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utmost WEALTH SOLUTIONS

# IRELAND AS A LOCATION IN EUROPE FOR UNIT-LINKED LIFE ASSURANCE

Over the past two decades, Ireland has emerged as one of the leading cross border life assurance jurisdictions.

Ireland is the number one exporter of cross-border life and non-life insurance to the EU. It is the fourth largest insurance market in the EU and the third largest reinsurer in the EU.[1]

Ireland's success is driven by its position in the EU, giving access to EU markets, as well as a favourable corporation tax regime and a well-educated workforce. In addition, there are some very specific reasons why advisers recommend Irish unit-linked life assurance solutions over other jurisdictions, including amongst others:

- A robust regulatory regime providing strong governance and oversight as well as segregation of policyholder assets;
- Legal protection that favours policyholder liabilities over other claimants;
- Tax benefits which can reduce fees and enhance investment performance;
- Portability options for internationally mobile clients.

These benefits are explored in more detail below.

## ROBUST REGULATORY OVERSIGHT

At the heart of Irish insurance law is the Solvency II Directive, which applies a robust governance framework to insurance companies, requiring consistent risk-based calculation of capital reserves, strict regulatory supervision, and reporting and transparency requirements.

In addition, Irish insurers are legally required to maintain funds that back policyholders' liabilities totally **separate from their own shareholder funds**, in a segregated life assurance fund. Policyholder funds are separately identifiable and subject to the supervision of the Irish regulator, the Central Bank of Ireland (CBI).

In particular:

- Assets linked to life assurance policies (technical reserves), are kept **segregated** in an **independent** custodian bank. The CBI expects the insurer to perform a rigorous due diligence exercise to ensure the custodian has the required ability, capacity and authority to conduct its functions.
- The assets of the life assurance fund must only be used for the purpose of life assurance business and not be made available for other activities of the insurer.
- Insurers are obliged to send the CBI quarterly reports, which list in detail all assets linked to life assurance policies in accordance with Irish regulations.
- The CBI has robust and broad supervisory powers, including the power to ultimately intervene and take control of policyholder assets if there is a risk of insolvency.

[1] Insurance Ireland Annual Report (2023).

Consequently, policyholder assets are legally separated from the assets of shareholders and creditors, they are held in custody in an approved banking entity independent of the insurer and they are subject to strict regulatory supervision. This independence and mutual control between the insurer, the custodian bank and the regulator is what is commonly known as the 'triangle of security', ensuring that policyholder protection is fundamental to the Irish regulatory framework.

## PREFERENCE OF POLICYHOLDER CLAIMS

The Irish legal and regulatory framework establishes that policyholder's claims (and, where applicable, beneficiaries) have an **absolute preferential treatment** over all other creditors with regard to the assets that represent the technical reserves of their life assurance policies.

This is the key to Irish regulatory protection since, thanks to this rule, policyholders and beneficiaries are **absolutely privileged** and **secured creditors** over the segregated assets that represent the technical provisions of their policies, regardless of other creditors or shareholders of the insurer, who have no credit rights at all on these ring-fenced assets.

Thus, Ireland offers one of the highest levels of asset protection available in Europe, which is especially attractive for unit-linked life assurance policies.

In the case of the other major insurance hub within the European Union, Luxembourg, policyholders also have priority over other creditors with regard to technical provisions. However, whilst Ireland and Luxembourg are similar in this regard, there is one important difference. Should there be insufficient funds in the technical provisions backing policyholder liabilities, holders of Irish policies have a privileged claim against the shareholder's funds of the life company, whereas holders of Luxembourg policies stand behind other privileged creditors (including employees, Treasury and liquidators).

Obviously, this is very much a protective layer of last resort, to be called upon only in the extremely unlikely situation of an insurance company becoming insolvent. A provider focused on unit-linked life assurance products, such as Utmost PanEurope, can match its policyholder obligations with assets backing the policies at all times. This poses less solvency risk compared to insurers focused on underwriting risk insurance or guaranteed products where the investment risk is assumed by the insurance company.

