

# PRU Retirement Deferred Annuity Plan



Plan early with the simple way to a regular annuity

Retirement Insurance



合資格延期年金保單  
Qualifying Deferred  
Annuity Policy

Listening. Understanding. Delivering.

Limited Offer





# PRURetirement Deferred Annuity Plan

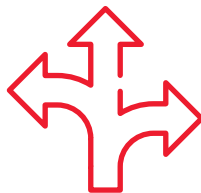
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To enjoy financial freedom in retirement, the earlier you start saving, the longer your money has the opportunity to grow. **PRURetirement Deferred Annuity Plan** gives you 20 years of monthly annuity and a range of options for premium payment and accumulation periods. It also offers financial protection in the event of death to protect your loved ones.

## Plan highlights



20 years of  
monthly annuity



A range of options for  
premium payment and  
accumulation periods



Financial protection  
against death



Sign and go –  
no need for  
health information



Tailor your plan with  
supplementary benefits



Tax relief on  
your premiums

# The benefits



## 20 years of monthly annuity

When you take out this plan, you are laying the foundation for **20 years** of worry-free **monthly annuity** which consists of both **guaranteed monthly annuity** and **non-guaranteed monthly annuity**.

### Your plan has 3 periods:

1. **Premium payment period** – you pay your premiums into your plan
2. **Accumulation period** (this starts as soon as you pay your first premium) – your premiums grow in your plan
3. **Annuity period** – we pay you a monthly annuity for 20 years, or you can leave your money in the plan’s accumulation account to grow further

Once we begin paying your monthly annuity, you can either withdraw it or leave it in the accumulation account to earn non-guaranteed interest. You can withdraw your money from your accumulation account anytime while the policy is still in force.



## A range of options for premium payment and accumulation periods

You can tailor your plan to best suit your financial situation and retirement needs. Choose to pay your premiums over 5 or 10 years and let them accumulate over 5, 15 or 25 years, depending on the premium payment period you choose. So whether you have just started working or are retiring soon, taking out the plan now lays the foundations for a better retirement.

Premium payment period	Accumulation period (this starts as soon as you pay your first premium)	Annuity period
5 years	5 years	20 years
	15 years	
	25 years	
10 years	15 years	
	25 years	



## Financial protection against death

To safeguard your loved ones, the plan offers a **death benefit** if the person covered by the policy (the “life assured”) passes away while the policy is still in force. You can choose how you would like us to pay the plan’s death benefit while the life assured is still alive.

If the life assured passes away before we start paying the monthly annuity, we will pay your beneficiary a **death benefit with a guaranteed amount of up to 105% of your total premiums paid** in a **lump sum** or in **monthly instalments** or **a mix of both**.

If the life assured passes away once we start paying the monthly annuity, we can either pay your beneficiary a **lump sum** or the **remaining monthly annuity** as a death benefit.

You can find more information in the “Death benefit and its payment options” in the “More about **PRU**Retirement Deferred Annuity Plan” section below.



## Sign and go – no need for health information

You do not need to give us any health information to take out your plan. The only exception is if your total premiums to be paid over the premium payment period will exceed HKD 6,000,000 / USD 750,000 for all your selected plans (including **PRU**Retirement Deferred Annuity Plan, **PRU**life monthly income plan, **PRU**retirement early income plan, **PRU**retirement enriched income plan and **PRU**myretirement wealth income plan) taken out by the same life assured in the past 24 months.



### Retirement annuity and protection in one plan

**PRU** Retirement Deferred Annuity Plan is a Shareholder-backed Participating Plan. It gives you a monthly stream of annuity together with life cover.

We will pay you a guaranteed cash value when you surrender your policy. We may also pay a non-guaranteed one-off bonus – the Terminal Bonus – when your annuity period ends, you surrender your policy, or a claim is made for the death benefit.

Please also refer to our brochure on Shareholder-backed Participating Plans available at [www.prudential.com.hk/shareholderpar](http://www.prudential.com.hk/shareholderpar) for more information (such as investment philosophy and bonus philosophy) on your Shareholder-backed Participating Plan and the operation of the Shareholder-backed Participating Fund.



### Tailor your plan with supplementary benefits

You can choose from a wide range of supplementary benefits to help tailor the plan. By paying additional premiums, you can protect yourself and your family against the financial impact of illnesses, disability and accidents. Some supplementary benefits require you to undergo medical tests and provide medical information before the policy can be issued, and age restrictions may also apply.



