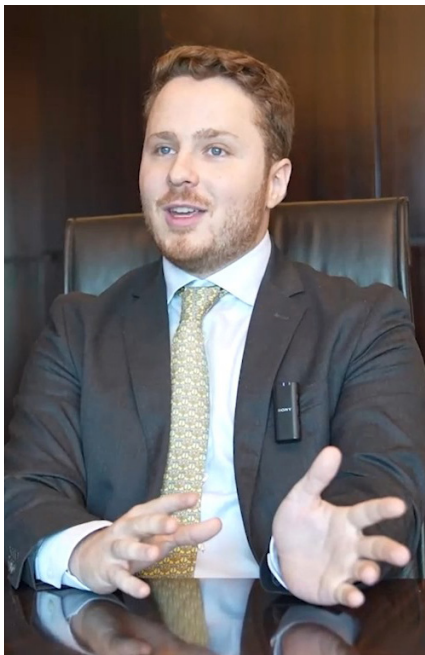


GCC Region – Creating Compelling HNW Insurance Opportunities around Sharia Products and Crypto



SAM ZUCKERBRAUN
Geneva International Insurance

“Today, we have successfully navigated these challenges and can confidently say that we can verify sources of wealth and funds related to cryptocurrencies, as well as custody digital assets within PPLI policies. This development marks us as pioneers in the insurance industry, offering comprehensive solutions for individuals seeking to integrate cryptocurrency into their financial planning.”

Why did you come to the UAE? What’s the opportunity?

I spent seven years living in London, which was a fantastic experience. However, the onset of Covid-19 led to a notable trend of ultra-high net worth individuals relocating to the Dubai GCC region. Observing this, I volunteered to move to Dubai to assist Geneva Insurance in establishing itself as a significant player in the life insurance market. Upon arriving, we discovered exciting opportunities for unique products, particularly our Sharia-compliant product and a cryptocurrency-focused product. At that time, the cryptocurrency market was thriving, though it has since experienced a variety of fluctuations. This move was instrumental in Geneva’s decision to expand and innovate in the region.

What made Geneva International Insurance decide to create a Sharia compliant policy?

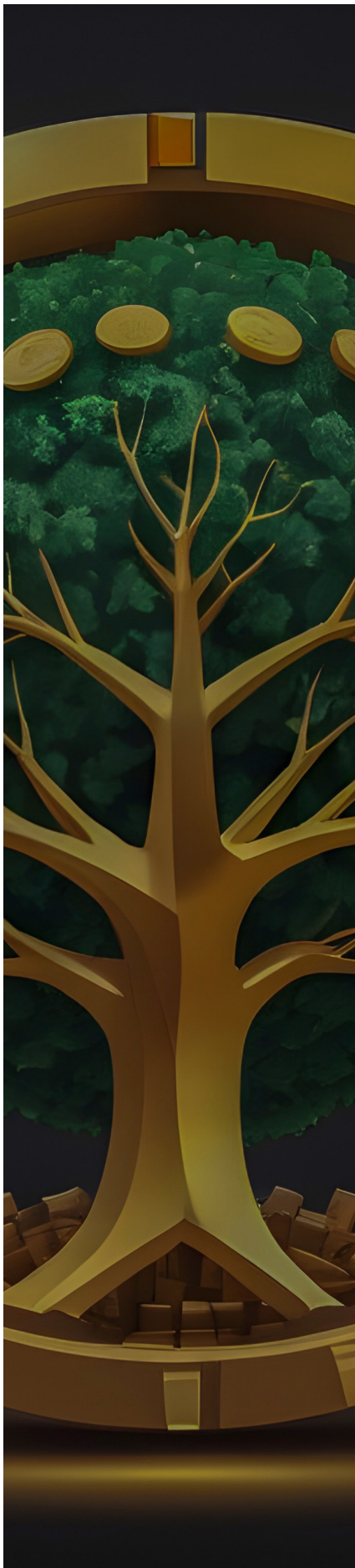
Before addressing your question, let me provide some context about Geneva International Insurance, our operations, motives, and specifically, our Private Placement Life Insurance (PPLI) offerings. PPLI is an insurance product designed for succession planning valued by wealth planners and family offices. As a carrier of PPLI, we draft these insurance policies, focusing on their relevance, especially in regions like the GCC, where succession planning is critical, despite the area’s negligible tax incentives due to the absence of income tax for most of the region.

We engaged in brainstorming upon realizing the cultural and religious importance of succession planning within wills, traditionally favoring male over female heirs in inheritance distributions. While not delving into exhaustive details, this sparked the development of our Sharia-

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compliant policy. This policy not only adheres to Sharia-compliant investments but also addresses succession planning issues by prioritizing the life insurance contract in estate distributions. This innovative approach ensures that beneficiaries are clearly defined and their inheritance is secured as per the contract, addressing a gap in the market that had been identified by brokers, family offices, and wealth planners. Our initiative to create and refine this product was driven by its unique positioning and the evident demand within the region, marking our entry into addressing these nuanced needs.

