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INSURANCE SERVICES

PRIVATE PLACEMENT LIFE INSURANCE FREQUENTLY ASKED QUESTIONS

How should I structure an insurance policy for multiple beneficiaries with differing interests?

The insurance policy structure will depend on the family context or business structures. In a multiple beneficiaries with a complex family structure scenario, a trust structure is recommended as the ultimate beneficiary to provide the final distribution of assets.

This structure is highly adaptable and can be effectively integrated with PPLI, covering a wide range of everyday situations and future scenarios to appropriately distribute assets. The amounts and distribution methods will be established in a 'Letter of Wishes'.

How does the insurance policy work?

PPLI is a variable life insurance product with an indefinite duration, regulated by the client's local legislation and privately designed between the parties. The client will decide all crucial aspects, such as the premium amount, risk profile, and shall also appoint the portfolio custodian bank and the financial advisor.

This sophisticated structure is designed to transfer assets -financial portfolio, real estate property, share interests- to the insurance company, who absorbs them as 'premium'. Thus, assets legally exit the client's estate, naturally resulting in asset protection and an income tax deferral tool.

What structure does the insurance policy have?

There are two types of policies:

A. Monitored policy: the investment account associated with the insurance policy is opened by the insurance company in a bank designated by the client. From an administrative standpoint, this entails the opening of a new investment bank account.

B. Private company shares policy: The client pays the premium by assigning shares of the company holding the financial assets valued at a certain amount. Thus, a share transfer takes place so that the insurance company acquires legal ownership of the company holding the investment account.

Who shall make the investment portfolio decisions?

The financial advisor designated by the client, preferably with discretionary powers for greater substance, or the custodian bank/advisor themselves. The insurance company does not engage in the asset management.

Does the investment portfolio need a financial advisor?

The client may appoint its own financial advisor or grant a discretionary power of attorney in favor of someone with a special license to act as a portfolio manager.

Does the PPLI constitute a tax deferral tool?

When assets are transferred to the insurance company there is a tax deferral effect. The local regulations of the country of residence of the policy holder or beneficiaries will determine when a withdrawal will be subject to income tax and/or any other applicable taxes.

Until when would the income tax payment be deferred?

Depending on local regulations, if no withdrawals are made, there is no income generation and therefore no tax obligation arises. If insurance benefits are paid directly to a beneficiary resident in a jurisdiction that does not have regulations on the taxation of such benefits, there may be no tax burden at all.

Which jurisdiction shall suit me best to contract my insurance policy?

The suitability of a jurisdiction varies depending on the client's interests, their right to privacy, their need for estate planning or tax efficiency.

Can the beneficiaries of the insurance policy reside in any jurisdiction?

Tax implications will vary according to the country of the beneficiary's residence.

Does the insurance policy replace the local will?

In general terms, a local court cannot exercise jurisdiction over a foreign life insurance policy. This type of instrument is regulated by foreign laws, has its domicile abroad, and its underlying assets are also located abroad. The rules of private international law addressing this situation establish that successions are governed by the law of the place where the assets are located. The applicable law determines which court has jurisdiction over certain matter. However, there may be a special treaty between the country issuing the policy and the client's country of residence.

It is necessary to examine the specific case to find a definitive solution. Foreign insurance companies are not required to know foreign law or recognize the validity of a foreign legal instrument. Additionally, legal proceedings are often very slow, and generally, when a lawsuit is served, the insurance benefits have already been transferred to the beneficiaries.

Furthermore, foreign companies usually do not allow the client to affect their entire estate to the policy.

How many times can I modify the insurance policy?

Insurance policies can be modified as many times as necessary as long as the insured lives are not altered.

Can I revoke the insurance policy structure?

Indeed, a policy can be canceled at any time, allowing the assets to return to the contracting party's estate. In the context of PPLI, there is no effective loss of control over the assets unless the local law requires that the policy holder shall grant discretionary powers to the financial advisor in order for the life insurance not to be taxed as a financial structure.

How long does it take and how much does it cost to cancel the insurance policy structure?

The cost of cancelling the insurance policy ('surrender value') varies from one company to another and is outlined in the contract signed by the client.

Who can act as the Policy Holder?

We have already mentioned that both an individual and a legal entity can act as the Policy Holder.

The decision to choose between an individual or a legal entity to assume this role depends on the specific situation of the client and the applicable regulations. In the case of legal entities, local or offshore corporations can function as the Policy Holder.

The choice between one jurisdiction or another will be determined by the requirements established by the insurance company, which must also comply with the corresponding local regulations.

In certain instances, this role could be fulfilled by a trust.

Insured Life (Single or Multiple)?

Insured lives can range from one to three individuals, depending on the terms and conditions of the insurance company.

