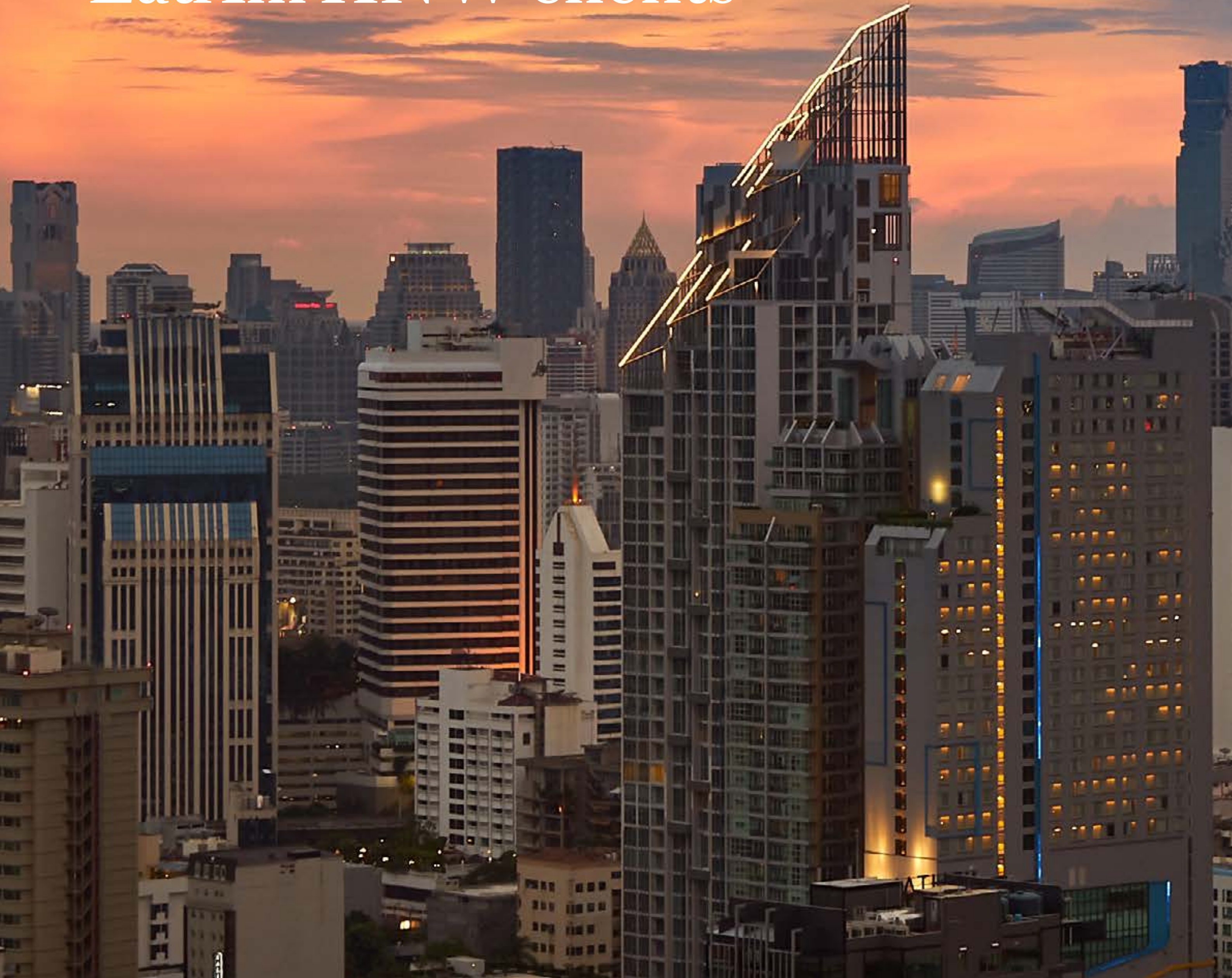
LOMBARD INTERNATIONAL ASSURANCE

Why Luxembourg Life Insurance is a must-have tool for your LatAm HNW clients



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The ever-changing legal and tax environment in Latin America is forcing High Net Worth Individuals (HNWIs) to review their investment structures to remain compliant with new regulations. Savings insurance, private placement life insurance (PPLI) or unit-link life policies are proven instruments, internationally recognised, firmly embedded in the legal systems of Europe, North America and the vast majority of Latin American countries.

