Guideline Governing Money Laundering and Terrorist Financing Risk Assessment and Relevant Prevention Program Development by Insurance Agent Companies (Including Banks Operating Concurrently Insurance Agency Business)

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1.

This Guideline is established in accordance with the “Directions Governing Internal Control System of Anti-Money Laundering and Countering Terrorism Financing of Insurance Setor” (referred to as the "Internal Control Directions" hereunder) for the purpose of anti-money laundering and combating the financing of terrorism. This Guideline covers aspects such as how insurance agent companies of certain sizes (including banks operating concurrently insurance agency business) (collectively referred to as “insurance agent companies” hereunder) should assist insurance companies in identifying customer identity and assessing money laundering and terrorist financing risks of various businesses, and how to develop an anti-money laundering and combating the financing of terrorism (AML/CFT) program as basis for implementation.

However if an insurance agent company undertakes underwriting and claim settlement business on behalf of an insurance company, the insurance agent company shall comply with the AML/CFT regulations governing insurance enterprises.

2.

An insurance agent company’s AML/CFT internal control system and subsequent amendments thereto shall be passed by its board of directors (council). The AML/CFT internal control system should include the establishment of policies and procedures for identifying and assessing money laundering and terrorist financing (ML/TF) risk, an AML/CFT program established based on the results of risk assessments and size of business, and conducting routine review of the AML/CFT program pertaining to assisting insurance companies in ensuring the accuracy of collected or verified data.

A risk-based approach is designed to help the development of prevention and mitigation measures corresponding to the assessed ML/TF risks in order for the insurance agent company to determine its allocation of resources for anti-money laundering and combating the financing of terrorism, establish its internal control system as well as policies, procedures and control measures for the formulation and implementation of AML/CFT program.

An insurance agent company should, in consideration of its business and customer characteristics, take appropriate measures to establish a ML/TF risk assessment operation so as to timely and effectively understand the overall ML/TF risk it faces. When assessing and mitigating its ML/TF risk exposure, an insurance agent company should take differentiation of business and customer characteristics into consideration. The examples provided in this Guideline are not mandatory requirements. An insurance agent company should, based on the instructions of the insurance company on customer risk identification, assessment and management, adopt effective control measures.

3.

An insurance agent company shall adopt appropriate measures to identify and assess its ML/TF risks, and formulate specific risk assessment items based on the risks identified to further control, mitigation or prevention of such risks.

Specific risk assessment items should at least cover the categories of geographic locations, customers, products and services, transactions and delivery channels, and a further analysis of each risk item for the development of detailed risk factors.

(1) Geographical risk:

A. The insurance agent company should identify geographic areas with higher ML/TF risk.

B. When establishing a list of areas with higher ML/TF risk, the insurance agent company should use appropriate risk factors based on the practical experience of its branches (subsidiaries) and in consideration of their individual needs.

(2) Customer risk:

A. The insurance agent company should take overall consideration of a customer's background, occupation, characteristics of social and economic activities, geographic locations, and the organization type and structure of a non-natural-person customer to identify the customer's ML/TF risks.

B. To provide the insurance company with relevant information for use in identifying customer risk and to assist the insurance company in determining the customer's risk level, the insurance agent company may take simplified customer due diligence measures for customers who establish business relationship with the insurance agent company non-face-to-face or over the Internet:

C. When identifying a customer's risk and determining the customer's risk rating, the insurance agent company may perform risk assessment based on following risk factors:

a. The insurance agent company should understand the customer’s nationality, place of registration or business place, and its customers.

b. Money laundering risks associated with customer’s occupation and line of business: Determine the risk rating of the customer’s occupation and line of business based on a list of occupations and line of business that are exposed to money laundering risks defined by the insurance agent company. Examples of high-risk line of business include cash intensive business and company or trust that may be easily used to hold personal assets.

c. For individual customers, the entity he or she works for.

d. The channel through which the customer builds business relationship with the insurance agent company.

e. The amount involved in building business relationship.

f. Whether the customer has other signs of high ML/TF risk.

(3) Product risk:

A. The insurance agent company should identify individual products or services which may pose higher ML/TF risks to it based on the nature of an individual product or money-related service.

B. The insurance agent company should, before offering a new product or money-related service as an agent for an insurance company, carry out ML/TF risk assessment, and establish corresponding risk management measures based on the principles of risk control to reduce the identified risks.

C. Risk factors for products or money-related services include but are not limited to the following:

a. The degree of association with cash.

b. The channel to build business relationships, including whether it is a face-to-face transaction or a new type of transaction channel such as electronic commerce or transaction through the offshore insurance unit.

c. Does the insurance policy purchased involve high premium or high cash value?

d. Does the premium payment received come from an unknown or unrelated third party?

4.

An insurance agent company should establish risk levels and classification rules for different customers.

There should be at least two risk levels (inclusive) or more for customer risk classification as basis for carrying out corresponding customer due diligence measures for identifying.

An insurance agent company shall not disclose information on the risk level of a customer to the customer or persons unrelated to obligations of implementing ant-money laundering.

5.

For new customers, an insurance agent company should, at the time establishing business relationship with the customer, provide related information needed by the insurance company to verify customer identity, and notify the insurance company immediately when the actual identity of the customer is inconsistent with the supporting identification data provided by the customer.

For existing customers, an insurance agent company shall immediately notify or prompt the insurance company when it learns at the time the customer requests conservation service that there has been significant changes to the customer identity and background information.

6.

An insurance agent company in the process of establishing business relationship should, based on the instructions of the insurance company on customer risk assessment, take enhanced customer due diligence (CDD) measures for high-risk customers. A few examples of CDD measures are:

(1) Obtain information on the purpose of purchasing insurance.
(2) Obtain information on the beneficial owner(s) of a legal person customer.
(3) Obtain information as required for financial underwriting operation.
(4) Obtain other identity verification documents, such as a second identification document other than identification card or registration certificate or license.

7.

An insurance agent company should establish a ML/TF risk assessment operation and produce a risk assessment report to enable senior management to timely and effectively understand the overall ML/TF risks the company faces, determine necessary mechanisms to be established, and develop appropriate mitigation measures.

An insurance agent company should establish a ML/TF risk assessment operation based on following risk factors:

(1) The nature, scale, diversity and complexity of businesses.

(2) High-risk related management data and reports: such as the number and proportion of high-risk customers; the amount, volume or proportion of high-risk products or businesses; the amount or proportion of customer’s nationality, place of registration or operation, or products or businesses that involve high-risk areas.

(3) Businesses and products, including the channels and manners that the insurance agent company uses to provide customers businesses and products, and the way to conduct customer due diligence, such as the extent information system is used and whether or not relying on third parties to perform due diligence.

(4) The examination results of internal auditors and supervisory authorities.

An insurance agent company’s company-wide ML/TF risk assessment results should be used as a basis to develop an AML/CFT program. An insurance agent company should allocate appropriate manpower and resources based on such results and take effective countermeasures to prevent or reduce risks.

If a material change occurs to an insurance agent company, such as a material incident, material development in management and operation, or the surface of a new threat, an insurance agent company should re-perform risk assessment.

An insurance agent company should submit the risk assessment report to the FSC for recordation when it is completed or updated.

8.

An insurance agent company shall implement its policies established in accordance with this Guideline after approval by the board of directors (council) (or the delegated responsible unit) and submit the policies together with its “Directions Governing Anti-Money Laundering and Combating the Financing of Terrorism” and subsequent amendments thereto to the Financial Supervisory Commission for record. The insurance agent company should also review its policies every year.