

PPLI State Jurisdiction – What You Need to Know

Aidan Elliott

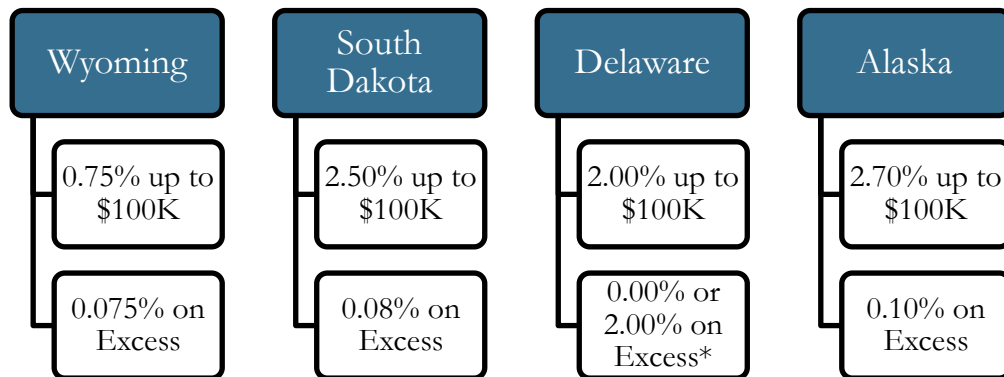
Clients need an astute insurance broker to assist them when purchasing PPLI and PPVA. The broker should have deep knowledge on the insurance carriers that manufacture the products and have a thorough understanding of the numerous jurisdictions and laws associated with the most favorable states in which to site ownership of the policies. As such, a jurisdictional analysis should take place pre-acquisition.

In the last 25 years this selection involved selecting whether to place your policy in an offshore or onshore jurisdiction. However, thanks to advancements in asset protection laws, more favorable investment options and state premium tax treatment domestically, offshore PPLI and PPVA have become less and less popular.

So, when purchasing a domestic (or US based) policy, a state-by-state analysis should be completed. This will entail consideration of state premium tax rates and certain state regulations. In the United States, Wyoming, South Dakota, Alaska, and Delaware are all popular states in which to own PPLI and PPVA. On January 1, 2021, Wyoming enacted legislation reducing its premium tax from 0.75% to 0.075%. This switch makes Wyoming the most affordable state from a state premium tax perspective.

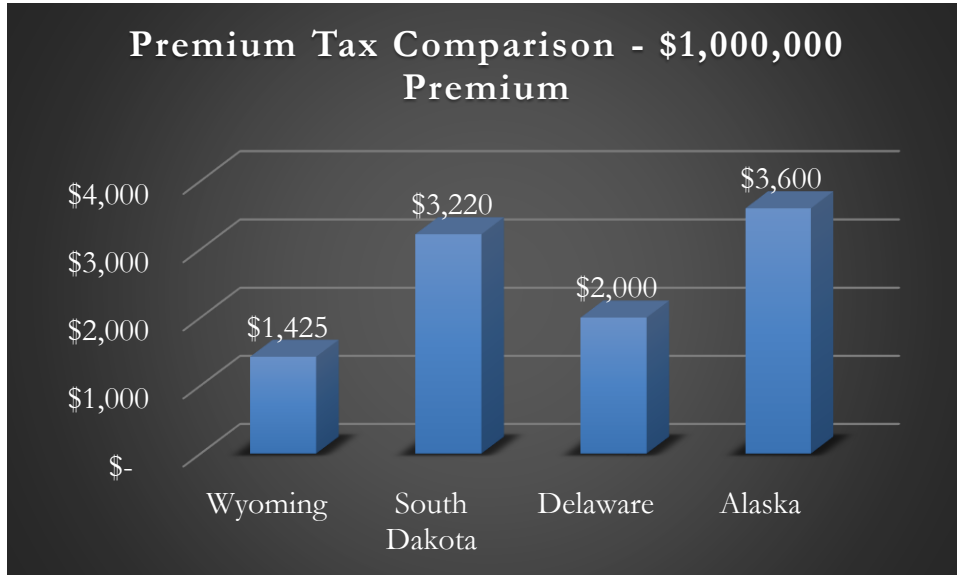
Other states may be chosen for policy issuance or ownership based upon a variety of client needs, including asset protection, previously established trusts, convenience, and policy investment requirements. Individuals from most states can acquire a policy in an approved state by arranging for a Trust or Limited Liability Company (LLC) to be sited in such state to be the owner and beneficiary of the policy.

Premium Tax Summary for PPLI



**0% on Excess if Trustee and Trust situs is in Delaware*

The chart below provides a simple comparison of \$1,000,000 in premium and illustrates the differences in taxes owed based on the state where the policy is placed. The premium tax is assessed by the state of issue to the carrier which, for a PPLI policy, passes that expense through to the policy owner in the form of a premium load.



Sources:
Each respective states' department of insurance website. Updated as of 01.01.2022.

