

Confidentiality

Asset Protection

Estate Planning



MSV LIFE INSURANCE TRUST FACT SHEET



MIDDLESEA VALLETTA LIFE
Assurance Company Limited

So much more to life

This Fact Sheet contains a summary of the main features of the LIFE INSURANCE TRUST.

GLOSSARY / DEFINITION OF TERMS

Life Policy / Policy: means any PROTECTION, SAVINGS or INVESTMENT Policy issued by Middlesea Valletta Life Assurance Co. Ltd.

Person Covered: means the person (s), specified in the Policy, whose death will result in the benefit under the Policy becoming payable.

Trust / BOV Trust: is a discretionary Trust established by Bank of Valletta p.l.c. (BOV) as Trustee under the Trusts and Trustees Act (Cap. 331 of the Laws of Malta).

Trustee: means Bank of Valletta p.l.c. (BOV).

We / us or MSV: means Middlesea Valletta Life Assurance Company Limited.

Policy Owner: means, in the case of: -

- a new Policy – the Trustee
- an existing Policy – the person (whether natural or legal) who designates the Trustee as the Primary Beneficiary of the Policy.

Beneficiary/Primary Beneficiary of the Life Policy: means the Trustee (i.e. BOV) both in the case of a new and existing Policy.

Beneficiary/Beneficiaries of the Trust: means the person/s who will ultimately benefit from the proceeds payable under the Life Policy.

DESCRIPTION OF THE LIFE INSURANCE TRUST (LIT)

The LIT is a co-branded Insurance product based on a new concept that has been developed jointly between MSV and BOV as Trustee. The LIT is available in respect of both new and existing Policies issued by MSV.

A. With respect to new Life Policies, the LIT enables a person (the Applicant/Settlor) to constitute the said Policy directly in Trust with BOV as Trustee. This shall be effected by means of an irrevocable Declaration of Trust Agreement, pursuant to which the Trustee shall become the Policy Owner and the Primary Beneficiary of the Policy by accepting under Trust the beneficial interest in the Policy.

This means that the new Life Policy is issued in the name of BOV as Trustee from the outset and BOV as Trustee would be named as the sole and irrevocable Primary Beneficiary under the Policy.

B. With respect to existing Life Policies, the Policy Owner may, at any time during the currency of the Policy, give irrevocable instructions to MSV to designate the Trustee as the Primary Beneficiary of the Policy and, by accepting such designation, the Trustee will be the Primary Beneficiary of the Policy.

In both the above scenarios, BOV as Trustee, whether as Policy Owner or Beneficiary, will hold in Trust all the proceeds emanating from the Life Policy for the Beneficiaries of the Trust who will be nominated by the Applicant/Policy Owner (as applicable) through a confidential Letter of Wishes addressed to BOV as Trustee.

SPECIAL BENEFITS OF THE LIFE INSURANCE TRUST

Confidentiality

- Highly discreet and confidential as to:
 - The existence of the Life Policy.
 - Who will benefit from the proceeds emanating therefrom.
- Avoids the need to disclose the policy in a will.

Asset Protection

- Protects the Policy and the proceeds payable thereunder from third party claims and personal liability.
- Preserves family wealth.
- In the case of minor children, upon the demise of the Person Covered, the proceeds payable under the Policy will be managed by the Trustee and not by the legal guardian (such as an ex-spouse).
- Avoids spendthrift children from dissipating the proceeds payable under the policy.

Estate Planning

- Complements good estate and inheritance planning.
- Avoids disruption on death.
- Proceeds payable under the Policy bypass the law of inheritance.
- Protects family members by creating an immediate estate in the event of death.
- Creates liquidity to settle any estate taxes due upon one's demise thereby preserving the family wealth.
- The Trustee will handle and administer premium payments due, during the lifetime of the Person Covered, and benefits received under insurance policies in accordance with the provisions of the Trust
- Enables continued education of your children.
- Enables business partners (both of civil and commercial partnerships) to use the proceeds under the Policy to pay the heirs of a deceased partner in settlement of such partner's share in the partnership.
- All fiscal benefits applicable to a Life Insurance Policy will apply to the LIT.

WHO MAY NEED THE LIT?

