

Zurich Insurance Group	USD 5,115,000.00   US Dollar
USD 5,115,000.00   US Dollar	EUR 4,569,945.60   Euro
BL2102 - Traditional Life	EL0402 - Improper Business or Market Practices
US - United States	North America
Loss Event	Published in media 25 April 2019

## Zurich fined USD 5.1 million by DoJ over sale of products used for tax evasion

The US Department of Justice (DoJ) announced on 25 April 2019 that Zurich Life Insurance Company and Zurich International Life, collectively Zurich, had agreed to pay a fine of USD 5.1 million (EUR 4.6 million) over Zurich's sales of insurance policies and accounts which were used by US customers for tax evasion.

The penalty concerns the use of Zurich insurance policies and accounts by some taxpaying US customers to evade US taxes and reporting requirements from 1 January 2008 to 30 June 2014. US taxpaying customers had approximately 420 US-related policies with Zurich, consisting of 127 with Zurich Life and 293 with Zurich International Life, with a combined maximum value of approximately USD 102 million, for which they failed to provide evidence of declaration to US tax authorities.

As the policies offered by Zurich did not meet minimal US requirements to qualify for favourable tax treatment, their disclosure to the Internal Revenue Services (IRS) on FinCEN Form 114 Foreign Bank Account Report was mandatory for customers. Zurich should have known that by issuing or having undeclared US-related policies it was helping US taxpayers conceal undeclared assets in the form of insurance policies or accounts, according to the DoJ press release.

The products in question included unit-linked insurance products sold by Zurich International Life which allowed customers to access potentially higher returns by taking on market risk. The base death benefit for some of these policies was nearly equivalent to the cost of the policy and was fully funded by transfers from offshore bank accounts in some cases. The DoJ said Zurich International Life had failed to ensure timely compliance with US tax laws for some of these policies. For example, in one instance uncovered by an internal review conducted by Zurich, a former US citizen who committed fraud was able to use a Zurich policy to hide assets from victims to whom he owed restitution totalling USD 900,000.

Following the commencement of the DoJ's Swiss Bank Program concerning tax-related offences in 2013, Zurich initiated a global review of its US offshore life insurance, savings and pension business, although it was not a subject or target of US tax investigations. Measures were introduced to identify customers who held the status of US taxpayers, assess their compliance with US tax and reporting rules and encourage voluntary disclosure. The DoJ was informed of the findings of the review in July 2015. Zurich subsequently conducted a

further thorough investigation and reported its findings to the US tax authorities. Zurich has worked closely with non-US regulators to ensure full disclosure to US tax authorities and received permission in 2016 from the Swiss Federal Department of Finance to bypass disclosure restrictions to enable it to provide information to the US authorities.

Under the terms of the agreement reached with the DoJ on 24 April 2019, Zurich agreed to cooperate in any related criminal or civil proceedings, to implement controls to stop misconduct involving undeclared US accounts, and to pay a penalty of USD 5,115,000, in return for non-prosecution over tax-related criminal offences.

**Author:** Pamela Swann

**Published Date:** 26 April 2019

**Last Update:** 29 April 2019

Published In Media	Occurrence - From	Occurrence - To	Discovery Date	Recognition / Settlement
25 April 2019	01 January 2008	30 June 2014		24 April 2019

<b>Boundary Risk</b> Other Risk	<b>Industry Event</b>	<b>Scenario</b> SC0014 - Tax Fines
		<b>Event Closed</b> No
<b>ORX Member</b> Yes		<b>Jurisdiction / Choice of Law</b> LS0101 - United States of America
<b>Root Cause</b> RC0302 - Inadequate process/control documentation, procedures, policies -	<b>Function Code</b> FN19 - Taxation	<b>Reinsurance Flag</b> No
		<b>Provision</b> No

### Source(s)

<https://www.justice.gov/opa/pr/zurich-life-insurance-company-ltd-and-zurich-international-life-limited-en>  
<https://www.bluewin.ch/de/news/wirtschaft-boerse/zurich-zahlt-millionen-busse-in-den-usa-242997.html>  
<https://www.nzz.ch/wirtschaft/die-zurich-versicherung-einigt-sich-mit-der-us-justiz-ld.1477681>

### Related links