### Tax relief on your premiums

**PRU** Retirement Deferred Annuity Plan is certified by the Insurance Authority as a Qualifying Deferred Annuity Policy (“QDAP”). If you are a Hong Kong tax payer, you may claim a concessionary deduction under salaries tax or personal assessment for the qualifying premiums you pay for the plan. This excludes any premiums we have refunded to you and any premiums you have paid for supplementary benefits attached to this plan (if applicable). You can find more information in the “Risk Disclosure for Tax implication of Certification” section below.

# How could the plan work for you?\*

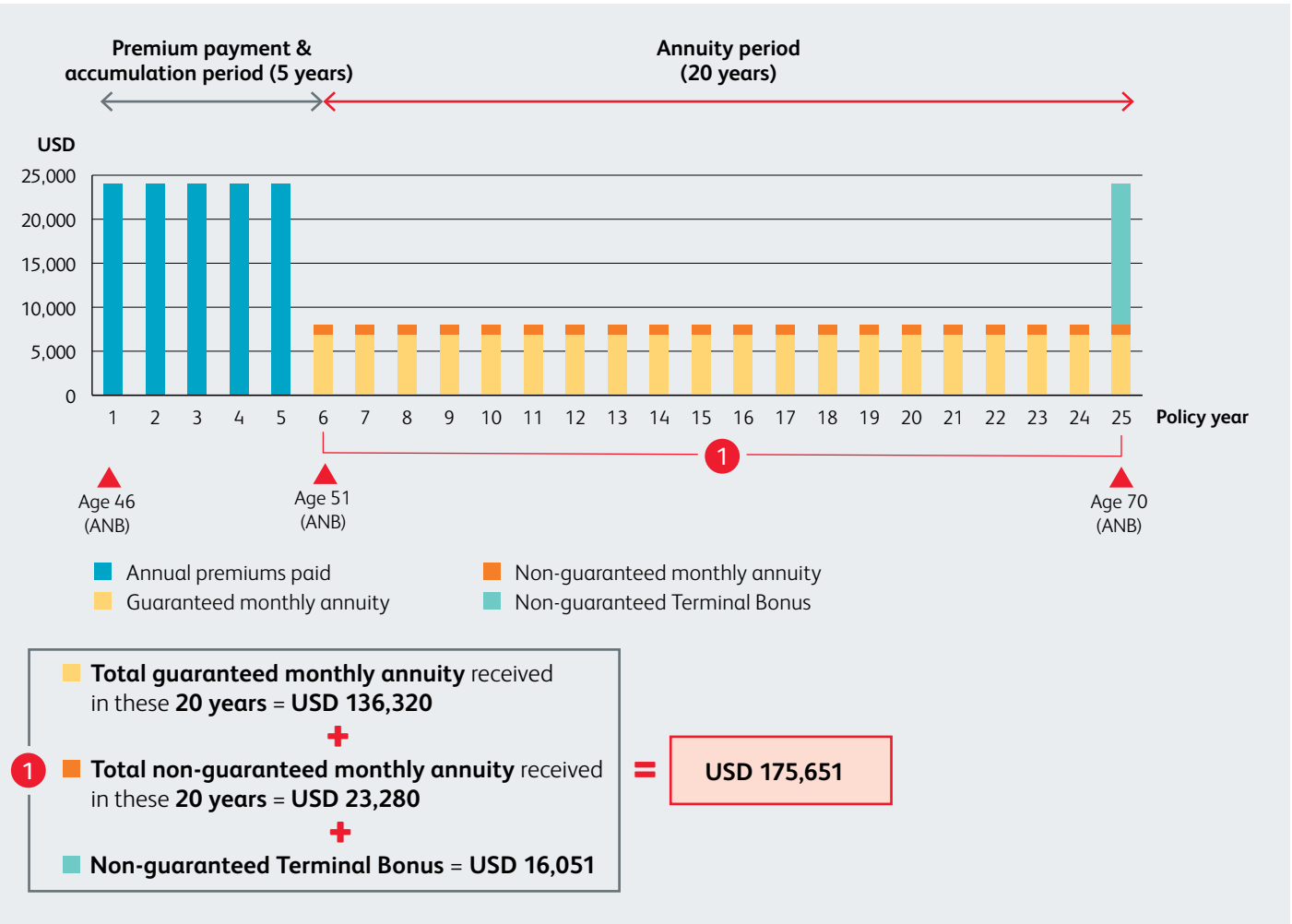
There are 5 different combinations of premium payment and accumulation periods under **PRU**Retirement Deferred Annuity Plan. Each has a different Internal Rate of Return (“IRR”). If you pay your premiums annually, the IRR for the **guaranteed monthly annuity** received during the entire annuity period (“guaranteed IRR”)<sup>#</sup> ranges from 1.00% to 1.86% p.a.; while the IRR for the **guaranteed monthly annuity, non-guaranteed monthly annuity** and **non-guaranteed Terminal Bonus** received during the entire annuity period (“total IRR”)<sup>#</sup> ranges from 2.88% to 3.84% p.a., depending on which combinations you have chosen.

