

# LIFE ASSURANCE

## CONTENTS

<b>01</b>	LUXEMBOURG LIFE ASSURANCE	P. 4
<b>02</b>	A RESOLUTELY INTERNATIONAL OUTLOOK	P. 8
<b>03</b>	OPTIMAL PROTECTION	P. 10
<b>04</b>	EXPERTISE & INNOVATION	P. 14
<b>05</b>	SOLUTIONS FOR SOPHISTICATED CLIENTS	P. 18
<b>06</b>	USEFUL CONTACTS	P. 20

# 01

## LUXEMBOURG LIFE ASSURANCE



Luxembourg is a major player in the European life (and non-life) insurance and reinsurance markets. Luxembourg life assurance professionals offer sophisticated solutions to meet the challenges faced by today's highly mobile "world citizens" and are able to offer effective assistance when clients change residence.

## ORIGINS OF WRITTEN PREMIUMS

Total  
**23 billion**  
euros

**38%**  
France

**17%**  
Italy

**8%**  
Germany

**6%**  
Belgium

**7%**  
Luxembourg

**19%**  
Other EEA countries

**5%**  
Rest of the World

## LIFE ASSURANCE: WHY LUXEMBOURG?

- A unique level of protection for policyholders in Europe
- Cross-border expertise: the know-how and experience of Luxembourg professionals is unrivalled in Europe
- Access to a wide range of underlying assets
- Legal and regulatory framework compliant with EU Directives
- Political, financial and social stability

## IN FIGURES

### A DYNAMIC ECONOMY:

Rated  
**AAA**  
by the three major credit rating agencies

**+2.3%**  
Growth  
**GDP**  
in 2017

Low public debt:  
**23%**  
of  
**GDP**

GFCI classifies Luxembourg  
as the **3<sup>rd</sup>** financial centre in the Eurozone  
and the **4<sup>th</sup>** leading financial centre  
in the EU (September 2018)

### THE MOST MULTILINGUAL COUNTRY IN EUROPE:

The citizens of Luxembourg  
speak an average of **3.6** languages

**7<sup>th</sup>**  
in the world  
for the level  
of proficiency in English

**48%**  
of the population is foreign

**170**  
nationalities

## A CENTRE OF EXCELLENCE IN CROSS-BORDER INSURANCE

# 47

life assurance companies

# 43

non-life assurance companies

# 204

reinsurance companies established in Luxembourg

## THE LUXEMBOURG FINANCIAL CENTRE AND ITS ECOSYSTEM

- Europe's leading cross-border insurance centre
- The leading European centre for the domiciliation, administration and distribution of **investment funds** and second largest globally (over 3,700 billion euros under management, investment funds distributed in more than 70 countries)
- Leading centre for international **private banking** in the eurozone
- Over 140 international banks: many of which have established their **European hubs** and centres of expertise in Luxembourg
- **Luxembourg Stock Exchange**: a world leader in the listing of international securities
- Luxembourg offers a full range of investment services and products to a demanding international clientele



Sources: Statec, ALFI, ABL, 2017/2018 Annual Report of the Commissariat aux Assurances (CAA)

# 02

## A RESOLUTELY INTERNATIONAL OUTLOOK

## FREEDOM OF SERVICES (FOS)

Located at the heart of Europe, Luxembourg is an internationally renowned financial centre. As the leading centre for the **cross-border distribution of life assurance solutions** in Europe and also the leading centre for the domiciliation, administration and distribution of investment funds in Europe, Luxembourg is a major insurance and reinsurance player and the capital of international private management in the eurozone. The combination of these elements allows internationally mobile customers to access a full range of investment services and products in one place.

The country's exemplary political, financial and social stability as well as a modern legal and regulatory framework, which fully complies with EU Directives, has resulted in many financial companies choosing Luxembourg to be the base for the distribution of their products throughout the European Union. Over 80% of the annual premiums come from contracts signed cross-border under arrangements for the **FREEDOM OF SERVICES (FOS)**. As a result, Luxembourg life assurance professionals have a unique level of experience and expertise in this field.

