



U.S. Department of Justice

Tax Division
Washington, D.C. 20530

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March 19, 2019

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Re: Zurich Life Insurance Company Ltd; Zurich International Life Limited
Non-Prosecution Agreement

Dear Messrs. Romano, Siegel, and Kaufman:

On the understandings specified below, the Department of Justice will not prosecute Zurich Life Insurance Company Ltd ("ZLIC"), headquartered in Zurich, Switzerland, or Zurich International Life Limited ("ZILL"), headquartered in the Isle of Man (collectively with ZLIC, "Zurich") for any tax-related offenses under Titles 18 or 26, United States Code, or for any monetary transaction offenses under Title 31, United States Code, Sections 5314 and 5322, in connection with undeclared insurance policies and accounts of U.S. taxpayers issued or in force from 2008 through 2014 (the "Conduct"). Zurich admits, accepts, and acknowledges responsibility for the Conduct as set forth in the Statement of Facts attached hereto as Exhibit A and agrees not to make any public statement contradicting the Statement of Facts. This agreement (the "Agreement") does not provide any protection against prosecution for any offenses except as set forth above. This Agreement applies only to ZLIC and ZILL with respect to policies and accounts incepted in and/or administered from Switzerland and the Isle of Man respectively, and does not apply to any other entities or to any individuals. ZLIC and ZILL enter into this Agreement pursuant to the authority granted by the Boards of Directors of each of ZLIC and ZILL (copies of which are attached hereto as Exhibits B and C). Zurich expressly understands that the protections provided

under this Agreement shall not apply to any acquirer or successor entity unless and until such acquirer or successor formally adopts and executes this Agreement. In the event of any change in ownership or management whether by asset or stock sale, merger or any other similar business combination or transaction, ZLIC and ZILL agree that they will require as an express condition of any such change in ownership or management that the acquirer or successor entity agree to be bound by the terms of this Agreement, as evidenced by a resolution of their respective Board of Directors, a copy of which will be provided to the Department of Justice ("the Department").

In recognition of the Conduct, Zurich agrees to pay the sum of \$5,115,000 as a penalty to the Department. This shall be paid directly to the United States within seven (7) days of the execution of this Agreement pursuant to payment instructions provided to Zurich. This penalty is in lieu of restitution, forfeiture, or criminal fine against Zurich for the Conduct. The Department will take no further action to collect any additional penalty from Zurich with respect to the Conduct, unless the Tax Division determines Zurich has materially violated the terms of this Agreement. Zurich acknowledges that this penalty is a final payment and no portion of the penalty will be refunded or returned under any circumstance, including a determination by the Tax Division that Zurich has violated any provision of this Agreement. Moreover, if, after the execution of this Agreement, the Tax Division or Zurich identifies additional U.S. Related Policies¹ not previously disclosed to the Tax Division about which Zurich knew, or should have known, prior to this Agreement, the Tax Division may impose an additional penalty in connection with such policies during the term of this Agreement. Zurich agrees that it shall not file any petitions for remission, restoration, or any other assertion of ownership or request for return relating to the penalty amount or the calculation thereof, or file any other action or motion, or make any request or claim whatsoever, seeking to collaterally attack the penalty or calculation of the penalty payment. Zurich agrees that it shall not assist any others in filing any such claims, petitions, actions, or motions. Zurich further agrees that no portion of the penalty that Zurich has agreed to pay to the Department under the terms of this Agreement will serve as a basis for Zurich to claim, assert, or apply for, either directly or indirectly, any tax deduction, any tax credit, or any other offset against any U.S. federal, state, or local tax or taxable income.

The Department has entered into this Agreement based on: (1) Zurich's voluntary self-reporting of its conduct to the Tax Division; (2) Zurich's voluntary and substantial cooperation with the Tax Division, including the disclosure of the results of the global review of Zurich's non-U.S. operating affiliates, and the production of relevant information about Zurich's U.S. Related Policies, subject to applicable laws; (3) Zurich's voluntary implementation of various remedial measures, including an extensive customer outreach to its current and former customers with a possible nexus to the United States; (4) ZLIC's voluntary application to the Swiss Federal Department of Finance to waive Article 271 of the Swiss Criminal Code, and following the Swiss Federal Department of Finance's approval of the waiver, ZLIC's production of information relating to its cross-border business and U.S. Related Policies; (5) Zurich's willingness to continue to cooperate with the Tax Division and the Internal Revenue Service ("IRS") to the extent permitted by applicable law, and (6) Zurich's representation, based on an investigation by outside counsel, the results of which have been shared with the Tax Division, that the Conduct did not, and does not, extend beyond that described

¹ "U.S. Related Policies" means insurance policies or accounts of U.S. taxpayers issued or in force during the period from January 1, 2008 through June 30, 2014 that would have been required to be reported by Zurich as preexisting financial accounts under the Foreign Account Tax Compliance Act ("FATCA") and associated Intergovernmental Agreements and related governmental guidance, including guidance on branches, if such requirement had been in effect during that period.

in the Statement of Facts or otherwise disclosed to the Department in the course of the investigation.