Can you explain how your Takaful product differs from traditional life insurance products, and what benefits it offers to policyholders?

To address the question, I'll categorize my response into benefits, differences, and similarities. Firstly, a key difference in our offerings is the shift from "policyholder" to "policy subscriber," indicating that Geneva now acts on behalf of the subscriber, not as a traditional policy owner. For instance, if a policy subscriber wishes to invest, we offer flexible investment options, including Sharia-compliant or indirectly compliant investments through a Murabaha transaction. This transaction, a 12-step process involving a Special Purpose Vehicle (SPV) structure, allows for indirect assets like US equities to be considered Sharia-compliant. Geneva orchestrates this entire process on behalf of the subscriber without their direct involvement, a departure from traditional policies where actions are directly linked to the policyholder.

Another notable change is in terminology, with "premiums"

now referred to as "contributions." Additionally, each Sharia-compliant policy can be certified with a fatwa from a highly respected Sharia scholar, offering further reassurance of compliance. The life insurance component has also been adapted into a Takaful model, replacing the conventional death benefit with a Sharia-compliant version.

In terms of similarities, the flexibility in choosing custodians or asset managers remains, with the requirement that the assets within the policy are Sharia-compliant. Clients have the freedom to choose their banking and asset management partners, and Geneva Insurance is open to facilitating accounts with different banks to accommodate client preferences. Our services also extend to working exclusively with licensed brokers, targeting ultra-high net worth individuals, typically with a minimum of 5 million dollars in contributions to a policy.

The benefits of our approach include the assurance of Sharia compliance in investments and life insurance policies, alongside the Retakaful death benefit. This framework not only meets religious compliance but also aids in succession planning, ensuring the insurance contract takes precedence over wills, thus streamlining the succession process upon death.

What made Geneva International Insurance decide to accept crypto within PPLI policies?

At Geneva International Insurance, we pride ourselves on innovation and uniqueness. A few years ago, we observed a growing trend: a significant number of potential clients, not yet our customers, were expressing interest in our services due to their wealth originating from cryptocurrency. These individuals

had amassed considerable wealth through early investments or mining activities, in Bitcoin, and were looking to diversify or engage in succession planning.

Initially, we faced challenges in accommodating these prospects due to the complexities of verifying the source of their wealth, understanding the blockchain, and documenting transactions. This was largely because cryptocurrency was in a regulatory gray area at the time. However, as regulations began to evolve, especially in jurisdictions like Switzerland where cryptocurrencies started being recognized as legitimate financial products, we saw an opportunity to adapt.

We began exploring how to onboard clients with wealth in cryptocurrencies and whether we could include crypto assets within our Private Placement Life Insurance (PPLI) policies. This exploration was further prompted by existing policyholders and potential clients expressing a desire to include cryptocurrency in their asset management strategies, alongside asset managers launching crypto funds.

Today, we have successfully navigated these challenges and can confidently say that we can verify sources of wealth and funds related to cryptocurrencies, as well as custody digital assets within PPLI

policies. This development marks us as pioneers in the insurance industry, offering comprehensive solutions for individuals seeking to integrate cryptocurrency into their financial planning. Our progress reflects a natural response to market interest and the increasing valuation and popularity of digital tokens, which continues to attract significant attention.

Can you explain how Geneva International Insurance works with crypto in their life insurance policies?

At the outset, I'd like to highlight our approach to onboarding and prospecting, especially as it relates to clients with wealth originating from cryptocurrency. We've adapted our Anti-Money Laundering (AML) procedures by adding an addendum specifically designed for cryptocurrency transactions. For instance, consider a prospect who invested \$10,000 in Ethereum during its ICO phase and now has a portfolio valued at \$10 million. Our comprehensive AML process begins with this scenario, involving steps such as wallet screening, verifying wallet ownership to confirm the prospect's identity and control over the wallet, and a thorough review of the wallet's transaction history.

This procedure is an integral part of our application process, mirroring

the rigor applied in non-crypto PPLI applications. We accommodate wealth and funds derived from cryptocurrency, focusing on the top 30 tokens due to our capacity to effectively screen and verify these assets. However, we cannot facilitate investments in newly created tokens or those with less credibility, such as "meme coins."

Additionally, we've developed a robust solution for the custody of cryptocurrencies through partnerships with banking institutions, notably Kaleido Bank in Switzerland. This allows crypto assets to be treated similarly to traditional assets such as stocks, private equity, or real estate. Clients have the flexibility to manage these assets under the guidance of their asset managers, including buying, selling, and reallocating as they see fit, primarily focusing on the most recognized cryptocurrencies.

Moreover, for clients or asset managers seeking guidance on crypto investment strategies, Kaleido Bank offers a crypto fund as an option. This establishes three main avenues through which Geneva Insurance engages with cryptocurrency: ensuring compliance in onboarding clients and their source of wealth, providing custody solutions for crypto assets, and facilitating asset allocation via asset managers and funds. ■

