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.

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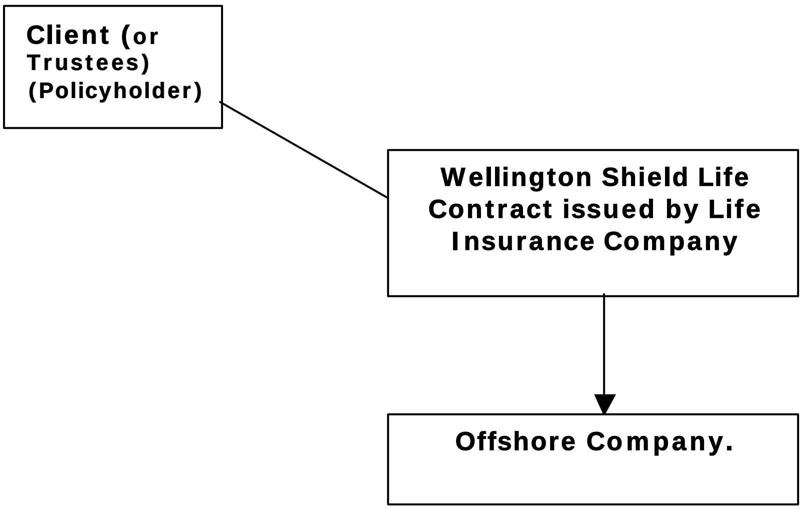
Non-CFC structure.



Relevant Points

- The Client establishes a specialist single premium whole of life insurance p olicy 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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