Under the terms of this Agreement, Zurich shall: (a) commit no U.S. federal offenses; and (b) truthfully and completely disclose, and continue to disclose during the term of this Agreement, consistent with applicable law and regulations, all material information relating to the Conduct that is not protected by a valid claim of privilege or work product with respect to the activities of Zurich and its officers, directors, employees, agents, consultants, and others, which information can be used for any purpose, except as otherwise limited in this Agreement. Zurich shall disclose to the Tax Division any information required to be disclosed pursuant to this paragraph within one month of discovery.

Notwithstanding the term of this Agreement, Zurich shall also, subject to applicable laws or regulations: (a) cooperate fully with the Department, the IRS, and any other federal law enforcement agency designated by the Department regarding all matters related to the Conduct; (b) provide all necessary information and assist the United States with the drafting of treaty requests seeking information on U.S. Related Policies, whether open or closed, and collect and maintain all records that are potentially responsive to such treaty requests in order to facilitate a prompt response; (c) assist the Department or any designated federal law enforcement agency in any investigation, prosecution, or civil proceeding arising out of or related to the Conduct by providing logistical and technical support for any meeting, interview, federal grand jury proceeding, or any federal trial or other federal court proceeding; (d) use its best efforts promptly to secure the attendance and truthful statements or testimony of any officer, director, employee, agent, or consultant of Zurich at any meeting or interview or before a federal grand jury or at any federal trial or other federal court proceeding regarding matters arising out of or related to the Conduct; (e) provide testimony of a competent witness as needed to enable the Department and any designated federal law enforcement agency to use the information and evidence obtained pursuant to Zurich's cooperation with the Department; (f) provide the Department, upon request, consistent with applicable law and regulations, all information, documents, records, or other tangible evidence not protected by a valid claim of privilege or work product regarding matters arising out of or related to the Conduct about which the Department or any designated federal law enforcement agency inquires, including the translation of significant documents at the expense of Zurich; and (g) provide to any state law enforcement agency such assistance as may reasonably be requested in order to establish the basis for admission into evidence of documents already in the possession of such state law enforcement agency in connection with any state civil or criminal tax proceedings brought by such state law enforcement agency against an individual arising out of or related to the Conduct.

Zurich further agrees to undertake the following:

1. Zurich agrees to provide available transaction information, in accordance with applicable laws and regulations, pursuant to Part II.D.2.b.vi of the Department of Justice Tax Division's Swiss Bank Program, for all U.S. Related Policies closed in the period from January 1, 2008 through December 31, 2017, as soon as practicable. The parties agree that any disagreement about the interpretation of applicable laws and regulations shall be the subject of further discussions and legal clarification prior to any action being taken by the Department to declare the Agreement breached. The Tax Division has agreed to specific dollar threshold limitations for the production of transaction information pursuant to Part II.D.2.b.vi of the Department of Justice Tax

Division's Swiss Bank Program. Zurich agrees that, to the extent it has not provided complete transaction information, it will promptly provide the entirety of the transaction information upon request of the Tax Division.

2. Zurich agrees to close as soon as practicable, and in no event later than two years from the date of this Agreement, any and all depository accounts of recalcitrant account holders, as defined in Section 1471(d)(6) of the Internal Revenue Code. Zurich has implemented, or will implement, procedures to prevent its employees from assisting recalcitrant policy/account holders to engage in acts of further concealment in connection with closing any policy or account or transferring any funds, including instituting protocols designed to direct payments related to such policies or accounts to U.S. institutions; and will not incept any new insurance policies or accounts of U.S. taxpayers that are reportable financial accounts under FATCA except on conditions that ensure that the policy will be declared to the United States and/or will be subject to disclosure by Zurich.
3. Zurich agrees to use best efforts to close as soon as practicable, and in no event later than the four-year term of this Agreement, any and all U.S. Related Policies classified as "dormant" in accordance with any applicable laws, regulations and guidelines, and will provide periodic reporting upon request of the Tax Division if unable to close any dormant U.S. Related Policies within that time period. Zurich will only provide services in connection with any such "dormant" policy to the extent that such services are required pursuant to applicable laws, regulations and guidelines. If at any point contact with the policy holder(s) (or other person(s) with authority over the policy) is re-established, Zurich will promptly proceed to follow the procedures described above in paragraph 2.
4. Zurich agrees to retain all records relating to any U.S. Related Policies closed during the period from January 1, 2008 through December 31, 2017, and any documents collected by Zurich as part of its internal review of its U.S. cross-border business, for a period of ten (10) years from the termination date of this Agreement.