The FOS scheme was introduced in July 1992 by the Third Life Insurance Directive of the European Union and has been a key factor in the creation of a single market for insurance.

The Directive states that insurance companies established in a Member State of the European Union are free to sell their products in other Member States and, subject to certain conditions, in the European Economic Area, without having to open a local branch or subsidiary.

When an insurance company has its **headquarters** in Luxembourg, the Luxembourg regulator has exclusive competence to issue approval and conduct prudential supervision in accordance with the principle of *home country control*. However, the law applicable to insurance contracts distributed outside Luxembourg by Luxembourg life insurers is that which prevails in the Member State in which the policyholder has his usual residence. In this way, they benefit from the comfort of a familiar framework in terms of language, marketing and contract law. Luxembourg life assurance contracts are consequently designed to respect all the legal and tax requirements of the policyholder's country of residence.

# 03

## OPTIMAL PROTECTION

Luxembourg legislation is designed to ensure the **optimal protection of subscribers** at several levels.

Firstly, insurance companies and their activities are strictly supervised by the **Commissariat aux Assurances (CAA)**, a public institution subject to ministerial authority.

Regarding access to the profession of insurer in the Grand Duchy of Luxembourg, both companies and individuals must be authorised by the Minister of Finance, who is responsible for the insurance sector. In application of the law, all Luxembourg insurance companies must have sufficient assets at all times to fulfil the required solvency ratios, demonstrating their financial stability.

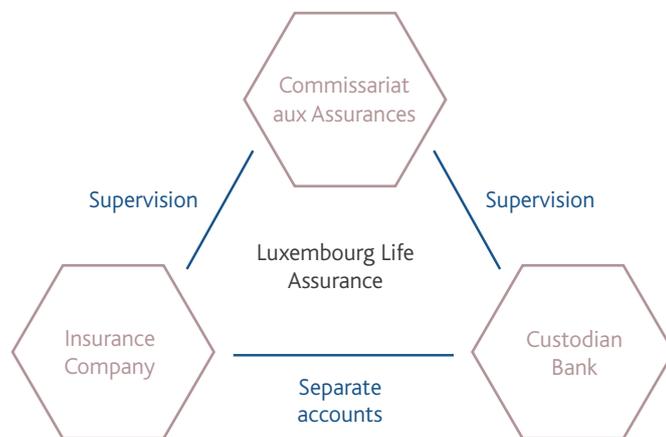
Furthermore, the clients of life assurance companies in the Grand Duchy of Luxembourg benefit from a **protection regime that is unique in Europe**, offering a major advantage in terms of security. This mechanism is known as the **"triangle of security"** and is based on the following principles:

- An insurer's choice of custodian bank is subject to approval by the supervisory authority, the CAA. The custody of assets is governed by a tripartite agreement between the Luxembourg insurance company, the custodian bank and the CAA.
- The assets linked to life assurance contracts are separated from the insurance company's other assets and deposited in separate bank accounts. The custodian bank also has the obligation to separate the assets of the life assurance company that are linked to insurance contracts from the bank's other assets.
- By virtue of this tripartite agreement, the CAA may block the assets of a Luxembourg life assurance company directly at the custodian bank in order to protect the policyholders's rights.

Roy Lichtenstein  
Liberté, 1991, from Mémoire de la Liberté Portfolio  
Serigraphy, 76 x 96 cm  
© Collection BGL BNP Paribas



- Policyholders have a **"Super Privilege"** in the event of default by the life assurance company. Subscribers take precedence over all other preferred creditors such as the Luxembourg Treasury, social security agencies and insurance company employees.



Finally, with a view to preserving individuals' privacy, Luxembourg legislation guarantees **data protection** for life assurance contracts. All parties involved in the Luxembourg insurance sector have been subject to professional confidentiality since 1991.

Nevertheless, this confidentiality with regard to all the third parties to a contract does not contradict the obligations of Luxembourg life assurance companies towards the supervisory authorities nor their responsibilities relating to the various systems for the exchange of information such as CRS and FATCA.

