



Money laundering through insurance sector - international case study

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Typologies established in Bulgaria

- Procedure in accordance with the Bulgarian Public Procurement Law;
- The company “X” Sole Ltd was chosen as contractor;
- The insurance policy has been concluded for the goods subject to the delivery in accordance with the public procurement;
- Subsequently, company “X” claimed that burglary has been made and the insurance company should pay for the damage.
- The payment was made in accordance with the insurance policy;
- The burglary has been made in a storage owned by “X”;

Typologies established in Bulgaria

- The owner of the goods is the assignor of the public procurement;
- For completion of the contract the company “X” used the subcontractor “Y” Sole Ltd;
- “Y” is connected with “X”;
- In addition, another contract has been signed between “Y” and company named “E”;
- According to the clauses of this contract “E” shall also be subcontractor to the aforementioned public procurement;
- Another two subcontractors have been introduced by “E” – “T” and “N”;

Typologies established in Bulgaria

- According to explanation given by “X” the goods have been imported by “N” and “T”;
- However, no indications for this import have been found;
- The above was confirmed by the customs authorities;
- All rights and responsibilities have been transferred from one subcontractor to the other;

Where is the money laundering?

Where is the predicate offence?

What is the role of the FIU?



Typologies established internationally

- Case study 1 (Belgium):
 - A fraudulently bankrupt subject used an account in the name of a family member to pay cash in and withdraw it out via a cheque to a lawyer. The lawyer then gave some money back in a cheque to the family member while the rest went to the subject's single premium life policy which was immediately surrendered. The surrender value was paid out to the family member's account.

Typologies established internationally

- Case study 2 (Belgium):
 - The subject deposited 1m euros in cash with a life insurance company in 2 single premium life policies which were surrendered early incurring a loss of 40% of the investment cashed outside the jurisdiction concerned in an effort to evade creditors seeking remuneration from the subject's fraudulently declared bankrupt company.

Typologies established internationally

- Case study 3 (Norway):
 - A person reported a break-in in his house to his insurance company. The person reported that some of the stolen goods were jewelry worth NOK 110,000. Pursuant to his report he had sold a boat for NOK 2.7m and received jewelry worth NOK 500,000 as part of the payment for the sales amount. This person was on a low income and had no assets. In previous years he had no income or assets at all or his income was NOK 43,000 and increased to NOK 233,000. Either it was not possible for him to have been the real owner of this valuable assets or it was the case that he paid for the assets with illicit funds.

Typologies established internationally

- Case study 4 (UK):

- Mr. P invested £25,000 in an Investment Bond (an investment type insurance policy), the money had come from the sale of a house, which was confirmed by a letter from his solicitor. The money having come direct from the solicitor's client account. The bond was taken out by Mr. P's sister who has power of attorney over his financial affairs because Mr. P is in prison. Within the cooling off period the bond was cancelled, Mr. P's sister stated that her brother was not happy with the chosen bond. The funds were returned to Mr. P's sister. This appears to be an attempt to layer money that may have been obtained through the proceeds of crime. By divesting his assets Mr. P may be attempting to frustrate any attempt by law enforcement to confiscate his assets.

Typologies established internationally

- Case study 5 (Canada):

- A drug trafficker purchased a life insurance policy with a value of USD 80,000. The policy was purchased through an agent of a large life insurance company using a cashier's cheque. The investigation showed that the client had made it known that the funds used to finance the policy were the proceeds of drug trafficking. In light of this fact, the agent charged significantly higher commission. Three months following this transaction, the investigation showed that the drug dealer cashed in this policy.



Thank you for your attention!