

LIFE ASSURANCE SOLUTIONS

CLIENT QUESTIONS & ANSWERS

The A to Z of Luxembourg life assurance for French residents

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About Luxembourg

Can anyone residing in Europe open a life assurance in Luxembourg?

YES. The freedom to provide services (FPS) which came into European law in the early '90s gives an insurance company established in the EU/EEA, the possibility to market and distribute its insurance contracts in other European markets. Therefore, a resident in a EU country may lawfully apply for a Luxembourg issued life assurance policy.

What are the strengths of Luxembourg?

Stability

Luxembourg is one of the very few countries with an AAA credit rating given by Standard & Poor's, Moody's and Fitch.

Leadership

Luxembourg is number one worldwide in terms of cross-border fund distribution and European leader for cross-border life assurance (EUR 27bn in 2019).

What are the benefits of a life assurance “made in Luxembourg”?

Policyholder protection at two levels:

1. Protection against custodian bank and life insurance company’s failure

Luxembourg offers a unique protection regime in Europe thanks to the “Triangle of Security”:

- Assets underlying the policyholder's contract must be custodied in an account separate from the life assurance company's capital with a custodian bank approved by the “*Commissariat aux assurances*” (CAA).
- The custodian bank is required to segregate the underlying assets in order to protect the policyholders' financial assets.
- In case of default, the policyholders have preferential rights over all other creditors on their individual policyholder's policy account.



Please check out more in the **OneLife Policyholder Protection factsheet**

2. Protection against applying for inadequate investment risks

The investment scope of each policyholder depends on his own objectives and investment profile and abides by the regulatory investment limits set by the Luxembourg's regulator, the CAA in the circular letter 15/3.

Each policyholder is classified within a client category (N, A, B, C or D) depending, as defined in below mentioned circular letter, on the invested premium within the life assurance contract and the policyholder's net investible wealth (excluding property value and net of loans). N clients have access to traditional assets within regulated portfolios only, with investment scope enlarged for clients in category A to D with non-traditional assets up to private equity as a possibility.



Please check out more in the **Circular Letter 15/3** at www.caa.lu/uploads/documents/files/Circ15_3.pdf

Tax neutrality

The taxation applied to a Luxembourg contract is the one of the policyholder's country of residence. The contract is tax neutral in Luxembourg.

Effective portfolio management

Luxembourg's open architecture framework offers a wide diversity of investment vehicles and asset classes which enables an efficient investment management strategy: from collective to highly personalised management according to the policyholder's category (as defined by the CAA).

OneLife contract					
AM Type	Individual		Collective		
Premium Amount	≥ EUR 125,000		≥ EUR 100,000		
Fund Type	Specialised Insurance Fund (SIF)		Dedicated Fund (DF)	Internal Collective Fund (ICF)	External Fund (EF)
	Buy & Hold	Advisory			
Custodian bank	Policyholder's choice*		Caceis Bank		
Asset manager	No	Yes*	Yes**	Yes**	

Underlying investment choice function of Client Category and according to the Circular Letter 15/3 of the CAA

* **Open partnership architecture**, however subject to OneLife and CAA acceptance. Possible **multi custody** and **asset management**

** According to fund selection

About OneLife

Who is OneLife?

OneLife is a Luxembourg life assurance company with 30 years' experience in developing financial planning solutions across Europe.

How robust is OneLife?

OneLife is part of Groupe APICIL, the third largest social protection group in France, engaged in health and life insurance, pensions, savings products and related financial services. Please check out more at www.groupe-apicil.com/en.

OneLife's solvency ratio provides high levels of protection for the policyholder's assets.

Where does OneLife operate?

OneLife is active in Belgium, Denmark, Finland, France, Luxembourg, Portugal, Spain and Sweden, with portable solutions over those 8 European markets and beyond. OneLife also serves UK expats residing in aforementioned countries. For any other market, please contact OneLife.

What about OneLife partners?