Who can be a beneficiary to the life insurance benefit?

The beneficiary can be a legal entity, an individual, or a trust, depending on the complexity of the family situation and the various forms of estate organization and management they share.

What type of assets can be allocated to the policy?

Typically, all kinds of financial assets are allocated. Some insurers also accept shares of a real estate holding company as part of the premium.

Custody and Investment Advisor

To strengthen the policy's nature as an insurance contract rather than just an investment account or financial structure, it is recommended that the policy-holder delegates their decision-making capacity regarding investments.

There are policy custodian banks that require a discretionary mandate in their favor to act as advisors with discretionary powers over the portfolio allocated to the premium. Notwithstanding the foregoing, the majority of custodian banks allow the policyholder's personal financial advisor to retain this role.

If you would like to schedule a call with our team, please contact us at contact@untitled-slc.com.

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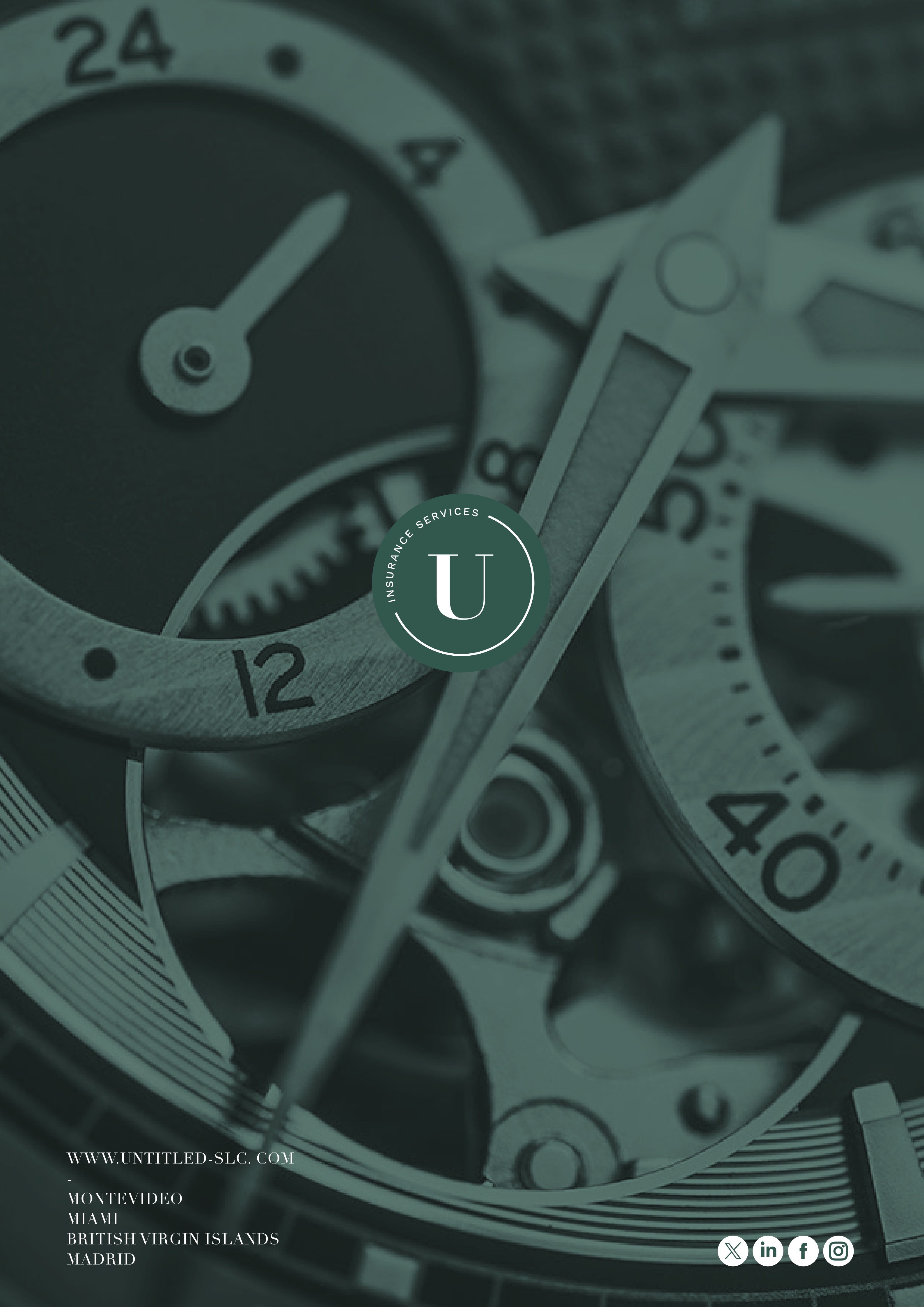

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