

# Information under Article 116 of the Republic of Lithuania Law on Insurance to the Policyholder Concluding ERGO Universal Life Insurance Contract

(valid from 01-12-2018)

## The Insurer

ERGO Life Insurance SE, Geležinio Vilko Str. 6A, LT-03507 Vilnius  
Registration number 110707135

## ERGO Universal Life Insurance

ERGO Universal Life Insurance belongs to the life insurance group related to investment funds. Under this Insurance Contract insurance premiums are converted into investment units of investment directions chosen. The Policyholder must assess that return on investment is not guaranteed and therefore, the amount of insurance benefit at the end of the Insurance Contract is not known. It might be both bigger and smaller than expected. *The Policyholder shall bear the losses incurred due to the investment risk. A percentage of the insurance premiums shall go to cover contracting and administrative costs as well as costs of insurance cover chosen.*

Upon conclusion of ERGO Universal Life Insurance Contract, in case of insured event the Insurance Company undertakes to pay the insurance benefit to the persons referred to in the Insurance Contract and the Policyholder undertakes to pay insurance premiums in due time.

## Conclusion of the Insurance Contract

ERGO Universal Life Insurance Rules No. 027 (of 01-12-2018) shall apply to the Insurance Contract.

A person who wants to conclude ERGO Universal Life Insurance Contract shall provide the Insurer with the specific format application. The Policyholder and the insured persons shall complete the survey questionnaires established by the Insurer if the Insurer so requests. The application and the survey questionnaires provided by the Policyholder become an integral part of the Contract upon its conclusion together with the insurance rules.

Provision of the application and payment of the premium do not commit the Insurer to conclusion of the Insurance Contract. The Insurer acting by means of an insurance risk assessment may refuse to conclude the Insurance Contract without giving reasons. Key factors influencing the insurance risk and the increase of the insurance risk are as follows: professional or trade activity, leisure activities and hobbies and health status.

If the Insurer has agreed to conclude the Contract, an insurance policy confirming conclusion of the Insurance Contract shall be issued to the Policyholder. The insurance policy shall be delivered to the Policyholder by his chosen manner.

The Insurance Contract shall enter into force upon issuing the insurance policy by the Issuer and paying the whole first insurance premium by the Policyholder. Payment of the first periodic or single insurance premium shall mean that the Policyholder agrees with the terms and conditions of the Insurance Contract and expresses his will to conclude the Insurance Contract. The Insurance Contract shall remain valid even without the Policyholder's signature on the insurance policy. The Policyholder shall have the right at the latest 30 days after the date when he was informed about conclusion of the Insurance Contract to submit to the Insurer objections to the content of the Insurance Contract in writing and/or withdraw it.

Upon conclusion of the insurance contract the insurance distributor shall be paid commissions constituting a component part of the insurance premium and may receive a performance-based remuneration in observance of requirements established by the Law of the Republic of Lithuania on Insurance.

A policyholder shall be provided with a recommendation regarding insurance products distributed by the insurer.

## Insurance Premiums and Amounts

The minimum amount of the monthly periodical insurance premium shall be EUR 30.00. The minimum single insurance premium when it is paid for the whole contract period shall be EUR 3,000.00. The minimum additional insurance premium shall be EUR 150.00. Insurance premium rates set out for the Insurance Contract are provided for in the insurance policy. The Policyholder shall have the right to pay additional insurance premiums which are not provided for in the insurance policy after the prior submission of the specific format application to the Insurer.

The insurance premiums shall be paid on the terms chosen by the Policyholder into the bank account of the Insurer.

The minimum amount of the main life insurance of the insured person shall be EUR 3,000.00 and the minimum amount of the additional life insurance of the insured person shall be EUR 1,000.00. The Insurer may also set out other minimum and/or maximum amounts of the insurance. The insurance amounts, which are agreed between the Policyholder and the Insurer, are provided for in the insurance policy.

The procedure and methods of payment of insurance premiums are provided for in Articles 8 and 10 of the Insurance Rules.

