
The High Net Worth Individuals ("HNWIs") insurance market is a specialized life insurance market. It usually involves life insurance policies with a minimum face amount of USD\$2 million, but the average is typically USD\$10 million or more. In recent years, demands for higher face amount have reached levels of up to USD\$100 million. These insurance products are typically issued from offshore jurisdictions, such as Barbados, Bermuda, the Cayman Islands, Puerto Rico, Guernsey, Ireland, the Isle of Man, Liechtenstein, Luxembourg, and Switzerland, among others. One of the expert services that Eckler provides is the support of this niche market. We offer actuarial services in the design and pricing of such products, valuation and financial reporting, illustration portal and software through ingenius™, and a reinsurance pool, through renaissance™, which provides automatic on-call capacity and third party administrator services.

— Main Characteristics of the HNWI Insurance Market —

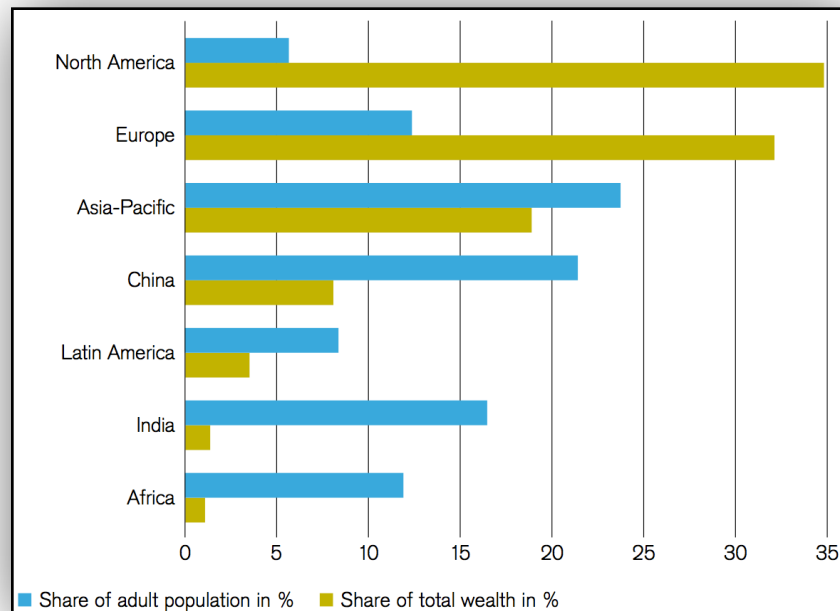
HNWIs are usually business individuals looking for life insurance protection for very high face amount, typically USD\$10 to USD\$50 million.

HNWIs are highly mobile, with business interests around the world. They are looking for both "portable" insurance coverage — that is not tied to their place of residence — and also tax-compliant, particularly for jurisdictions like the US, Canada, the UK, Japan, and some countries in Latin America like Mexico and Chile.

The business reasons for this type of high death benefit life insurance include tax planning, forced heirship, assets protection through life insurance products (as opposed to investments), and long-term security. Contrary to popular belief, this business is not subject to money laundering pressures. This is a result of the extreme due diligence by the insurers (strict adherence to anti-money laundering and a "Know your Customers" ("KYC") checklist), the connections with their international distributors, and the referral of clients by their private bankers, accountants and lawyers who themselves have vetted their clientele.

Additional business reasons include Corporate-Owned Life Insurance ("COLI") for international key man insurance. Global personal wealth has doubled from 2000 to 2014, reaching USD\$263 trillion

For more information and to discuss your needs, please contact:



— Distribution of High Death Benefit ("HDB") Products —

The distribution of HDB products is usually controlled by (a) international brokers with multiple branches around the world and (b) the direct writers themselves. Policies written on North American individuals, whether the 953d election is made or not (for US Tax purposes), are usually sold directly by the direct writers.

Eckler has direct access to the direct writers. Although we have occasional contact with the international brokers, the relationship is usually driven by the direct writers.

Through renaissance™, Eckler has access to other direct writers which are not clients of Eckler from an actuarial perspective.

— Underwriting and Experience High Death Benefit ("HDB") Products —

There are currently no industry-wide mortality and lapse experience studies for this niche market. However, empirical evidence for specific carriers has shown mortality experience in the range of 60% of a typical insured population. Lapse experience is even more dramatic with lapse rates between ½% and 2% at all durations.



The underwriting of HDB policies is extremely rigorous, which is, of course, justified based on the very high exposure.

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- Typically, high profile individuals such as political figures, international artists, and sport celebrities are excluded due to the skewed exposure, even though their health status may be perfectly fine.
- Eckler has developed an underwriting workflow available through our insurance portals, ingenius™ and renaissance™. It provides an exhaustive list of requirements that can be customized to each carrier's needs or those of their reinsurers.
- An important aspect of underwriting HDB policies is "financial" underwriting. Rigorous anti-money laundering and KYC procedures are the norm in this business. It is very unlikely for the direct writers to issue a HDB policy without the knowledge of their client's financial circumstances and sources of funds. Furthermore, the client's financial statements will be required to demonstrate the need for HDB coverage.

— Type of Products Typically Offered —

Although there has been some needs or requests for Term insurance coverage, the majority of the business in this market is whole life coverage in the form of Universal Life ("UL") products. The UL product line includes:

- **FUL: Fixed account UL.** This product offers a current scale of cost of insurance charges, subject to a maximum scale. It also provides for a current rate of return based on a declared credited rate, but is also subject to a long-term minimum guaranteed credited rate. Premium charges, fund charges, and surrender charges are usually guaranteed. Because of the long-term minimum credited rates, strict investment policy guidelines for the underlying funds are provided to the investment managers. Typical investments will be Sovereign bonds and investment-grade corporate bonds.
- **VUL: Variable account UL.** This is very similar to the FUL product, except that the underlying funds do not provide any minimum credited rate. The funds can be more aggressive, subject only to the client's desire for more or less risks. Typical investments will be mutual funds or funds of mutual funds. This can also be referred to Unit-Linked UL policies, although there is some overlap with PPLI.
- **PPLI: Private Placement Life Insurance.** This is a fully flexible investment-based insurance product. The underlying funds can be anything, from a series of funds, to privately owned companies, to real estate, or even asset derivatives. Depending of the asset types, re-evaluation of their value will be required as often as on a quarterly or monthly basis.

The death benefit options offered are typically Option "A" with a level net death benefit and Option "B" with a death benefit equal to the face amount of the policy plus the fund value, either in cash or in kind (the latter especially for PPLI).

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