With respect to any information, testimony, documents, records or other tangible evidence provided to the Tax Division pursuant to this Agreement, the Tax Division provides notice that it may, subject to applicable law and regulations, disclose such information or materials to other domestic governmental authorities for purposes of law enforcement or regulatory action as the Tax Division, in its sole discretion, shall deem appropriate.

Zurich's obligations under this Agreement shall continue for a period of four (4) years from the date this Agreement is fully executed. Zurich, however, shall cooperate fully with the Department in any and all matters relating to the Conduct, until the date on which all civil or criminal examinations, investigations, or proceedings, including all appeals, are concluded, whether those examinations, investigations, or proceedings are concluded within the four-year term of this Agreement.

It is understood that if the Tax Division determines, in its sole discretion, that: (a) Zurich committed any U.S. federal offenses during the term of this Agreement; (b) Zurich or any of its representatives have given materially false, incomplete, or misleading testimony or information; (c)

the Conduct extended beyond that described in the Statement of Facts or disclosed to the Department in the course of the investigation; or (d) Zurich has otherwise materially violated any provision of this Agreement, then (i) the relevant Zurich party shall thereafter be subject to prosecution and any applicable penalty, including restitution, forfeiture, or criminal fine, for any federal offense of which the Department has knowledge, including perjury and obstruction of justice; (ii) all statements made by Zurich's representatives to the Department or other designated law enforcement agents, including but not limited to the appended Statement of Facts, any testimony given by Zurich's representatives before a grand jury or other tribunal whether prior to or subsequent to the signing of this Agreement, and any leads therefrom, and any documents provided to the Department, the IRS, or designated law enforcement authority by Zurich shall be admissible in evidence in any criminal proceeding brought against such Zurich party and relied upon as evidence to support any penalty on Zurich; and (iii) Zurich shall assert no claim under the United States Constitution, any statute, Rule 410 of the Federal Rules of Evidence, or any other federal rule that such statements or documents or any leads therefrom should be suppressed. Zurich acknowledges that the failure to disclose to the Tax Division prior to this Agreement U.S. Related Policies about which Zurich knew or reasonably should have known as a result of its internal review could constitute a material violation of this Agreement.

Determination of whether a Zurich party has breached this Agreement and whether to pursue prosecution of such Zurich party shall be in the Tax Division's sole discretion. The decision whether conduct or statements of any current director, officer or employee, or any person acting on behalf of, or at the direction of, a Zurich party, will be imputed to that Zurich party for the purpose of determining whether the Zurich party has materially violated any provision of this Agreement shall be in the sole discretion of the Tax Division.


In the event that the Tax Division determines that a Zurich party has breached this Agreement, the Tax Division agrees to provide such Zurich party with written notice of such breach prior to instituting any prosecution resulting from such breach. Within thirty (30) days of receipt of such notice, such Zurich party may respond to the Tax Division in writing to explain the nature and circumstances of such breach, as well as the actions that such Zurich party has taken to address and remediate the situation, which explanation the Tax Division shall consider in determining whether to pursue prosecution of such Zurich party.

In addition, any prosecution for any offense referred to on page 1 of this Agreement that is not time-barred by the applicable statute of limitations on the date of the execution of this Agreement may be commenced against such Zurich party, notwithstanding the expiration of the statute of limitations between such date and the commencement of such prosecution. For any such prosecutions, Zurich waives any defenses premised upon the expiration of the statute of limitations, as well as any constitutional, statutory, or other claim concerning pre-indictment delay and agrees that such waiver is knowing, voluntary, and in express reliance upon the advice of Zurich's counsel.

It is understood that the terms of this Agreement do not bind any other federal, state, or local prosecuting authorities other than the Department. If requested by Zurich, the Tax Division will, however, bring the cooperation of Zurich to the attention of such other prosecuting offices or regulatory agencies.

