



# Policy Reverse Mortgage Programme

Create steady income for peaceful retirement

**CoverU Whole Life Insurance Plan / CoverU Whole Life Insurance Plan (Delight Version) (the “Plan”)** is an eligible life insurance plan under the **Policy Reverse Mortgage Programme\***, allowing you to create steady flow of income for your retirement with total peace of mind.



## 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 (HKMC), for people who are aged 55 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 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 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 HK\$15 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.

CoverU Whole Life Insurance Plan / CoverU Whole Life Insurance Plan (Delight Version) is an eligible life insurance plan under the Policy Reverse Mortgage Programme

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.



## Am I eligible for a policy reverse mortgage loan?

### You must:

- ✓ be aged 55 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 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

Furthermore, it is necessary that the beneficiary of your life insurance policy be yourself or your estate<sup>1</sup>. You are required to arrange with your insurance company to change the beneficiary as necessary.

<sup>1</sup> Please refer to the Important Notice of the Policy Reverse Mortgage Programme on [www.hkmc.com.hk](http://www.hkmc.com.hk) for further information.



## Key Product Features and Benefits



### 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<sup>2</sup>.

<sup>2</sup> A handling fee of HK\$1,000 will be charged for each successful application for change of payment term. Such handling fees will be debited to the outstanding loan amount.

## 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.

## 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 also 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	Gender of borrower	Death benefits of life insurance policy
<b>65</b>	<b>Male</b>	<b>\$2 million</b>



### Monthly payout amounts<sup>a</sup>

Payment term	10-year	15-year	20-year	Life
<b>Floating-rate mortgage plan<sup>b</sup></b>	\$4,393	\$3,441	\$3,036	\$2,793
<b>Fixed-rate mortgage plan<sup>c</sup></b>	\$5,194	\$3,998	\$3,480	\$3,157

<sup>a</sup> 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.

<sup>b</sup> The above monthly payout under the floating-rate mortgage plan is calculated at the interest rate as at 30 November 2022 (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.

<sup>c</sup> 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.



## 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 purposes<sup>3</sup>:

- 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 Ordinance<sup>4</sup>
- payment for home improvement (including works aiming to improve the environmental friendliness of home/housing estate), 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
- payment for estate planning expenses (such as fees on making wills and setting up trusts)
- 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.

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.



## 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. Please refer to the Important Notice of the Policy Reverse Mortgage Programme on [www.hkmc.com.hk](http://www.hkmc.com.hk) for details.



## 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.

<sup>3</sup> Supporting documents are required for each lump-sum payout application. Other purposes not listed above may be considered on a case-by-case basis.

<sup>4</sup> 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.



## Six-month cooling-off period

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



## Costs

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### 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.

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### 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:

- **Upfront Mortgage Insurance Premium** is 1% of the specified policy value, payable by 5 annual instalments on the 1<sup>st</sup>, 13<sup>th</sup>, 25<sup>th</sup>, 37<sup>th</sup> and 49<sup>th</sup> monthly payout dates respectively. Each annual instalment is calculated at 0.2% of the specified policy value under the policy reverse mortgage loan.
- **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.

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### Handling fee

A handling fee of HK\$1,000 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.

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### 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.

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# Learn more

Please visit any branch of the following major insurance agency for details of **CoverU Whole Life Insurance Plan / CoverU Whole Life Insurance Plan (Delight Version)**.

Bank of China (Hong Kong) Limited ☎ (852) 3988 2388 🌐 [www.bochk.com](http://www.bochk.com)

Source: The Hong Kong Mortgage Corporation Limited Policy Reverse Mortgage Information Pack (January 2023 version)

\* Please note that the Plan is an eligible life insurance plan under Policy Reverse Mortgage Programme, but it does not necessarily mean that your Policy Reverse Mortgage Programme application will be approved. The eligibility of this product under the Policy Reverse Mortgage Programme is based on the features of the product. Therefore, you and your life insurance policy are still required to meet all the eligibility requirements under Policy Reverse Mortgage Programme before you apply for the policy reverse mortgage loan.

