



Fuhgeddaboutit!

What's with the insurance industry not comprehending Zero Cash Value policies are not a CRS solution?

Mark Morris
CRS and CARF expert. No, truly.

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The full cash value is reportable you con artists



- It may come as a shock to some insurance experts that according to the OECD FAQ update a policy that builds a surrender value, but the policyholder irrevocably renounces their rights to access the built-up cash value is still a cash value insurance product.
- Doesn't matter that the value to the policyholder who renounced their access rights is zero, viz a "zero cash value" policy. In simple terms, giving up rights to access the policy assets doesn't magically turn the policy into a non cash value product.

Unnoticed, the OECD updated its CRS FAQ to close the loophole of irrevocable policies being touted as non cash value policies

OECD
BETTER POLICIES FOR BETTER LIVES

CRS-related Frequently Asked Questions
(February 2019)

New or updated FAQs

C. FINANCIAL ACCOUNT

12. Account Holders with respect to Cash Value Insurance Contracts

With respect to a Cash Value Insurance Contract, are persons that have the right to access the Cash Value and the right to change the beneficiaries of the contract still to be treated as Account Holders for CRS purposes if they have renounced such rights?

Such persons are to be considered Account Holders with respect to the Cash Value Insurance Contract in all instances, unless they have finally, fully and irrevocably renounced both the right to access the Cash Value and the right to change the beneficiaries of the Cash Value Insurance Contract.

In cases where, taking into account the above paragraph, no person can access the Cash Value or change the beneficiaries, the Account Holder is any person named as the owner of the contract and any person with a vested entitlement to payment under the terms of the contract.

Notwithstanding the above, upon maturity of a Cash Value Insurance Contract (i.e. when the obligation to pay an amount under the contract becomes fixed), each person entitled to receive a payment under the contract is to be treated as an Account Holder.

- If insurance protagonists continue to contest the OECD logic, then the OECD FAQ update reveals these irrevocable wrappers are irrefutably cash value policies. They define this regarding Account Holders of irrevocable insurance:

Account Holders with respect to Cash Value Insurance Contracts. With respect to a Cash Value Insurance Contract, are persons that have the right to access the Cash Value and the right to change the beneficiaries of the contract still to be treated as Account Holders for CRS purposes if they have renounced such rights? Such persons are to be considered Account Holders with respect to the Cash Value Insurance Contract in all instances, unless they have finally, fully and irrevocably renounced both the right to access the Cash Value and the right to change the beneficiaries of the Cash Value Insurance Contract. In cases where, taking into account the above paragraph, no person can access the Cash Value or change the beneficiaries, the Account Holder is any person named as the owner of the contract and any person with a vested entitlement to payment under the terms of the contract.

- In kindergarten language, policyholders of irrevocable policies are reportable Account Holders. It is critical to comprehend that according to the OECD, an insurance policy that builds a surrender value, but the policyholder irrevocably renounces their rights to access the Cash Value, the policy is still a cash value insurance product. Doesn't matter that the value to the policyholder who renounced their access rights is zero.