It is further understood that this Agreement and the Statement of Facts attached hereto may be disclosed to the public by the Department and Zurich.

This Agreement supersedes all prior understandings, promises and/or conditions between the Department and Zurich. No additional promises, agreements, and conditions have been entered into other than those set forth in this Agreement and none will be entered into unless in writing and signed by the parties hereto



RICHARD E. ZUCKERMAN
Principal Deputy Assistant Attorney General
Tax Division

4/27/19
DATE



NANETTE L. DAVIS
Senior Litigation Counsel

4/24/19
DATE




JACK MORGAN
Trial Attorney

04-24-2019
DATE

AGREED AND CONSENTED TO: ZURICH

URBAN ANGEHRN
Chairman of the Board of Directors
Zurich Life Insurance Company Ltd

DATE



BETTINA BORNMANN
Director and Chair, Zurich International Life Limited

18-4-2019

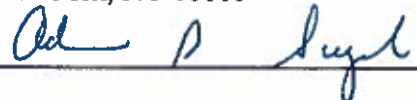
Zurich International Life Limited

APPROVED: 

23 / 4 / 2019

BENITO ROMANO
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350 5th Ave, Suite 6903
New York, NY 10118

DATE



23-4-2019

ADAM SIEGEL
Freshfields Bruckhaus Deringer US LLP
601 Lexington Avenue, 31st Floor
New York, NY 10022

DATE

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RICHARD E. ZUCKERMAN
Principal Deputy Assistant Attorney General
Tax Division

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NANETTE L. DAVIS
Senior Litigation Counsel

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JACK MORGAN
Trial Attorney

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AGREED AND CONSENTED TO: ZURICH





URBAN ANGEHRN
Chairman of the Board of Directors
Zurich Life Insurance Company Ltd

DATE

[NAME]
TITLE
Zurich International Life Limited

DATE

APPROVED:

BENITO ROMANO
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350 5th Ave, Suite 6903
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DATE

EXHIBIT A

**EXHIBIT A TO ZURICH LIFE INSURANCE COMPANY LTD AND
ZURICH INTERNATIONAL LIFE LIMITED
NON-PROSECUTION AGREEMENT**

STATEMENT OF FACTS

I. Background

Zurich Life Insurance Company Ltd (“ZLIC”) was founded in 1922 and operates in Switzerland as an insurance carrier offering life insurance and investment products. As of 2016, ZLIC had approximately \$21.3 billion in assets under management and over 300,000 policies in force. ZLIC acquired Geneva Life Insurance Company (“Geneva Life”) in 1991. Geneva Life’s portfolio was transferred to ZLIC in 2006 and Geneva Life was fully integrated operationally in 2010.

Zurich International Life Limited (“ZILL”) was acquired by the Zurich Group in 1998. ZILL is based in the Isle of Man with branches in different countries, primarily in Asia and the Middle East, and operates as an insurance carrier offering life insurance and investment products. ZILL’s business model is focused on the international expatriate market and its customer base is widely dispersed. As of 2016, ZILL had approximately \$10.6 billion in assets under management and approximately 300,000 policies in force.

ZLIC and ZILL (collectively, “Zurich” or “the Companies”) are indirectly owned subsidiaries of Zurich Insurance Group Ltd, a Swiss holding company headquartered in Zurich, Switzerland.

In addition to issuing to or having in force certain insurance policies and accounts of citizens and/or residents in Switzerland and in ZILL’s branch locations, at all relevant times, the Companies issued to or had in force insurance policies and accounts of certain customers who were or became citizens and/or residents of the United States (“U.S. taxpayers”).

II. Zurich’s U.S. Cross-Border Business

Although the Companies never had any business units or marketing efforts directed at U.S. customers, ZLIC and ZILL, during the period from January 1, 2008 through June 30, 2014, issued or had in force certain insurance policies and accounts on behalf of U.S. taxpayers (the “U.S. Related Policies,” as that term is defined in the accompanying Non-Prosecution Agreement). The Companies were aware that U.S. taxpayers had a legal duty to report to the Internal Revenue Service (“IRS”), and pay taxes on all of their income, including income earned on U.S. Related Policies. Despite being aware of these obligations, the Companies issued or had in force U.S. Related Policies where the Companies knew or should have known that certain U.S. taxpayer customers were not complying with their obligations or were using their U.S. Related Policies to evade U.S. taxes and reporting requirements and/or concealing assets maintained outside of the United States from the IRS.

