

**Company Name**

\_\_\_\_\_ **(Year) First/Second/Third/Fourth.....\_**

**(Passed by the Board of Directors on \_\_\_ (yyyy) \_\_\_ (mm) \_\_\_\_\_ (dd)**

**AML/CFT Risk Assessment Report**

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## **1. Basis**

This report on the overall assessment of the Company's money laundering and terrorist financing (ML/TF) risks is produced in accordance with the *Directions Governing Internal Control System of Anti-Money Laundering and Countering Terrorism Financing of Insurance Sector*, the *Guideline Governing Money Laundering and Terrorist Financing Risk Assessment and Relevant Prevention Program Development by Insurance Broker Companies* and the Company's anti-money laundering and combating the financing of terrorism (AML/CFT) policies. This report aims to help the management understand timely and effectively the overall ML/TF risks facing the Company, and thereby develop the Company's AML/CFT program.

## 2. Basic Data

- 2.1 Number of assessment: This report is the Company's \_\_\_\_\_th AML/CFT risk assessment report.
- 2.2 Assessment date: \_\_\_\_\_ (yyyy)\_\_\_ (mm) \_\_\_\_\_ (dd).
- 2.3 Assessment period: \_\_\_\_\_(yyyy) \_\_\_\_\_(mm)\_\_\_\_\_ (dd) ~ \_\_\_\_\_(yyyy) \_\_\_\_\_(mm)\_\_\_\_\_ (dd).
- 2.4 Scope of assessment data: (1) customer data; (2) insurance products; (3) transaction modes.
- 2.5 Company profile:
- (1) Date of establishment: : \_\_\_\_\_(yyyy) \_\_\_\_\_(mm)\_\_\_\_\_ (dd).
  - (2) Type of organization: \_\_\_\_\_ Inc. (unlimited/limited/limited partnership/limited by shares).
  - (3) Capital: NT\$ \_\_\_\_\_.
  - (4) Business place: \_\_\_\_\_.
  - (5) Uniform Business No.: \_\_\_\_\_.
  - (6) Insurance broker business:
    - Life insurance broker  Non-life insurance broker
    - Life and non-life insurance broker  Reinsurance broker
  - (7) Names of subsidiary(ies)/branch(es): \_\_\_\_\_.
  - (8) Business places of subsidiary(ies)/branch(es): \_\_\_\_\_.
- 2.6 Business operations: The Company's business operations as of the assessment date are summed up as follows:
- (1) Names and cities (counties) of business locations:

A total of ○ business locations, including Head Office, ○○ Business Office/Liaison Office/Office/Service Center/Service Station/Sales Office, which are distributed in ○○ City, ○○ County.....
  - (2) Number of registered solicitors: ○○○○ persons.
  - (3) Number of administrative personnel: ○○○ persons.
  - (4) Number of full-time staff handling AML/CFT compliance affairs: ○ persons (including AML/CFT officer and personnel).

- (5) Insurance companies that the Company does business with:
- 1) Life insurance company: A total of ○ companies, including ○○, ○○, ○○.
  - 2) Non-life insurance company: A total of ○ companies, including ○○, ○○, ○○.
- (6) Total number of new contracts solicited: ○.
- (7) Total number of applicants in new contracts solicited: ○○○○○○ persons.

### **3. Risk Assessment Methodology**

The Company is an insurance broker company that may negotiate insurance contracts on behalf of customers pursuant to the Insurance Act. Such service involves in nature a one-time transaction with customers, and in terms of anti-money laundering and combating the financing of terrorism, runs the risk of becoming a money laundering or terrorist financing channel for predicate offenders, either intentionally or out of negligence on the part of the broker. Money laundering typically involves a three-stage process – placement, layering and integration. Money launderers can purchase multiple policies in a short period of time and pay large premiums, and then cancel the policies or obtain policy loans, or they may purchase policies in the capacity of a legal entity by hiding the source of funds (proceeds from predicate offense) and the identity of beneficial owner. Thus conducting customer due diligence and Know Your Customer are the key AML/CFT tasks that the Company needs to focus on. The assessment of the Company’s overall ML/TF risks this time adopts a risk-based approach in the following steps:

#### **Step 1: Identify inherent risks**

Inherent risks are risks in the following areas facing the Company before the management takes any action to change the likelihood of the risk occurring or the risk outcome.

1. Geographic risk.
2. Customer risk.
3. Product risk.
4. Transaction risk.

#### **Step 2: Inherent risk statistics**

In this step, risk data obtained in the first step are analyzed to understand more about risk

distribution.

