



WELLINGTON SHIELD

VERTUTIS FORTUNA COMES

Insurance Planning Explanation:

Highly personalised insurance bonds like the Wellington Shield Life Contract have been designed for use as an alternative holding structure to a traditional offshore trust or a nominee arrangement. Unlike traditional insurance policies, which strictly restrict investment of the policy premium to collective investment funds, these policies allow the insurance premium to be invested, at the request of the policyholder or an investment advisor, in *private* assets such as the shares of an offshore company that can be managed by a corporate service provider.

The motivation for establishing such a policy is to take advantage of the substantial tax benefits that are often available when an offshore company is 'held' via a life insurance arrangement.

These arrangements are most frequently used in situations where clients need to avoid deeming provisions, Controlled Foreign Company (CFC) rules and complex disclosure rules. Insurance structures can often achieve these objectives and policies like the Wellington Shield Life Contract have been specifically designed to work in tandem with traditional offshore services.

Some policies are now available on a very cost effective basis with a fee structure that is unrelated to asset value. The policyholder often has the ability to take withdrawals during the life of the policy.

The information contained herein is intended as a general commentary only; it does not purport to constitute legal or taxation advice. Prospective clients are advised to take specialist professional advice. Referral to such specialists will be made upon request.

This example is intended for financial professionals only. It is not for circulation to private investors or individuals.

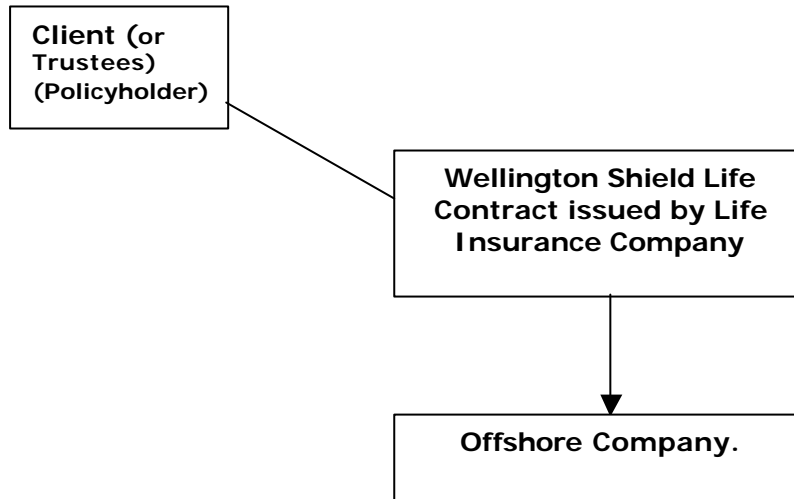
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Non-CFC structure.



Relevant Points

- ❑ The Client establishes a specialist single premium whole of life insurance policy with an initial cash premium. The specialist policy qualifies as life insurance in the client's home jurisdiction but it offers minimal death benefits and allows the policyholder (or an appointed investment advisor) flexibility in specifying the investment that should be made by the life insurance company.
- ❑ At the policyholder's or investment advisor's request the insurance company invests the policy premium in an offshore company that is managed by a licensed company manager in reputable offshore jurisdiction (eg Isle of Man, Channel Islands, Gibraltar)
- ❑ Note: The offshore company is beneficially and legally owned by the Life insurance company. (compare with a trust arrangement)
- ❑ The offshore company may undertake a trade or business in the usual manner (For example; it might be an investment company, a real estate company, an international holding company or undertake trading activities).
- ❑ Provided the offshore company is properly managed and controlled in the offshore location, it should not be a Controlled Foreign Company as it is neither owned nor directly controlled by the ultimate economic beneficiary (the policyholder). In many jurisdictions, policyholders are not taxed on income or gains on insurance policy investments until a withdrawal is made from the insurance policy and therefore taxation is deferred indefinitely.
- ❑ The structure can be 'unwound' by the policyholder surrendering the policy to the insurance company. Partial encashment of the policy can be made at any time.

