

Response to IAIS draft revised application paper on combating money laundering and terrorist financing

Our reference:	PERS-AML-21-017	Date:	July 2021
Referring to:			
Related documents:			
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Pages:	4	Transparency Register ID no.:	33213703459-54

Q4 *Comment on paragraph 3*

It should be made clearer that non-life is outside of the scope of the Financial Action Task Force's (FATF) recommendations, and that it is generally considered a very low risk of ML/TF.

Q7 *Comment on paragraph 6*

References to 'insurers and intermediaries' in this application paper should therefore always be understood to mean 'life insurers and intermediaries'.

Given the complementary nature of the IAIS guidance, which was reiterated during the public session of 2 June 2021, and considering the extensive guidance in place in many jurisdictions, such as EU ones, Insurance Europe would suggest adding at the end: "... where the available jurisdictional guidance is insufficient to adequately support life insurers and intermediaries."

Q13 *Comment on paragraph 12*

While sanctions compliance is indeed absolute and not risk-based, how it is achieved can be risk-based.

This includes the nature, frequency and method of name screening, for which there is no defined legal/regulatory standard.

It should also be noted that ICP 22 itself does not elaborate on PF/TFS, so it is surprising to find this topic covered in the paper.

Insurance Europe suggests adding "beneficial owners" to customers and beneficiaries.

Q14 *Comment on paragraph 13*

On section 2.1 as a whole, Insurance Europe notes there are no ML/TF vulnerabilities listed, which is inconsistent with the inclusion of non-life case studies later in the paper.

The inclusion of the statement on the lower ML/TF risks associated with the life insurance sector is very welcome.

Q18 *Comment on paragraph 17*

It is not the responsibility of reinsurers to assess the AML/CFT-compliance of obliged cedants.

Q25 *Comment on paragraph 24*

Section 4 is generally consistent with the approach taken by insurers. Insurers would welcome guidance on assessing proliferation finance risk in the context of insurance to align with the latest FATF recommendations.

Q36 *Comment on paragraph 35*

"Country of origin and nationality" have been included as indicators of customer risk. While some jurisdictions require collecting the nationality of customers, this can also be interpreted as inappropriate racial profiling and is not consistent with FATF, EBA or EU provisions that focus on customer location rather than origin or nationality. Insurance Europe suggests replacing the term nationality with the term citizenship and clarifying that ML/TF mitigation measures should not be based on racial or gender profiling.

Q40 *Comment on paragraph 39*

Consideration of the beneficiary of a life insurance policy as a risk factor is introduced, but there is no guidance on how that risk will manifest itself (eg "the relationship between the beneficiary of a life insurance policy and the policyholder/life insured").

Q43 *Comment on paragraph 42*

The revised text suggests that insurers operate 'accounts' while this is generally not the case.

Q46 *Comment on paragraph 45*

There may be situations where the level of ML/TF risk means that verification could additionally occur when the beneficiary is identified.

Q48 *Comment on paragraph 47*

As per comment on para 42, verification could additionally occur when the beneficiary is identified.

CDD must always be performed and this should therefore not tip off. On the other hand, enhanced CDD could indeed tip off. Performing the transaction when it is not possible to refrain from it is crucial to allow the authorities to follow the money flow and seize it when appropriate (especially for incoming money flows).

Q49 *Comment on paragraph 48*

The underlying justification for 'referencing generally available information' is too vague, with no practical explanation, and no consideration given to data protection restrictions and the principles of risk based due diligence. Insurance Europe suggests replacing the word "generally" with "publicly".

Q56 *Comment on paragraph 55*

The information goes beyond what is required at EU level and is of limited value in some cases. 'Specimen signature' is irrelevant in a digital environment. 'Occupation' is not considered a feature of identity (it may be relevant for source of wealth, but does not contribute to an individual's identity). Digital and biometric identifiers would be more useful.

Country/ies of tax residence must be obtained as per CRS requirements and it is very useful for AML/CTF purposes.

Q59 *Comment on paragraph 58*

While digital penetration varies between markets and socio-economic groups, the suggested approach to document validation is outdated in a digital world. The certification of authenticity is not required nor appropriate in many jurisdictions.

Q71 *Comment on paragraph 70*

Insurers have controls in place to address the specific product, service, transaction or delivery channel risks.

Q92 *Comment on paragraph 91*

The final part on using automated tools to monitor transactions could be a separate paragraph as it relates to transactions monitoring.

Q95 *Comment on paragraph 94*

This paragraph should better reflect the FATF recommendation on senior management approval of PEP relationships, not just being informed before the payout.

Q111 *Comment on paragraph 110*

It is unlikely an insurance intermediary will be able to allow an insurer to have access to their CDD database for IT and data protection reasons. Requiring it to "provide the relevant information in a timely manner" is more accurate to reflect the reliance on third party obligations.

Q145 *Comment on Annex 1*

As stated on section 2.1, there should not be any non-life case studies given that no vulnerabilities are identified. In any event, most of these case studies appear to be fraud events and the suspicious elements are not linked to the insurance services provided.

Should these be maintained, each case study should identify a type of ML/TF involved (eg 'placement of criminal funds') rather than the control impacted (eg 'CDD at onboarding'), and include more detail on the specific ML/TF vulnerabilities that they intend to illustrate, as opposed to fraud vulnerabilities.

The wording of non-life case study 21 is not clear. There is no mention of early cancellation but rather of (banking?) multiple withdrawals. Insurance Europe suggests removing this case study as it is not a relevant suspicious transaction example.

Non-life case study 24 does not appear based on real-life examples, as it is easy to verify the existence and ownership of an ocean-going vessel.

Non-life case study 25 is not a clear suspicious transaction case but a related party issue which is not linked to the insurance services or products. Insurance Europe suggests removing this case study as it is not a relevant suspicious transaction example.

Q146 *Comment on Annex 2*

Non-life case study 4 appears to be fraud and the potential high-risk transaction is not linked to the insurance services provided. Insurance Europe suggests removing this case study as it is not a relevant suspicious transaction example.

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