In particular, between 2008 and 2014, the Companies had in force approximately 420 U.S. Related Policies, 127 with ZLIC and 293 with ZILL, with an aggregate maximum value of approximately \$102 million for which the U.S. taxpayer customers did not provide evidence to the Companies that the taxpayers declared the U.S. Related Policies to the U.S. tax authorities throughout this period. One-hundred and nine of these 420 U.S. Related Policies were disclosed through an IRS

voluntary disclosure program following notification by the Companies. Of these 420 U.S. Related Policies, only three policies were issued by ZLIC, and only 24 policies and accounts were issued or opened by ZILL, after January 1, 2008. Although the policies qualified as insurance in Switzerland and the Isle of Man, respectively, because they were not designed to qualify for the favorable tax treatment accorded life insurance under the U.S. tax code, the build-up of the principal in these policies was subject to taxation in the United States. In addition, non-U.S. issued policies sold to U.S. taxpayers were required to be disclosed to the IRS on FinCEN Form 114, Foreign Bank Account Report ("FBAR"). By issuing or having in force undeclared U.S. Related Policies, the Companies knew or should have known that they were helping certain U.S. taxpayers conceal from the IRS their ownership of undeclared assets maintained as insurance policies or accounts in the jurisdictions where the products were sold, namely Switzerland and the Isle of Man. Specifically, the Companies did the following:

- The Companies knew or should have known that the U.S. Related Policies did not always qualify under the U.S. tax code for deferral of tax on the increase in cash value.
- ZILL sold insurance products to U.S. taxpayers that were "unit linked," meaning the cash surrender value and death benefit amount were linked to the value of specified investments, such as shares, mutual funds, bonds, derivatives, or similar investments. With such policies, the U.S. taxpayer had a suite of specialized investment options, allowing them to access potentially higher returns by taking on the market risk associated with the policies. Some of these unit-linked policies offered a base death benefit that was nearly equivalent to the cost of the policy itself, effectively eliminating the policy's purported risk mitigation function. In other words, the U.S. taxpayer's policy premium virtually equaled the death benefit itself, and in some instances was fully funded by transfers from offshore bank accounts. Upon redemption, the U.S. taxpayer would receive in return the premium amount plus any investment earnings on the policy less a very small percentage for putative risk and fees.
- ZLIC and ZILL knew or should have known that although the products qualified as insurance in Switzerland and the Isle of Man, they did not always meet the legal requirements under the U.S. tax code for deferral of tax on the increase in cash value. It was not until 2000, however, that ZILL first started to inform U.S. taxpayer customers that they should seek specialized advice as to their tax liability, and not until 2007 that ZILL specifically informed these customers that ZILL policies did not comply with qualifying conditions under the U.S. tax code. While ZLIC in certain circumstances prior to 2010 informed U.S. taxpayer customers of potential U.S. tax liability or encouraged them to seek local tax advice, it was not until 2010 that ZLIC began requiring these customers to certify that they understood the U.S. tax consequences of their policies.
- Despite knowing that some of these policies, which had minimal-to-no risk mitigation function and specialized investment options, were being held by U.S. taxpayers, ZILL failed to take appropriate measures to ensure timely compliance by the policy holders with U.S. tax laws. In at least one instance, which ZILL

uncovered during the course of its internal review, a former U.S. citizen, who had pled guilty to a federal fraud offense after purchasing a ZILL policy, used that insurance policy to hide substantial assets, despite owing approximately \$900,000 in restitution to his victims.

- The Companies sold policies to entities, which served as the nominal policy holders that held the assets, while in reality the assets belonged to the U.S. taxpayers. In at least one instance, ZLIC discovered during the course of its review that a U.S. citizen, who was the beneficial owner of three undeclared U.S. Related Policies, was indicted under seal for tax evasion several years after he purchased two of those three policies.
- As explained above, non-U.S. insurance policies sold to U.S. taxpayers were required to be disclosed to the IRS on an FBAR. Despite having hundreds of policies in force, the Companies did not ensure or consistently promote their customers' disclosure of the policies to the IRS.
- One or more U.S. taxpayer customers of the Companies used the U.S. mails, private or commercial interstate carriers, or interstate wire communications to submit individual federal income tax returns to the IRS that were materially false and fraudulent in that these returns failed to disclose the existence of such taxpayers' undeclared policies or accounts and the income earned in such policies or accounts.

As a result of these actions, and the examples described below, the Companies knew or should have known they were assisting certain U.S. taxpayers to evade their U.S. tax and reporting obligations.

