have deducted for all withdrawals and any outstanding loans with interest you owe us under the policy.

- **Cancellation right:**
  - A customer who has bought the life insurance plans has the right to cancel the policy before the policy cooling-off period (30 days) expires. Thereafter, you may only cancel the policy if you have not paid any premium (1) (including late levies) and (2) by the date of cancellation.

- **Automatic Exchange of Financial Account Information:**
  - Over 100 countries and jurisdictions around the world have committed to adopt new regulations for the automatic exchange of financial account information. This includes the exchange of information between the tax authorities of the countries where financial accounts are maintained, to verify their tax residence status and to report account information to the relevant tax authorities.

- **Cancellation:**
  - In order to comply with the law, Prudential may require you, the account holder, to:
    - (1) complete and provide us with a self-certification form with information regarding your tax residence status, your date of birth, and in the case where the policyholder is an entity (for example, a trust or a company), the classification of the entity that holds the policy.
    - (2) provide us all required information and documentation for complying with Prudential’s due diligence procedures; and
    - (3) advise us of any change in circumstances which affect your tax residence status and provide us with all required information and documentation for complying with Prudential’s due diligence procedures.

- **Prudential’s due diligence procedures:**
  - As for pre-existing accounts, if a reporting financial institution has doubts about the tax residence of such account holders, it may require a self-certification from the account holder to verify its tax residence status.

- **Insurance products:**
  - Prudential cannot provide you with any tax or legal advice. If you have doubts about your tax residence status, you should seek independent professional advice on the impact that AEOI may have on you or your policy.

**Notes**

- **Automatic Exchange of Financial Account Information:**
  - Prudential is required by the law to exchange information with the Inland Revenue Department (IRD) if required. The IRD may transfer this information to the country of tax residence of such account holders.

- **Effective date of the policy:**
  - The effective date of the policy is the date of any reinstatement, whichever is later, the death benefit will be limited to a refund of the Account Value of the policy account (calculated as at the date of death) and the charges we have deducted for all withdrawals and any outstanding loans with interest you owe us under the policy.

- **Automatic Exchange of Financial Account Information:**
  - Prudential is required by the law to exchange information with the Inland Revenue Department (IRD) if required. The IRD may transfer this information to the country of tax residence of such account holders.
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