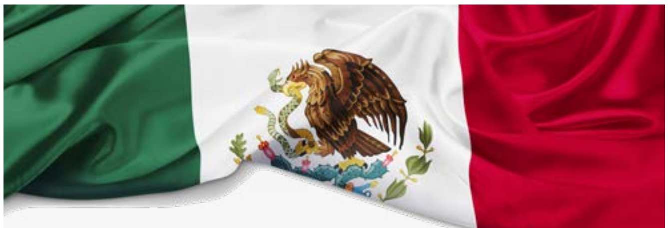
Carriers of various jurisdictions offer these solutions. But Luxembourg life insurance policies are particularly suitable for clients wishing to access a range of tailor-made solutions. Furthermore, Luxembourg life policies benefit from the Luxembourg "Triangle of Security" which protects policyholders' assets and ensures they can be recovered, under one of the most secure asset protection systems in the world.

Advisors around the world enjoy the open-architecture approach carriers have to these contracts. Policies can be adapted to meet the particular circumstances of the clients and to fulfil any legal and tax requirements of the countries where the client and his/her heirs live.

Colombia

After the implementation of international tax transparency rules in 2017, life insurance has become an outstanding solution for Colombian tax-resident HNWIs, fully compliant with Colombian tax law for provision of Income Tax deferral and accumulation of income generated within the life policy until the policyholder decides to surrender from the life insurance contract. Furthermore, at the end of 2018 the tax treatment of life insurance indemnities (including for our type of solution) was clarified.

According to the newly created Article 303-1 of the Colombian Tax Code, life insurance indemnities -including the savings component- received by Colombian-resident beneficiaries shall be considered as "occasional gains" (i.e. subject to 10% tax) on the amount exceeding 12,500 fiscal value units (currently USD 130,000 approximately).



Mexico

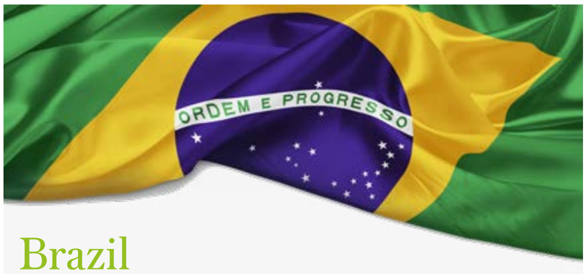
With the Preferential Tax Regime Rules and the Tax Reform of last year, Mexican resident clients may be taxed on an accrual basis on passive income generated by their offshore structures and/or the offshore structures themselves may be subject to Mexican tax. Additionally, holding offshore corporate structures (since 2016 regardless of the jurisdiction where they are based) involves some burdensome reporting obligations. In this context, life insurance solutions have become a secure and tax efficient planning tool for Mexican residents as the referred tax and disclosure rules do not apply to them.

Life insurance provides Mexican resident HNWIs with full tax deferral on the income accrued under the policy until partial or full surrender. Payments made upon the death of the client to beneficiaries are subject to Income Tax, but the life contract can be structured to address this specific point.

Peru

Controlled Foreign Corporation Rules were implemented back in 2013 under which passive income generated by offshore holding vehicles is imputable to their Peruvian ultimate owners. 2020 is the first year in which Peru automatically exchanges information under the Common Reporting Standard (CRS), regarding information collected in 2019, with exchange relationships activated with 58 countries already.