Furthermore, as an illustration of their willingness to work in the best interest of consumers and all other stakeholders in the insurance sector, insurance companies that are members of ACA (Association of Insurance and Reinsurance Companies of the Grand Duchy of Luxembourg) adhere to the *Life Assurance Quality Charter*. This acts as a guarantee of strict professional ethics and reflects the desire to ensure the continuous quality of insurance products.

# 04

**EXPERTISE &  
INNOVATION**

Luxembourg life assurance solutions offer a **comprehensive response to the specific needs** of clients operating in an international context. These solutions, developed on the basis of in-depth legal, tax and financial studies, present a wide range of benefits, in particular:

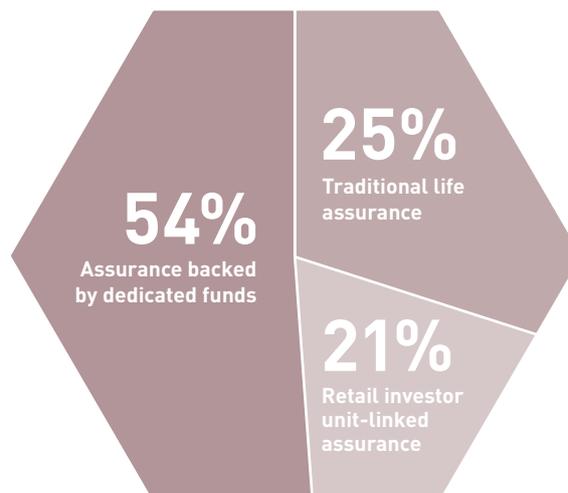
- The choice of contract currency (euro, Swiss franc, US dollar, pound sterling, etc.).
- The choice of traditional products with a guaranteed return, with premiums invested in the insurer's general fund and a wide range of unit-linked products.
- Unit-linked policies with the option to choose from a range of sophisticated products allowed under Luxembourg's legal and regulatory framework.
- The opportunity of combining unit-linked contracts with different types of financial vehicle:
  - **Diversified Investment Funds:** Luxembourg life assurance contracts offer access to a broad selection of vehicles (FCP, SICAV, etc.), in this way providing clients with an exceptional investment choice in terms of asset classes, geographical regions, management styles and business sectors. This means that an investor can satisfy his investment objectives and diversification requirements.
  - **Internal Collective Funds:** this type of vehicle, ideal for the collective management of contracts, is accessible to a group of investors. They operate like UCITS funds but are managed by the insurer, who frequently delegates the investment management to an Asset Manager. The financial management of Internal Collective Funds is strictly defined by Regulation. This approach takes into account the clients' risk profiles: the proposed asset management policy generally reflects different investment and risk profiles.
  - **Internal Dedicated Funds:** depending on the amount invested, it is possible to choose discretionary, customised management. One or more internal dedicated funds may be created exclusively for the contract policyholder(s). The client, in close collaboration with the adviser, defines an investment policy that corresponds to his declared risk profile. This is then applied by carefully selected asset managers, in accordance with investment rules defined by the Luxembourg supervisory authority and in strict respect of the chosen investment policy. The investment policy is related to the size of the premium invested as well as to the total volume of assets held by the policyholder, and may be modified during the life of the contract depending on the subscriber's country of residence and changes of their situation.

- **Specialised Insurance Funds, a new category created in 2015 by the Commissariat aux Assurances:** a subscriber can now introduce active equities into the policy without necessarily relying on a management company. This allows life assurance contracts to be taken out under Luxembourg law with advisory management, as has been practised in certain countries for some years for high-end clients.

Clients who invest in a Luxembourg life assurance solution thus have access to **a wide selection of eligible assets**, often broader than in their country of residence: shares; national and international bonds; money market, bond and mixed funds and even alternative funds and structured products.

The options for diversification will vary depending on the amounts invested and the subscriber's financial situation.

## BREAKDOWN OF PREMIUMS BY TYPE OF PRODUCT



Beat Streuli  
"New Street", photographs on aluminium plates,  
31 panels, 2012, 800 x 400 cm  
© AXA Art Luxembourg



# 05

## SOLUTIONS FOR SOPHISTICATED CLIENTS

## ADAPTABLE ESTATE PLANNING

The expertise and knowledge of life assurance professionals and specialised legal experts in Luxembourg mean that the solutions provided meet the requirements of the most sophisticated clientele.

