

Swiss asset protection for global investors: guaranteed by Swiss insurance law.

Financial success makes any investor a potential magnet for litigation. Thus we provide you this information, which is based on the analysis by our legal advisors, to stress upon the importance of asset protection.

Wealth has never been as vulnerable as it is today. Indeed, loss of assets through lawsuits and legal awards as well as government action is spreading all over the world. For global investors, asset protection is a guarantee against financial ruin.

For most people, the complexities of offshore trust solutions for asset protection can be daunting. Investors need to do a lot of homework to find the right offshore trust domicile for their needs. They have to know the privacy, tax, and fraudulent conveyance rules applicable as well as the legal framework for trusts. These vary with every domicile. For example, not every offshore center is the same with regard to taxes.

Automatic protection of assets in life insurance policies

Instead of putting funds into a bank account, you put them into a life insurance policy. Instead of giving investment instructions to the bank, you give them to the insurance company. This way, you make sure that you can apply your own personal investment strategy and at the same time benefit from the asset protection provided by Swiss insurance law.

Here is an excerpt from the analysis of JML's legal advisors. "When a person residing outside of Switzerland (hereinafter referred to as the "policyowner") purchases a life insurance or annuity policy from a Swiss or Liechtenstein insurance company and designates his or her spouse and/or descendants as beneficiaries of the policy, or irrevocably designates any other third party as beneficiary (e.g., a legal entity such as a trust), the insurance policy investment is protected by Swiss law against any debt collection procedures instituted by the creditors of the policyowner and also is not included in any bankruptcy procedure in this regard. Even when a foreign judgment or court order expressly decrees the seizure of the policy or its inclusion in the estate in bankruptcy, the policy may not be seized in Switzerland or Liechtenstein nor be included in the estate in bankruptcy."

Beware Fraudulent Conveyance

Creditors may only seize the policy or have it included in the estate in bankruptcy when the purchase of the policy or the designation of the beneficiaries is

For more information visit our website at:

<http://www.jml.com/legal>

Or contact us at:

JML Portfolio Management Ltd., Germaniastrasse 55, 8033 Zurich, Switzerland
Phone +41 1 368 82 33, Fax +41 1 368 82 99, info@jml.com, www.jml.com

considered to be a fraudulent conveyance under Swiss law. This condition is fulfilled when the policyowner has designated the beneficiaries not more than one year before the initiation of debt collection proceedings that eventually lead to a bankruptcy decree against the policyowner or to the seizure of the policyowner's assets.

This condition is also met when the beneficiary has been designated with the clear intent to damage creditors or to treat some creditors more favorably than others and the designation was made within five years from the date of debt collection proceedings resulting in a bankruptcy decree.

At the expiration of the contract, the policy holder will be able to collect the proceeds pursuant to the policy, extend the existing policy, or roll the proceeds over into a new policy. It should be noted that if, at the time of expiration, a creditor appears or the owner becomes insolvent, a new policy would not be protected whereas an extended policy would.

Protection even under duress

When an insurer receives a letter from the policy owner revoking the beneficiary designation (in connection with a foreign court order to revoke a past beneficiary designation in order to include the respective assets in a foreign bankruptcy estate), the insurer may come to the conclusion that the instruction received from the policyowner does not express the policyowner's true intent and was forced upon him or her by the foreign judge or court. The Swiss insurance company can only act upon orders of the owner if his or her actions are deemed not have been made under duress. If there is any evidence that an order has been forced upon the owner, the insurance company cannot follow the instructions so issued. In such a case, the beneficiaries should inform the insurance company.

Automatic Protection in Case of Bankruptcy

In case of bankruptcy of the policyowner, protection is also guaranteed because ownership is transferred to the beneficiaries automatically. Any instructions from the original policyowner that are forced upon him or her can no longer be acted upon, only his or her beneficiaries, as the new owners, can give instructions to the insurance company.