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# 1291 Continues its Vigorous Global Expansion Armed with Robust & Enduring PPLI Solution

Serge Hediger is Managing Partner of the 1291 Group, a firm that began life some 21 years ago, well before the era of imperative - demand for tax compliant life insurance solutions. 1291 was founded on the premise that the market needed a broker consisting not just of entrepreneurial business -generators and client people, but with the skills built up as tax lawyers or tax advisors. And they have been proven right as since inception, they have been working assiduously and successfully to expand awareness of how the right life insurance solution can be a powerful pre-emptive or remedial tool to help reduce taxation in a variety of areas, such as capital gains, ongoing income, or estate transition, as well as helping facilitate liquidity in the event of a death and enabling proactive estate and succession planning, while all keeping well within the ever-tightening regulatory parameters. The 1291 business really took off in the highly regulated markets in Europe and the US some years ago, when FATCA and CRS arrived, since when the firm has been on an especially rapid expansion, including into the Asian markets, where 1291 is an increasingly well-known specialist in the wealth planning field. Hubbis met with Hediger recently to learn how the life insurance solutions 1291 promotes - especially PPLI – are ideal for any markets around the world, and why Asia is driving such robust demand.

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**"What we offer** is really very simple in essence," Hediger begins. "Through the private placement life insurance structure that we promote mostly today, and which is known widely as PPLI, we provide HNW and UHNW clients with a tool that has several important advantages, especially the ability to legally and compliantly reduce their tax burden."

## "Very often the driver is next generation planning, which can be immensely complex and cross-border, depending on the involved jurisdictions. So, we analyse their situations, plan, and work with their specialists, such as their own tax lawyers, to propose a fully compliant structure that covers all their needs and expectations."

Moreover, he adds that there are significant additional savings component involved, both in terms of tax saved but also on reporting, as the client will not have to spend time with reporting complex investments and structures. And there are several other benefits such as the ability to hold and protect a diverse range of assets, estate and succession planning advantages, and the bypassing of probate.

## Careful about control issues

Hediger also shines a spotlight on the important factor of Controlled Foreign Corporation (CFC) rules. He explains that if a client controls an entity that is overseas, or controls an entity that is overseas but only receives dividends, for example, they must report as if that entity were in your home jurisdiction. However, if the exact same structure is offshore, within a tax compliant insurance policy, CFC rules do not apply. At the same time all licensed and regulated life insurance companies fully comply with the Common Reporting Standard (CRS). Therefore a PPLI cannot be misused to avoid reporting under the CRS.

"For many of our clients, this is highly pertinent, because they have offshore companies, they might have intellectual property rights and associated income, licensing fees, dividend income from their holdings, and so forth," he notes. "Moreover, the holding companies are generally in low tax jurisdictions, and they don't have real substance, they are just shells receiving income, so for these clients, PPLI is ideal as it shelters those entities, is fully compliant and ends up as a remarkably good solution. Due to the recent discussion regarding the 'Pandora papers' we are receiving many requests from law firms and their clients to properly structure the client's wealth. There is no question: in order to comply with the tight regulatory and political framework, a wealth planning tool must be rock solid and tax compliant. If properly structured, PPLI is such a tool and this is a reason why every time regulation increases (CRS, Fatca, CFC etc.) our firm wins new clients."

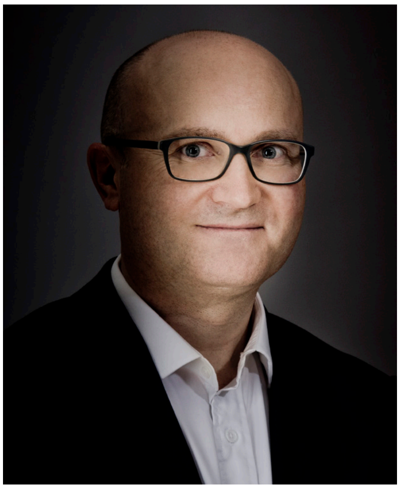
## Local solutions, global perspectives

He also explains that there are many drivers, and that one of 1291's early missions is to mine down into the detail of what each client wants to achieve. "Very often the driver is next generation planning, which can be immensely complex and cross-border, depending on the involved jurisdictions. So, we analyse their situations, plan, and work with their specialists, such as their own tax lawyers, to propose a fully compliant structure that covers all their needs and expectations."

Hediger observes that although 1291 is a smaller, boutique firm it has global capabilities, leveraging global resources and relationships. "For example," he says, "if I have a European-based client with a daughter in Mexico, it will take me less than 24 hours to get all the information from my colleague who is a Mexican tax lawyer from the 1291 LatAm office to help them with a solution. I am not aware of any other life insurance broker that have such a global capability and expertise. And by teaming up with the leading law firms , we can also convince the client that it's not a little 1291 coming up with a fancy structure, but it's backed by all these law firms and ideally the client's law firm of course, as we always want to make sure that those experts are on board."

