

Guide to appointing beneficiaries

In case you need assistance in completing the beneficiary declaration, or should the declaration not suit your needs, please call PFA's Advisory Services Centre at (+45) 70 12 50 00.

1. Standard appointment of beneficiaries

Your original policy/insurance is established with the standard appointment of beneficiaries. If the standard appointment of beneficiaries covers your needs, you do not need to forward the beneficiary declaration.

Endowment pension, instalment pension, guaranteed disbursements and old age savings plan

As a basic principle, endowment pension, instalment pension, guaranteed disbursements and old age savings plan follow the standard appointment of beneficiaries, i.e. "next of kin" (see item 2).

Special disbursement from a collective pension plan established prior to 1 January 2008

A collective pension plan may include a special insurance benefit which is paid where the spouse's/cohabiting partner's pension is not payable. As a standard principle, appointment of beneficiaries is not applicable to this type of benefit, which will be made to the estate (see also item 6).

Special disbursement from a collective pension plan established on 1 January 2008 or later

A collective pension plan may include a special insurance benefit which is paid where the spouse's/cohabiting partner's pension is not payable. As a standard principle, disbursement will be made to "next of kin" (see item 2).

2. The term "next of kin"

Effective as at 1 January 2008, the meaning of the term "next of kin" is changed by an Act of Parliament. Whether this has any implications for you depends on the time when your policy originally came into effect, or the time when you selected your "next of kin" as your beneficiary appointment.

In your policy/insurance conditions, you can see which definition of the term "next of kin" applies to you, unless you have appointed another beneficiary.

2a. If your policy originally came into effect on **1 January 2008** or later, or if you have appointed or wish to appoint your "next of kin" on 1 January 2008 or later, then the term "next kin" means:

1. Spouse/registered partner, but not, if at the time of death, you were separated or divorced.

If you do not leave a spouse/registered partner:

2. Cohabiting partner in a relationship comparable to marriage when one of the below apply:
 - a) At the time of death, you are living together and have been living together during the last two years prior to the death.
 - b) At the time of death, you are living together and have/have had or are expecting a child together.

If you do not leave a cohabiting partner in a relationship comparable to marriage:

3. Children or their descendants (heirs of the body).

If you do not leave any children or their descendants:

- 4.. Heirs according to will.

If you have not established a will:

5. Other heirs according to law:
 - a) Parents and their descendants
 - b) Grandparents and their children.

In case there are no heirs, the disbursement shall be made to the estate.

2b. If your policy originally came into effect prior **1 January 2008**, or if you have appointed your "next kin" on 1 January 2008, "next kin" means":

1. Spouse/registered partner, but not, if at the time of death, you were separated or divorced.

TRANSLATION:

In case of any discrepancy between the Danish text and the English translation, the Danish text shall prevail.

If you do not leave a spouse/registered partner:

2. Children or their descendants (heirs of the body)

If you do not leave any children or their descendants:

3. Heirs according to will.

If you have not established a will:

4. Other heirs according to law:
 - a) Parents and their descendants
 - b) Grandparents and their children.

In case there are no heirs, the disbursement shall be made to the estate.

If definition 2b applies to you, you may want to consider:

- if you want to keep the beneficiary appointment "next of kin", effective up to 1 January 2008, for instance if you wish that disbursement should be made to your children and not your cohabiting partner
- if you want to use the new beneficiary appointment "next of kin", effective after 1 January 2008 in order to make sure that disbursement is made to your cohabiting partner and not your children.

3. Changes to the appointment of beneficiaries

If the standard appointment of beneficiaries does not cover your needs, for instance if you wish to appoint a child or a stepchild instead of your spouse, you may make changes to the appointment of beneficiaries.

PFA Pension must be informed in writing about any changes to the appointment of beneficiaries.

Whom you may appoint as beneficiary depends on whether your insurance premium is deductible. Differentiation is therefore made between:

- Deductible insurance – tax codes 1, 2, 3 and 33 (see item 4)
- Non-deductible insurance – tax codes 5 and 7 (see item 5)

4. Deductible insurance (tax codes 1, 2, 3 and 33)

On deductible insurance, you may appoint your:

- Spouse/registered partner
- Separated or divorced spouse/registered partner
- Children and their descendants (heirs of the body)
- Stepchildren* and their descendants
- Cohabiting partner (one person with whom, at the appointment, you were sharing residence)
- Cohabiting partner's children and their descendants
- The term "next of kin" (see item 2a)
- No appointment of beneficiaries which means that the disbursement is made to the estate (see item 6)

** Stepchildren: Spouse's/registered partner's own children (also after a separation or a divorce).*

You may appoint one or more named persons as beneficiaries. However, only one cohabiting partner may be appointed on each insurance plan.

If you wish to consider persons or charities that you cannot appoint as beneficiaries on the insurance plan, you may do as follows:

You do not have a spouse, registered partner, cohabiting partner or heirs of the body (children or their descendants)

You may use the beneficiary appointment "next of kin" (see item 2a). At the same time, you must make a will in which you consider the persons in question.

As there is no spouse, registered partner, cohabiting partner or any heirs of the body (children or their descendants), the disbursement shall be made directly to the heirs specified in the will and not to the estate.

