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# A STRONGHOLD FOR WEALTH PORTFOLIOS



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## ABOUT THE ARTICLE

Stephen Atkinson, Global Head of Sales and Marketing at Utmost Wealth Solutions, explores how the pandemic is now shaping our partners and clients' wealth planning considerations over the short to medium term.

The Covid-19 pandemic has had a far-reaching impact on many aspects of people's lives and provided a clear reminder of how quickly conditions can change in a crisis.

The events of the past year have caused many wealth management clients to reassess their financial planning priorities and to reconsider what their lasting legacy should be.<sup>1</sup> A desire to protect their families and their wealth has, for instance, led to a boom in private clients investing in residential and commercial real estate.<sup>2</sup>

This process of contemplation has often triggered a wider re-evaluation of their existing succession plans which are now viewed as having been put in place in a different time.<sup>1</sup>

It has also prompted wealth planners and advisers to reconsider how best to provide a locus for clients' wealth that helps to deal with unexpected shocks within a flexible long-term and consistent strategy.<sup>3</sup>

## SHOCKPROOF STRUCTURE

The robust legal and tax advantages of a cross-border life insurance policy can help provide a suitable wealth planning solution for many clients. Such a policy can also provide a shockproof structure that provides stability and security over the client's lifetime and beyond.

This shockproofing capability is embedded in the unique level of investor protection that a life insurance policy can provide, based on three interlocking elements:

### 1. SOPHISTICATED REGULATORY REGIME

European cross-border life companies operate under a system of risk-based solvency capital including Solvency II, one of the most sophisticated insurance regulatory regimes in the world. This requires life companies to hold minimum levels of solvency capital to provide a buffer to deal with potential adverse market shocks

equivalent to a one in 200-year event, based on an assessment of its credit risk, operational risk and market risk. This is reinforced by a comprehensive risk management system through the Own Risk and Solvency Assessment (ORSA) process. Annual Solvency and Financial Condition Reports provide publicly available transparency of each company's financial health.

### 2. STRONG GOVERNANCE

Each life company is continually supervised by its regulator to ensure it has an effective system of governance and risk management based on the ORSA process. The regulator also provides an additional layer of governance ensuring that each life company holds adequate capital and liquidity to withstand extreme conditions. Governance is further strengthened by each life company's compliance with its regulator's conduct of business code.

### 3. FINANCIAL STRENGTH

The life company must have the financial strength and capitalisation to provide a robust environment to safeguard clients' financial legacies, with the ability to keep going under the most extreme circumstances. For maximum protection this financial strength should be that of the specific life company and not dependent on the support of a parent group which could be withdrawn at any time.

<sup>1</sup> <https://www.campdenfb.com/article/why-succession-planning-pandemic-once-generation-opportunity-transfer-wealth>

<sup>2</sup> Knight Frank: The Wealth Report 2021 - 15th Edition

<sup>3</sup> <https://voxeu.org/article/influence-covid-19-pandemic-safe-haven-assets>

## WEALTH MANAGEMENT BENEFITS

While a life insurance policy's solvency and governance qualities can help to create the basis of a shockproof structure, there are other important reasons why a cross-border life structure may be attractive for wealth portfolios in uncertain times:

- › **CONTROL** - the investor and their adviser can have significant control over the selection of the investment manager, the type of assets chosen (including complex assets) and the choice of custodian.
- › **ACCESS** - access to assets at all times, with control over when partial withdrawals are made (and by whom) or when a full surrender is taken.<sup>4</sup>
- › **CERTAINTY** - over tax treatment and succession planning delivered by the legal treatment of life insurance policies determined by statute.
- › **RISK MANAGEMENT** - compliance-based planning with no reputation risk for advisers, supported by the lack of political risk from holding a life policy based in a stable and reputable location.
- › **SIMPLICITY** - a straightforward and transparent product structure that clients can understand. Client tax reporting is also relatively simple as is the automatic exchange of data under the Common Reporting Standard.
- › **PORTABILITY** - potential to adjust the policy if their (or their family's) location or plans change.

All these features combine to give clients and advisers a highly-regulated solution and flexibility that's so important when implementing a strategic approach to the preservation and transfer of wealth in today's uncertain world



To find out more about Utmost, please visit our website at [www.utmostinternational.com](http://www.utmostinternational.com)

## THE UTMOST TRIPLE LOCK

Utmost Wealth Solutions in-depth experience of meeting the needs of advisers and their clients over the last year has shown that the ability to deliver a shockproof solution has become increasingly important.

As the world changes around them, clients can be reassured that Utmost Wealth Solutions has the secure structural underpinning of Solvency II, strong governance continually supervised by leading regulators, and the financial strength to fulfil the role of long-term partner.

We refer to this strength and stability as the Utmost Triple Lock and is what provides Utmost Wealth Solutions with the ability to keep going in extreme economic conditions.

The key Financial Strength element of the Utmost Triple Lock is confirmed by Fitch Ratings (Fitch) assigning the life insurance companies operating under the Utmost Wealth Solutions brand with Insurer Financial Strength (IFS) Ratings of 'A' with a Stable Outlook.

Utmost Group is the highest rated independent international life insurance company with Fitch 'A' IFS ratings for its issuing life companies.

Fitch is one of the world's 'Big Three' credit rating agencies, with a high-quality rating from one of the 'Big Three' generally considered to be the gold standard.<sup>5</sup>



Information regarding tax and practise is based on our interpretation of current legislation and HM Revenue & Customs policy/practice in the UK, Isle of Man and Ireland as at 01 May 2021. Tax treatment is subject to change and individual circumstances.

<sup>4</sup> Access to certain assets may be restricted depending on market conditions.

<sup>5</sup> UK Government Actuaries Department [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/718731/May\\_2018\\_update.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/718731/May_2018_update.pdf)

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