Let’s take a look at the following examples and see how the plan could help you to achieve your retirement goals.

## Case 1 – Mr. Cheung

At age 46 (age next birthday [ANB]), Mr. Cheung, a non-smoker, enrolls in a **PRU**Retirement Deferred Annuity Plan and chooses to pay his premiums annually for **5 years**, letting them **accumulate** in his plan for just **5 years** to secure a stream of **monthly annuity** for **20 years** to cover his daily expenses after he retires at age 51 (ANB).

Mr. Cheung’s policy details			
Premium payment period	5 years	Guaranteed monthly annuity	USD 568
Accumulation period	5 years	Non-guaranteed monthly annuity	USD 97
Annual premiums paid	USD 24,000	Guaranteed and non-guaranteed monthly annuity	USD 665
Total premiums paid	USD 120,000	Non-guaranteed Terminal Bonus	USD 16,051
Guaranteed IRR <sup>#</sup>	1.00% p.a.	Total IRR <sup>#</sup>	2.88% p.a.





In fact, Mr. Cheung can choose different combinations of premium payment and accumulation periods for the same total premium amount of USD 120,000. Let's see how much he may get with each of the combinations:

Mr. Cheung's policy details					
Premium payment period	5 years			10 years	
Accumulation period	5 years	15 years	25 years	15 years	25 years
Annual premiums paid	USD 24,000			USD 12,000	
Guaranteed monthly annuity	USD 568	USD 708	USD 915	USD 682	USD 875
Non-guaranteed monthly annuity	USD 97	USD 319	USD 674	USD 240	USD 544
Guaranteed and non-guaranteed monthly annuity	USD 665	USD 1,027	USD 1,589	USD 922	USD 1,419
Non-guaranteed Terminal Bonus	USD 16,051	USD 24,759	USD 38,711	USD 22,328	USD 34,385
Guaranteed IRR <sup>#</sup>	1.00% p.a.	1.54% p.a.	1.86% p.a.	1.53% p.a.	1.86% p.a.
Total IRR <sup>#</sup>	2.88% p.a.	3.56% p.a.	3.84% p.a.	3.44% p.a.	3.76% p.a.
First year's surrender value (per USD 10,000 of first year's annual premium paid) <sup>^</sup>	USD 3,773	USD 2,415	USD 2,406	USD 1,408	USD 1,406

\* We have assumed that the monthly annuity is withdrawn from the policy once we start paying it and no policy loans are taken out. The figures in these examples are for illustration purposes only. **The Terminal Bonus and the non-guaranteed monthly annuity we pay are not guaranteed; we may review and adjust them at our discretion.** The actual amount of Terminal Bonus and the non-guaranteed monthly annuity may be higher or lower than the values currently presented in the examples. There is more information in "Factors affecting the Terminal Bonus and the non-guaranteed monthly annuity" in the "More about PRURetirement Deferred Annuity Plan" section below. Unless otherwise specified, we have rounded the figures to the nearest whole number for easy reference.

<sup>#</sup> The calculation of guaranteed IRR and total IRR does not include the effect of the levy(ies) on your premiums collected and we have rounded the figures to 2 decimal places for easy reference. The IRR varies across different premium payment and accumulation periods, you should decide the best combination according to your financial situation and retirement needs.

<sup>^</sup> This is the surrender value you will receive for every USD 10,000 of the first year's annual premium paid if you fully surrender the policy on the 1<sup>st</sup> policy anniversary.

# More about PRURetirement Deferred Annuity Plan

## Plan type

Basic plan

## Plan options

Premium payment period	Accumulation period (this starts as soon as you pay your first premium)	Annuity period	Benefit term	Issue age (ANB)	Currency option	Minimum annual premium (rounded up to the nearest 10)
5 years	5 years	20 years	25 years	46 – 70	USD	USD 7,610
	15 years		35 years	36 – 60		USD 6,780
	25 years		45 years	26 – 50		USD 6,560
10 years	15 years		35 years	36 – 60		USD 5,290
	25 years		45 years	26 – 50		USD 4,120

The policy holder, annuitant and life assured of this plan must be the same person.

## Premium structure

Level and guaranteed throughout the premium payment period. The premium rate is different across the various options for premium payment and accumulation periods. The same premium rate applies across all issue ages (regardless of gender, nationality and smoking status).

## Accumulation period

- You can opt for 5, 15 or 25 years for the accumulation period, depending on the premium payment period you choose.
- The premiums will accumulate in your plan during this period once the policy starts, until we begin to pay the monthly annuity.

