



IAIS

INTERNATIONAL ASSOCIATION OF
INSURANCE SUPERVISORS

Public

Resolution of public consultation comments on revised Application Paper on Combating Money Laundering and Terrorist Financing

18-May-21 to 17-Jul-21

Public

Resolution of public consultation comments on revised Application Paper on Combating Money Laundering and Terrorist Financing
November 2021

Page 1 of 77

Organisation	Jurisdiction	Confidential	Answer / Comment	Resolution of comments ¹
Q1 General Comment on draft revised Application Paper on Combating Money Laundering and Terrorist Financing				
1. World Federation of Insurance Intermediaries	Belgium	No	<p>Answer: WFII appreciates the opportunity offered by the IAIS to comment on the draft Application Paper on Combating Money Laundering (ML) and Terrorist Financing (TF).</p> <p>WFII and its member associations across the world very much welcome and support any guidance that is provided to implement ML/TF rules. However, this guidance should only be addressed to the life insurance sector. There is little to no evidence of non-life (short-term) insurance being used either to facilitate money-laundering or to fund terrorist activities worldwide and, where this type of insurance may be somehow involved, other detection mechanisms should already have been come into play - for example, where an expensive motor vehicle or jewellery is to be insured the purchase transaction should already have been detected. Thus this is nothing more than a duplication of effort which comes with considerable additional cost to the non-life insurance market."</p> <p>Allow us to make a few suggestions for your consideration: 1/ WFII suggests deleting the non-life case studies, mentioned in the Annexes 1 and 2, from the Paper. The non-life sector is not in the scope of this Application Paper. Paragraph 1 mentions that this Application Paper is primarily directed to life insurers and intermediaries. Paragraph 3 mentions that the IAIS endorses the FATF Recommendations on ML/TF, that ICP 22 is consistent with the FATF Recommendations, and that it applies to the</p>	<p>Revisions to Paragraphs 1 and 6 further clarify that the Application Paper is directed to the life insurance sector, to better align with the FATF Recommendations and FATF Guidance for a Risk-Based Approach in the Life Insurance Sector ("FATF Guidance"). For example, and consistent with ICP 22.0.7, revised Paragraph 6 notes that ICP 22 expresses neither an expectation nor requirement that a jurisdiction include non-life business within the scope of its AML/CFT supervisory framework.</p> <p>Accordingly, Paragraphs 1 and 6 now read as follows, together with other revisions explained in responses to later comments:</p> <p><i>"1. The purpose of this Application Paper is to provide information and advice on how money laundering (ML) and terrorist financing (TF) can occur within the life insurance sector, and on measures to mitigate the associated risks. While Insurance Core Principle (ICP) 22 on Anti-money laundering and combating the financing of terrorism (AML/CFT) and the accompanying standards and guidance apply to insurance supervisors, this paper is directed to life insurers and intermediaries. This paper establishes neither new standards nor expectations. It is intended to provide an additional resource to firms in the implementation of their AML/CFT program and is intended to be neither exhaustive nor prescriptive."</i></p>

¹ Under this column, paragraph and section numbers are aligned with those in the final version of the revised Application Paper on Combating Money Laundering and Terrorist Financing published on the IAIS Website on 11 November 2021. Further, the term "FATF Recommendations" encompasses all components of the FATF standards ie its individual recommendations together with interpretive notes and the applicable definitions in the FATF Glossary, consistent with the definition of the term in the Application Paper. Where a reference is made to a specific FATF Recommendation, it also encompasses any Interpretive Note associated with that recommendation. Unless specifically stated otherwise, under this column references to "insurers" and "intermediaries" means "life insurers" and "life insurance intermediaries."