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Martin Katz is licensed by the Isle of Man Financial Supervision Commission to conduct Investment Business.

WELLINGTON SHIELD LIFE CONTRACT

–SUMMARY PRODUCT SPECIFICATIONS–

The *Wellington Shield Life Contract* is a bespoke life insurance contract written under the insurance law of the Cayman Islands. It is designed to hold private securities as a component of a wealth planning structure.

Life Cover: Death benefit is equivalent to the value of the assets associated with the policy plus a sum of US\$100.

Contract Duration: Whole of life.

Segregation: Each policyholder is allocated a Segregated Account. A Segregated Account is a segregated, insolvency remote, portfolio cell which is created by the insurance company pursuant to part XIV of the Companies Law (2001 Second Revision) of the Cayman Islands to hold the assets of a life insurance policy. This ensures that assets linked to a policy are available only to the policyholder or beneficiary and not to other policyholders or creditors of the insurance company.

Premium Allocation: 100% of premium (after initial charges) is allocated to the segregated account.

Charges: Initial and annual charges are negotiated on commencement of the policy and need not be linked to underlying asset valuation.

Investments The policy is designed to invest in private securities only. Investments in mutual funds, bonds treasury bills etc can be undertaken within a private underlying investment company but not by the insurer directly.

WELLINGTON SHIELD LIFE CONTRACT

KEY FEATURES DOCUMENT

(1) The Nature Of The Contract

The contract is a fixed fee single premium whole of life insurance policy specifically designed to hold private investments through the medium of a private limited liability arrangement, such as an unquoted limited company. It has been designed by Wellington Shield Assurance Limited and is issued by Advantage Life & Annuity Company SPC, an insurance company registered in the Cayman Islands.

(2) The Aim Of The Contract

The aim of the contract is to provide a simple, cost effective, investment insurance vehicle that can be utilized as a component part of an international wealth planning structure.

(3) The Investor's Commitment

The policy will be issued against an initial premium which is payable in cash, but which may be satisfied in kind. There is no commitment on the part of the policyholder to make further premium payments during the life of the policy, although this is possible by arrangement.

Initial fees and annual management fees are payable to the insurance company in cash and may be deducted from investments within the policy or paid directly by the policyholder. The non-payment of fees is treated by the insurance company as a request to surrender the policy.

(4) Risk Factors

- ❑ The value of the policy at any time is dependent upon the performance of the underlying investments. The value of investments can fall as well as rise.
- ❑ The Wellington Shield Life Contract is specifically designed to hold private investments through the medium of a private limited liability arrangement, such as an unquoted limited company. The private investments may be risky and illiquid.
- ❑ Where the private investments are denominated in more than one currency or a single currency that is different from the policyholder's home currency, changes in the rate of exchange may cause the value of the policy to go up or down.
- ❑ If regular withdrawals are made from the policy that exceed the investment growth of the private investments, the value of the policy will be eroded.
- ❑ Advantage Life & Annuity Company SPC reserves the right to cancel the policy without notice or reason. Advantage Life & Annuity Company SPC will not incur any liability as a result of such cancellation.
- ❑ The policy is designed for medium / long term investment and should not be used if monies are likely to be required in the short-term.

(5) Details Of The Benefits

On the death of the Life Assured, or death of the last Life Assured if there is more than one, the insurance company shall pay the Wellington Shield Life Contract policyholder an amount equal to the value of the policy on the next valuation date following receipt of written notification of death plus US\$100.

Due to the flexible nature of this product no illustrations are made as to possible future benefits.

Principal Terms (Question and Answer Form)

What is the Wellington Shield Life Contract ?

The Wellington Shield Life Contract is a single premium whole of life insurance policy providing benefits linked to the value of assets in a “segregated account”.

What is a Segregated Account?

A Segregated Account is a segregated, insolvency remote, portfolio cell which is created by the insurance company pursuant to part XIV of the Companies Law (2001 Second Revision) of the Cayman Islands to hold the assets of a life insurance policy.