## Annuity period

We will pay you a monthly annuity for 20 years once the accumulation period ends.

## Monthly annuity

- Once the annuity period begins, we will pay the following for 20 years until the benefit term ends:
  - guaranteed monthly annuity;
  - plus** non-guaranteed monthly annuity;
  - less** any outstanding loans and interest.
- The amount of guaranteed monthly annuity is fixed throughout the whole annuity period.
- We normally determine the amount of non-guaranteed monthly annuity annually. The actual amount of non-guaranteed monthly annuity may vary during the annuity period.**

- The non-guaranteed monthly annuity is based on the actual experience and projection of the plan (including, but not limited to, investment returns, claims and persistency experience).

## Payment option for monthly annuity

You can choose from the following options for us to pay your monthly annuity:

- Cash payment**
  - We will directly credit your monthly annuity to your Hong Kong Dollar bank account in Hong Kong; or
  - We will pay your monthly annuity with a cheque in either HKD or USD depending on your preference.
  - If we pay your monthly annuity in HKD, we will determine the exchange rate which may vary from time to time.
- Accumulation**
  - You can choose to leave your monthly annuity in the accumulation account to earn non-guaranteed interest.
  - You can withdraw your money from your accumulation account anytime while the policy is still in force.

You can change your payment option anytime without any charges.



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### Accumulation account

- We may change the annual rate of interest we pay on the money in the accumulation account from time to time at our sole discretion. This means the rate is not guaranteed.
- The actual rate depends on several factors. These may include:
  - investment performance;
  - liquidity requirements;
  - policy holders' withdrawal from the account; and
  - the yields available in the market.
- If interest rates stay low for a persistently long period so that the effective interest rate earned on the accumulation account is less than the rate illustrated in the proposal, the actual accumulation account balance will be lower than we have illustrated.

### Terminal Bonus

- The Terminal Bonus is a one-off non-guaranteed bonus.
- We normally declare bonus annually and according to our declared bonus rates. We may change the bonus rates from time to time. The bonus is not guaranteed.
- We will declare the bonus for your plan from its 3<sup>rd</sup> policy anniversary.
- The declared bonus may rise and fall and does not accumulate within the policy or form a permanent addition to the policy's value.
- The declared bonus has a face value which we may pay out if the life assured passes away; or at the end of the annuity period.
- The bonus also has a non-guaranteed cash value which we determine by a variable cash value discount factor. If you surrender or terminate your policy (other than when the life assured passes away or because the policy has matured), we will pay the bonus's non-guaranteed cash value – not its face value.
- We have the right to determine bonus rates, cash values and frequency of declaration at our sole discretion.

### Factors affecting the Terminal Bonus and the non-guaranteed monthly annuity

- The Terminal Bonus and the non-guaranteed monthly annuity we pay are not guaranteed and are subject to review and adjustment at our discretion. Factors that may affect them include (but not limited to):
  - i. 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 dividend from equity-type securities (if any);
    - capital gains and losses from investment assets;
    - counterparty default risk of fixed-income securities (such as bonds) and reinsurance assets;
    - investment outlook; and
    - external market risk factors such as recessions and changes in monetary policies and foreign exchange rates.
  - ii. Claims factors – Our historical claims experience on death, and projected future costs of providing death benefit.
  - iii. 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.
  - iv. Persistency factors – Policy persistency and any partial surrenders of a group of policies may impact the bonus or non-guaranteed monthly annuity we pay to the continuing policies.
- The actual future amounts of benefits and/or returns may be higher or lower than the values currently presented in the marketing materials. Our website at [www.prudential.com.hk/bonushistory\\_SHPAR\\_en](http://www.prudential.com.hk/bonushistory_SHPAR_en) explains the bonus history and the non-guaranteed monthly annuity history.

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## Death benefit and its payment options

- If the life assured passes away while the policy is still in force, we will pay the beneficiary a death benefit.
- Before the life assured passes away, you can choose how we pay the beneficiary the death benefit.
- The beneficiary cannot make any changes to the way we pay the benefits at any time.

## Death before we start paying a monthly annuity

- We will pay the beneficiary a death benefit equal to:
  - The higher of:
    - > 105% of the total premiums paid. We will adjust the total premiums paid for calculating this benefit if you reduce your guaranteed monthly annuity or you partially surrender your policy; and
    - > 105% of the guaranteed cash value **plus** 100% of the face value of the non-guaranteed Terminal Bonus (if any);
  - **less** any outstanding loans and interest.
- You can choose to pay your beneficiary the death benefit in a **lump sum** or as **a series of monthly instalments** or **a mix of the 2**.