## Notes

- All information in relation to Policy Reverse Mortgage Programme provided in this leaflet is for reference only, and you should not make any decisions based on such information alone. The information provided above does not constitute professional advice, recommendation, offer or persuasion to any person to make any decision (either insurance application or other decision). BOC Group Life Assurance Company Limited (“BOC Life”) and Bank of China (Hong Kong) Limited (“BOCHK”) cannot provide you with any advice on the Policy Reverse Mortgage Programme. You should seek independent advice from relevant experts before making any decision. BOC Life and BOCHK make no representation as to the accuracy, completeness or timeliness of the above information and shall not be held liable for any use or interpretation of the above information by a third party.
- This leaflet is intended to be distributed in Hong Kong only. It shall not be construed as an offer to sell or a solicitation of an offer or recommendation to purchase or sale or provision of any products of BOC Life outside Hong Kong. The leaflet should be read in conjunction with the relevant product brochure. Please refer to the product brochure, policy documents and provisions issued by BOC Life for details (including but not limited to insured items and coverage, detailed terms, key risks, conditions, exclusions, policy costs and fees) of the Plan and the supplementary rider(s) (if any).
- The Policy Reverse Mortgage Programme 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 Policy Reverse Mortgage Programme. BOC Life and BOCHK shall not be responsible for the policy owner’s suitability and eligibility to apply for the Policy Reverse Mortgage Programme. You should always seek for advice from professional bodies if you have any doubts. Please note that the information provided is subject to change including the eligibility criteria for Policy Reverse Mortgage Programme. BOC Life and BOCHK shall not take any responsibility to inform you about any changes and how they may affect you.
- The Policy Reverse Mortgage Programme is subject to relevant terms and conditions. Please contact HKMC Retire 3 for details.
- HKMC Retire 3 Hotline: 2536 0833
- Email: [hkmcretire3@hkmc.com.hk](mailto:hkmcretire3@hkmc.com.hk)
- Website: [www.hkmc.com.hk](http://www.hkmc.com.hk)

### **Important Notes**

- The Plan and the supplementary rider(s) (if any) are underwritten by BOC Life. BOCHK is the major insurance agency appointed by BOC Life.
- BOC Life is authorised and regulated by Insurance Authority to carry on long term business in the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong").
- BOCHK is granted insurance agency licence under the Insurance Ordinance (Cap. 41 of the Laws of Hong Kong) by Insurance Authority in Hong Kong. (insurance agency licence no. of BOCHK is FA2855)
- BOC Life reserves the right to decide at its sole discretion to accept or decline any application for the Plan and the supplementary rider(s) (if any) according to the information provided by the proposed insured and the applicant at the time of application.
- The Plan and the supplementary rider(s) (if any) are subject to the formal policy documents and provisions issued by BOC Life. Please refer to the relevant policy documents and provisions for details of the insured items and coverage, provisions and exclusions.
- BOCHK is the appointed insurance agency of BOC Life for distribution of life insurance products. The life insurance product is a product of BOC Life but not BOCHK.
- In respect of an eligible dispute (as defined in the Terms of Reference for the Financial Dispute Resolution Centre in relation to the Financial Dispute Resolution Scheme) arising between BOCHK and the customer out of the selling process or processing of the related transaction, BOCHK is required to enter into a Financial Dispute Resolution Scheme process with the customer; however any dispute over the contractual terms of the insurance product should be resolved directly between BOC Life and the customer.
- BOC Life reserves the right to amend, suspend or terminate the Plan at any time and to amend the relevant terms and conditions. In case of dispute(s), the decision of BOC Life shall be final.

Should there be any discrepancy between the Chinese and the English versions of this promotion material, the English version shall prevail.

This promotion material is for reference only and is intended to be distributed in Hong Kong only. It shall not be construed as an offer to sell or a solicitation of an offer or recommendation to purchase or sale or provision of any products of BOC Life outside Hong Kong. The full terms of the policy are not included in the product information, but can be found in the policy document. Please refer to the sales documents, including product brochure, benefit illustration, policy documents and provisions issued by BOC Life for details (including but not limited to insured items and coverage, detailed terms, key risks, conditions, exclusions, policy costs and fees) of the Plan and the supplementary rider(s) (if any). For enquiry, please contact the branch staff of the major insurance agency.

