HSBC INSURANCE (USA) INC.

Insurance Brochure

Information and Disclosures for Our Customers and Prospective Customers Regarding Our Insurance Services, Products, Conflicts and Compensation

September 1, 2020

HSBC Insurance Agency (USA) Inc. (“HSBC Insurance Agency”), which is an affiliate of HSBC Securities (USA) Inc., is a licensed insurance agency in all fifty states to sell life and health, and property & casualty insurance. HSBC Insurance Agency acts as an agent for the insurance carrier that issues your insurance policy. As an insurance agent, we are subject to state insurance laws and regulations, which vary from state to state. But in all cases, our policies and procedures are designed so that our recommendations will be made in compliance with state laws.

HSBC Insurance Agency sells insurance products to all four of HSBC’s customer propositions: Advance, Premier, Jade and Private Banking, although the specific products may vary depending on the customer proposition as described in more detail below. You are under no obligation to purchase insurance products through HSBC Insurance Agency. However, if you do, HSBC Insurance Agency will earn commission from the insurance carrier for the sale of the insurance product(s). The amount of commission is based on the insurance premium that you pay for your insurance policy. Certain types of insurance products pay greater compensation to HSBC Insurance Agency than do others. Feel free to ask your Representative about our compensation for any particular service or product that you purchase. For a more detailed description of HSBC’s customer propositions or on how your Representative receives compensation from HSBC Securities (USA), Inc., please see the HSBC Securities (USA) Inc. Brokerage Brochure.

From time to time, HSBC Insurance Agency and its agents (including your Representative) receive non-cash compensation from insurance carriers consistent with customary industry practice and in accordance with our policies and procedures. Non-cash compensation may include items such as gifts (e.g. pens, umbrellas, coffee mugs, gift baskets, etc.), meals and entertainment (e.g. tickets to sporting events, concerts, etc.). Insurance carriers may also provide financial support for marketing, training, conferences, and other activities to support the sale of their products and services to our customers.

Our receipt of non-cash compensation and other payments creates a conflict of interest because the recipient or beneficiary, such as your Representative, has an incentive to use, recommend, offer or include the giver’s products or services. We mitigate this conflict by disclosing it to you.

HSBC Insurance Agency selects insurance products and services that are generally appropriate for some of our customers per proposition, so that a menu of available products is different depending upon the proposition serving your account. Primarily, the insurance offerings differ for Private Banking customers, as described herein. We understand that circumstances and needs change over time, so feel free to discuss changing your relationship among these propositions if you feel you would be eligible or prefer a different service level.
After selecting from this menu, however, which can change over time, HSBC Insurance Agency empowers its agents to make recommendations from this subset based upon their understanding of your individual circumstances as you have described those circumstances to them. If your Representative provides a recommendation, please take the time to discuss the associated costs, the risks of the product, our conflicts and what other products the Representative considered before narrowing the choices to those he or she recommends. You will make the choice, not your Representative, of whether or not you purchase a product.

Below, we categorize the key insurance product categories available for recommendation through our agents. We include important information including a general description, the typical circumstances under which we might recommend these products, certain general risks, associated fees and costs, conflicts of interest (including our compensation) and the limitations of our recommended products set. Remember that we believe in a layered approach to providing information and it is not possible to give you every detail about every product in this general brochure. You will have the opportunity to spend more time with your Representative to review information about particular products before you make your choice.

Let’s begin with the insurance product set most widely available to our retail customers. Remember that this is the product set that we recommend as an insurance agent – and this is not the product or service set that we offer as a broker-dealer or investment adviser. We are not acting as a fiduciary when recommending the products below as an agent, and we will not be monitoring your insurance accounts.

♦ Our Life and Long-Term Care Insurance Offerings

Insurance companies issue life and long-term care insurance policies to cover the risk of loss due to death or the need for long-term care. The insurance offerings of HSBC Insurance Agency are non-variable products. For information on variable insurance products, which are sold by HSBC Securities (USA) Inc., see the HSBC Securities (USA) Inc. Brokerage Brochure.

There are broadly four product categories offered by HSBC Insurance Agency, including:

1. **Term life insurance** provides coverage for a defined amount of coverage, at a fixed premium, over a specific period of time (i.e., 10, 15, 20, or 30 years), where the beneficiaries receive a lump sum equal to the amount of coverage purchased. There is no cash value.
2. **Whole life insurance** is permanent insurance designed to allow you to pay a guaranteed premium in return for a guaranteed death benefit and guaranteed cash value. A portion of your premium will be applied to the policy’s cash value and grow at a minimum rate guaranteed by the issuing insurance company.
3. **Single Premium Life insurance** is primarily designed to provide a guaranteed death benefit to transfer wealth via a one-time premium payment.
4. **Universal life insurance** is permanent insurance designed to allow you to build cash value and death benefit by controlling the amount and frequency of premium payments. Some universal life policies include long-term care insurance benefits, which helps pay for the costs associated with qualified long-term care, such as a visiting or live-in caregiver, therapist or private duty nurse.

Representatives take a needs-based approach to offering life and long-term care insurance based on factors meaningful to the particular customer. For example, when recommending one type of insurance policy over other types of insurance and wealth products, they take into consideration tax-deferred growth, ability for flexible premium structure, availability to leave tax-free legacy benefit to heirs, need for long-term care coverage, carrier rating, carrier reputation, availability of conversion options, and risk appetite.

♦ Material Limitations on offerings

There are no material limitations within the insurance products themselves. The life insurance and long-term care products available through HSBC Insurance Agency do not represent all of the life insurance and long term care products available in the marketplace, but they are competitively priced, offering features and benefits consistent with offerings available through other insurance agencies. Representatives are only permitted to recommend and sell insurance and long-term care products that are approved by our due diligence process. The products available may change over time, at the discretion of HSBC Insurance Agency.