			<p>underwriting, placement and administration of life insurance and other investment-related insurance policies. By inserting non-life case studies in this Paper, directed at life insurers and insurance intermediaries distributing life insurance products, the IAIS creates confusion and uncertainty on the scope of this Paper for those who have to implement it. Many jurisdictions and stakeholders would interpret these case studies as a requirement/benchmark, which it is not.</p> <p>The FATF Recommendations and the IAIS Application Paper only target life insurance and these requirements can only be effectively implemented if the focus is solely on the life sector. This focus should not be diluted by the extension of its scope to ML/TF risks in another sector where such risks are for the moment not recognised by the majority of the countries.</p> <p>2/ We also suggest mentioning more consistently in the Paper that it is directed to the life insurance sector and intermediaries distributing life insurance products. Most paragraphs speak of the insurance sector and insurance intermediaries as a whole and we believe that this is confusing. It looks as if the whole sector falls into the scope of this Paper which is not the case.</p> <p>3/ We suggest deleting paragraph 30. According to this paragraph, "insurers should assess the potential risks posed by their intermediaries"</p> <p>Insurance intermediaries distributing life insurance products are licensed and subject to stringent supervisory requirements with regard to AML/TF rules. We believe it is not the insurer's role to assess/verify/supervise the intermediaries' compliance with the AML/CFT requirements. This is the task of the AML/CFT supervisory authority. The life insurer should be able to rely on the assessment done by this supervisory authority of the intermediaries' compliance with the relevant rules.</p>	<p><i>"6. This Application Paper is based on ICP 22, taking into account the FATF Recommendations and the Guidance. ICP 22 expresses neither an expectation nor requirement that a jurisdiction include non-life business within the scope of its AML/CFT supervisory framework. Accordingly, the guidance herein is provided for life insurers and life intermediaries. If a particular jurisdiction has included the non-life sector within its AML/CFT framework, portions of this Application Paper may be helpful for affected firms."</i></p> <p>Consistent with the above, certain "case studies" that may not have provided implications helpful in the context of life insurance are now deleted. On the other hand, the Task Force is of the view that some of the case studies offer illustrations that may be helpful in the context of life insurance, even if the specific facts did not occur in the life context, and the Task Force has retained these. New introductory remark to Annex 1 accordingly states:</p> <p><i>"While the case studies in Annex 1, contributed from the IAIS Membership, are illustrative and may assist in understanding how ML can occur in the insurance sector, they are not necessarily exhaustive nor are they intended to imply that such cases are common. <u>To the extent some cases studies involve non-life business, they are offered for illustrations that may be helpful in the context of life insurance, to which this application paper applies.</u>"</i></p> <p>A comparable introductory remark has been also added to Annex 2 on TF cases.</p> <p>Relatedly, the Task Force revised footnote 2 to clarify that, unless specifically stated otherwise, in this Application Paper references to "insurance sector", "insurers" and "intermediaries" means "life insurance sector", "life insurers" and "life insurance intermediaries".</p>
--	--	--	--	--

			We therefore believe that paragraph 30 should be deleted or at least that the IAIS should clarify this issue.	With respect to the third point concerning intermediaries, the Task Force does not concur. Please refer to resolution of Comment #56, below.
2. Office of the Supervisor of Insurance and Private Pensions	Belize	No	<p>Answer: Consideration should be given to change the name to: Application Paper for combatting Money laundering, Terrorist Financing and Proliferation Financing</p> <p>Reason: even though the linkage between insurance and PF has been recently detected; FATF expects jurisdictions to do a risk assessment on PF and will rate the jurisdiction accordingly. The last Application paper was almost a decade ago, so if the update to the paper is not expected to be done within the next three years, it is best that PF be included now.</p>	<p>While proliferation financing (PF) is a serious concern and countering it is an important component of the FATF role, the Task Force considers that PF is out of the scope of specific guidance in this Application Paper, both because it is not directly addressed by ICP 22 and because it was not in the work plan for this Application Paper. The Application Paper includes where relevant, however, references to the general TFS-related obligations under the FATF Recommendations. Taking into account the comment, Paragraph 7 of the Introduction now clarifies the treatment of PF/TFS in the Application Paper. Additional references to PF/TFS in Paragraphs 21, 38 and 94 are now included in the context of vulnerability of insurance, identification and assessment of risks, and ongoing due diligence and monitoring, respectively, in order to make more consistent reference to this topic across the Application Paper.</p> <p>The Task Force is aware of the FATF's recently published work with respect to PF, including the amendments to FATF Recommendations 1 and 2 and their respective Interpretive Notes in October 2020), and Guidance on Proliferation Financing Risk Assessment and Mitigation in June 2021, and has considered and broadly reflected them in the paragraphs referenced above. The IAIS will continue to carefully monitor the developments in this area and consider them for any potential future activities if necessary.</p>
3. AXA	Global	Yes	<p>Answer: First, congratulations on this thoughtful update of the IAIS AML AP. There are many positive changes, including better clarity that the focus is life insurance more than non-life insurance.</p> <p>Our one general comment is that the AP's focus on life insurance should be even stronger, to be more consistent</p>	Noted.

