



Private Placement Insurance

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Private Placement Insurance Products

Private Placement Overview

Client Overview

Recent IRS Rulings and History

Insurance Company

Investment Managers

Attorneys/Advisors

Insurance Professionals

Private Placement Variable Universal Life Insurance

Universal Life (UL)

Universal Life Insurance

- ▶ Tax deferred build-up inside the policy
- ▶ Tax deferred build-up on investment gains
- ▶ Income tax free death benefit
- ▶ Investment returns limited to insurance companies general account portfolio
- ▶ Ability to take tax free loans and withdrawals ("principal first" if non-MEC)
- ▶ Distributors must be insurance licensed

Variable UL (VUL)

A UL product, plus..

- ▶ Investment options limited to registered insurance dedicated clones of retail funds "mutual funds"
- ▶ Distributors must be both insurance licensed and securities licensed

Private Placement VUL
(PPVUL)

A VUL product, plus..

- ▶ Access to alternative investment classes and custom investment portfolios
- ▶ Institutionally priced
- ▶ Custom design for each client
- ▶ Simple product; complex transaction

Private Placement Variable Annuities

Fixed Annuity

Fixed Annuities

- ▶ Tax deferred build-up inside the policy
- ▶ Investment returns limited to insurance companies general account portfolio
- ▶ Investment returns include a minimum guarantee
- ▶ Ability to take withdrawals ("income first")
- ▶ Distributors must be insurance licensed

Variable Annuity (VA)

Variable Annuities

- ▶ Investment options limited to registered insurance dedicated clones of retail funds "mutual funds"
- ▶ Tax Deferred Build-Up on Investment Gains
- ▶ Distributors must be both insurance licensed and securities licensed

Private Placement Variable Annuities (PPVA)

A VA product, plus..

- ▶ Access to alternative investment classes and custom investment portfolios
- ▶ Institutionally priced
- ▶ Custom design for each client
- ▶ Simple product; transaction not as complex as PPVUL

What's in it for me?

Investment Managers

- ▶ New and long term insurance assets
- ▶ Retain and attract clients
- ▶ New source of income
- ▶ Differentiation from other managers

Insurance Brokers

- ▶ New Planning Opportunity
- ▶ Competitive Advantage
- ▶ Assets under management
- ▶ Retain and attract clients

Client

- ▶ Tax deferred investments
- ▶ Income tax-free death benefit
- ▶ No K-1s from Hedge Funds
- ▶ Innovative Investment Plan
- ▶ "Individual" priced product
- ▶ Defined Giving

Attorneys, Advisors

- ▶ New Planning Opportunity
- ▶ Innovative and challenging work
- ▶ Competitive Advantage
- ▶ Retain and attract clients

Insurance Company

- ▶ New Source of business
- ▶ Competitive Advantage
- ▶ Increase Market share in other lines of business

Recent Rulings

Recent Private

▶ PLR 200244001 (Nov 1, 2002) "Keyport Ruling"

Placement

▶ Revenue Ruling 2003-91

related rulings

▶ Revenue Ruling 2003-92

have provided a

▶ PLR 200420017

clearer path

▶ Proposed Regulations on 1.817-5

Client Profile

Private

- ▶ Qualified Purchaser as defined by 3 (c) 7

Placement

- ▶ Clients are Sophisticated Investors

Insurance

- ▶ Have proper Investment, Legal, and Insurance advice

is not

- ▶ At least \$5 MM in liquid assets

for everyone

- ▶ Clients with larger assets make better clients

- ▶ Tax advantaged investment focus

- ▶ Part of their overall estate and tax plan

- ▶ Life Insurance Underwriting- must disclose "A TO N" of financial information as well as undergo complete medical tests