As Peru builds up a modern tax framework, international life insurance results in an increasingly interesting wealth planning solution which provides with the necessary substance required for tax efficiency and simplicity for wealthy Peruvian clients. The payment of the premium to the insurer is subject to 2.1% tax but income accrued under the policy is accumulated -not subject to tax in Peru- until partial or full surrender from the life policy. Furthermore, the Peruvian tax authorities confirmed in April 2018 that payments made by foreign life insurance companies upon the death of the life assured to beneficiaries resident in Peru shall also be tax exempt.



Brazil

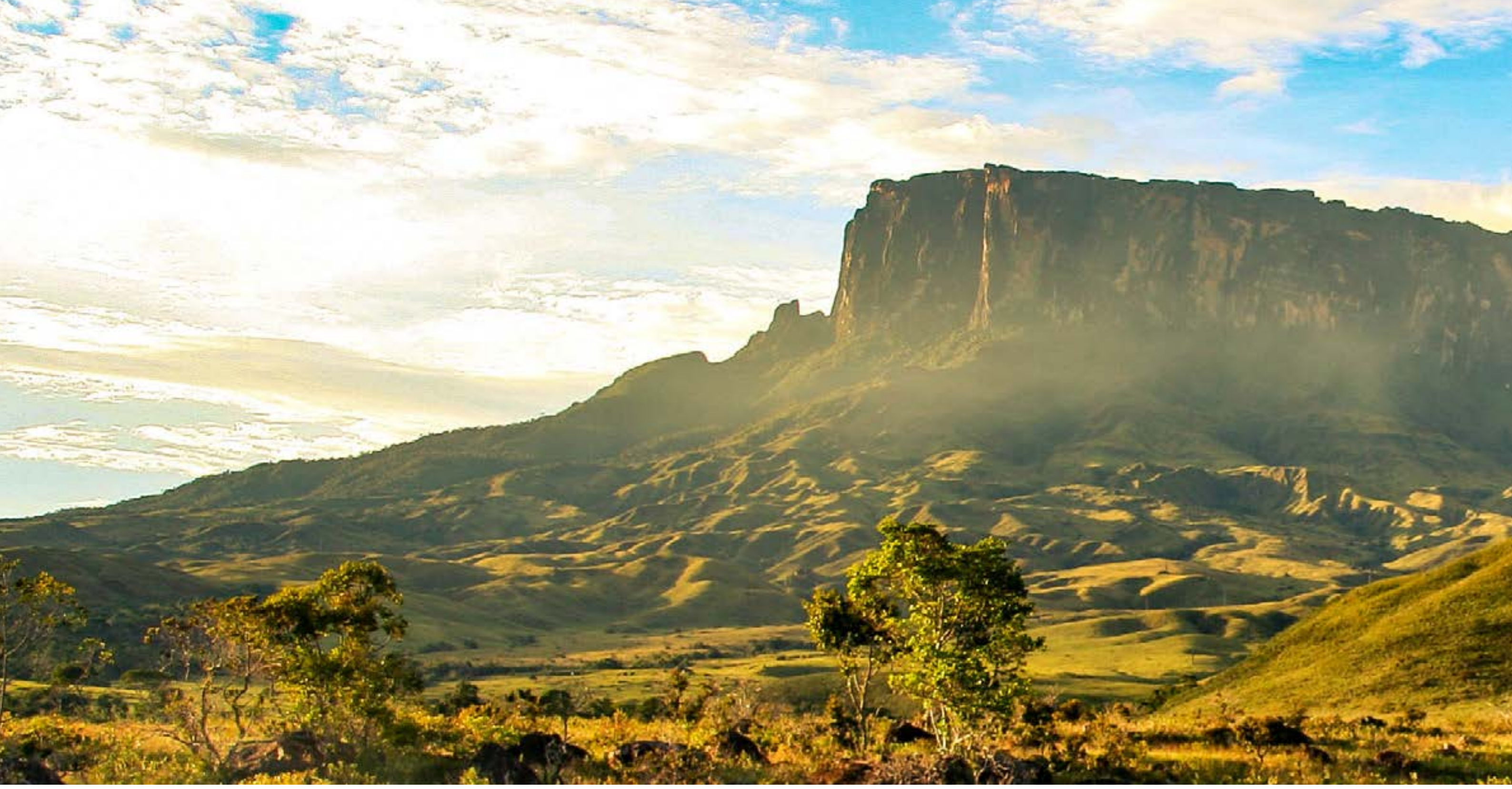
For those of your Brazilian resident clients having their wealth structured through private investment offshore companies, life insurance may be an interesting wealth planning vehicle providing tax deferral until partial or total withdrawals are made.

