Position Paper

# Insurance Europe comments on the amendments to the Fourth AML Directive

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| Referring to: | Proposal for a Directive amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing and amending Directive 2009/101/EC | | |
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Insurance Europe is highly supportive of the "Action Plan to strengthen the fight against terrorist financing", including the European Commission's proposed targeted amendments to the fourth Anti-Money Laundering Directive. Insurance Europe believes it is essential to ensure these efforts are carried out in line with the principles that underpin the existing EU policy on Anti-Money Laundering and Combatting the Financing of Terrorism (AML/CFT), most notably the Risk Based Approach which ensures AML/CFT resources are allocated where they are needed.

Insurance Europe is aware that discussions have now started between the European Parliament, the Council and the European Commission on these amendments to the fourth Anti-Money Laundering Directive. In this respect, Insurance Europe is supportive of a number of amendments of importance to the insurance sector, such as the EP's suggested insertion of a paragraph 5a in article 30, providing for the information held on the beneficial ownership to be publicly accessible and include the full date of birth, the country of residence and contact details.

However, Insurance Europe is concerned by a number of aspects in the European Parliament's position.

Firstly, it is noted that, in this report, the European Parliament foregoes **the definition of life insurance** found in Solvency II's article 13 and, instead, refers to "*life insurance contracts or investment related services such as insurance contracts with premium refund held within their territory*". With this definition, products which do not pose risks in terms of money laundering, such as pure protection insurance products with no investment element, could fall under the scope. Such an approach would divert resources away from areas where they are most needed and thereby contradict the Risk Based Approach principle.

Insurance Europe is also particularly concerned by the suggested **creation of automated centralised mechanisms** (eg registers) at national level to identify "*any natural or legal persons holding or controlling life insurance contracts or investment related services such as insurance contracts with premium refund held within their territory*", as suggested in Recital 15a and Article 32c in the EP report. Insurance Europe believes

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such a measure would not be helpful in the fight against money laundering and the financing of terrorism, and may even prove counter-productive:

- There is little to no added value to such centralised registers:
    - There are no money transfers taking place without identification.
    - The creation of Ultimate Beneficial Owner Registers foreseen under the Fourth AML Directive (article 30) already addresses the only real issue in the prevention of money laundering and terrorism financing in life insurance.
    - Article 42 of the fourth Anti-Money Laundering Directive requires companies to have systems in place that enable them to respond fully and speedily to enquiries from authorities as to whether they are maintaining or have maintained, during a five-year period prior to that enquiry, a business relationship with specified persons, and on the nature of that relationship.
- The implementation of such centralised registers would impose a significant additional administrative burden on insurers because of the type of data required (date of conclusion of contracts, insured amounts), which will often need to be updated (insured amounts).

Insurance Europe is also concerned by the European Parliament's suggested amendment to article 14 paragraph 5, which would require obliged entities to contact their customers base to **review any information related to the beneficial owners**, within one year of the updated Anti-Money Laundering Directive's entry into force. Not only is such a measure particularly burdensome and running counter to the Risk Based Approach, it is also of no value in insurance given the absence of any money transfers under life insurance policies without identification.

In conclusion, it is essential to keep in mind that risks of money laundering and/or terrorism financing are low in life insurance, and only relevant to life insurance products with a savings/investment element (as opposed to pure protection products), as recently confirmed by the European Supervisory Authorities in their Joint Opinion on the risks of money laundering and terrorist financing affecting the EU's financial sector. Insurance Europe therefore calls on the European institutions to avoid any amendment to the Anti-Money Laundering Directive which effectively dilutes the Risk Based Approach.

*Insurance Europe is the European insurance and reinsurance federation. Through its 35 member bodies — the national insurance associations — Insurance Europe represents all types of insurance and reinsurance undertakings, eg pan-European companies, monoliners, mutuals and SMEs. Insurance Europe, which is based in Brussels, represents undertakings that account for around 95% of total European premium income. Insurance makes a major contribution to Europe's economic growth and development. European insurers generate premium income of €1 200bn, directly employ over 985 000 people and invest nearly €9 900bn in the economy.*