## Insurance Benefits

Upon conclusion of ERGO Universal Life Insurance Contract, the Policyholder may choose one of the two following insurance options:

- Insurance option A, when in case of death of the main insured person the bigger amount is paid: the amount of the life insurance or the value of the accumulated capital;
- Insurance option B, when in case of death of the main insured person both the amount of the life insurance and the value of the accumulated capital are paid.

The calculation of the insurance benefit applied to the Insurance Contract is provided for in the insurance policy.

Determination of the amount of insurance and the procedure and methods of payment of insurance benefits are provided for in Articles 14 and 15 of the Insurance Rules and Terms and Conditions of the Additional Insurances.

## Additional Insurances

The Policyholder may choose these additional insurance covers for the main insured person as well as other insured persons under the conditions set out by the Insurer:

- orphan's pension insurance;
- disability insurance;
- critical illness insurance;
- accident insurance.

## Expiry of the Insurance Contract

The minimum term of the Insurance Contract shall be 1 year. The maximum age of the main insured person at the end of insurance shall be 99 years.

The age of insured persons at the beginning of insurance shall be as follows:

- 0-98 years for the main insured person's life insurance;
- 0-74 years for the other insured persons' life insurance;
- 18-74 years for the orphan's pension insurance;
- 18-55 years for the disability insurance;
- 2-64 years for critical illnesses insurance;
- 0-69 years for accident insurance.

## Insurance Contract Deductions

A percentage of the insurance premiums shall go to cover contracting and administrative costs as well as costs of insurance cover chosen. Insurance deductions and the procedure for their application are provided for in the price list of the Insurer and in the insurance policy as well as in Article 9 of the Insurance Rules.

## Investment Directions and Programs

The Policyholder shall have the right to choose an investment direction from the list proposed by the Insurer. The investment directions chosen by the Policyholder and the percentage of insurance premiums invested in them form the investment program. Investment objects of the investment directions and historical return on investment are provided for in the descriptions of the investment directions. Descriptions of the investment directions are available on the website of the Insurer and might be provided to the Policyholder upon his request.

The Policyholder shall have the right throughout the term of the insurance contract to amend the investment program and the structure of the capital accumulated without prejudice to the restrictions imposed by the Insurer on investment in the directions. The amended investment program shall apply only to the insurance premiums paid from the date of the investment program amendment.

More information is available in Articles 11 and 17 of the Insurance Rules.

## Amendment to the Insurance Contract

The Policyholder shall inform the Insurer of the desirable amendments to the Insurance Contract in writing or in another manner agreed with the Insurer. The amendments to the Insurance Contract shall enter into force from the date specified on the amendment of the Insurance Contract issued by the Insurer.

By consensus of the contracting parties, the valid Insurance Contract shall include the insurance covers or the insurance covers might be changed under the terms and conditions of the Insurance Rules.

More information is available in Article 17 of the Insurance Rules.

## Early Termination of the Insurance Contract

The Policyholder shall have the right to terminate the Insurance Contract after giving at least 30 days' advance notice in writing until the scheduled date for termination of the Insurance Contract.

*If the Policyholder – a natural person – terminates the Insurance Contract after giving 30 days' advance notice in writing to the Insurer from the date when the Policyholder was informed of the Insurance Contract concluded, the Insurer shall reimburse the whole insurance premium paid.*

In case the Insurance Contract is terminated on initiative of the Policyholder or on his failure to comply with the terms and conditions of the Insurance Contract, surrender value shall be redeemed to the Policyholder. Examples of surrender values shall be provided with the insurance offer. Insurance Contract termination fee is provided for in the price list.

Terms and conditions of Insurance Contract termination are provided for in Article 16 of the Insurance Rules.

## Resolution of Disputes

The Insurance Contract shall be subject to the law of the Republic of Lithuania. Under the law of the Republic of Lithuania, any disputes arising out of the Insurance Contract shall either be brought before the court or resolved out-of-court under the procedure provided for in the Republic of Lithuania Law on the Bank of Lithuania. Resolution procedure of out-of-court disputes between the Insurer and the Consumer is established in Order No. 03-23 of the Bank of Lithuania of 26-02-2012 (with amendments approved by Order No. 03-11 of 28-01-2016) and it is available at [www.lb.lt/gincu\\_nagrinejimas](http://www.lb.lt/gincu_nagrinejimas).