### **Step 3: Risk prevention infrastructure**

1. Put in place monitoring measures for business activities and document the monitoring operation.
2. Establish a compliance system, which should cover at least reports, record keeping, customer due diligence, risk assessment and response measures for high risk businesses.
3. Relevant procedures should describe how to detect suspicious transactions and how to handle suspicious situations, ways to monitor extraordinary situations, monitoring frequency, implementation methods and review procedure.

### **Step 4: Risk mitigation measures**

1. Relevant departments should establish related internal controls.
2. All identified high risk businesses could be reduced to general risk through control measures and the control process is documented.
3. For high-risk customers, enhance customer due diligence, keep the records, and continuously update customer information.

### **Step 5: Residual risk**

Residual risk is the risk that remains after the management has taken effective actions to reduce inherent risks, such as:

1. Mitigated risks.
2. Tolerated risks.

### **Step 6: Periodic review**

1. Periodically review existing operational rules, including policies, procedures, risk assessment criteria and training plan.
2. Examine existing policies, procedures and controls before entering an agreement with an insurer to sell a new product line or assist the insurer in the offering of a new money-related service (including new delivery mechanisms, use of new technologies for pre-existing or new products or businesses) or when a new external threat surfaces.

## 4. Risk Assessment Process

### 4.1 Identifying inherent risks

#### (1) Risk factors:

The indicators used in this overall risk assessment are determined in accordance with the *Guideline Governing Money Laundering and Terrorist Financing Risk Assessment and Relevant Prevention Program Development by Insurance Broker Companies* and the Company's AML/CFT policies.

#### (2) Selection of risk factors:

##### 1) Geographic risk

The Company does not have any foreign branch. The Company's business offices are located in municipalities as well as cities and counties all over Taiwan, including offshore islands with relatively few public safety problems. There has not been any terrorist attack incident reported in those municipalities and cities/counties during the assessment period. In reference to the statistical data released by government agencies, economic crime cases in Taiwan have not shown any marked upward trend in the past ten years.

##### 2) Customer risk

###### A. By occupation

Customers are classified into the following types by occupation: Type 1: pawnshop, financial service center, underground money transfer service and other non-banking entities that provide financial services, gambling house, horse racing or gambling related businesses; Type 2: domestic and foreign politically exposed person, arms dealer, jeweler, antique dealer, art dealer, jewelry store; Type 3: real estate dealer, lawyer, accountant, importer/exporter, securities or futures broker; Type 4: line of business other than those provided in the preceding three types. Type 1 ~ Type 3 are more likely to be involved in money laundering.

###### B. By the status of natural person or non-natural person (including legal person, non-corporate organization and trustee)

The Company classifies customers into two types – natural person or non-natural person. In the case of non-natural person, the customer will be asked to fill out a beneficial owner questionnaire (must be signed in person by the customer) and provide identification documents as required by the insurance company. Non-natural person customers are assigned a higher risk score due to the complexity of organizational structure).

C. By nationality (including the place of registration for legal persons)

Customers by location are classified into 1. from a country or region on the list of countries or regions with serious deficiencies in its AML/CFT regime or other countries or regions that do not or insufficiently comply with the recommendations of international organizations on AML/CFT as announced by the competent authority (referred to as the “sanction list” hereunder); 2. Foreigners from a country or region not on the sanction list; 3. A ROC citizen free of the preceding two situations.

D. By source of customer

By the channel through which business relationship is established with the customer, customers are classified into four types: 1. Customer approaches the Company to purchase insurance; 2. Solicitor solicits the business without introduction or reference; 3. Through referral; 4. Existing customer, relative or friend of the solicitor. The first two types are assigned a higher risk score.

3) Product risk

The Company identifies insurance products with high policy value reserve or cash value, such as OIU policy, investment-linked insurance, annuity, foreign currency policy and universal variable life insurance as high risk products; general life insurance, health insurance, accident insurance, travel insurance, and property insurance are considered as lower risk products.

4) Transaction risk

The ways through which the Company gets the business of customers are classified into: 1. Face-to-face solicitation; 2. Phone marketing; 3. Online purchase. Online purchase is

identified as higher risk because the solicitor did not have direct contact with the customer (face-to-face or talk on phone).

#### 4.2 Inherent risk statistics

##### (1) Geographic risk

Business location	Subsidiary (branch) in a jurisdiction or region on sanction list	Other foreign subsidiaries (branches)	Municipality or offshore island	Other cities (counties)
Risk score				
Number of cases				
%				
Ave. risk score			Risk level	

**Note: Ave. risk score is calculated by the sum of risk score multiplied by the number of cases under each sub-item divided by the total number of cases; two levels of risk are used - high and general, which is distinguished by the average risk score of 3 points.**

##### (2) Customer risk

###### 1) Occupation

Occupation (note)	Type 1	Type 2	Type 3	Type 4
Risk score				
Number of cases				
%				
Ave. risk score			Risk level	

Note:

Type 1: pawnshop, financial service center, underground money transfer service and other non-banking entities that provide financial services, gambling house, horse racing or gambling related businesses.

