NON-U.S. PPLI & IN-KIND PREMIUMS

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Question examined: Can non-U.S. individuals fund a foreign private-placement life policy with existing securities or other assets, potentially outside the U.S. variable-contract diversification framework? The short answer is that certain insurers have accepted assets as premiums, but the policyholder's tax residence, actual U.S. nexus and insurer investment rules remain decisive. No researched jurisdiction supports a universal “no diversification, no investor-control, no tax” assertion.

Executive findings

• Bermuda - strongest demonstrated in-kind precedent: The Judicial Committee of the Privy Council described a Bermuda-issued life-policy structure in which single premiums could be paid in cash or by transfer of assets to the insurer, allocated to a segregated account. This is evidence that in-kind funding has existed, not proof of its tax treatment for any specific client [1].

• Luxembourg - established unit-linked architecture, regulated assets: The CAA issued Circular 26/1 effective 1 February 2026 governing investments for unit-linked policies. Dedicated internal funds have investment criteria; availability of in-kind securities transfers varies by insurer and contract. No carte blanche exemption applies [2].

• United Kingdom - a counterexample to unconstrained personal portfolios: HMRC's personal portfolio bond rules impose annual deemed-gain consequences in specified circumstances, including policies linked to assets personal to the holder. HMRC illustrates private trading-company shares transferred to an insurer [3].

• Ireland - another counterexample: Irish life policies have chargeable-event and eight-year deemed-disposal rules; personal portfolio life policy provisions can impose additional consequences when policyholders select or influence assets [4].

• Switzerland - prudent person and oversight: FINMA requires insurers to assess, manage and monitor insurance investment risks, including tied asset restrictions and approval in some cases. It is not an unrestricted warehouse for any asset [5].

The essential distinction: insurance domicile ≠ policyholder tax outcome

For a genuinely non-U.S. policyholder and insured with no relevant U.S. tax nexus, U.S. §§ 7702 and 817(h) are not automatically the governing domestic tax tests for that person. But their absence does not create an exemption from the source-country taxation of a transfer, U.S. situs estate rules for assets held before the transfer, residence-country insurance characterization, or anti-avoidance laws. A policy might hold U.S. shares under insurer ownership; whether that eliminates the decedent's personal U.S. situs position depends on real transfer of title, policy characterization, retained powers and other applicable rules [6].

JURISDICTION COMPARISON

Market	In-kind funding	Investment limits / control	Tax hypothesis / gap
Bermuda	Confirmed historical court-described cash or asset-transfer premium structure. Product-specific current acceptance unverified.	Segregated accounts, carrier rules, contract discretion, custody and substance; no blanket assertion of unrestricted control.	High-priority legal and product diligence; U.S. transfer-tax analysis still required for U.S. situs holdings.
Luxembourg	Potentially possible for selected liquid securities, subject to carrier admission and valuation; not universal.	CAA Circular 26/1; dedicated funds/categories and eligible-investment restrictions.	Contract and client-residence dependent; in-kind contribution may itself be taxable.
Switzerland	Possible wrappers need carrier and custody confirmation; not yet independently verified for targeted assets.	FINMA prudent-person/tied-assets and AML identification rules.	Swiss and residence-country insurance status, premium taxes and policy benefits require specialist opinion.
United Kingdom	Not pursued as unconstrained holding wrapper.	HMRC personal portfolio bond restrictions when custom property drives benefits.	Annual deemed gain may negate intended deferral for UK taxpayers.
Ireland	Not established for concentrated private equity as a suitable policy premium.	Personal portfolio policy provisions; life assurance chargeable-event regime.	Irish resident treatment and 8-year deemed disposal weigh against sweeping claims.

UAE / Saudi client context

The UAE government reports that it does not levy general personal income tax on individuals. This creates a potentially distinct investor tax environment, but does not exempt assets from U.S. withholding, transfer tax or foreign-source income rules. Saudi ZATCA provisions distinguish Saudi versus non-Saudi ownership and business-income cases; client status and asset-specific treatment must be determined, rather than assuming a universal absence of tax [7].

U.S. transfer rules to preserve in the analysis

IRC § 2104(a): direct stock issued by a U.S. domestic corporation is generally U.S.-situs for estate tax for a nonresident noncitizen. IRC § 2501(a)(2) generally excludes gifts of intangible property by nonresident noncitizens, subject to exceptions. IRC § 2105(a) treats insurance proceeds on the life of a nonresident noncitizen as outside U.S. situs for this estate-tax subchapter. None of these provisions alone proves that the in-kind transfer of U.S. equity into a foreign policy creates no gain, gift, or inclusion consequences [6].

DILIGENCE CHECKLIST & PRIMARY SOURCES

Carrier and policy diligence

• Confirm current issuance and solicitation permissions for UAE and Saudi residents; local distribution restrictions.

• Obtain a written asset-admission matrix: listed equity, restricted shares, private corporate equity, LLC/partnership interests, funds, real estate and debt.

• Verify whether an in-kind premium means genuine legal transfer of title to the insurer; identify custodian and beneficial-owner records.

• Obtain independent valuation, cost basis, lockup/consent review and tax analysis of contribution.

• Inspect insurance risk, death benefit, fees, surrender terms, asset management mandates, control restrictions and segregation.

• Map insured, owner, beneficiary and each relevant jurisdiction at inception, while policy is held, upon a move, and at death.

• Analyze FATCA/CRS, AML, PEP, sanctions, UBO disclosure and financial reporting.

• Request binding or reasoned local tax opinions where material amounts justify them.

Selected source register

[1] UK Privy Council, Credit Suisse Life (Bermuda) Ltd v Ivanishvili, policy structure, paras. 14-15
https://www.jcpc.uk/cases/judgments/jcpc-2024-0035

[2] Luxembourg Commissariat aux Assurances, Life insurance circulars, Circular 26/1
https://www.caa.lu/en/documentation/circular-letters/life-insurance

[3] HMRC, Insurance Policyholder Taxation Manual IPTM3600 and IPTM3650
https://www.gov.uk/hmrc-internal-manuals/insurance-policyholder-taxation-manual/iptm3600

[4] Irish Revenue, Life Assurance Exit Tax; TCA s. 730BA
https://www.revenue.ie/en/companies-and-charities/financial-services/life-assurance/exit-tax.aspx

[5] FINMA, insurer investment activities and tied assets
https://www.finma.ch/en/supervision/insurers/cross-sectoral-tools/investment-activities-from-1-january-2024-onwards/

[6] U.S. Code §§ 2104, 2105, 2501, 7702, 817(h); IRS Form 706-NA
https://www.irs.gov/instructions/i706na

[7] UAE government taxation; Saudi ZATCA Income Tax Regulations
https://u.ae/en/information-and-services/finance-and-investment/taxation

Research status: a preliminary jurisdictional screen, not a policy-specific legal opinion. In-kind premium availability has been directly documented for a historical Bermuda structure, but must be reconfirmed against each current carrier's policy form and client jurisdiction. Tax consequences and permissible assets remain unresolved for any actual family.