			<p>with the FATF RBA for Life Insurance. Otherwise there can be significant adverse effects as explained below.</p> <p>IAIS, FATF, the EU AMLDs and other key AML bodies all highlight the importance of a risk based approach. A risk based approach means focusing greater efforts where there is higher risk. But it also means not taking an arbitrary rules-based approach where AML risk is low. This is important, because if finite company and supervisory resources are squandered where risks are low, then fewer resources are available to allocate where risks are high.</p> <p>The revised AML AP, while more focused on life insurance, continues to cover the AML risk of non-life in detail. In a number of places and ways it seems to encourage AML regulation for non-life. An unfortunate and significant impact of this is that in many readers, including legislators, particularly in developing countries, find it easier to have a one size fits all approach to AML requirements and insurance. Typically in those countries there has been no national AML risk assessment to justify this, rather it just seems to be the simplest way to be aligned with IAIS guidance. This is a perverse and ineffective result. For example, technical AML compliance for non-life in some countries would extend to microinsurance.</p> <p>The answer is for the revised IAIS AML Application Paper to more closely follow the FATF RBA for Life Insurance, by referring to "life" insurance throughout, and by otherwise toning down the references to non-life.</p>	<p>Changes have been made to clarify that the Application Paper is directed to the life insurance sector (see response to Comment #1).</p>
4. Institute of International Finance	Global	No	<p>Answer: The Institute of International Finance (IIF) and the members of the IIF Insurance Working Group and AML Working Group are pleased to respond to the IAIS's public consultation on the Draft Revised Application Paper on Combating Money Laundering and Terrorist Financing (Draft Application Paper). The IIF and its members have long supported public and private sector efforts to prevent</p>	<p>Noted.</p>

			<p>the misuse of the financial system for the purposes of illicit activity, and we appreciate the efforts of the IAIS to promote measures to combat money laundering (ML) and terrorist financing (TF), which threaten the integrity of the international financial system.</p> <p>Overarching Comments Limiting the Scope of the Draft Application Paper to Life Insurance The IIF applauds the IAIS's involvement in the Financial Action Task Force (FATF) and its endorsement of the FATF 2018 Recommendations (FATF Recommendations) and the FATF's Guidance for a Risk-Based Approach - Life Insurance Sector (FATF Guidance). We strongly encourage the IAIS to limit the scope of the Draft Application Paper to the life insurance sector, consistent with the long-standing approach of the FATF. The FATF Recommendations do not apply to the non-life insurance sector. The FATF has determined that the risk of ML/TF arising through insurance channels is so insignificant in non-life (re)insurance that it would be misguided for the FATF Guidance to apply to the non-life sector.</p> <p>As the IAIS acknowledges, life insurance products generally are not used as vehicles to facilitate ML/TF. The ML/TF risks of the non-life insurance and reinsurance sectors are virtually nil. The IAIS should make this clear in the title and scope of the Draft Application Paper. We propose as a title, IAIS Revised Application Paper on Combating Money Laundering and Terrorist Financing in the Life Insurance Sector, and we propose to delete any references therein to non-life insurers or reinsurers or to their products in the IAIS guidance and in any case studies.</p> <p>While the IAIS acknowledges in the introduction to the Draft Application Paper that its AML/CFT guidance is directed primarily to life insurers and intermediaries, we believe a more targeted approach would be consistent with the FATF</p>	<p>Changes have been made to clarify that the Application Paper is directed to the life insurance sector (see response to Comment #1).</p> <p>The Task Force is of the view that the revisions it has made provide sufficient clarity around the scope of the Application Paper (see response to Comment #1).</p>
--	--	--	---	---