## 1291 and 2014

The firm's '1291' name arrived in 2014 after roughly 15 years of growth from a very small operation. 1291 in fact refers to the historical year of birth of Switzerland. Hediger reminds us that the team originally chose the name as it links directly to the core values



**SERGE HEDIGER**
1291 Group

## Getting Personal with Serge Hediger

Hediger is Swiss and was born is 1976 and today lives in Liechtenstein. He was born in Zurich and completed his degree in economics, his MBA and his Law & International Taxation degree in Austria and Switzerland. His first job was for a listed Swiss insurance company, where he rose to become head of a key region of Switzerland for them, before taking the reins as CEO of Valorlife Life Insurance Company in Liechtenstein and Ireland in 2007 before the firm was sold to an American investor in 2014, at which point he joined 1291 group as a shareholder and co-founder of certain 1291 entities.

Married with three sons of nine, six and three, he still finds time for skiing, scuba diving, and is a part-time instructor in both sports. "While I studied, I worked as a ski instructor in the winters and diving instructor in the summers, the latter in Asia at some wonderful locations and off ships," he reports. "As to skiing my favourite resorts are St Moritz in the Alps and Jackson Hole in the US. For diving it has to be Maui in Hawaii."

He regularly spends a lot of time in the summers in Cyprus, where the family has a holiday home on the south-east tip of the island. "We love the food, the people, the weather and of course, the beaches," he reports.

An unusual hobby that he admits to is playing the didgeridoo. "It is more difficult than it might appear, and I can say I am reasonably proficient," he reports. "Certainly not as good as the Australian aboriginals, but I can get by!" And an unusual fact is that he is often told he looks a bit like Phil Collins the former Genesis drummer and solo musician in his earlier days. "But there the resemblance stops, as my musical abilities end with the digeridoo!" he quips.

of Switzerland. "Our maxim is to protect, structure and optimize the private wealth of our clients," he says. "Our express purpose is to create peace of mind for our clients and partners through our team of experts with many years of experience in wealth protection, international tax, legal and compliance issues, as well as the use of insurance, pension, and other investment vehicles."

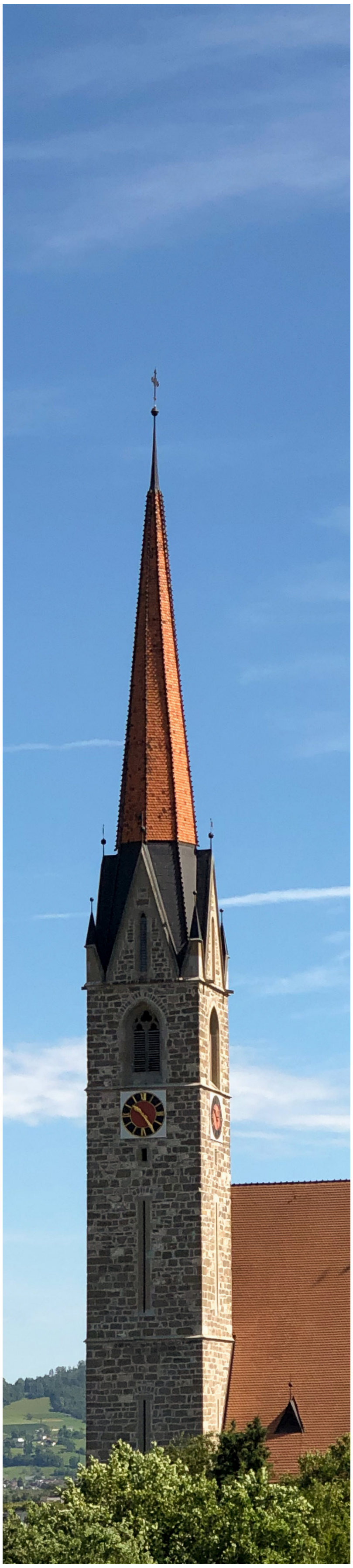
1291's founder, Marc-André Sola, started NMG International Financial Services Ltd., the first company of the group in Switzerland in the year 2000 and in cooperation with the NMG Group, a financial services group based in Asia and South Africa. In 2007 they opened the office in Liechtenstein in order to access the European market on the freedom of services. In 2014 the management bought the shares of the minor shareholder of NMG Group, and that was when 1291 as a brand was born.

It is also when Hediger himself arrived, as a shareholder and co-founder of some new 1291 entities, following which the board soon decided to really up the ante, go global and offer additional services. "Since then, we have been robustly but carefully building up new offices and services in different jurisdictions, and adding in new talent to help us expand," he reports.

## PPLI's longevity and relevance

The firm's institutional clients are mainly private banks, asset managers and international insurance companies, and the firm's individual clients are HNWIs and UHNWIs around the world.