Over the years, OneLife has developed an extensive network of reputed partners from an asset management and custodian perspective to ensure the best experience for our common clients. We have relationships with more than 200 asset managers and 90 custodian banks across Europe.



Please check out more in **OneLife factsheet**

About the Wealth France life assurance contract

General



Please refer to the product features displayed in **The Wealth France product factsheet**

If I am a French tax resident, can I apply for a contract insuring the life of someone else?

From a French perspective, it is not recommended to insure the life of someone else or even to have multiple life assureds and only one policyholder. Indeed, it should be noted that during the life of the life assured, the only one who is authorised to take action on the policy is the policyholder. In the event of the pre-decease of the policyholder, the contract could be blocked until the death of the last life assured.

Is the application documentation for Wealth France available in English?

The documentation is available in both French and English so that non-French speaking residents can fully understand the terms and conditions prior to signing the contract.

We are a married couple, can we apply for joint-life with termination at second death so the contract is not surrendered when one of us dies?

From a French perspective, joint-life with a termination at second death is only recommended for jointly held assets and one of the following appropriate matrimonial regimes: (1) Legal community with a "clause de préciput", (2) Universal community with full attribution to the last survivor or a "clause de préciput", or (3) separation of property regime with a "société d'acquêts" and a "clause de préciput". This precaution mitigates the risk of requalification in indirect donation by the French tax authorities and ensures that the civil and tax treatment of the product is aligned at the time of the first death.

To note, that applying to joint-life with a termination at the first death is however possible for all married couples with French fiscal residency (provided that the premium paid belongs to the spouses on the basis of half each).

We are a couple with a civil partnership, can we apply for a joint-life contract?

Couples in civil partnership are not entitled to apply for a joint-life policy.

We are a married couple, with fiscal residency in two different countries, can we apply for a joint-life contract?

Regardless of your matrimonial regime, OneLife does not accept joint-life applications for couples with fiscal residency in two different countries due to the taxation risk and operational constraints arising from such a specific set up.

What about the beneficiary clause?

In order to benefit from life assurance's favourable tax scheme, a beneficiary clause has to be displayed in the contract.

The policyholder is free to name the beneficiary/ies of his choice, displayed within the policy application or in a separate document such as the policyholder's will, and amend it at any time.

Beneficiaries can be individuals, companies or associations.

Can I add a dismembered beneficiary clause?

Yes, adding a dismembered beneficiary clause is possible, for distributing upon death the usufruct (use of the asset) and the bare ownership (ownership of the assets) to different persons.

The dismembered clause should be tailored to the policyholder's estate planning objective. Upon request, OneLife can share a dismembered clause example in English.

What are the fees charged for this contract?

OneLife is committed to transparency in everything it does. The cost structure is described in the latest appendix of the product's General Terms and Conditions.

The total contractual cost charged to your policy is also displayed in the application form, and in the event of application to a Dedicated Fund or a Specialised Insurance Fund investment vehicle, fund costs are displayed in the Investment Strategy for Internal Dedicated Funds and Specialised Insurance Funds document (KIID).

What happens if I apply for a Wealth France solution and thereafter relocate outside France?

OneLife's solutions are portable over the 8 European markets covered. If you relocate within one of those core markets, and you advise OneLife prior to your relocation, OneLife will support you in ensuring the compliance of your contract with the local requirements of your future country of residence.

In such circumstances, OneLife will review your contract in order to assess if any adaptation is necessary. Indeed based on the local legislation of your future country of residence, your product may need to be adapted before your move.

How does OneLife manage my contract portability in practice?

Let us take the illustration of Mr and Mrs Smith's request. They are UK nationals and retirees living in Nice (France). They hold jointly a French OneLife unit-linked life assurance contract and are planning to relocate to the sunny city of Marbella. Before moving, the clients communicate their intention to their Broker who, in turn, makes contact with the Customer Services Team of OneLife for that purpose.

