

Swiss Insurer Pays US \$5.1M For Helping Clients Hide Assets

By **Amy Lee Rosen**

Law360 (April 25, 2019, 4:32 PM EDT) -- Zurich Life Insurance Co. Ltd. agreed Thursday to pay the U.S. a penalty of over \$5.1 million to avoid prosecution over allegations it assisted U.S. taxpayer customers in evading taxes and reporting requirements through sales of minimal risk insurance policies.

For more than six years beginning in 2008, the company issued insurance policies to U.S. customers, who in turn used them to evade reporting requirements and taxes by not disclosing them to the Internal Revenue Service, according to the U.S. Department of Justice. The undeclared insurance policies of those customers had a total value of about \$102 million, the government said.

"The Tax Division remains steadfast in its goal of ending the use of offshore banking and insurance products when used to commit tax evasion," Richard E. Zuckerman, principal deputy assistant attorney general, said in a statement. "This resolution with Zurich should serve as a strong message to those who use offshore bank accounts and insurance products to evade taxation that the Department of Justice is committed to stopping such fraud."

Certain insurance policies can qualify for favorable tax treatment. But the government said the policies offered by Zurich Life and Zurich International Life Ltd., which are indirectly owned subsidiaries of Zurich Insurance Group Ltd. of Switzerland, did not meet the minimal requirements, so the increase of principal under those policies was subject to taxation. Zurich should have known it was helping its U.S. clients conceal their ownership of undeclared assets from the IRS, the U.S. said.

Generally, taxpayers are required to disclose policies on Financial Crimes Enforcement Network Form 114, Report of Foreign Bank and Financial Accounts, known as FBAR, the DOJ said.

Zurich sold insurance policies that were "unit linked," which meant their death benefits were linked to the value of investments, the DOJ said. These insurance products provided for a variety of specialized investment options, some of which gave a premium on investment earnings with low risks and fees, the government explained.

Zurich said it began internally reviewing its life insurance, savings and pension business as a response to the DOJ's Swiss Bank Program, which was announced in August 2013 and requires the disclosure of foreign account information. In 2015 the insurance company contacted the DOJ to report the findings, according to the DOJ.

The DOJ declined to comment when contacted by Law360.

Riccardo Moretto, a media relations director at Zurich Insurance Group, said the company was pleased to reach a resolution with the DOJ.

"As we have disclosed in our financial statements since 2016, the group undertook a global review of the life insurance, savings and pension business sold by our non-U.S. operating companies with relevant cross-border business to customers with a nexus to the U.S.," Moretto said. "The review confirmed that Zurich's cross-border business with such customers was of a limited and legacy nature. We felt it important for us to inform regulators who may have an interest in this issue, which included the U.S. Department of Justice."

--Edited by Robert Rudinger.

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