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You have a spouse, registered partner, cohabiting partner or heirs of the body (children or their descendants)

You may cancel the appointment of beneficiaries so that the disbursement will be made to your estate. At the same time you must draw up a will (see item 6).

Please note that any spouse, registered partner or heirs of the body (children or their descendants) have preferential right to inherit, and that you might not dispose of the full amount.

5. Non-deductible plans (tax code 5 and 7)

You may appoint whoever you wish as beneficiary, e.g. your parents or charities.

6. Protection from creditors

Where appointment of beneficiaries has been made on an insurance plan, the disbursement shall be made directly to the beneficiary and not to the estate. The disbursement is thereby protected from the estate's creditors.

Where no beneficiary has been appointed, the disbursement shall be made to the estate and is thereby not protected from the creditors.

7. Relation to heirs according to law

Heirs according to law are spouse, registered partner and/or children (heirs of the body). Heirs according to law can put forward a claim against the appointment of a beneficiary. The rules on making objections have been changed on 1 January 2008.

If the beneficiary was appointed on 1 January 2008 or later:

Heirs according to law can make objections and put forward claims, if the appointment of a beneficiary is considered to be unreasonable in their favour. On determination, factors such as the motives for the appointment and the parties' financial situation are used. The evaluation is an assessment and is made by a court of law.

Heirs according to law may make objections, even if another heir according to law has been appointed as beneficiary, and even if the appointment of beneficiaries has been made irrevocable.

If the beneficiary was appointed prior to 1 January 2008:

Where a cohabiting partner or any other person who is not an heir according to law has been appointed as beneficiary, the disbursement will normally be made directly to the beneficiary.

Heirs according to law may, however, claim for part of the disbursement where the inheritance according to law (and spouse's estate share) would increase if the disbursement was made to the estate. This calculation is made in accordance with the rules of the Danish Inheritance Act. Where the appointment of beneficiaries is irrevocable, heirs according to law may **not** make such a claim (see item 8).

8. Irrevocable appointment of beneficiaries

Where the insured, towards the beneficiary, waives the right to make changes to the appointment of beneficiaries, the appointment and other terms of the policy may only be changed after the beneficiary has given written consent to the changes. Therefore it must be considered thoroughly whether the appointment shall be irrevocable.

You should indicate clearly on the declaration whether the appointment shall be irrevocable. Remember to indicate whether the appointment shall be irrevocable for one or all beneficiaries and if the appointment only should be irrevocable for a limited period of time.

9. Estate tax

Where disbursement is made directly to the beneficiary and not to the estate, PFA Pension must withhold and pay estate tax to the probate court on the value of the insurance.

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Spouse/registered partner

No estate tax.

Separated or divorced spouse/registered partner

Disbursements subject to tax (such as spouse's pension) are exempt from estate tax.

Disbursements from a policy, which have been assigned as part of the estate division in connection with a separation or divorce agreement, are also exempt from estate tax. As at 1 January 2008, the same applies to disbursements by way of an irrevocable appointment of beneficiaries which has been made as part of the estate division in connection with a separation or divorce agreement.

Other disbursements are subject to 15 per cent in estate tax.

Cohabiting partner

Disbursements subject to tax (such as cohabiting partner's pension) are exempt from estate tax. On any other disbursements, 15 per cent estate tax must be paid, if at the time of death, you are sharing national registered residence, if residence has been shared for at least two years prior to the death or if you have/have had or are expecting a child together. In case the cohabitation does not meet these requirements, the cohabiting partner must pay 36.25 per cent in estate tax.

Children, stepchildren and their descendants

Disbursements, which are made to children, stepchildren or their descendants below 24 years of age and which are subject to tax (such as children's pension), are exempt from estate tax. However, on any other disbursement, 15 per cent estate tax must be paid.

Cohabiting partner's children and their descendants

Disbursements, which are made to cohabiting partner's children and their descendants under 24 years of age and which are subject to tax (such as children's pension), are exempt from estate tax. However, on any other disbursement, usually 36.25 per cent estate tax must be paid.

Parents

15 per cent estate tax must be paid.

Charities

Charities might be exempt from estate tax.

Other

Normally 36.25 per cent estate tax must be paid.

The estate

Where the disbursement is made to the estate, PFA Pension will not withhold estate tax. The disbursement is included in those funds on which, at the winding up of the estate, estate tax must be paid.

10. Separate property

You can decide if the disbursements from the insurance policy should belong to the beneficiary by way of separate property. In that way you make sure that the beneficiary is not forced to share the disbursements from your insurance policy in the event of separation or divorce. The beneficiary may also be in a better position, if his or her spouse dies before he or she does.

If you want to know more about the separate property, you can order a form and a guide by contacting PFA's Advisory Services Centre at telephone (+45) 70 12 50 00.

11. Tied-up funds

If you believe that it is best that an appointed beneficiary does not have access to his or her funds for a certain period of time, or for the rest of his or her life, you can decide to tie up the funds. If you want to know more about the possibility of tying up funds, you can order a form and a guide by contacting PFA's Advisory Services Centre at telephone (+45) 70 12 50 00.