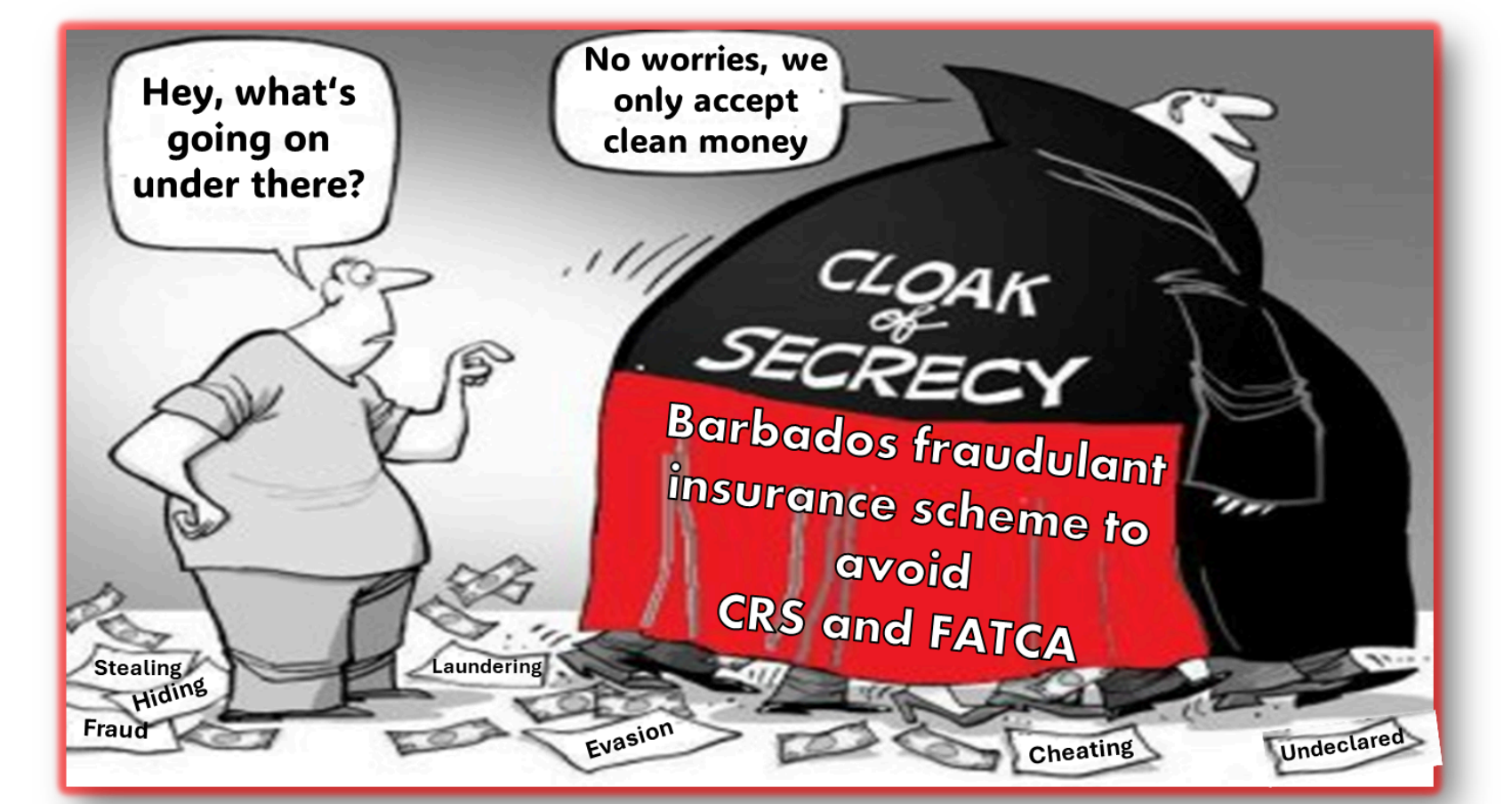
What is the amount to be reported for zero cash value policies?

- The full cash value less expenses due

What is the impact of reporting policyholders of zero cash value policies?

- There is still the problem that some countries like Switzerland do not refer to the OECD FAQ updates as part of CRS legislation.
- So insurers in these countries will continue to opine that zero cash value wrappers are not a cash value policies and hence not CRS reportable.

Other "non cash value" con insurance products



- In the Caribbean, there are insurers providing [alternate insurance products](#) to avoid the CRS, such as long term care, disability insurance and surety bonds as non cash value insurance.
- The creators of these hocus pocus schemes, purely for CRS evasion, using flawed arguments with their regulators that these policies are not cash value because *the final obligation is uncertain and/or assets at anytime are reserves against future liabilities*.
- What gibberish, yet the offshore authorities are overwhelmed with the legal hogwash that they let the no- reporting of these policies slide. Nice business if you can get it.

=====END=====

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