The largest single source of U.S. Related Policies was an independent Swiss insurance broker who marketed policies for Geneva Life to U.S. customers beginning in the late 1970s. ZLIC acquired Geneva Life in 1991, and the broker stopped placing insurance business for Geneva Life in 2001. This broker incepted approximately 113 U.S. Related Policies for U.S. taxpayers. Some of those policies were undeclared to the IRS. In one such instance, in 1999, a U.S. resident purchased two policies from Geneva Life, paying more than \$5 million in premiums on the policies. Some of the premium funding, \$2.1 million, came from a Jersey trust while an additional \$400,000 came from the account of an unaffiliated insurance company held at a Swiss bank. The policy holder used his uncle's address in the United Kingdom as the policies' correspondence address, although at certain times ZLIC contacted the policy holder at his U.S. residence directly. ZLIC also converted the currency of these two policies from U.S. dollar denominations to foreign currency denominations, which had the effect of keeping any transfers of funds in those foreign currencies from touching the U.S. banking system, thereby rendering the transactions less visible to U.S. authorities. ZLIC permitted the policy holder to pledge the policies as collateral on several occasions. As a result of ZLIC's efforts to encourage voluntary disclosure, the policy holder disclosed his interest in the policies to the IRS in late 2014 or early 2015, and paid approximately \$570,000 in back taxes, interest, and penalties.

Another U.S. client of the same broker incepted a deferred annuity in 1998 with Geneva Life, which had a maximum value of over \$2 million. ZLIC made annuity payments to an

undeclared account at an Austrian bank until 2011. The policy holder never filed FBARs for this policy, but his estate did in 2017, after the policy holder's death, and in response to ZLIC's efforts to encourage voluntary disclosure.

With respect to one annuity, a U.S.-citizen husband inherited insurance proceeds from his deceased sister's policy held at ZLIC. The U.S.-citizen husband purchased an annuity in 2004, which was financed with a single 1.8 million euro premium. His U.S.-citizen wife was named as the annuitant and beneficiary during her life, with the husband named as the beneficiary in case of her death. The policy holder at inception was a British Virgin Islands ("BVI") company, but the U.S.-citizen husband sometimes dealt directly with ZLIC, whose files referred to the husband as the policy holder and the beneficial owner. Annuity payments went into the couple's joint account in the United States. In June 2011, the policy was transferred from the BVI company to a Liechtenstein foundation whose beneficial owner was the husband's Italian-citizen mother. The wife, however, continued to receive annuity payments. It does not appear that the policy was reported on FBARs until 2015.

In another instance, ZLIC inceptioned two policies for a U.S. national on behalf of his son, a dual U.S.-Panamanian citizen, as the annuitant. One policy was inceptioned in 2007, and the other in 2008. The policy holder paid for the policies with funds from a Swiss bank. The policy holder was represented by a Swiss lawyer, who was subsequently indicted by the U.S. government. Prior to 2010, ZLIC made annuity payments on these policies to a Swiss bank. Later annuity payments were made to U.S. banks, but only after ZLIC advised the policy holder that payments to U.S. residents could only be made to U.S. banks. In 2014, writing from a Florida address, the policy holder requested a surrender of both policies due to claimed financial hardship. Notwithstanding ZLIC's prior statements about such payments needing to go to the United States, ZLIC made multiple surrender payments to the Isle of Man branch of a U.K. bank. At the time of the surrenders, ZLIC informed the policy holder with respect to both policies that there may be U.S. income tax or other reporting consequences and that the policy holder should seek the advice of tax specialists. The policy holder refused ZLIC's request for FATCA documentation in late 2015, and the insured was unreachable regarding the same.

A set of three policies were owned by an individual who unbeknownst to ZLIC had been indicted in the United States in 1997 for tax evasion with the indictment sealed. Two of the policies, with an aggregate maximum value of just over \$804,000, inceptioned in 1993 and matured in 2008. The third policy inceptioned in 2008 and was funded from the proceeds of the initial two policies, and had a maximum value of just over \$1 million. The third policy matured in 2013. The 1993 and 2008 policies were owned by the same Liechtenstein foundation but different individuals had been designated as the lives insured. The two 1993 policies insured the same life, purportedly that of a Liechtenstein citizen and resident. The 2008 policy had a different life insured by name but with the same birthdate as the insured life on the 1993 policies. That individual was identified as a U.S. citizen and resident. He also was the beneficial owner of the foundation that owned all three policies. Diligence performed in 2008, which included the use of a commercially available background database, did not reveal that the individual had been indicted. ZLIC now believes that the insured persons for all three policies were one and the same. In 2014, ZLIC distributed approximately 1 million Swiss francs in proceeds from the 2008 policy to a German rare metals company without obtaining tax reporting information from the beneficial owner of the foundation/insured person.