As a result of its special legal framework, European and international recognition, as well as great flexibility in the designation of beneficiaries, the life assurance contract is one of the best eligible tools **for estate and inheritance planning**. There are many benefits for the subscriber, in particular determining, at the subscriber's convenience, the time of the transfer and the degree of control to be retained over the assets to be transferred.

Life assurance allows the designation of third party beneficiaries. This offers the subscriber the opportunity to organise the transfer of his patrimony to a stipulated beneficiary or beneficiaries from the date of subscription.

When drawing up the beneficiary clause, the subscriber can in particular:

- designate multiple and/or successive beneficiaries,
- designate unborn children,
- designate living or represented beneficiaries,
- establish different amounts depending on the beneficiary in order to allocate the amount to be passed on to heirs and third parties, in accordance with the legislation of the country of residence.

## TAX IMPLICATIONS OF LIFE ASSURANCE

All Luxembourg life assurance contracts are based on Luxembourg's principle of **fiscal neutrality**. The fiscal regime that applies to life assurance is, in principle, that of the country of residence of the subscriber and beneficiaries of the life assurance contract.

In this way, taking out a life assurance contract in Luxembourg allows the subscriber to benefit from any advantageous fiscal conditions in their country of residence. Furthermore, in the event of death, the insured capital is transferred to the designated beneficiaries under the conditions of the country of the beneficiary.

Finally, Luxembourg is an early adopter in terms of the exchange of information, including with regard to the Common Reporting Standards.

# 06

## USEFUL CONTACTS

**Ministry of Finance**

[www.mf.public.lu](http://www.mf.public.lu)

**Luxembourg for Finance**

[www.luxembourgforfinance.com](http://www.luxembourgforfinance.com)

**Commission de Surveillance du  
Secteur Financier (CSSF) [Financial  
Sector Supervisory Commission]**

[www.cssf.lu](http://www.cssf.lu)

**Association Luxembourgeoise  
des Fonds d'Investissement (ALFI)  
[Luxembourg Association of  
Investment Funds]**

[www.alfi.lu](http://www.alfi.lu)

**Association des Banques et  
Banquiers, Luxembourg (ABBL)  
[Luxembourg Bankers' Association]**

[www.abbl.lu](http://www.abbl.lu)

**Commissariat aux Assurances  
[Luxembourg Insurance Regulatory  
Authority]**

[www.caa.lu](http://www.caa.lu)

**Association des Compagnies  
d'Assurances et de Réassurances  
[Association of Insurance and  
Reinsurance Companies]**

[www.aca.lu](http://www.aca.lu)

**Luxembourg House of Training**

[www.houseoftraining.lu](http://www.houseoftraining.lu)

**Luxembourg Stock Exchange**

[www.bourse.lu](http://www.bourse.lu)

**Luxembourg Private Equity and  
Venture Capital Association**

[www.lpea.lu](http://www.lpea.lu)

**Luxembourg Family Office  
Association**

[www.lafo.lu](http://www.lafo.lu)

**Luxembourg Association of  
Corporate Service Providers**

[www.limsa.lu](http://www.limsa.lu)

**Fondation de Luxembourg**

[www.fdlux.lu](http://www.fdlux.lu)

**University of Luxembourg**

[www.uni.lu](http://www.uni.lu)

## ABOUT LUXEMBOURG FOR FINANCE

Luxembourg for Finance (LFF) is the Agency for the Development of the Financial Centre. It is a public-private partnership between the Luxembourg Government and the Luxembourg Financial Industry Federation (PROFIL). Founded in 2008, its objective is to develop Luxembourg's financial services industry and identify new business opportunities.

LFF connects international investors to the range of financial services provided in Luxembourg, such as investment funds, wealth management, capital market operations or advisory services. In addition to being the first port of call for foreign journalists, LFF cooperates with the various professional associations and monitors global trends in finance, providing the necessary material on products and services available in Luxembourg. Furthermore, LFF manages multiple communication channels, organises seminars in international business locations, and takes part in selected world-class trade fairs and congresses.

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