Type 2: domestic and foreign politically exposed person, arms dealer, jeweler, antique dealer, art dealer, jewelry store

Type 3: real estate dealer, lawyer, accountant, importer/exporter, securities or futures broker

Type 4: line of business other than those provided in the preceding three types

###### 2) Natural person/non-natural person

Personhood	Natural person	Non-natural person
Risk score		
Number of cases		
%		

Ave. risk score		Risk level	
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3) Nationality

Nationality	On sanction list	Other foreigners	Citizens
Risk score			
Number of cases			
%			
Ave. risk score		Risk level	

4) Source (how did the customer get to know the solicitor)

Source of customer	Customer approaches the Company to purchase insurance	Solicitor solicits the business without introduction or reference	Through referral	Existing customer, relative or friend of the solicitor
Risk score				
Number of cases				
%				
Ave. risk score			Risk level	

(3) Product risk

Type of insurance	OIU policy	Investment-linked insurance/annuity	Foreign currency policy/universal variable life	General life insurance	Health/accident/travel /property insurance
Risk score					
Number of cases					
%					
Ave. risk score				Risk level	

(4) Transaction risk

Manner of transaction	Online purchase	Phone marketing	Face-to-face
Risk score			
Number of cases			
%			
Ave. risk score		Risk level	

(5) Number of contracts involving sanction list, STR or offshore remittance (including OIU policies)

Total number of contracts			
Classification	Number of cases involving sanction list	Number of STR	Number of cases involving offshore remittance (including OIU policies)
Number of cases			
%			
Percentage of total		Risk level	

※ If the percentage of total is less than 20%, residual risk level is general. Otherwise, residual risk level is high.

#### 4.3 Risk prevention infrastructure

The Company has incorporated the risk-based assessment methodology into its insurance service operation and compliance mechanism. The Company will implement and strengthen the service operation and compliance mechanism using the risk-based approach described below to reduce risk:

(1) Documentation of monitoring measures

Establish and implement monitoring measures for various business activities and document the monitoring operation.

(2) Compliance mechanism

Draw up anti-money laundering work manuals or operating procedures, which should cover at minimum five categories - reporting operation, record keeping, customer identification and verification, risk assessment, and high risk control measures, and vest the chief compliance officer with the authority to coordinate and guide the effective implementation of related matters.

(2) Internal audit mechanism

Internal auditors should include AML/CFT compliance matters in key audit items and audit every year whether AML/CFT related business departments have conducted business according to regulations and requirements.

#### 4.4 Risk mitigation measures

(1) In reference to the statistical data on inherent risks described above and on the basis of risk perception, the Company will adopt risk mitigation measures commensurate with the nature, size, diversity and complexity of company business, and the Company's historical data, statistical results and risk level so that the management can understand whether the overall inherent risks and residual risk that remains after the implementation of mitigation measures are effectively managed and improved, and determine subsequent revision of the risk prevention plan based on the overall assessment result.

#### (2) Implementation measures

##### 1) Identify customer risk

To ensure that customer risk assessment conforms to applicable laws and regulations, the Company has developed a Customer Risk Identification Checklist, which will be filled out by solicitors when they solicit business, and based on which, the customer's risk score is assigned and the customer's risk level identified. The Company has also established and implemented a mechanism for declining the business of customers on the sanction list, conducts enhanced due diligence on high-risk customers, and assist insurers in conducting customer identity review and verification.

##### 2) Enhanced due diligence mechanism for high value policies

The Company has developed a Large Sum Policy Confirmation Checklist, which will be filled out and signed by the solicitor and the customer at the time the customer applies for insurance, and sent back to the Company when the application is submitted. If there is any question on the information provided in the Confirmation Checklist, the case will be forwarded to the chief compliance officer to determine whether suspicious ML/TF activity exists and whether to carry out STR.

##### 3) Phone interview

The Company has established a Customer Phone Interview Instruction for phone interview of customers to confirm their insurance needs and the suitability of the policy they purchase, and to determine the possibility of a suspicious ML/TF

transaction. If the interviewer discovers any irregularity about a customer, the interviewer will forward the case to the chief compliance officer to determine whether suspicious ML/TF activity exists and whether to carry out STR.