### 1. Lump sum payment:

- We will pay the above death benefit in a **lump sum** to the beneficiary.

### 2. Monthly instalment payment:

- If the death benefit amount you opt to settle by monthly instalments is less than USD 50,000 (or the amount we determine from time to time), we will only pay the death benefit in a lump sum.
- You can choose to settle the monthly instalment in either 10, 20, 30 or 40 years.
- 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. The remaining balance of the death benefit, which we pay by monthly instalments, will not participate in the Shareholder-backed Participating Fund or benefit from its profits.

- The remaining balance of the death benefit will be accumulated with us with non-guaranteed interest. We will pay the accumulated interest in the last instalment. We will determine the interest rate 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. For details, you may refer to [www.prudential.com.hk/scws/pages/en/dbso/index.html](http://www.prudential.com.hk/scws/pages/en/dbso/index.html).

### 3. A combination of lump sum and monthly instalment payments:

- You can choose to pay your beneficiary part of the death benefit in a **lump sum** and the **remaining amount in monthly instalments**.
- The details and arrangements of paying the remaining amount in monthly instalments are the same as those in "Monthly instalment payment" above.

## Death once we start paying a monthly annuity

- You can choose to pay your beneficiary a **lump sum** or the **remaining monthly annuity** as a death benefit.

### 1. Lump sum payment:

We will pay the following death benefit in a **lump sum** to the beneficiary:

- The higher of:
  - > 105% of the amount equal to the total premiums paid **less** any total monthly annuity paid. We will adjust the total premiums paid and total monthly annuity paid for calculating this benefit if you reduce your guaranteed monthly annuity or you partially surrender your policy; and
  - > 105% of the guaranteed cash value **plus** 100% of the face value of the non-guaranteed Terminal Bonus (if any);
- **plus** the value of the accumulation account (if any);
- **less** any outstanding loans and interest.

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## 2. Paying the remaining monthly annuity:

- The beneficiary will continue to receive the remaining monthly annuity, which will participate in the Shareholder-backed Participating Fund and may benefit from its profits, as cash payments until the end of the annuity period;
- **plus** the value of the accumulation account (if any) as at the date of death of the life assured in a lump sum;
- **plus** the face value of Terminal Bonus (if any) at the end of annuity period in a lump sum;
- **less** any outstanding loans and interest.

### Maturity benefit

When your plan reaches the end of its benefit term, we will pay a maturity benefit equal to:

- the face value of the Terminal Bonus (if any);
- **plus** the value of the accumulation account (if any);
- **less** any outstanding loans and interest.

### Surrender value

When you surrender your policy, we will pay a surrender value equal to:

- the guaranteed cash value;
- **plus** the cash value of the Terminal Bonus (if any);
- **plus** the value of the accumulation account (if any);
- **less** any outstanding loans and interest.

### Policy loan

- You can borrow up to 80% of the total amount of your plan's guaranteed cash value while keeping the policy in force before we start paying a monthly annuity.
- We will charge interest on policy loans from the date you take them out until they are fully repaid.
- We calculate interest at a rate we determine.
- If you have taken out a loan on your policy, we will use any payouts from it to settle any outstanding loans and interest before we pass the remaining money to you.

### Termination of this plan

We will terminate this plan when the first of these happens:

- the death of the life assured (unless we have started paying the monthly annuity when the life assured passes away, and you choose to pay the beneficiary the remaining monthly annuity as a death benefit while the life assured is still alive, in which case we will terminate this plan when we have paid all the remaining monthly annuity and the Terminal Bonus); or
- the plan reaches the end of its benefit term; or
- you surrender the policy; or
- you fail to pay your premium within the grace period of 1 calendar month from its due date; or
- once the total outstanding loans and interest are more than 90% of the sum of the guaranteed cash value and the accumulation account.

# Investment philosophy

## Investment strategy

Our investment objective is to balance policy holders' returns with an acceptable level of risk. We do this through a broad mix of investments which aims to protect the rights and manage the reasonable expectations of all Shareholder-backed Participating policy holders.