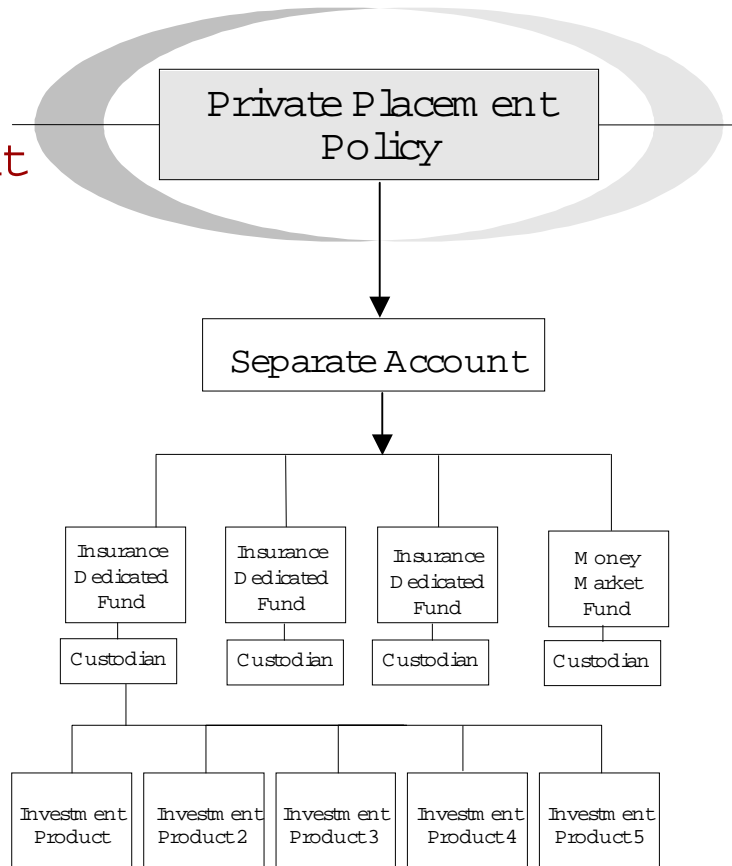
Insurance Company

Custom-fit
solutions to
improve a
client's
financial
position

- ▶ Flexible investment management and custom designed products
- ▶ U.S. IRC 7702 tax compliant and competitive products
- ▶ Offer Onshore and offshore jurisdictions
- ▶ Dedicated and experienced legal, investment management due diligence, marketing and sales support, actuarial, underwriting, and new business resources
- ▶ Illustration Software
- ▶ Administer Illiquid Funds
- ▶ Flexible and be able to communicate
- ▶ Reinsurance capacity and large case experience
Medical and Financial Underwriting

Investment Managers

Life Insurance
as an investment
driven sale



Insurance Dedicated Funds "ID F"

- ▶ The Separate Account only invests in Insurance Dedicated Funds
- ▶ Policy assets are owned by the insurance company's separate account
- ▶ Managers must pass Sun Life's due diligence
- ▶ Manager is responsible for diversification testing, compliance, and reporting
- ▶ ID F legal structure provides "look-through" to underlying assets
- ▶ Manager must not proactively discuss the investments with the insured
- ▶ Manager has "sticky" insurance assets and opportunity for new money

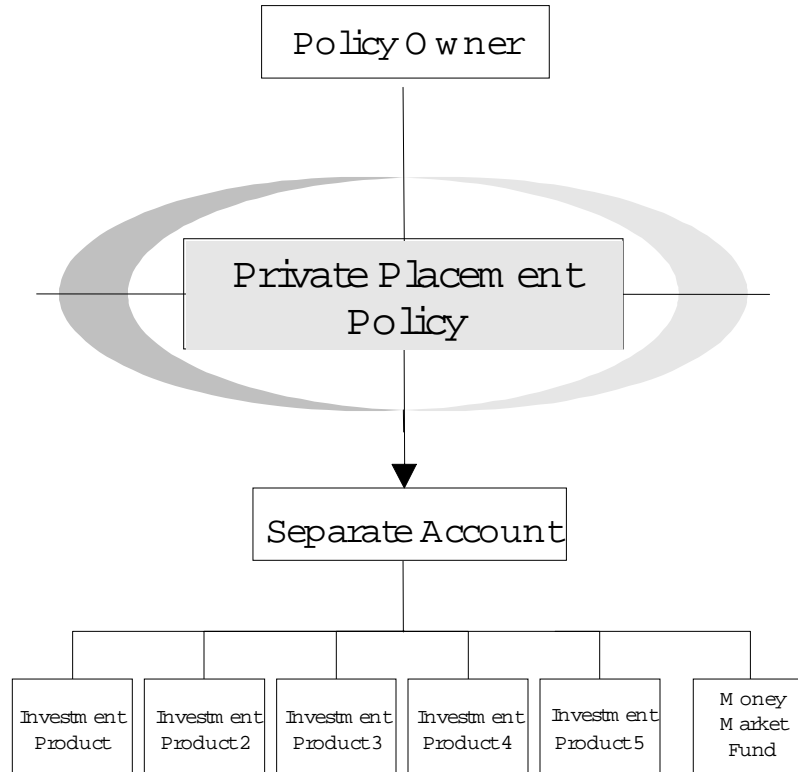
Insurance Professionals

Brokers provide
valuable
knowledge and
service for
policyowners.

- ▶ Insurance expert in the transactions
- ▶ Understands underwriting issues
- ▶ Securities and insurance licensed and contracted with the insurance company
- ▶ Understands the insurance product and contract
- ▶ Paid from the insurance company
- ▶ Understand illustration and case design issues
- ▶ Ability to close the deal

Policy Ownership and Attorneys

Some jurisdictions can provide additional asset protection



Attorneys

- ▶ Legal expert in the transactions
- ▶ Completes ownership issues
- ▶ Understand that Private placement is part of an overall plan
- ▶ Understands the insurance product and contract
- ▶ Usually not paid from the insurance company

Onshore vs. Offshore

Onshore

- ▶ Policy written by an approved U.S. insurance carrier (state by state)
- ▶ Qualifies as life insurance under IRC 7702
- ▶ Follows state by state insurance regulations
- ▶ Subject to state premium taxes
- ▶ Transaction conducted in the U.S.
- ▶ Compensation flows through a broker/dealer
- ▶ Distributor must be securities and insurance licensed
- ▶ Investment flexibility limited to state liquidity requirements

Offshore

- ▶ Policy written by a foreign carrier - (generally located in Bermuda)
- ▶ Qualifies as life insurance under IRC 7702
- ▶ Not subject to state insurance regulations
- ▶ Not subject to state premium taxes
- ▶ Transaction must occur where offshore company is licensed or approved
- ▶ Compensation is paid to an offshore entity
- ▶ Depending on ownership structure, can provide additional creditor protection
- ▶ Payment-in-kind is permissible