A customer of ZILL, who was a U.S. citizen, pleaded guilty in 2009 to mailing threatening communications (unbeknownst to ZILL at that time) and was ordered to pay \$950,000 to the 12,000 victims of his crime. After making initial payments towards his restitution obligation, the customer stopped making payments after being released from prison. The customer did so, notwithstanding having three insurance policies with ZILL in the Isle of Man worth over \$1,150,000. All three insurance policies appear to have been purchased from 2007 to 2008 when the customer was domiciled in Israel, and while, similarly unbeknownst to ZILL, the customer was actively defrauding his victims. From June 2014 to June 2016, the customer made at least five requests for partial surrender for his policies and received at least \$778,481 from ZILL. Upon learning of the customer's guilty plea and restitution obligations, ZILL worked with the Department of Justice ("the Department") and local Isle of Man authorities to the fullest extent permitted under applicable laws.

The Companies' conduct allowed them to increase the total insurance products that they sold, thereby increasing fees generated. In total, from 2008 to 2014, the Companies' conduct had the effect of assisting U.S. taxpayers with approximately 420 U.S. Related Policies in evading their tax obligations under U.S. law.

III. Mitigating Factors and Voluntary Remedial Measures

The Companies' review of their U.S. cross-border business did not identify any Company-sponsored marketing efforts directed at U.S. customers. The Companies have never had a desk dedicated to the U.S. market, and their cross-border business with U.S. customers was of a limited and legacy nature, with over 90 percent of all U.S. Related Policies sold to U.S. customers before 2008. The Companies identified virtually no evidence of business with U.S. customers leaving Swiss banks under investigation by the Department, and no efforts by the Companies to solicit any such business.

Sales to customers with a U.S. nexus were incidental rather than systematic, in large part due to the restrictions the Companies had in place for many years prohibiting cross-border sales to U.S. customers. In 1994, ZLIC prohibited marketing and sales in the United States. In 2008, ZLIC banned sales to U.S. residents, and in 2009, ZLIC banned all sales to U.S. nationals other than those residing in Switzerland. As a result of these measures, ZLIC sold only three U.S. Related Policies after January 1, 2008 for which the U.S. taxpayer customers did not provide evidence of compliance with U.S. tax and reporting obligations.

Similarly, ZILL banned sales to U.S. residents and marketing and sales in the United States in 2000, and further prohibited sales to all U.S. nationals in 2009. As a result, in the Isle of Man, the vast majority (approximately 90%) of ZILL's U.S. Related Policies were issued to non-U.S. residents at inception. ZILL sold only 24 U.S. Related Policies after January 1, 2008 for which the U.S. taxpayer customers did not provide evidence of compliance with U.S. tax and reporting obligations throughout the period from 2008 through 2014.

Following the commencement of the Department's Swiss Bank Program, the Zurich Group initiated a global review of the life insurance, savings and pension business sold by all of its non-U.S. operating companies to identify policies or accounts with U.S. indicia. Following this review, the Companies instituted an extensive customer outreach to their current and former customers with a possible nexus to the United States, residing in over 50 countries. This voluntary outreach sought to confirm customers' status as U.S. taxpayers, assess their compliance with applicable

U.S. tax and reporting rules, and encourage participation in an appropriate IRS voluntary disclosure program. Through these efforts, the Companies have encouraged voluntary disclosure in approximately 109 cases, and, in over 100 additional cases, have obtained consent to disclose information to the Department.

IV. Cooperation

The Companies have been fully cooperative with the Department. The Companies first contacted the Department in July 2015 to inform it of the existence and the initial findings of the self-review and presented additional detailed information about the review to the Department in March 2016. The Companies engaged U.S. counsel, conducted a thorough investigation, and reported their findings to the Tax Division. The Companies have responded to requests for additional information, providing supplemental memoranda, dozens of detailed summaries of policy and account information, and comprehensive reports, subject to applicable law. Prior to their self-reporting, the Companies were neither subjects nor targets of any investigation being conducted by the Tax Division.