Hediger also remarks on the longevity of the private placement life insurance (PPLI) structure, which first emerged in the US in the 1960s, and still functions today on exactly the same structure. "But of course, the world has changed in the meantime, the world is dramatically more regulated, and compliance is a must not an option," he comments. "The only



thing we need to do for each client is to refine the design of the PPLI product in order to make it most efficient for the client."

The availability, acceptability and appropriateness of the PPLI structure is unlikely to change in the foreseeable future, he argues. "The life insurance and the pensions industries are generally the largest investors in government bonds all around the world, so it is highly improbable for incoming politicians to stifle things, as we see it," he says. "And there are valid reasons too – the world has a problem with demographics and needs to incentivise the taxpayer to put money aside for the future, whilst the life insurance industry itself employs a lot of highly qualified people, all good taxpayers."

## Here to stay...

Imagine, he ponders, if some politician in Germany tried to interfere with the major insurers representing so many million insured, such as Allianz, or with AXA in France or with Generali in Italy, or with the policyholders, who are of course the voters. "I could go on and on and on and on," he says. "I just cannot see major change happening."

Hediger also observes that the US insurance lobby remains stalwartly behind the structure, with the largest carriers such as Prudential Life, or MetLife driving the industry, and driving the continuing lobby.

"Moreover," he reports, "any administration in the States appears happy that millions and millions of taxpayers are planning for their futures through insurance, which reduces the risk of the governments having to support those people in the future. They know the adverse age category demographics will only get worse, and they know that if there is no incentive to put money in an insurance plan, then they might prefer to spend it on cars and holidays. But insurance is highly regulated, and traditionally linked to attractive tax benefits."

## What is in the US and Europe will head to Asia

Traditionally in the US and Europe, PPLI is often part of an efficient wealth planning structure and used in combination with Trusts, Foundations or other SPV. Usually a Trust or Foundation addresses estate planning issues whereas a PPLI covers taxation and succession aspects. Since a few leading wealth planners in Asia got more familiar with PPLI in the recent years, we see a higher demand in combining (existing) Trusts with PPLI in order to create a much more robust and efficient tool.

1291 plays a key role in bridging the gap between regulations all over the world, he says, as the banks can refer clients to them as an independent broker, also duly regulated and of course licensed in all the key jurisdictions, Singapore, Hong Kong, Dubai, Zurich, Liechtenstein and with the SEC in the US as RIA. "Accordingly," he elucidates, "the banks we work with know we have to fulfil all regulatory requirements regarding KYC, AML, reporting and so forth, just like the bank or the insurance company. This makes them much more comfortable in dealing with us, as they see both our tailoring expertise and our attention to detail."

## Call in the experts

And he adds that bankers usually very quickly appreciate that for higher end life policies, very often involving cross-border assets and family members, there is no standard one-size-fits-all solution, and that they need genuine expertise to help their clients reach the right solutions. "They come to us to see how or even if there is a solution for the client, and if there is we can help structure it to keep that client's assets with the bank, so that all parties are comfortable, assuming that is what the client wants, of course."

is compliant in the multiple jurisdictions that it was designed for. And this drives a lot of our business, as many clients want to live in the globalised world that we have become used to and need solutions that are compliant no matter where they might be, or where their children might live in the future."

Hediger says this is the same story for the past 50 years since PPLI

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## Where you go, PPLI will follow

He also highlights the portability of the PPLI structure, which works in both common law and civil law jurisdictions. "Unlike a bank account, an insurance account cannot be closed, only the client can cancel it, not the insurance company, that is the law, locally and globally," he observes. "But you can move from one jurisdiction to the other and still benefit from the ongoing tax advantages, meaning a portable structure

first arrived on the scene in the US, and certainly a key marketing message 1291 has delivered since inception. "We had the PPLI tool then, when nobody was much focused on compliance, when the world of regulation was far different, but now everyone is so focused on anti-tax avoidance rules, yet nobody has been hit with CFC-related issues for decades and we anticipate nobody will for decades to come, using this PPLI structure. Depending

on the clients tax domiciles, they vest control and voting rights with the insurer, but importantly, retain control of what is going on in the insurance portfolio."

## Great potential in Asia

He is also remarkably positive about the outlook for PPLI in Asia, where it has only just scratched the surface of the HNW and UHNW wealth market.

"So many clients and their lawyers, accountants and advisors are familiar with holding companies, trusts, foundations and those types of structures," he says, "whereas they thus far very rarely use private placement life insurance, partly because they do not know of it and also do not really understand it. This means that PPLI is still almost nowhere on the radar, while at the same time, growth in the demand for tax compliant structuring is increasing at perhaps 50% or more a year."

The result, he reports, is that bankers, wealth planners, lawyers, and many other key players in the Asian wealth management industry all want to know how PPLI works, and how, for example, trusts or other structures can be combined with it. "In short, we are very optimistic that we will do much more business in the next 10 years than we did in the last decade, when growth was already really encouraging," he concludes. ■