Upon the client's death any payments made to beneficiaries residing in Brazil would be tax exempt. Moreover, life insurance proceeds are kept out of the probate procedure ensuring that beneficiaries appointed under the contract have quick access to liquidity without need to wait the end of the probate procedure which can take very long in some instances.

Other Latin American countries

Luxembourg carriers are often flexible to adapt their insurance contracts to meet the requirements of most other countries in the region, with just some few exceptions.

Some examples are Panama, Venezuela or Ecuador where, if properly designed, life insurance provides with an integrated wealth planning solution which offers full tax deferral on the income accrued under the life policy until it is partially or fully surrendered. At the same time the contract allows for flexible succession planning options and does not give rise in most cases to any reporting obligation for policyholder individuals. Additionally, in many jurisdiction proceeds of life insurance paid to beneficiaries upon the policyholder's death are Income and/or Inheritance Tax exempt.



Portability and international families

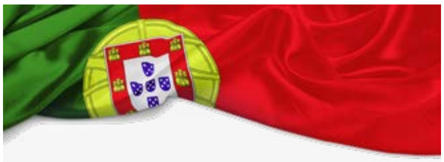
Taking into account that under current globalization families are becoming more and more international, life insurance is also an outstanding option for those who consider relocation as a possibility or whose family members spread across multiple jurisdictions.

Life insurance solutions, if properly structured, allow the maintenance of the tax benefits across different jurisdictions.

These are examples of destination countries which work well for Latin American clients:

Spain

In Spain life insurance will provide Income Tax deferral until maturity and/or withdrawal/surrender; the possibility to defer Inheritance and Gift Tax liability and to minimise Wealth Tax impact in some cases. In order to ensure tax efficiency life insurance policies must comply with Spanish requirements since inception.