Further to an internal analysis of the situation, the Customer Services Team of Onelife provides the client with a Spanish "Move To" form including all the appropriate legal and tax considerations so that the life assurance subscribed as French resident is still fully recognised as such in Spain. In addition, the client will be duly informed about their tax reporting obligations in Spain linked to this type of product in order to avoid any hassle and penalties/sanctions vis-à-vis the local tax authorities.

To conclude, the overall management of the relocation from France to Spain will be done in a controlled and smooth way for the benefit of the partner and their clients and always under the technical assessment of qualified people with deep technical knowledge in both markets.

What happens if I die in France with beneficiaries in France?

If you are a French tax resident at the time of your death with French tax resident beneficiaries, the death benefit from your Wealth France life insurance policy will be taxable in France in accordance with the tax regime displayed in the Taxation factsheet.

What happens if I die in France with beneficiaries in multiple jurisdictions?

If you are French tax resident at the time of your death with beneficiaries in multiple jurisdictions, in principle, the benefit from your Wealth France life insurance policy should be taxable in France following the tax regime displayed in the Taxation factsheet.

Let's take as example the illustration of a policyholder with fiscal residency in France and his beneficiary with fiscal residency in the UK.

Andrew is English and lives in Paris (France), while his son Steven, lives in London. Andrew wishes to spend his retirement in the south of France. Considering his family's international situation and with a view to preparing for the transfer of his wealth to his son, Andrew applies to a Wealth France policy in the year of his 72nd birthday and invests EUR 200,000. He appoints his son as beneficiary of the policy.

Twenty years later and while still being French tax resident, Andrew passes away. As beneficiary, his son is entitled to receive the death capital worth EUR 250,000.

Even if Steven is UK tax resident, French inheritance tax applies to the death capital received as at the time of his death, Andrew was French tax resident.

From a French perspective, life assurance policies benefit from a favourable tax scheme. Indeed, in the case in hand, Steven will benefit from an allowance of EUR 30,500.

Premium exceeding this allowance (EUR 169,500 = EUR 200,000 – EUR 30,500) is then subject to the same allowances and sliding scales as those set out as regards to traditional asset portfolios depending on the family relationship.

As Steven did not receive a taxable gift from Andrew over the past 15 years, he can also benefit from the "classic" EUR 100,000 allowance, leading to reduced taxable base of EUR 69,500 (EUR 169,500 – EUR 100,000) and taxed as per below:

- *Between 0 and EUR 8,072: 5% rate = EUR 8,072 x 5% = EUR 404*
- *Between EUR 8,072 and EUR 12,109: 10% rate = EUR 4,037 x 10% = EUR 404*
- *Between EUR 12,109 and EUR 15,932: 15% rate = EUR 3,823 x 15% = EUR 573*
- *Between EUR 15,932 and EUR 552,324: 20% rate = EUR 53,568 x 20% = EUR 10,714*

Steven will therefore pay total inheritance taxes of EUR 12,094.

In addition, Steven is liable to pay social security contributions at a rate of 17.2% over the capital gain.

The above developments are merely an overview of some of the implications of cross-border inheritance planning. Practical impacts are assessed on a case-by-case basis.

Currency

Do I have to invest in Euro?

OneLife's solution is designed with multiple currency options, meaning:

- The contract is denominated in one single currency being Euro by default with possibility to choose Sterling, Dollar, Swiss Franc, Danish Krone or Swedish Krona (subject to OneLife acceptance)
- The premium invested within a contract can be in multiple currencies without any forex impact as long as the custodian bank appointed can also deliver the appropriate currency cash account (please liaise with your OneLife contact for confirmation by custodian bank)
- A premium can be invested in different funds with diverse fund currencies

Can I start a policy in GBP with an initial premium in GBP and then invest an additional premium in EUR?