In addition to these efforts, the Companies have worked closely with non-U.S. regulators to ensure full disclosure to the Department to the extent permitted under applicable laws. For instance, in 2016, ZLIC applied to the Swiss Federal Department of Finance to waive Article 271 of the Swiss Criminal Code, which restricted the disclosures that ZLIC could make to the Department. The Swiss Federal Department of Finance approved the waiver request, facilitating ZLIC's voluntary disclosures to the Department related to certain aspects of its cross-border business and ZLIC's production of certain information that would have otherwise been prohibited. This was the first time that a Swiss insurer had sought such a waiver, and on October 28, 2016, the Swiss Federal Department of Finance sent a notification letter to other Swiss insurers, informing them that such an Article 271 waiver would be available to them under similar circumstances.

EXHIBIT B

EXHIBIT B TO NON-PROSECUTION AGREEMENT

RESOLUTION OF THE BOARD OF DIRECTORS OF ZURICH LIFE INSURANCE COMPANY LTD

I, Andres Christen, acting corporate secretary of the Board of Directors (the **Board**) of Zurich Life Insurance Company Ltd (**ZLIC**), a company duly organized and existing under the laws of Switzerland, do hereby certify that the following is a complete and accurate copy of a resolution adopted by the Board of ZLIC at a meeting held on April 2, 2019, at which a quorum was present and the Board resolved that:

1. The Board has (i) reviewed the entire Non-Prosecution Agreement (the **Agreement**) attached hereto, including the Statement of Facts attached as Exhibit A to the Agreement; (ii) consulted with counsel in connection with this matter; and (iii) unanimously voted to enter into the Agreement, pursuant to which both ZLIC and Zurich International Life Limited are jointly and severally liable for a payment of USD 5,115,000 to the U.S. Department of Justice;
2. Urban Angehm, Chairman of the Board of ZLIC, (the **Authorized Signatory**) is hereby authorized (i) to execute with sole signature authority the Agreement on behalf of ZLIC substantially in such form as reviewed by the Board with such non-material changes as the Authorized Signatory may approve; and (ii) to take, on behalf of ZLIC, all actions as may be necessary or advisable in order to carry out the foregoing;
3. All of the actions of the Authorized Signatory of ZLIC are hereby ratified, confirmed, approved and adopted as actions on behalf of ZLIC; and
4. Both Benito Romano, Freeh, Sporkin & Sullivan, LLP, and Adam Siegel, Freshfields Bruckhaus Deringer US LLP, are hereby authorized to sign the Agreement in their capacity as ZLIC's U.S. counsel.

We further certify that the above resolution has not been amended or revoked in any respect and remains in full force and effect.

IN WITNESS WHEREOF, we have executed this Resolution on this 2nd day of April 2019.



Andres Christen
Corporate Secretary

EXHIBIT C

EXHIBIT C TO NON-PROSECUTION AGREEMENT

WRITTEN RESOLUTION OF THE BOARD OF DIRECTORS OF
ZURICH INTERNATIONAL LIFE LIMITED

I, Bettina Bornmann, Chair of the Board of Directors (the Board) of Zurich International Life Limited (ZILL), a company duly organized and existing under the laws of the Isle of Man, do hereby certify that the following is a complete and accurate copy of written resolutions signed by all members of the Board of ZILL on 18 April 2019:

1. The Board has (i) reviewed the entire Non-Prosecution Agreement (the Agreement) attached hereto, including the Statement of Facts attached as Exhibit A to the Agreement; (ii) consulted with counsel in connection with this matter; and (iii) unanimously voted to enter into the Agreement, pursuant to which both ZILL and Zurich Life Insurance Company Ltd are jointly and severally liable for a payment of USD 5,115,000 to the U.S. Department of Justice;
2. Bettina Bornmann, Chair of the Board of ZILL (the Authorized Signatory), is hereby authorized (i) to execute with sole signature authority the Agreement on behalf of ZILL substantially in such form as reviewed by the Board with such non-material changes as the Authorized Signatory may approve; and (ii) to take, on behalf of ZILL, all actions as may be necessary or advisable in order to carry out the foregoing;
3. All of the actions of the Authorized Signatory of ZILL are hereby ratified, confirmed, approved and adopted as actions on behalf of ZILL; and
4. Both Benito Romano, Freeh, Sporkin & Sullivan, LLP, and Adam Siegel, Freshfields Bruckhaus Deringer US LLP, are hereby authorized to sign the Agreement in their capacity as ZILL's U.S. counsel.

We further certify that the above resolution has not been amended or revoked in any respect and remains in full force and effect.

IN WITNESS WHEREOF, I have signed this copy of the Resolutions on this 18th day of April 2019.



Bettina Bornmann

Director and Chair, Zurich International Life Limited