Any person over 18 years of age who is seeking confidentiality, asset protection or estate planning such as:

- Parents with young children.
- People with dependants who have special needs.
- Extended and blended families (i.e. families with children from different marriages).
- Business partners (both of civil and commercial partnerships).
- Professionals in relation to personal liability.
- Partners (for example: persons living together).
- Single parents.
- Grandparents for their grandchildren.
- Any spouse individually.
- Foundations, associations, companies and any other legal persons recognised by law.

WHO CAN BE NAMED AS AN UNDERLYING BENEFICIARY OF THE LIT

- The Settlor himself/herself.
- A surviving Settlor.
- Children and grandchildren.
- Parents and grandparents.
- Brothers and sisters.
- Nephews and nieces.
- Partners.
- Business partners (both of civil and commercial partnerships).
- Maltese charities as defined by the Trusts and Trustees Act, Cap. 331.
- Foundations, associations, companies and any other legal persons recognised by law.
- Or any other person easily ascertained or ascertainable.

The Settlor of a Trust may change the Beneficiaries of the Trust, as well as the proportion of their benefit, at any time. Such changes may be effected through a confidential Letter of Wishes.

QUESTIONS AND ANSWERS

1. When should you consider constituting a new Policy in Trust or designating BOV as Trustee as the Beneficiary of an existing Life Policy?

- When you want to ensure confidentiality.
- When you want to ensure that the proceeds under a life policy are distributed directly to the Beneficiaries of the Trust without reference to your will or to the law of succession.
- When you want to ensure asset protection.
- When you want to plan your estate.
- When you want to provide for the future education of your children.
- When you want to ensure that the proceeds payable from the Life Policy go to the Beneficiary/ies of your choice under the Trust.
- When you want to appoint as Beneficiaries under the Trust persons other than your legal heirs.

2. Who are the main parties to a LIT?

- The Settlor – is, in the case of a new Policy, the person (the Applicant) who constitutes the Trust by means of a Declaration of Trust Agreement, while in the case of an existing Policy, it is the Policy Owner who irrevocably nominates the Trustee as the designated Beneficiary. The Settlor may also be a Beneficiary under the Trust.
- The Trustee – Bank of Valletta p.l.c. who, in the case of a new Policy, becomes the Policy Owner and the Primary Beneficiary as a result of the Declaration of Trust, while in the case of existing policies would be the designated Primary Beneficiary.

In both cases the Trustee must accept the beneficial interest under the Policy

- The Beneficiary/ies of the Trust – those persons who will benefit from the proceeds emanating from the Life Policy. A Beneficiary can be an individual (born or as yet unborn), or legal entities such as charities, foundations, associations or any other legal person/s recognized by law. Beneficiaries can be either specifically named by the Settlor and their benefits clearly identified or alternatively, a class of persons may be nominated (e.g. children, grandchildren). In either case, the Beneficiaries' interest in the Life Policy will be clearly expressed through a confidential Letter of Wishes (LOW).
- Beneficiary/Primary Beneficiary: The Trustee, both in the case of a new and an existing Life Policy

3. What is a Letter of Wishes (LOW)?

- It is a confidential letter sent by the Settlor to the Trustee wherein the Settlor indicates to the Trustee who is to benefit from the proceeds emanating from the Life Policy that is held in Trust (i.e. the Beneficiaries of the Trust).
- This letter may be changed from time to time by means of a simple notification form to the Trustee and the Trustee shall always be guided by the latest LOW.
- The Settlor may also guide the Trustee as to any conditions the Settlor would wish to impose on the manner in which the proceeds are to be distributed by the Trustee amongst the Beneficiaries of the Trust.

4. Is there any initial cost to have a life policy written or settled under the LIT?

- There are no initial costs for having a life policy (both new and existing) written or settled under the LIT
- However, there exists a Trustee administration charge as follows: -
 1. A fixed annual charge of €150 for regular premium policies with a total annual premium or a single premium policy up to €39,999.99 (thirty-nine thousand, nine hundred and ninety-nine Euros and ninety-nine cents).
 2. A fixed annual charge of €250 for regular premium policies with a total annual premium or a single premium policy up to €69,999.99 (sixty-nine thousand, nine hundred and ninety-nine Euros and ninety-nine cents).
 3. A fixed annual charge of €350 for regular premium policies with a total annual premium or a single premium policy up to €99,999.99 (ninety-nine thousand, nine hundred and ninety-nine Euros and ninety-nine cents).
 4. A fixed annual charge of €500 for regular premium policies with a total annual premium or a single premium policy of €100,000.00 (one hundred thousand Euros) and over.
- In all the above cases, the first annual administration charge is payable to the Trustee upon the 1st anniversary of the LIT

5. Can the LIT be used as Security?

The Trustee may allow the use of the Policy as security to secure the liabilities of any of the Beneficiaries under the Trust in proportion to the benefit due to the said Beneficiaries under the Trust. This means the LIT cannot be used as security for any third party liability.