Yes, it is possible to invest an initial premium and/or an additional premium in a different currency than the currency of the contract. And there will be no forex impact as long as the custodian bank appointed can also deliver the appropriate currency cash account (please liaise with your OneLife contact for confirmation by custodian bank).

Can I apply for a policy in GBP and convert it to EUR thereafter?

No, it is not possible to change the currency of the contract once the policy is issued.

Can I invest within multi-currency funds if my premium is in GBP only?

Yes, your premium can be invested within different funds with diverse fund currencies.

Can I get paid a withdrawal in a different currency than my premium currency?

Withdrawals are payable only in the reference currency of the contract. Where payment is made into an account denominated in a currency other than the reference currency of the contract, all exchange charges will be borne by the beneficiary or policyholder.

What are the exchange costs applying (rate & fees) when a premium is invested into funds with different currencies?

Exchange rate and fees applying to any forex are only charged by the appointed custodian bank and depend upon the appropriate pricing grid. OneLife does not charge any fees on forex.

Investments

Do I have access to my money?

Yes, your premium is invested in assets held within your policy and is available anytime upon your partial or total surrender request.

Can I get back regular income from my investment?

Yes, you can ask any time for setting up a regular withdrawal of minimum EUR 5,000 and choose to receive it quarterly, bi-annually or annually.

I don't want to take investment risk with my money. What can I do?

You determine with your intermediary your risk appetite and investor profile, which shall be regularly reviewed, and which abides by the investment strategy set for your contract.

OneLife's contracts include unit-linked investments (not guaranteed funds).

What are the different investment opportunities linked to a policy?

- **Different investment possibilities in individual management (through DF and SIF)**



- **Access to a wide range of external funds**
 - A varied and broad fund range available selected for you by your broker
 - EUR 100,000 minimum premium (but no net investible wealth requirement)
 - Assets held at a premier custodian bank player, Caceis bank
 - Your portfolio servicing performed by OneLife (both consultative and transactional through single sign on to OneLife platform)
 - Fully transparent and cost-efficient model

How can I monitor my contract/asset portfolio allocation?

As a client, your contract's valuation is available at any time via your dedicated and secure online platform "yourassets" and phone application, "OneApp".

You can also sign electronically your application form via your "yourasset" access and make transactional requests.

I don't want to monitor my contracts and underlying assets. Can my trusted person do it for me?

Yes, you can delegate the entire asset management of your policy to a professional investment manager (Dedicated Fund solution) or decide to receive investment advice from your investment advisor while making the investment decision yourself within the Specialised Insurance Fund solution.

You can also decide to provide an information mandate on your policy to your trusted person and define the timeline and scope for this authorisation.

Taxation



Please check out more in the **Core market taxation factsheets**

Do I need to pay tax upon premium investment within my Wealth France policy?

There is no premium tax on the policy. However, as a French tax resident, you are liable to respect reporting obligations (see below).

How much tax do I need to pay during the lifetime of my Wealth France policy while I am not receiving income from it?

Gains generated by sales and switches of underlying assets of a life assurance policy are exempt from income tax (at the level of the policyholder), as well as from the 17.2% social security contributions as long as the policy is not surrendered.

This favourable tax treatment allows active management (to a certain extent) of the underlying portfolio at a lower cost.

Do I need to pay tax upon partial or full surrender of my Wealth France policy?

In the event of a surrender, only the interest portion (i.e. gain accrued) of the amount redeemed should be subject to tax (tax regime displayed in the Taxation factsheet).

What about inheritance tax/"taxe sui generis" regime?

Depending on the date the contract was entered into, the age of the life assured at the time premiums were paid and the date premiums were paid, death benefits could be subject to different tax regimes. Briefly, life assurance policies with the premium paid before the 70th birthday of the life assured benefit from the favourable tax regime of life assurance (specific tax allowance and "taxe sui generis"). After the 70th birthday, and after a general tax allowance, the death benefits fall in the scope of the classic inheritance tax regime (for more details, please refer to the Taxation factsheet).

