

understanding investment opportunities with offshore insurance companies

This factsheet introduces the types of investments offered by offshore insurance companies.

what is an offshore insurance company?

These are companies that are based outside the country in which they are selling. Typically these companies are based in an international finance centre such as the Isle of Man (located near Britain) and are registered and regulated there.

A substantial percentage of offshore business is taken by companies based in the Isle of Man, Ireland and Luxembourg. Companies are sometimes based in other centres such as Gibraltar, Guernsey or the Cayman Islands.

Today, these countries offer a well regulated and reliable framework to ensure investors' interests are protected. For example, the Isle of Man has rules in place that ensure investors in policies issued by 'Isle of Man authorised life assurance companies' are protected worldwide. The rules state that if a company cannot meet its liabilities then policyholders are protected by a compensation scheme that offers investors up to 90% of the value of their policies back, with no upper limit.

The nature of the relevant regulations differs between these offshore locations and it is important to fully understand the details before investing.



what do these companies offer?

Offshore insurance companies offer investment opportunities through their ability to provide life assurance products that invest in one or more investment funds. Whilst an element of life assurance is likely, the protection element is typically of minor consideration to the main investment focus of the product.

This arrangement is sometimes referred to as a life assurance wrapper.

Some offshore insurance companies offer a range of products, including single premium whole life policies, usually called 'portfolio bonds'. Offshore bonds provide access to nearly any mutual fund in the market with the convenience of all assets being held in one portfolio, allowing easy access to capital.

As well as bonds, companies may also offer products that can receive regular investments or a combination of regular investments and one-off cash sums.

who invests offshore?

Offshore investing is often associated with being only for the very wealthy. This is no longer the case. Today, offshore investments can be considered by a wide variety of investors, whether local residents or expatriates.

This is because the minimum amount needed to make a lump sum investment has been falling

– today a lump sum of US\$15,000 can be sufficient. However, if this is too high then some companies offer regular savings products that allow contributions to start at a few hundred dollars a month.

In this way the products available can, with the help of a financial adviser, be designed to handle a variety of needs –

varying from education funding to retirement planning or just general wealth-management.

Offshore investors often have irregular income streams and find the flexibility of mixing regular contributions with cash contributions useful to achieve their investment goals.

why invest offshore?

Insurance-based products offer the following advantages:

Investment freedom

Investments can be spread across a wide range of different funds and asset types. They therefore offer you the ability to hold many of the assets described in the other factsheets in this series.

Convenience

The provider takes care of all effort involved in keeping track of a diversified investment portfolio and manages all paperwork involved in buying and selling investments. It is also possible to switch investments as often as required, all within a single product.

Consolidated valuations

A single product value is given that pulls together the value of all the underlying holdings.

These provide regular updates on the value of the whole investment, providing opening and closing values and a note of all transactions during the period.

Lower costs

You can benefit from providers' purchasing powers. Due to the volume of business involved providers can secure better terms from investment fund providers than the private investor purchasing direct.

Tax benefits

Perhaps the most significant advantage is the fact that the investment funds can grow virtually free of tax. As a result the funds accumulate gross which can result in potentially greater overall returns. The tax implications when you take money out will vary between

countries, and it is important to be fully aware of the relevant laws that apply. But, essentially, these products allow you to decide when and how to take proceeds from your investment; there is the potential to decide when you pay tax and, if your circumstances change, at what rate.

Transfer and consolidate existing assets

Some single premium bonds allow you to transfer existing fund holdings and/or assets. As a result, all investments are held within one product wrapper – which can simplify administration and cut costs.

Offshore investments are no longer restricted to the very wealthy and today are offered by major companies operating from stable and reliable locations around the world. But given the options available it is important to ensure the right offshore investment is picked.

This is why Royal Skandia considers it essential that you use the expertise of a financial adviser, who will be able to help assess your circumstances and requirements and recommend a suitable offshore investment.

This leaflet is designed to give a basic understanding of investing offshore. It is not designed as investment advice and should not be interpreted as such. Past performance is not a guide to the future.

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