#### 4) Implement KYC

The Company has established the operating procedures for checking and monitoring solicitor's report and customer financial declaration to reduce inconsistency between information filled out by the solicitor and provided by the customer and to detect situations where customer needs and product suitability were not well understood and customer due diligence has not been completed. If such situations are not improved, the Company will consider adjusting the number of spot checks and restrict a solicitor's business activities (ex.: types of insurance and number of cases that the solicitor may solicit).

#### 5) Reporting mechanism

The Company has established a mechanism for reporting suspicious ML/TF cases, cash transaction cases and properties and locations of sanctioned individuals or entities pursuant to the Counter-Terrorism Financing Act, including the retention of transaction data and customer identity documents and reporting SOP.

#### 6) Documentation and record keeping

The implementation of AML/CFT compliance operation should be documented with record keeping and years of retention mechanism established, including CDD records, transaction records, STR records, cash transaction report records, and properties and locations of sanctioned individuals or entities reporting records.

#### 7) Employee screening, hiring and training

Whether employee screening and hiring procedure includes the examination of employee character and providing employees with adequate training.

#### 8) Watch list filtering

The Company compiles the sanction lists published by the competent authority every time into a watch list which is updated regularly and distributed to the administrative and sales staff at each business office. At the time of solicitation or receiving a report

on a customer, the staff will carry out watch list filtering manually.

9) Review of negative news

The Company will match names appeared in negative news reports on suspicious ML/TF activities with names of existing customers and record the findings.

10) STR operation

The Company continues to strengthen employee training on red flags for suspicious ML/TF transactions to equip them with the ability to identify suspicious transactions.

11) Risk parameters

The accumulated data on various risk parameters are not sufficient to reflect the effectiveness of parameter control. The Company will continue to examine the monitoring result and consider making adjustment in view of the situation.

12) Evaluation of new product, new service or new business

The Company should carry out ML/TF risk assessment and establish corresponding risk management measures to reduce the identified risks before entering an agreement with an insurer to sell a new product line or assist the insurer in the offering of a new money-related service (including new delivery mechanisms, use of new technologies for pre-existing or new products or businesses).

13) System construction

The Company should establish relevant systems for the implementation of AML/CFT compliance operation to carry out matching, monitoring, statistics, analysis and data storage.

#### 4.5 Residual risk

In summary, in the assessment of inherent risks this time, if there are still deficiencies found after relevant controls are put in place and implemented, the designated officer/personnel will draw up a risk improvement plan and set a deadline for improvement actions to be completed so as to reduce residual risk on a continual basis.

The Company discovered \_\_\_\_\_ sanction list cases, \_\_\_\_\_ STR cases, and \_\_\_\_\_ properties and locations of sanctioned individuals or entities reporting cases over the

assessment period, indicating that the Company's AML/CFT policies, procedures, program and compliance operations have been effectively implemented.

#### 4.6 Periodic review

The Company will conduct inspection at least once every year to determine whether the risk-based approach used is appropriate, and re-conduct an assessment in a timely manner in case of a major incident, major development in management and operation, promulgation of new regulations, or rise of a new threat.

### **5. Conclusion**

Based on the result of this risk assessment, the Company's residual risk level is determined to be "General" .....

Based on the result of this risk assessment, the Company's residual risk level is determined to be "High" .....

**Table 1: Risk Assessment Reference List**

Inherent risk	Risk factor	Average risk score	Risk level	Risk mitigation measures	Completed		Residual risk	
					Y	N		
Geographic risk	Business location			Identify customer risk				
				Implement KYC				
				Documentation and record keeping				
				Watch list filtering ⋮				
Customer risk	Customer occupation			Identify customer risk				
				Phone interview				
				Implement KYC				
				Documentation and record keeping				
	Natural person or non-natural person				Identify customer risk			
					Phone interview			
					Implement KYC			
					Documentation and record keeping			
	Customer nationality				Identify customer risk			
					Phone interview			
					Implement KYC			
					Documentation and record keeping			
Customer source				Identify customer risk				
				Employee screening, hiring and training				
				Implement KYC				
				Documentation and record keeping				
Product risk	High policy value reserve or cash value products			Identify customer risk				
				Implement KYC				
				Documentation and record keeping				
				Evaluation of new product, new service or new business ⋮				
Transaction risk	Online purchase/phone			Identify customer risk				
				Implement KYC				
				Documentation and record				

	marketing/face to face solicitation			keeping			
				Watch list filtering			
				Negative news review			
				⋮			

Note 1: The risk factors, average risk score, mitigation measures, whether completed or not above are set in view of the nature, size, diversity and complexity of company business, and company's historical data and actual operations.

Note 2: "Y" is checked if a risk mitigation measure is at least 80% completed. Otherwise, "N" is checked.