6. How many Policies can I acquire through a LIT?

Although there is no limit as to the number of Policies that you can issue or settle in Trust, for each Policy a separate Trust must be constituted. Furthermore, such Policies must be issued by MSV and BOV must be appointed as the Trustee.

7. May a LIT be surrendered?

- Upon every 5th anniversary of the LIT and provided that an option to surrender is available under the terms of the Policy, the Trustee may, in accordance with the terms of the Trust, exercise its power of discretion to surrender the Policy, in part or in full, and distribute all the proceeds payable thereunder to the Beneficiaries under the Trust in accordance with their respective portions as stipulated in the last LOW .
- The Trustee may exercise the above discretion provided it receives a LOW from the Settlor requesting it to consider the surrender of the said Policy. This LOW must be received by not later than one month from the date of the policy's anniversary (that is, on every consecutive 5th anniversary).

8. What is the confidentiality afforded by the LIT?

- In the case of a new Life Policy issued under the LIT, the Policy Owner (that is, the legal owner) will be BOV as Trustee. Consequently, the details of the Beneficiaries of the Trust will only be known to the Bank's Trustee Services Unit.
- In the case of an existing Life Policy, the Beneficiary of the Policy shall be the Trustee who shall hold such benefit for the Beneficiaries of the Trust (as specified in the confidential LOW) and therefore, the details of these Beneficiaries will only be known to the Bank's Trustee Services Unit.
- Furthermore MSV is prohibited by law, from disclosing any information about the Life Policy written in Trust to any person without the prior written consent of the Trustee as the Policy Owner/Primary Beneficiary (as applicable) .

RISK FACTORS

- The LIT is irrevocable and thus a new or existing Policy cannot be terminated unless all the Beneficiaries under the Trust give their unanimous consent to rescind the Trust. Throughout the lifetime of the Settlor/s, the Settlor's/s' consent will also be necessary in order to rescind the Trust.
- Under a LIT, the written consent of the Trustee will be required in order to alter or vary the terms of the Policy or the Trust, or to pledge or assign such Policy.

WHY CHOOSE BANK OF VALLETTA AS YOUR TRUSTEE?

When you establish a Trust, your choice of Trustee is crucial. It should be made on the basis of three factors: security, public reputation, and the financial standing of the institution selected.

Trustworthiness is also crucial and choosing Bank of Valletta p.l.c. (BOV) as your partner when setting up a Trust will enable you to benefit not only from the aforementioned factors but also from professional Trusteeship by one of the largest Maltese banks.

The BOV Trustee Services' team is made up of experienced, qualified and highly motivated personnel capable of dealing with all aspects of Trust administration and who are legally bound to maintain discretion in all Trust related affairs.

Should you wish any further information about the Trustee Services offered by BOV, please call the BOV Trustee Services Unit on telephone number (+356) 2275 1565.

YOUR NEXT STEP

For more information about the LIT contact:

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BOV TRUSTEE SERVICES UNIT

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or any authorised insurance intermediary of Middlesea Valletta Life Assurance Co. Ltd. or call at any Bank of Valletta Branch.

Traduzzjoni Maltija ta' dan id-dokument tista' tingħata jekk tiġi mitluba.

Middlesea Valletta Life Assurance Company Limited is licenced by the Malta Financial Services Authority to carry on long term business under the Insurance Business Act 1998. Bank of Valletta p.l.c. is enrolled as a Tied Insurance Intermediary of Middlesea Valletta Life Assurance Company Ltd. Bank of Valletta p.l.c. is licenced by the Malta Financial Services Authority to provide trustee services under the Trusts and Trustees Act (Cap.331 of the laws of Malta).

COM No. 190509166

