Link to Article on website

# Tracking Major Trends in HNW Insurance Globally and Key Developments and Approaches in Asia

**The Hubbis HNW Insurance Summit in Singapore on September 6 brought together a lot of expertise on the life insurance solutions market and how it fits within the wealth management universe and enhances personal estate & legacy planning for individual clients and their families. A panel of experts sat down to consider the key developments taking place around the world, and more specifically what is happening in Asia, and the outlook ahead. They articulated how life policies if correctly structured, can help families overcome many personal, familial, estate and regulatory challenges. Peter Triggs, Partner at Swiss-headquartered specialist high-end international insurance brokerage 1291, offered his invaluable insights into some of the key issues, advising the wealth management community to see HNW Insurance as part of robust planning solutions, not as a standalone product. And he conveyed his view that advisors must be cognisant of the numerous technical and regulator nuances amongst the many jurisdictions around the world. What might work as a structure in France, for example, might not satisfy the UK authorities.**

GET IN TOUCH

[View this Panel on Demand]

[View Peter Triggs's LinkedIn Profile]

[Find out more about 1291 Group]

View Photos of this Event

Peter Triggs
1291 Group

The discussion opened with the experts considering how the life insurance solutions market has successfully navigated global regulations for decades, but new rules are continually impacting individuals and families in their offices, for example? At the local level, new developments such as Singapore's proposed Section 10L, which will impose a capital gains tax on foreign share sales, bring new taxes and new reporting obligations, even to benign tax jurisdictions such as Singapore. And Hong Kong is moving along the same road.

Operating companies within trust structures could also be impacted. Corporate tax audits of family businesses are increasing sharply across Asia, with some fairly aggressive practices reported in countries such as the Philippines, and Indonesia. Electronic invoicing is on the rise, giving tax authorities a much more timely and clearer picture of activity amongst these companies with Malaysia at the front of that charge. Taiwan is set out in a circular looking at a PPLI policy structure connected to a trust, setting out their expectations of what a financial intermediary should be doing when they encounter this structure. The objectives and implications are as yet unclear, but there is no doubt that, again, anyone involved in life solutions and structuring needs to be aware of actual changes and the direction of travel at the regulators, a speaker commented.

"They seem to be saying that, if you have a global PPLI policy, and you have underlying companies, and you have, let's say, the life insurer is involved in some way with the tactical governance or running of the underlying company, then that person should be identified as a beneficial owner," an expert explained. "So, with trustees

***« "Very often, the best planning solution is through life insurance policies and smart structuring around them." »***

wealth and estate structuring, making it increasingly vital that the advisory community keep abreast of key developments in order to make sure that their clients stay ahead of the game in terms of their new and existing structures.

## Governments need more money!

The experts agreed that the world of regulation, expanding taxation and increasing inspection from the authorities will only intensify in the years ahead. Could the global minimum 15% tax that the 136 countries of the OECD now demand impact the larger family introducing its Controlled Foreign Companies (CFC) rules.

## Regulatory demands proliferate

Combined with the Common Reporting Standard (CRS), the net of compliance and transparency is tightening all the time, especially as governments in Asia follow the global path to shoring up their state finances, which had eroded somewhat during the pandemic.

Moreover, there are implications for the financial advisory industry. For example, the Monetary Authority of Singapore in August holding the PPLI policy, they should by implication be monitoring what is going on underneath the policy as part of ongoing due diligence. And there are beneficial ownership implications, as well."

In short, wealth managers and their HNW and UHNW clients need to keep close tabs on all these developments, and then work with professional advisors if they spot opportunities or hurdles ahead.

## HNW Insurance as part of smart solutions

Peter Triggs agreed with many such comments and then offered some


perspectives from his viewpoint having worked for more than three decades in the life solutions and wealth management sphere, particularly within Asia.

"If we look at our experience over the past roughly 25 years in Asia since Universal Life insurance first arrived on these shores, the approach has been mostly product-driven, but we nowadays need to shift away from that," he commented. "We need to take a more client-centric view of what is it that clients really need. PPLI is very much proven, having been around for a long time in the US and Europe, and is very well understood, although relatively new in Asia. I advise people to look at it more as a concept, somewhat like a trust."

He elaborated on that, noting that with a trust, you put in your assets, and you have a governing document, a trust deed. With PPLI, clients put their assets into an insurance company, and you have a governing document, which is the insurance contract.