ERGO Universal Life Insurance Rules No. 027, descriptions of the investment directions, price lists and the report on solvency and financial condition of the Policyholder are available at [www.ergo.lt](http://www.ergo.lt).

**In case of the insured event, please contact by ERGO insurance phone 1887.**

# Key Information for Policyholders (Individuals) about Tax Procedure Applied to Life Insurance Contracts Concluded on 01-01-2003 and Later

(Tax procedure is valid from 01-01-2019)

Prepared according to applicable versions of the Law of the Republic of Lithuania on Income Tax of Individuals (hereinafter – LITI), the Law on the Accumulation of Occupational Pensions (hereinafter – the LAOP), the Law on State Social Insurance (hereinafter – the LSSI) and the Law on Health Insurance (hereinafter – the LHI) applicable on 1 January 2019 and their comments.

## I. Income Tax of Individuals Exemption for Persons Who Pay Life Insurance Premiums

A resident of Lithuania may deduct from his income life insurance contributions paid for:

- his own **benefit**,
- for the **benefit** of his spouse,
- for the **benefit** of his minor children (adopted children, foster children under permanent custody (care) in the family),
- for the **benefit** of disabled children (adopted children, foster children under permanent custody (care) in the family, adult persons who were given permanent custody (care) in the family before adulthood) under 18 years of age and older, rated as requiring special permanent nursing care and children (adopted children, foster children under permanent custody (care) in the family, adult persons who were given permanent custody (care) in the family before adulthood) under 18 years of age and older who were rated as totally disabled before 30 June 2005)

under the life insurance contract where such a contract provides for the payment of insurance benefits not only in the case of an insurance event but also upon the expiry of the insurance contract (Paragraph 1 of Part 1 of Article 21 of LITI).

The total amount of expenses deducted from the individual's income referred to in Article 21(1) of the LITI may not exceed 25% of taxable income of the tax period charged at 15%, 20% and 27% income tax rates. In addition, the total amount of deductible life insurance premiums and contributions to pension funds, pension funds of associations of the occupational pension funds' participants and/or analogous undertakings operating in a country member of the European Economic Area, as well as additional accumulation contributions paid according to the provisions of Article 8(4) of the law on Accumulation of Pensions (exceeding 3% of the individual's income from which state social insurance contributions are calculated) may not exceed EUR 1 500 during the tax period.

Expenses shall be deducted only from the income of a resident of Lithuania for the purpose of calculating income tax for the tax period and filing an annual income tax return (Part 4 of Article 21 of LITI).

## II. Insurance Benefit in Respect of the Insured Event

(other than life insurance contract expiry)

The insurance benefit paid in case of the insured event – the insured person's death, injury or illness – shall be tax-exempt (Paragraph 13 of Part 1 of Article 17 of LITI).

## III. Insurance Benefit Paid upon the Expiry of the Life Insurance Contract or the Amount Paid upon the Total or Partial Termination of the Life Insurance Contract

**1. The whole insurance benefit following the expiry of the insurance contract or the amount paid upon the total or partial termination of the insurance contract shall be tax-exempt if:**

1.1. under the life insurance contract concluded not less than for the period of 10 years or terminated not earlier than 10 years after its conclusion, the premiums **were paid only by individuals and they were not deducted from the income under the procedure laid down in LITI** (Paragraphs 11 and 12 of Part 1 of Article 17 of LITI);

1.2. under the life insurance contract, the premiums **were paid by individuals and they were deducted from the income under the procedure laid down in LITI** or the premiums were paid by legal entities, or by individuals and legal entities, and the beneficiary specified in the insurance contract has not changed from the date of conclusion of the insurance contract, except for the cases when the beneficiary has been changed due to the beneficiary's death or the end (beginning) of marriage, or if the beneficiary who is his own child (adopted child, foster child) has been changed into his other own child (adopted child, foster child) as well as if the beneficiary had changed before 31 December 2016 (Part 6 of Article 17 of LITI) and one of the following terms and conditions has been met:

- the term of the contract is not less than 10 years or the contract was terminated not earlier than 10 years after its conclusion, and on receipt of the benefit, the recipient of the benefit is less than 26 years old (Paragraph 10 of Part 1 of Article 17 of LITI) or
- the term of the contract concluded before 31-12-2012 is not less than 5 years or the contract was terminated not earlier than 5 years after its conclusion, and on receipt of the benefit, the recipient of the benefit is 55 years old (Paragraph 9 of Part 1 of Article 17 of LITI), or
- the term of the contract concluded after 01-01-2013 is not less than 5 years or the contract was terminated not earlier than 5 years after its conclusion, and on receipt of the benefit, not less than 5 years are left until the retirement age of the recipient of the benefit determined by the Republic of Lithuania Law on State Social Insurance Pensions in force at the time of conclusion of the life insurance contract (Paragraph 9<sup>1</sup> of Part 1 of Article 17 of LITI), or
- the term of the contract is not less than 5 years or the contract was terminated not earlier than 5 years after its conclusion, and on receipt of the benefit, working capacity level of 0-25 percent or 30-40 percent was established for the beneficiary, or the beneficiary is a disabled child, rated as requiring special permanent nursing care (Paragraphs 9, 9<sup>1</sup> of Part 1 of Article 17 of LITI).

**2. If the life insurance contract does not fulfil the conditions provided for in Clause 1, the life insurance benefit following the expiry of the insurance contract or the amount paid upon the total or partial termination of the insurance contract shall be taxed in accordance with the following procedure:**

2.1. **the 15% rate of income tax shall be applied** to the portion equal to the life insurance premiums paid by individuals and **deducted** from the income under the procedure laid down in LITI as well as premiums paid by legal entities (Part 1 of Article 6 of LITI);

2.2. the portion equal to the life insurance premiums paid by individuals which **were not** deducted from the income under the procedure laid down in LITI **shall be tax-exempt** (Paragraph 12 of Part 1 of Article 17 of LITI);

2.3. the portion exceeding the life insurance premiums paid **shall be tax-exempt** if the term of the life insurance contract is **not less than 10 years** or the contract was terminated not earlier than 10 years after its conclusion (Paragraph 11 of Part 1 of Article 17 of LITI). If the term of the life insurance contract is **less than 10 years** or the contract was terminated earlier than 10 years after its conclusion, **the 15% rate of income tax shall be applied** to the portion of this benefit (Part 1 of Article 6 of LITI).

The state social insurance and compulsory health insurance contributions from benefits received by the individual payable upon expiration or termination of a life insurance contract shall not be paid (Article 10 of the LSSI, Article 17(8) of the LHI).

## Notes

1. If the individual's annual income, including the benefit received under the life insurance contract, charged at 15% rate of the income tax of individuals, excluding income from employment relationships and other income indicated in Article 6(1<sup>2</sup>) of the LITI, exceeds 120 average wages of the country, the excess amount shall be charged at 20% rate of the income tax of individuals (Article 6(1<sup>2</sup>) of the LITI). The obligation to calculate and declare the excess amount and to pay an additional income tax of individuals shall rest upon the individual by submitting the annual income tax return (Article 27 of the LITI).

2. Insurance benefits received by a natural person who is not considered a resident of Lithuania are not the object of the income, so they are not taxed (Articles 4, 5 of LITI).

3. It is important to note that if during the tax period the individual was subject to TEA (tax-exempt amount) of income connected with employment relations or corresponding relations, then upon receipt of the benefit under the expired, terminated or partly terminated life insurance contract, the yearly TEA will be reduced by estimating (adding to the annual income) the portion of the benefit received exceeding the premiums paid according to the said contract if the income tax of individuals was applied to that portion (Part 7 of Article 20 of LITI).

More detailed explanation of LITI provisions regarding the tax procedure applied to life insurance contracts is available on the Internet website of the State Tax Inspectorate at [www.vmi.lt](http://www.vmi.lt).