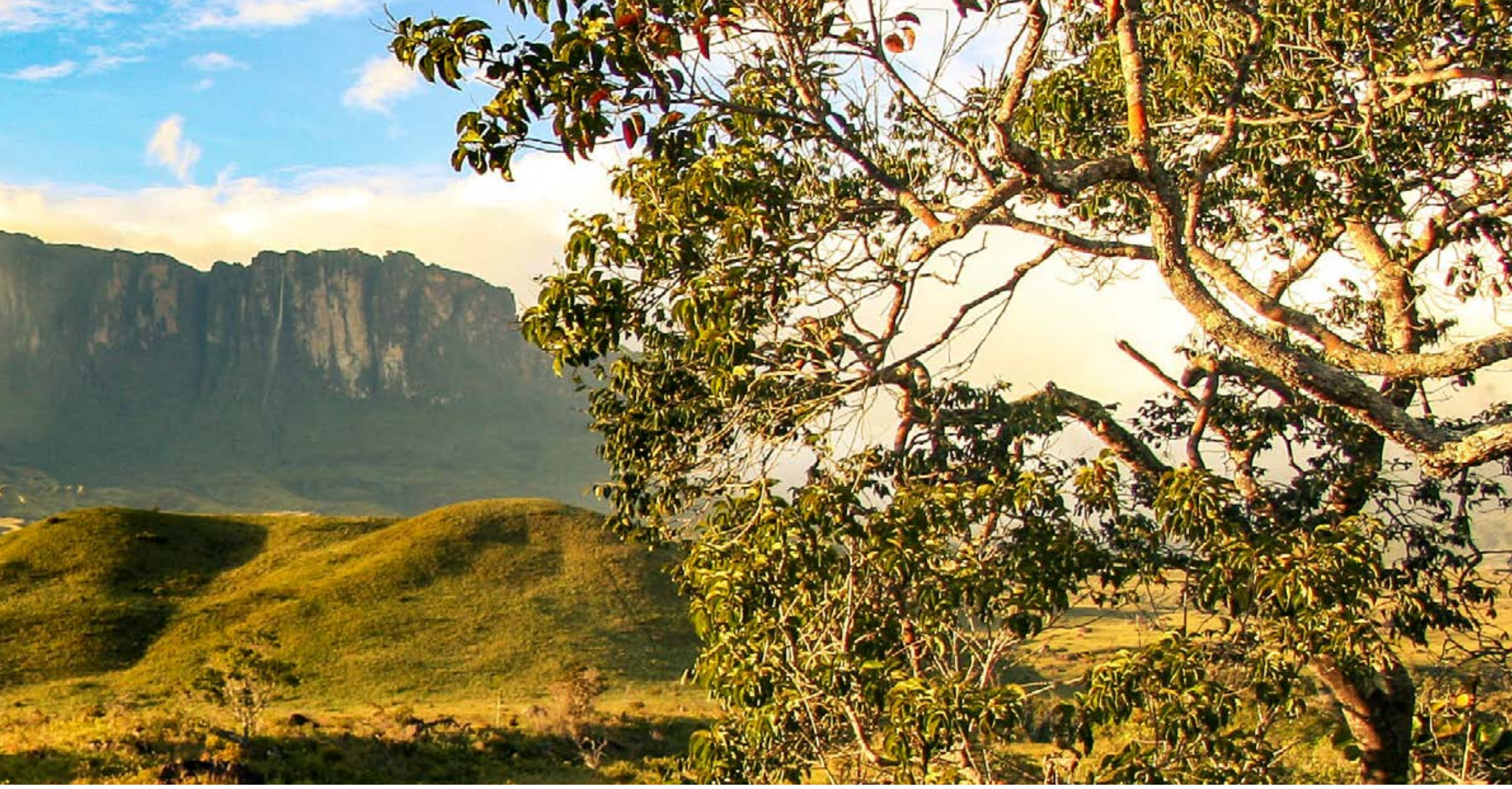


Portugal

Life insurance in Portugal provides deferred taxation until maturity and/or withdrawal/surrender, and there are strong tax advantages to keep the policy over 5 years and over 8 years (taxable base is reduced by 1/5 and by 3/5).

United Kingdom

The policy will also provide deferral on taxation on income and capital gains and tax-deferred annual withdrawals of up 5% of the initial investment for UK resident holders. For UK Resident Non-Domiciled persons, a life insurance policy can provide an alternative to paying UK tax on income and gains as they arise or electing for the remittance basis of taxation and paying the remittance basis charge.



Wealth Planning

On top of the above-mentioned country-specific advantages, the main benefits of international unit-linked life insurance are the following:

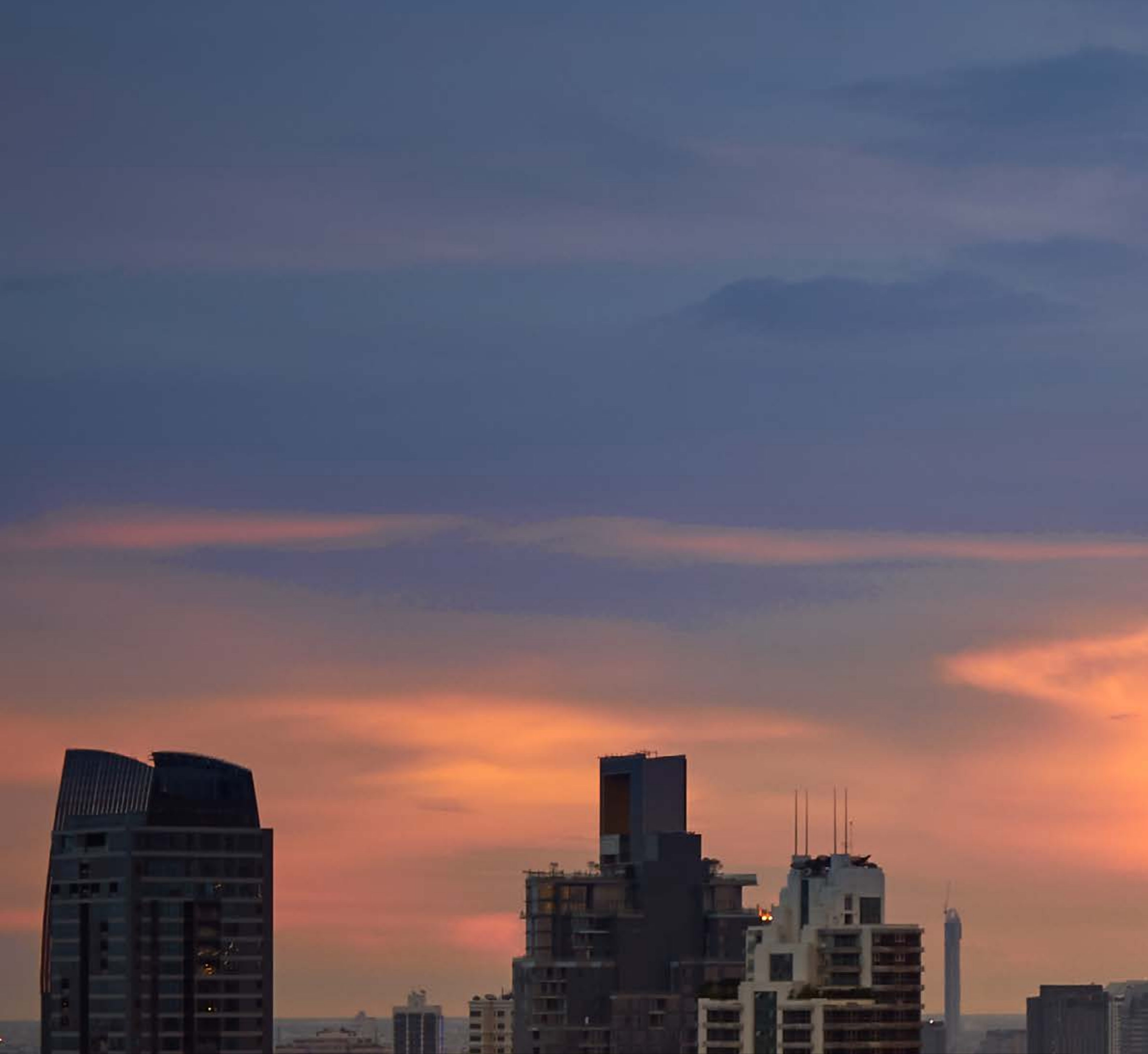
(a) access to international assets and institutional investments,

(b) possibility to tailor the solution for each client and select the investment advisor/manager and the custodian bank to be linked to the life policy,

(c) protection with the Luxembourg "Triangle of Security" which is one of the most secure asset protection systems in the world and

(d) great flexibility to properly plan the client's succession and the transfer of the wealth to future generations.

> For all the above reasons, savings life insurance, private placement life insurance (PPLI) or unit-link life policies solutions are proved to be the ideal choice for Latin American HNWIs looking for a legal, secure, tax-efficient and adaptable wealth structuring solution.



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