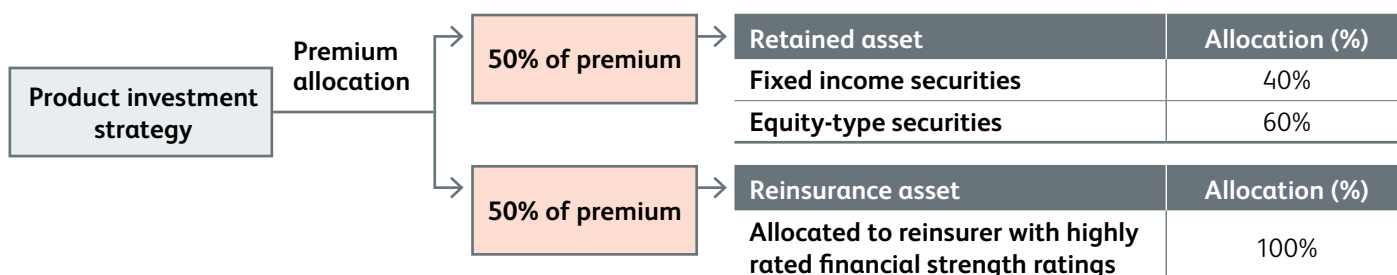
The Shareholder-backed Participating Fund invests in various types of assets, such as equities, government/corporate bonds and cash, to diversify investment risks. This multi-asset approach targets stability over the long term.

We adopt an advanced and actively managed investment strategy, which we adjust in response to changing market conditions. Under normal circumstances, our risk management and investment experts allocate a smaller proportion of higher-risk assets, such as equities, to insurance plans with a higher guarantee, and vice versa. In doing so, we aim to match the level of risk to the risk profiles of our products. We may utilise derivatives or securities lending to manage risks or improve returns.

The following paragraphs explain the current investment ranges according to our current investment strategy. Should there be any material changes in the investment strategy, we will inform you afterwards and explain the reasons behind and their implications.

## The investment mix of your plan

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



- **Current long-term target ranges of asset mix for the investment fund underlying PRURetirement Deferred Annuity Plan, by asset type**

We invest in fixed-income type securities and reinsurance assets to back our guaranteed liabilities to policy holders. Our primary investment objective is to maintain a highly diversified credit profile in the fixed-income portfolio.

- We primarily invest in investment-grade corporate bonds. For reinsurance assets, they are allocated to reinsurer with highly rated financial strength ratings. We also include a small portion of high-yield and emerging-market bonds to further improve yield.
- The fixed-income assets will be currency hedged as much as practically possible to currency match the underlying policies denomination.

We also invest in equity-type securities which aim to provide policy holders with the potential for a higher long-term return. In general, most of the equity-type investments are in common stocks.

Due to different product features and risk profiles, the proportion of fixed-income and equity-type securities investment varies in each product.

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- **Current long-term target ranges of currency mix for the investment fund underlying PRU Retirement Deferred Annuity Plan**

Our current practice is to currency-match as much as practically possible our fixed income assets with the underlying policy's currency denomination, by using a currency hedge, to offset any impact from currency fluctuations. In contrast, we give more flexibility to equity-type assets where those assets can be invested in other currencies in order to benefit from diversification. The reinsurance assets' currency matches the underlying policy's.

- **Current long-term target ranges of geographic mix for the investment fund underlying PRU Retirement Deferred Annuity Plan**

With the exception of the reinsurance assets, 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., in 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](http://www.prudential.com.hk/investmentmix_en).**

## Key risks

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### 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 when you choose to convert your benefits to other currencies. Additionally, the conversion of your benefits to other currencies is subject to 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?

This policy is designed to be held for a long-term period. The liquidity of an insurance policy is limited. You are strongly advised to reserve adequate liquid assets for emergencies. For any surrender, withdrawal, partial withdrawal, reduction or suspension of premiums (if applicable), 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 benefit intended to offset inflation.

### What happens if you do not pay your premiums?

You should only apply for this product if you intend to pay all of its premiums. If you miss any of your premium payments, we may terminate your policy and you may receive an amount considerably less than the premiums you paid, as well as losing the policy's coverage. If you cannot afford the premium amount you committed to when you started your policy, you may reduce it. However, you cannot reduce it below the minimum annual premium as specified in the "More about **PRU** Retirement Deferred Annuity Plan" section above. If you cannot afford future premiums, you have to partially or fully surrender your policy.



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## Important information

### Limited offer period

The plan is subject to a quota limit and we reserve the right to withdraw the plan from the market at any time at our discretion. If we decide to withdraw the plan after we have received your application, we will return your original premium and levy paid in the original amount and payment currency without interest. Backdating of the commencement date of the plan is not permitted.

### Risk disclosure for tax implication of certification

Please note that the QDAP status of this product does not necessarily mean you are eligible for tax deduction available for QDAP premiums paid. This product's QDAP status is based on the features of the product as well as certification by the Insurance Authority and not the facts of your own situation. You must also meet all the eligibility requirements set out under the Inland Revenue Ordinance and any guidance issued by the Inland Revenue Department of Hong Kong Special Administrative Region (HKSAR) before you can claim these tax deductions.

