WHAT IS INVESTMENT INSURANCE WITHOUT CAPITAL PROTECTION (BRANCH 23)?

Branch 23 insurance combines an investment component with insurance against risks: death and life. They are linked to high-risk investment products. Consequently, they can offer a potentially greater return, but without any guarantee.

You pay **premiums** to your insurer for your branch 23 life insurance. Your insurer will initially deduct costs, taxes and, where appropriate, a fee for **death cover** from these premiums. You use the remainder of your premium to buy units of one or more internal funds that are linked to your branch 23 life insurance.

You can liken an internal fund to a large piggy bank managed by the management company. Insurers have lots of different piggy banks or internal funds. For each internal fund, the insurer will invest the money received in bonds, equities, real estate, funds, etc. One internal fund will, for example, invest more in equities, while another fund will invest more in bonds. Your contract states the piggy bank or internal fund in which your premium will be deposited.

The value of these internal funds — and so of your branch 23 life insurance — changes constantly because the value of the products in which the internal funds invest is constantly fluctuating.

When you choose branch 23 instead of branch 21 life insurance, you are opting for an investment that might generate a greater return. But this greater return also entails more risk. The risks inherent in the internal funds are related to the risks inherent in the products in which the fund invests. So, it is more risky to invest in shares of start-up technology companies than in German or Belgian government bonds.

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 always 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 contract has an indefinite term and only expires upon the death of the insured or when you surrender your insurance.

Risks

Currency risk: insurance taken out in a foreign currency entails a currency risk against the euro. Whenever you buy or sell such an insurance policy, your euros are converted to the foreign currency (or back). The amount in euros that you receive in the event of sale can be more or less than the amount that you originally invested owing to the exchange rate.

Liquidity risk: the right to surrender and the conditions that must be met in this regard are stated in the insurance policy. If you surrender your insurance, you should bear in mind that, in most cases, you will only be able to access your money after a few days or weeks.

Interest rate risk: interest rate changes can affect the underlying funds' performance. This is considerably dependent on the products in which the funds invest. If the underlying funds are bond funds, they will have a greater interest rate risk than equity funds.

Capital risk: as there is no capital protection, you run the risk of not recouping your original outlay in full if you withdraw from the insurance. Owing to the large diversification of investment products in which the underlying funds invest, the potential is more limited than for an investment in an individual share, for example.

Risk price volatility: the price of the underlying funds fluctuates. This is called volatility. The price volatility of the underlying funds is mainly determined by the products in which the funds invest and the investment strategy adopted. If the underlying funds are equity funds, they will have a greater volatility risk than bond funds.

Costs and taxes

When you buy branch 23 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.

Management fees: you do not pay these costs when you buy the insurance. They are deducted annually from the return.

Costs on surrender and transfer: these costs apply if you terminate your contract within eight years and one day or if you transfer your contract. 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.

Do you want to find out more about investment insurance without capital protection?

Read our *Financial Instruments information sheet* on our website at www.bnpparibasfortis.be. Some sections of this document were taken from www.wikifin.be.

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