When does French inheritance tax/"*taxe sui generis*" regime apply?

Various (non cumulative) criteria trigger the application of French inheritance tax applying when premium is paid after the 70th anniversary of the life assured (subject to the application of double tax treaties):

- The fact that the deceased was French tax resident at the time of death
- The fact that the heirs/beneficiaries were French tax residents at the time of death and had been for a period covering at least six of the past ten years
- The fact that the transferred asset (movable or immovable) is located in France.

Regarding the application of the "*taxe sui generis*" (premium paid before the 70th anniversary of the life insured), the (non cumulative) criteria are:

- The fact that the deceased was French tax resident at the time of death
- The fact that the heirs/beneficiaries were French tax residents at the time of death and had been so for a period covering at least six of the past ten years.

In this context, in the event of the subscription of a Luxembourg life assurance contract, the fact that the life assured or the beneficiaries were French tax resident at the time of death could in principle trigger the application of the French tax regime (subject to the application of double tax treaties).

How much inheritance tax is due if my wife/husband (or partner) is the beneficiary of my Wealth France contract?

The amounts paid by the insurer on the death of the life assured to their spouse or partner (civil partnership) are tax exempt (for both inheritance tax and "*taxe sui generis*").

Do I owe Wealth Tax on real estate?

French wealth tax on real estate is a tax due on global net real estate assets held directly or indirectly by individuals. A sliding tax scale applies where the net taxable assets reach the threshold of EUR 1,300,000 per household, from 0.50% to 1.50%.

French tax residents are taxable on their worldwide income, whereas non-French tax resident are only taxable on income situated in France.

Unit-linked policies are included for the portion of their surrender value, as at 1 January, representative of the taxable real estate assets. Temporary non-redemption clauses have no impact on this rule.

Individuals who have not been tax resident in France during the 5 years preceding the year in which they have established their tax residence in France, are taxable on their real estate assets located in France only, their assets located abroad being excluded for a maximum period of 5 years following the date of their establishment in France.

How much exit tax do I owe if I relocate outside of France?

Life assurance policies do not fall under the scope of the exit tax.

Reporting your life assurance contract to the tax authorities

What am I supposed to report during the lifetime of my Wealth France contract (contract subscribed abroad)?

Pursuant article 1649 AA of the French Tax Code, as a French tax resident, you are required to report each year with your income tax return (in year Y+1), the reference of the capital redemption bond or similar investment such as life assurance contract subscribed outside of France (in this case in Luxembourg), in force or terminated during year Y. This reporting should be made by checking box "8TT" of the French tax form No."2042" and attaching for each contract a form No. "3916-3916 bis" with the following information for each:

- identification of the policyholder (surname, first name, address, date and place of birth)
- the address of the headquarters of the insurance body and, if applicable, the branch granting the cover
- the designation of the contract, its references, the nature of the risks guaranteed,
- its effective date and the duration of this guarantee
- the effective date of amendments made during the previous year
- date and amount of any partial or total redemption made during the previous year
- total amount of premium contributed during the previous year
- as the case may be, the surrender value and/or the amount of capital guaranteed as at 1 January of the tax year

The absence of a declaration can lead to sanctions.

What am I supposed to report when I am partially or totally surrendering my Wealth France policy?

In the event of surrender, the reporting obligations differ according to the date of subscription of the contract, the duration of the contract at the time of surrender as well as the applicable taxation (income tax, flat tax, etc.). For new subscriptions and premiums paid since 27 September 2017, in principle, a reporting should be done with the payment of tax in year Y, no later than the 15th of the month following the payment of the products (Form No. 2778 SD) and another one in year Y+1 with the income tax return.

Surrender



Please check out more in the **specimen surrender request** and the **fact sheet about the tax regime** when requesting a surrender on the French market

If you have further questions or require any other information on OneLife solutions, please do not hesitate to get in touch on:

Contact details

Customer Services: CS_International@onelife.eu.com

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