



# Puerto Rico as an International Insurance Center

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# Segregated Account Legislation

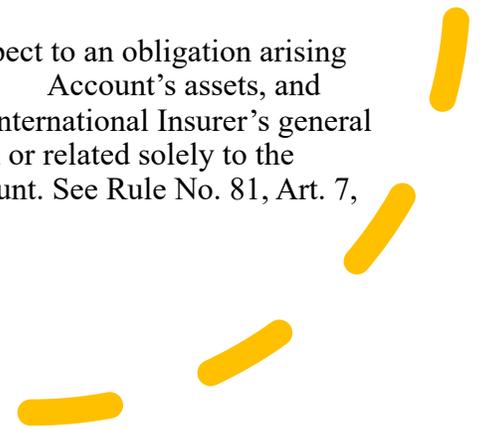
- Separate account legislation in the jurisdiction where the insurance company is domiciled should provide that the policy assets in the separate account formed by the insurance company to fund the annuity or insurance policy are not subject to the claims of creditors or other Policyowners of the insurance company, and are available only to satisfy the company's obligation to the Policyowner.
- This protection from unrelated creditors' claims is granted by Puerto Rico law and activated by the Commissioner's approval of the Segregated Assets Plan. Article 61.160 of the Insurance Code provides that "[w]ith prior approval from the Commissioner, an International Insurer may establish and operate one or more segregated assets plans." P.R. Laws Ann. tit. 26, §4316(1). It further provides that:

*The assets of a Segregated Assets Plan approved by the Commissioner shall be available solely for the payment of obligations specifically identified in the corresponding Operational Plan and shall not be available for the payment of the obligations of other segregated assets plans or of the general obligations of the International Insurer. Art. 61.160(4) of the Code, P.R. Laws Ann. tit. 26, §4316(4).*

- This protection holds even if the international insurer becomes insolvent:

*In the case of the liquidation or rehabilitation of an International Insurer under the provisions set forth in Chapter 40 of this Code, the Segregated Assets Plan shall not be available for the payment of the general obligations of the insurer. Art. 61.160(6) of the Code, P.R. Laws Ann. tit. 26, §4316(6).*

- In addition, Rule No. 81, Art. 7, §2, establishes that recourse with respect to an obligation arising from or related to a Segregated Account is limited to that Segregated Account's assets, and does not extend to the assets of any other Segregated Account or the International Insurer's general account. Similarly, recourse with respect to an obligation arising from or related solely to the company's general account is limited to the assets of the general account. See Rule No. 81, Art. 7, §3. Rule No. 81, Art. 4, §2.



# Life Insurance Legislation

- For private placement life insurance and annuity policies issued by a Puerto Rico international insurer, Puerto Rico law expressly limits the rights of creditors of the policy owner or policy beneficiary as against the policy, as follows:

*“Article 61.240. – Benefits Exempt from Seizure*

*(1) Except as provided under paragraph (3), any benefits (including any cash value or proceeds) to be provided to an insured or beneficiary under a life insurance or annuity contract issued by an International Insurer:*

*(a) shall inure exclusively to the benefit of the person for whose use and benefit the insurance or annuity is designated in the contract; and*

*b) shall be fully exempt from:*

*garnishment, attachment, execution, or other seizure;*

*appropriation or application by any legal or equitable process or by operation of law to pay a debt or other liability of an insured or of a beneficiary, either before or after the benefits are provided; and*

*(iii) a demand in a bankruptcy proceeding of the insured or beneficiary.*



# Life Insurance Legislation

*(2) The exemptions provided under paragraph (1) apply regardless of whether:*

*(a) the power to change the beneficiary is reserved to the insured; or*

*(b) the insured or the insured's estate is a contingent beneficiary.*

*(3) The exemptions provided under paragraph (1) do not apply to:*

*(a) a premium payment made in fraud of a creditor, subject to the applicable statute of limitations for recovering the payment;*

*(b) a debt of the insured or beneficiary secured by a pledge of the insurance policy or the proceeds of the policy; or*

*(c) a child support lien or levy established pursuant to applicable law.*

*(4) This article does not prevent an insured, owner, or annuitant from assigning, in accordance with the terms of the life insurance or annuity contract:*

*(a) any benefits to be provided under the life insurance policy or annuity contract; or*

*(b) any other rights under the policy or contract.*

*(5) If a life insurance or annuity contract issued by an International Insurer prohibits a beneficiary from assigning or commuting benefits to be provided or other rights under the contract, any assignment or commutation or attempted assignment or commutation of the benefits or rights by the beneficiary is void.*

- This broad statutory asset protection is especially attractive given Puerto Rico's status as a Territory of the United States, with full participation in the US federal legal system, the same as any of the 50 US States.