Currently, term life insurance, whole life insurance, universal life insurance and universal life with long term care coverage is available for all customer propositions. However, there is a more limited offering of these insurance products for the
Advance, Premier and Jade customer propositions than for the Private Banking proposition. The products available for each proposition, however, are competitive in the marketplace.

♦ **Our Property & Casualty Products**

HSBC Insurance Agency offers a variety of Property & Casualty insurance solutions that may vary depending upon customer segment. Personal insurance protects families, individuals and their property from loss and damage. Coverage types include Homeowners, Automobile/Classic Car, Excess Liability/Umbrella, Collections/Fine Art, Watercraft/Yacht, Kidnap & Ransom and Aircraft. For more information about Property & Casualty solutions offered through HSBC Insurance Agency, please contact us at (302) 504-0243.

**Compensation to the Firm**

HSBC Insurance Agency earns a commission from the insurance carrier for the sale of insurance policies. The commission received by HSBC Insurance Agency is a percentage of the premium that you pay for your insurance policy. The amount of the initial sales commission, or first-year commission varies, and is based upon the specific product and its terms and conditions. HSBC Insurance Agency may also receive renewals, commissions and/or asset-based cash accumulation values or a combination of both.

- For life insurance products, these commission ranges generally are as follows-
  ♦ Term life insurance policies, the first year commission ranges from 50% – 99% of the premium.
  ♦ Whole life policies, the first year commission ranges from 50% – 85% of the premium.
  ♦ Universal life policies, the first year commission ranges from 80% – 95% of the premium.
  ♦ Single Premium Life policies, the first year commission ranges from 7% – 8% of the premium.
  ♦ Universal life with long-term care benefits, the first year commission ranges from 4% – 7% of the premium.

Renewal commissions generally range between 1% – 5% starting in year two, and generally last between two years and ten years, depending upon the product. HSBC Insurance Agency does not receive revenue sharing on life and/or life with long-term care benefits policies.

- For property & casualty insurance products, these commission and renewal ranges generally are as follows -

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<thead>
<tr>
<th></th>
<th>NEW</th>
<th>RENEWAL</th>
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</thead>
<tbody>
<tr>
<td>Homeowners</td>
<td>10 (FL) -20%</td>
<td>08 (FL) -20%</td>
</tr>
<tr>
<td>Automobile</td>
<td>15-20%</td>
<td>12-15%</td>
</tr>
<tr>
<td>Excess/Umbrella</td>
<td>10-20%</td>
<td>10-17%</td>
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<tr>
<td>Collections/Fine Art</td>
<td>15-20%</td>
<td>15-20%</td>
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<tr>
<td>Watercraft/Yacht</td>
<td>10-15%</td>
<td>10-15%</td>
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<tr>
<td>K&amp;R</td>
<td>25-35%</td>
<td>25-35%</td>
</tr>
<tr>
<td>Aircraft</td>
<td>10%</td>
<td>10%</td>
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</tbody>
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**Compensation to Representatives**

Representatives do not receive a commission (a set percentage of the revenue received by HSBC Insurance Agency from the execution of a transaction) on the products the Representative sells. Your Representative is paid a salary with the opportunity to receive a discretionary bonus, which creates conflicts between you, us and your Representative. We base these discretionary bonuses (or individual variable pay decisions) on the Representative’s personal performance measured against established key performance indicators and objectives.

For information on how your Representative receives compensation from HSBC Securities (USA), Inc., please see the HSBC Securities (USA) Inc. Brokerage Brochure.
♦ **Risks associated with insurance products**

Risks vary, depending on the type of insurance. Term life insurance, for example, is generally considered to be low risk. Aside from non-payment of premiums, which could cause the term life policy to lapse, term life coverage is for a specified period of time, there are no surrender charges, no cash value component, and coverage may be cancelled without penalty at any time.

With respect to permanent types of insurance, in addition to the risk of policy lapse due to nonpayment of premium, risks include the potential for needing to pay additional premiums in the event that the performance of the product is lower than illustrated; paying surrender charges for early withdrawals of cash value; and other variables that may increase expenses within the insurance contract over time, including the cost of insurance.

♦ **Our Compensation and Conflicts**

The compensation that we earn from your investments in insurance products when we act as your agent creates incentives for us to promote and recommend that you purchase these products from us. Further, we earn more commission from some insurance products that we offer than others, which creates a potential conflict for us to promote and recommend those insurance products that pay us more over those that pay us less, as described in the section above titled “Compensation to the Firm.”

The revenue that we receive from your investments in insurance and the amount of the investment are among the factors that we consider when determining whether and how much your Representative may receive as compensation in the form of variable pay (a discretionary bonus).

Representatives may participate in training and other third party hosted events provided by the third party insurance carriers.

We address these conflicts by disclosing them to you and by having policies and procedures designed to mitigate sales practice issues and to ensure that recommendations are made in your interest. For more information about buying insurance products, see the Life Insurance Buyers Guide issued by the National Association of Insurance Commissioners (NAIC) at [https://naic.org/documents/consumer_guide_life.pdf](https://naic.org/documents/consumer_guide_life.pdf).

If you are interested in purchasing a particular insurance product, please review the insurance policy, which you can request from your Representative, or call the Wealth Services Desk at 1-800-662-3343. Other relevant documents you can review are:

♦ Product marketing materials and specifications
♦ Carrier Application and Disclosure forms
♦ HSBC Disclosure and Acknowledgement

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