## TAX ADVANTAGES

In common with other international finance centres, a key reason why Irish unit-linked policies offer an attractive wealth planning solution is that policyholder funds are not taxed in Ireland where the policyholder is non-Irish resident. This offers gross roll up and thus the ability for the policyholder's tax planning to focus only on their country of residence.

However, there are other tax advantages available in Ireland that make an Irish solution more attractive in comparison to other international financial centres, including the VAT exemption on management fees. This is covered further in the next section.

## VAT EXEMPTION

Where the investment management on a unit-linked life assurance policy is delegated to a discretionary asset manager, the fees for this service are charged directly to the insurer.

According to the European Union VAT rules, the 'place of supply of the service' is the country in which the insurer is based (e.g. Ireland or Luxembourg). This means that VAT is settled in the country of the recipient of the service instead of the country of the provider or policyholder.

Under Irish law *(Para 6 (2) (c) Sch 1 Irish VAT Act 2010)*, asset management fees, custody fees and administration of insurance portfolios fees are exempt from VAT. This VAT treatment is outlined in further detail in the Irish Revenue publication entitled 'VAT treatment of management services supplied in relation to Self-Directed Life Assurance Bonds and equivalent products – July 2016'.

In contrast, Luxembourg based insurers must apply VAT at 17% on fees arising from a bundled discretionary asset management service. For policyholders resident in an EU country, this represents an additional cost for simply choosing an insurer resident in Luxembourg instead of in Ireland, as illustrated in the following example:

| VAT SAVING EXAMPLE | IRISH INSURER | LUXEMBOURG INSURER |
|---|---|---|
| ADMIN FEE (CHARGED BY THE INSURER) | 0.27% | 0.27% |
| + VAT ON THIRD PARTY FEES* | 0.00% | 0.14% |
| TOTAL COST OF THE PRODUCT | 0.27% | 0.40% |

* 17% VAT on an average asset management fee of 0.80%

For policyholders resident outside the EU, the Luxembourg based insurer must also apply VAT but may be entitled to recover all or some of the cost and therefore the policyholder may not suffer the full VAT cost. However, the full VAT cost would arise if the policyholder moved to an EU country in the future. This is in contrast to the Irish VAT exemption which applies regardless of policyholder residence.

## PORTABILITY

With an ever-increasing mobile and international population, where families tend to move across several jurisdictions during their lifetime, wealth solutions designed for the long-term need to be portable in order to meet the client's needs and expectations.

Most of the unit-linked life assurance products offered by Utmost have been designed to accommodate, where possible, this portability option so that when a policyholder changes country of residence, tax benefits can be maintained without having to surrender or restructure the policy.

## ABOUT UTMOST WEALTH SOLUTIONS

Utmost Wealth Solutions has a clear focus on being a leader in the creation of insurance- based wealth solutions for the international affluent, high-net-worth and ultra-high-net-worth market.

We have offices in the well-regulated jurisdictions of Ireland, Luxembourg, the Isle of Man and Guernsey as well as offices in France, Belgium, Italy, Spain, Singapore, Switzerland, Hong Kong and the Dubai International Financial Centre. We provide insurance-based savings, investment and wealth planning solutions for UK, European and international clients. Our solutions are based on unit-linked policies which can be tax efficient and provide investment flexibility.

We strive to offer outstanding service and focused expertise to our clients and their advisers who are seeking intelligent and efficient ways to manage and pass on their wealth.

As at 31 December 2024, Utmost Wealth Solutions had £103.5bn (€125bn) in assets under administration.

To find out more about Utmost, please visit our website at **www.utmostinternational.com**

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The above information is based on our interpretation of current law and taxation practices as at May 2025, which could change in the future. Tax treatment is subject to individual circumstances.

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