Any general tax information provided is for your reference only, and you should not make any tax-related decisions based on such information alone. You should always consult with a professional tax advisor if you have any doubts. Please note that the tax law, regulations or interpretations are subject to change and may affect related tax benefits including the eligibility criteria for tax deduction. We do not take any responsibility to inform you about any changes in the laws and regulations or interpretations, and how they may affect you. Further information on tax concessions applicable to QDAP may be found at [www.ia.org.hk/en/](http://www.ia.org.hk/en/).

Policy holders who are not subject to salaries tax or tax under personal assessment in HKSAR might not be eligible for tax deduction benefits.

### Insurance Authority certification

Insurance Authority certification is not a recommendation or endorsement of the policy nor does it guarantee the commercial merits of the policy or its performance. It does not mean the policy is suitable for all policy holders nor is it an endorsement of its suitability for any particular policy holder or class of policy holders. The policy has been certified by the Insurance Authority but such certification does not imply official recommendation. The Insurance Authority does not take any responsibility for the contents of the product brochure of the policy, makes no representation as to its accuracy or completeness, expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the product brochure of the policy.

### 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 reinstatement, whichever is later, the death benefit will be limited to a refund of the premiums paid without interest subject to the deduction of any amounts we have already paid and any indebtedness you owe us under the policy.

### Cancellation right

A customer who has bought the life insurance plans has a right to cancel the policy within the cooling-off period and obtain a refund of any premium(s) and levy(ies) paid less any withdrawals. Provided that no claim has been made, the customer may cancel the policy by giving written notice to us within 21 days after: (1) the delivery of the policy or (2) the issuance of a notice (informing the availability of the policy and expiry date of the cooling-off period) to the customer/his/her representative, whichever is earlier. The premium and levy will be refunded in the currency of premium and levy payment at the time of application for this policy. If the currency of premium and levy payment is not the same as the plan currency, the refundable premium and levy amount in plan currency under this policy will be converted to the currency of premium and levy payment at the prevailing currency exchange rate as determined by us in our absolute discretion from time to time upon payment. After the cooling-off period expires, if a customer cancels the policy before the end of benefit term, the actual cash value (if applicable) may be substantially less than the total amount of premiums paid.

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### **Automatic Exchange of Financial Account Information**

Over 100 countries and jurisdictions around the world have committed to adopt new rules for automatic exchange of financial account information ("AEOI"). Under the new rules, financial institutions are required to identify account holders who are foreign tax residents and report certain information regarding their investment income and account balance to the local tax authority where the financial institution operates. When countries or jurisdictions start exchanging information on an automatic basis, the relevant local tax authority where the financial account is maintained will then provide this information to the tax authority of the account holder's country of tax residence. This information exchange will be conducted on a regular, annual basis.

Hong Kong has adopted the new rules into its legislation (please see the Inland Revenue (Amendment) (No. 3) Ordinance 2016 ("the Amendment Ordinance") which came into effect on 30 June 2016). Therefore, the above requirements will be applicable to financial institutions in Hong Kong including Prudential. Under these rules, certain policy holders of Prudential are considered as "account holders." Financial institutions in Hong Kong including Prudential are required to implement due diligence procedures to identify account holders (i.e. policy holders in case where the financial institution is an insurance company) and in the case where the account holder is an entity, its "controlling persons," who are foreign tax residents, and report this information to the Inland Revenue Department ("IRD") if required. The IRD may transfer this information to the country of tax residence of such account holders.

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 tax identification number in your country or countries of tax residence, your date of birth, and in the case where the policy holder is an entity (for example, a trust or a company), the classification of the entity that holds the policy and information regarding "controlling persons" of such entities;
- (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 a suitably updated self-certification form within 30 days of such change in circumstances.

According to the due diligence procedures set out in the Amendment Ordinance, self-certifications are required from account holders for all new accounts. As for pre-existing accounts, if a reporting financial institution has doubts about the tax residence of an account holder, it may require a self-certification from the account holder to verify its tax residence.

Prudential cannot provide you with any tax or legal advice. If you have doubts about your tax residence you should seek professional advice. You should seek independent professional advice on the impact that AEOI may have on you or your policy.

An account holder who knowingly or recklessly provides a statement that is misleading, false or incorrect in a material particular in making a self-certification to a reporting financial institution is liable on conviction to a fine at level 3 (HKD 10,000).

For further information on the implementation of the Common Reporting Standard and AEOI in Hong Kong, please refer to the IRD website: [www.ird.gov.hk/eng/tax/dta\\_aeoi.htm](http://www.ird.gov.hk/eng/tax/dta_aeoi.htm).

