

# WHAT IS BRANCH 21 SAVINGS INSURANCE?

Branch 21 insurance (also called **savings insurance**) is a medium to long-term savings product that takes the form of a **life insurance policy**. This insurance offers you capital protection for your savings and return.

By taking out an insurance policy, you receive the premiums you have paid, less costs, on the expiry date. You usually also receive a guaranteed interest rate as well as a share in the profits if these are paid out by the insurer.

If you use your policy to provide a top-up pension or long-term savings, you are also entitled to tax relief.

You can opt to take out additional **death cover** in your insurance policy. If you do that, the insurer will ask you for an additional premium. The larger the amount that you want to bequeath, the higher the premium will be. In this way, financial insurance forms an excellent component for your inheritance planning.

## Features

**Insurer:** this is the insurance company that offers you your insurance.

**Policyholder:** this is the person who takes out the insurance and pays the premium. This can be the same person as the insured, but this need not be the case.

**Insured:** this is the person who is insured. Their life or death is insured.

**Beneficiary:** if the insurance expires or the insured dies, the money is paid out to the beneficiary designated in the insurance policy. In this way, you can support your loved ones financially.

**Premium:** when you pay money into an insurance policy, you are actually paying a premium. This can be a one-off premium, but it is also possible to pay different premiums during the life of the policy.

**Term:** the policy can have a final expiry date and so a fixed term (e.g. 10 years), but it can also be open-ended. An open-ended policy expires upon the death of the insured or when you surrender your insurance.

**Guaranteed return:** the return guaranteed by the insurer. In most cases, the return is not paid out annually but is capitalised. It is then added to the originally-invested capital so that this return can, in turn, generate a return the following year. When you take your capital, at the same time you will receive the capital and all returns.

**With-profits:** in principle, you can receive a share in the profits every year. This is not predetermined or guaranteed, but depends on how much profit your insurer makes. Once the profits have been allocated, the insurer cannot take them back. The allocation of profits may be subject to conditions being met.

**Capital protection:** your capital is protected on the final expiry date. This means that you will recoup your capital in full on the expiry date.

**Capital guarantee:** your capital is guaranteed by the Special Protection Fund. If the insurer experiences problems, the Fund guarantees that you will recoup up to EUR 100,000 of your money.

## Risks

**Currency risk:** the majority of branch 21 savings insurance policies are denominated in EUR. A savings insurance policy may occasionally be denominated in a foreign currency. As exchange rates can fluctuate considerably, all investments made in foreign currencies come with an extra risk attached.

**Liquidity risk:** financial insurance is particularly favourable if you benefit from a tax break. But if you keep your investment for less than eight years, this tax break is negated. In that case, you pay surrender costs plus withholding tax on your profit and the tax break you enjoyed.

**Market risk:** the value of an insurance policy varies over time. You have capital protection and a guarantee, as a result of which you can be certain that you will receive both the return and the capital on the final expiry date.

**Insolvency risk:** this risk is very low. The legislator obliges all insurers to have a safety net amounting to 4% of the funds invested with them in branch 21 financial insurance. If the insurance company fails, the policyholder is reimbursed before the other creditors.



This product is also guaranteed by the **Special Protection Fund for Deposits and Life Insurance**. This comes into play when the insurer experiences financial problems. Each policyholder is protected for an amount of EUR 100,000 for each insurance company. If you have more capital with the same company, only the first EUR 100,000 are guaranteed. You therefore run the risk that you will lose some or all of the remaining amount.

## Costs and taxes

When you take out branch 21 savings insurance, it is in your best interest to take the costs and taxes that you will have to pay into account. This is because they will affect the return on your investment.

### COSTS

**Commission:** this is remuneration for the insurer, which is expressed as a percentage of the net premium. Commission is deducted directly from the deposited amount.

**Costs on surrender:** these costs apply if you terminate your contract within eight years and one day. They depend on various conditions. You pay a percentage of your capital in costs depending on whether the conditions are met.

**Exit fees:** you do not pay any exit fees in the event of death or on the expiry date of the policy.

### TAXES

**Tax on life insurance:** whenever you deposit money (a premium) in your life insurance policy, you must pay life insurance tax. Your insurer forwards the tax amount directly to the government. The remaining amount is the net premium. Of course, this only applies if the policyholder is an individual.

**Withholding tax:** if, as an individual, you take out branch 21 financial insurance — and maintain your insurance for more than eight years and one day — you will not pay any withholding tax. However, if you request your money within eight years of taking out your insurance, you will have to pay withholding tax. If you use your insurance to top up your pension and terminate your contract within eight years, then you will also pay tax on the tax break previously received.

Imagine you take out death insurance. If you insure an amount for 130% of all premiums paid for the death cover, then under certain conditions no withholding tax has to be paid on the interest paid in the meantime on your branch 21 insurance.

## Want to know more about savings insurance?

Read our *Financial Instruments information sheet* on our website at <http://www.bnpparibasfortis.be>. Some sections of this document were taken from [www.wikifin.be](http://www.wikifin.be).