Each policy will be allocated a unique segregated account. The segregated account may contain property of any kind permitted by the insurance company – the benefits of a particular policy are linked to the investments contained in the unique segregated account.

What is the contract used for?

The contract can be used as a component part of a wealth planning structure under the guidance of a qualified tax professional.

Is it suitable for me?

The Wellington Shield Life Contract is a highly specialist life insurance policy. All clients are required to take appropriate professional advice from a qualified tax practitioner experienced in the use of this type of product. **Wellington Shield Assurance Limited and Advantage Life & Annuity Company SPC do not provide advice in connection with the use or suitability of the Wellington Shield Life Contract.**

Who can invest in the Wellington Shield Life Contract?

Anyone over the age of 18 can apply for a Wellington Shield Life Contract. In many cases investors are likely to be companies, trusts or family foundations.

The Wellington Shield Life Contract is only available through approved intermediaries.

How much can I invest in the contract?

The minimum value for the initial premium payment is US\$10,000; there is no maximum.

How are the funds within the contract invested?

The policy has been specifically designed to hold private investments through the medium of a private limited liability arrangement, such as an unquoted limited company. An investment adviser must be appointed to advise the insurance company on the investments to be made in the segregated account.

Who can undertake the administration of the underlying limited liability arrangement?

Underlying arrangements can only be administered by an *approved* professional corporate service provider or trust company, based or incorporated in a jurisdiction specified in the Cayman anti-money laundering regulations and regulated by the relevant regulatory authority in that jurisdiction.

How much life cover does the contract include?

On the death of the Life Assured, or death of the last Life Assured if there is more than one, the insurance company shall pay the Wellington Shield Life Contract policyholder an amount equal to the value of the policy on the next valuation date following receipt of written notification of death plus US\$100.

What are the set up and annual management charges in connection with the contract?

The fee structure in relation to the Wellington Shield Life Contract differs from those offered by other life insurers, as the set-up and management charges are established on a **fixed fee basis** and are not related to asset valuation. All charges are agreed in advance. Full details of rates in specific cases are available upon request.

Can I surrender the policy?

Yes, on receipt from the policyholder of a request to surrender, the insurance company will pay an amount equal to the value of the segregated account reduced by the aggregate of any outstanding charges. The surrender request must be in writing on the form supplied by the insurance company. Payments may be made in kind by distributing investments in specie.

Can I take withdrawals?

The Wellington Shield Life Contract is not designed to provide regular withdrawals to policyholders. However, withdrawals can be made from the policy by special request.

There is a processing charge for any withdrawal made. Payments may be made in kind by distributing investments in specie.

Taxation

The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. Policyholders should ascertain from their professional advisers the consequences to them of acquiring the policy or receiving any benefits from the policy under the relevant laws of the jurisdictions to which they are subject, including the tax consequences and any exchange control requirements. It should be noted that some countries may levy withholding tax on dividend and interest payments made to the insurance company.

Law

The Wellington Shield Life Contract is governed by the laws of the Cayman Islands.

Wellington Shield Assurance Limited

Wellington Shield Assurance Limited is incorporated in New Zealand and is a member of the Wellington Shield Group of companies. Wellington Shield is an international wealth management group with offices in New Zealand, USA, and Ireland.

Advantage Life and Annuity Company SPC

Advantage Life & Annuity Company SPC is part of the Crusader Group of companies based in the Cayman Islands. Crusader has been established in the Cayman Islands since 1993. Advantage Life and Annuity Company SPC issues the Wellington Shield Life Contract.

Advantage Life & Annuity Company SPC will not act as investment manager or provide investment advice with regard to the investments made under the policy. In the absence of fraud, Advantage Life & Annuity SPC will have no responsibility or liability with regard to any investment made or its performance.

Further information

Due to its specialist nature, the Wellington Shield Life Contract is only available through a limited number of authorized intermediaries.

Please contact Martin Katz of *Katz Financial Planning* for further information.

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