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### Need more details? Get in touch

Please contact your consultant or call our Customer Service Hotline at 2281 1333 for more details.

### Notes

**PRU**Retirement Deferred Annuity Plan is underwritten by Prudential Hong Kong Limited (“Prudential”). This brochure is for reference only. It does not represent a contract between Prudential and anyone else. You should read carefully the risk disclosures and key exclusions (if any) contained in this brochure. For further details and the terms and conditions of this plan, please ask Prudential for a sample of the policy document.

Prudential has the right to accept or decline any application based on the information provided by the policy holder and/or life assured in the application.

Please cross your cheque and make it payable to “Prudential Hong Kong Limited”.

This brochure is for distribution in Hong Kong only. It is not an offer to sell or solicitation to buy or provide any insurance product outside Hong Kong. Prudential does not offer or sell any insurance product in any jurisdictions outside Hong Kong where such offering or sale of the insurance product is illegal under the laws of such jurisdictions.







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# Investment philosophy

## Investment strategy

Our investment objective is to balance policy holders' returns with an acceptable level of risk. We do this through a broad mix of investments which aims to protect the rights and manage the reasonable expectations of all Shareholder-backed Participating policy holders.

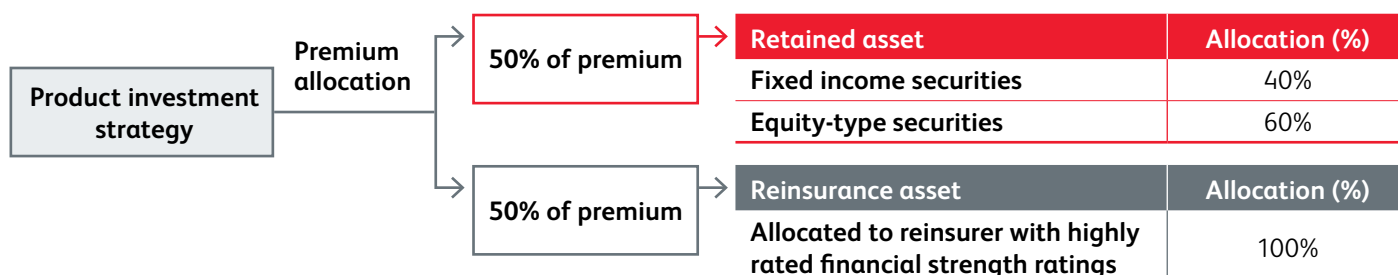
The Shareholder-backed Participating Fund invests in various types of assets, such as equities, government/corporate bonds and cash, to diversify investment risks. This multi-asset approach targets stability over the long term.

We adopt an advanced and actively managed investment strategy, which we adjust in response to changing market conditions. Under normal circumstances, our risk management and investment experts allocate a smaller proportion of higher-risk assets, such as equities, to insurance plans with a higher guarantee, and vice versa. In doing so, we aim to match the level of risk to the risk profiles of our products. We may utilise derivatives or securities lending to manage risks or improve returns.

The following paragraphs explain the current investment ranges according to our current investment strategy. Should there be any material changes in the investment strategy, we will inform you afterwards and explain the reasons behind and their implications.

## The investment mix of your plan

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



### • Current long-term target ranges of asset mix for the investment fund underlying PRURetirement Deferred Annuity Plan, by asset type

We invest in fixed-income type securities and reinsurance assets to back our guaranteed liabilities to policy holders. Our primary investment objective is to maintain a highly diversified credit profile in the fixed-income portfolio.

- We primarily invest in investment-grade corporate bonds. For reinsurance assets, they are allocated to reinsurer with highly rated financial strength ratings. We also include a small portion of high-yield and emerging-market bonds to further improve yield.
- The fixed-income assets will be currency hedged as much as practically possible to currency match the underlying policies denomination.

We also invest in equity-type securities which aim to provide policy holders with the potential for a higher long-term return. In general, most of the equity-type investments are in common stocks.

Due to different product features and risk profiles, the proportion of fixed-income and equity-type securities investment varies in each product.

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- **Current long-term target ranges of currency mix for the investment fund underlying PRURetirement Deferred Annuity Plan**

Our current practice is to currency-match as much as practically possible our fixed income assets with the underlying policy's currency denomination, by using a currency hedge, to offset any impact from currency fluctuations. In contrast, we give more flexibility to equity-type assets where those assets can be invested in other currencies in order to benefit from diversification. The reinsurance assets' currency matches the underlying policy's.

- **Current long-term target ranges of geographic mix for the investment fund underlying PRURetirement Deferred Annuity Plan**

With the exception of the reinsurance assets, 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., in 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](http://www.prudential.com.hk/investmentmix_en).**