"But there are additional advantages," he explained. "Insurance is recognised everywhere, in every country, whereas trusts are often not recognised in civil law jurisdictions like Indonesia, for example. In terms of tax planning, you get certainty of tax planning with PPLI. At 1291, we have tax planning solutions for 45 different countries, but these are not sold as products; they are tailored around client needs."

Peter agreed that there is little doubt that demands around compliance and transparency will only continue to escalate globally. "In Asia, that trend is more recent over the past decade-plus," he said, "while in Europe, tax concerns were front of mind for wealthy families for many decades when looking to expedite their succession and wealth planning. In short, tax and compliance are far more central to the whole approach here in Asia now."

## Insurance – enabling mobility and smart planning

Peter also highlighted the role of life insurance solutions in smart mobility planning for individuals and families, a topic that he and investment migration consultancy Henley & Partners would later tackle in detail in a Workshop at the Summit.

His core message was that in a globalised world, with family members studying, working or simply enjoying their lives all around the world, clients' planning needs to encompass regulations and tax from a multi-jurisdictional viewpoint. "Very often," he stated, "the best planning solution is through life insurance policies and smart structuring around them."

"Yes, every country in the world that we look at has either changed or is changing its tax laws or has something proposed or in the works," Peter concurred. "Tax laws are changing, making a huge burden on advisors, particularly if dealing with high-net-worth families, who very often touch four or five different jurisdictions. As advisors, we really have to work hard to stay on top of developments."

## Taiwan – highlighting issues around CFC

For example, he noted that the new CFC legislation in Taiwan needs careful scrutiny; the PPLI can at first glance apparently house those Taiwanese and offshore companies and provide a screen for the application of the new rules. But at the same time, there is a shift towards the Australian approach, where the tax authorities are looking through to the remaining control of those companies.

"The advice now appears to be moving towards getting rid of the company altogether and putting your assets into the insurance contract, preferably with discretionary management of investments," Peter elucidated.

"This is one example amongst many where planning has to evolve with the environment, adapting to and offsetting these constant changes that we are seeing. Structures must stay up to date, and advisors must remain aware."

Peter then drilled down into some of the technicalities of life insurance structures and the linkages to regulation and tax. He explained that an insurance policy involves three parties: the policyholder, the life assured and the beneficiary or multiple beneficiaries. He said that it is the policyholder who is subject to CRS reporting, not the beneficiary, and not the life assured.

## Jurisdictional nuances

But he said that in some jurisdictions, careful structuring is required to obtain the best advantages. In the UK, for estate tax purposes, the policy is going to be in the policyholder's estate on his or her death, meaning that for UK planning purposes it is optimal to assign that policy to a trust and therefore trustee. In other markets, such as France, this is not necessary, as the proceeds are paid to beneficiaries outside the estate.

He added that there are differences also between the treatment of premium financing and payout to beneficiaries in different markets. For example, if a client buys universal life insurance with premium financing from a bank, the policy is signed over as collateral to the financing institution. In many jurisdictions, when the person passes away, or the life assured passes away, the proceeds go to the bank, they pay themselves back, and then distribute to the beneficiaries.

"But not in Singapore," Peter reported. "Here, the payment goes to the bank and the bank takes its loan back and the remainder is in your estate. But that is fine in Singapore, as there is no estate tax, although remember that the client must provide for that in the Will." He added that all these different jurisdictional idiosyncrasies add up to a lot of knowledge that advisors need to build and think about when pointing their clients towards the best structures and outcomes.

Peter offered some anecdotal evidence of his earlier premise that the approach from the specialist advisory community must be around the specifics of the client's situations and their needs, not product driven. He said that what might appear an obvious way forward could be inappropriate in the true scheme of things. "The key for advisors is to make sure you fully understand the client first, and then help work up the solutions," he stated.

## How flexible is flexible?

Peter's final comments were addressing a somewhat left-field question about whether policies such as Whole of Life, Universal Life, VUL and PPLI can house digital assets and the implications.

"There are restrictions on policies such as VUL and others, whereas in PPLI there is immense flexibility in what the insurance companies can take into the structure," he reported. "But remember that there is always the need for assessment by the insurers of reputational risk, as well as operational risk, and valuation risk," he reported. "The situation now is that the insurers are in general more comfortable with those assets, around those operation risks, custody and so forth. Moreover, the insurers do not carry heavy fiduciary responsibilities; they are not trustees. In short, there is more flexibility now, but no hard and fast rules, and you will find different interpretations and approaches from different insurance carriers." ■