			<p>Recommendations and FATF Guidance and would reflect a risk-based, proportionate approach, which, ultimately, would better allocate insurers' and supervisors' AML/CFT resources.</p> <p>We encourage the IAIS to promote the use of national risk assessments by jurisdictional authorities to identify life insurance lines of business that may warrant an exclusion from AML/CFT requirements. For example, as noted below, in certain jurisdictions, pure protection life policies, some group policies and life reinsurance and retrocession contracts are not covered by jurisdictional AML/CFT rules.</p> <p>Avoiding Duplication and Layering of Requirements We encourage a targeted approach that focuses the IAIS's guidance on aspects of AML/CFT frameworks and policies that are particularly pertinent to the life insurance sector, as opposed to general guidance that may be duplicative of the FATF Recommendations or FATF Guidance. The IAIS could provide helpful value-added advice to life insurers by targeting aspects of risk assessment, due diligence and internal controls that require a different approach than is taken by other financial services firms. Similarly, tailoring the case studies to situations that have been identified by insurance supervisors as having led to the misuse of life insurance products to advance financial crime would provide a useful "red flags" guide to life insurers.</p> <p>Paragraph 6 of the Draft Application Paper states that the IAIS guidance is "intended to complement jurisdictionally specific requirements and guidance." When an institution has implemented a robust ML/TF program that meets current standards and supervisory expectations, the insurer should not be expected to adopt additional AML/CFT measures. IAIS guidance provides added value where a jurisdiction does not have a mature AML/CFT regime and relevant AML/CFT guidance. We suggest the rewording of</p>	<p>Based on the comment, we added Paragraph 8 to acknowledge that in some circumstances FATF Recommendations permit a jurisdiction's AML/CFT framework to reflect decisions, based on proven low risk and consistent with the country's assessment of its ML and TF risks, allowing for simplified measures.</p> <p>At the outset of this project, the IAIS decided that the overall concept of the original version published in October 2013 is appropriate and should be maintained. The Task Force remains of the view that guidance for insurance specific considerations are sufficiently provided throughout this Application Paper. Regarding the case studies, see our response to Comment #1).</p> <p>The Application Paper is directed to life insurers and intermediaries in all jurisdictions, regardless of the maturity of their AML/CFT practices. Even if a jurisdiction has a well-developed AML/CFT guidance, insurers and intermediaries may still benefit from referring to this non-binding guidance. Note that the Application Papers do not create new requirements and do not replace any jurisdictional requirements. Please refer to the response to Comment #5, below.</p>
--	--	--	--	--

			<p>Paragraph 6 as follows: "This Application Paper is directed primarily to life insurers and intermediaries and is based on ICP 22, taking into account the FATF Recommendations and the Guidance. It is intended to assist in establishing appropriate AML/CFT practices where jurisdictional guidance is insufficient to adequately support life insurers and intermediaries in the management of ML/TF risks."</p> <p>The Draft Application Paper should reflect that insurers routinely carry out customer risk assessments as a key part of their underwriting activities and maintain robust internal procedures and controls to detect potential insurance fraud risk factors, which are very similar to potential ML/TF risk factors. To avoid imposing potentially duplicative compliance measures, supervisors should be encouraged to consider how insurers' fraud detection and risk assessment processes and internal controls can be employed to detect ML/TF risk.</p> <p>The fact that an insurer chooses to diversify its risk by entering into reinsurance transactions should not trigger additional AML/CFT oversight obligations.</p> <p>Alignment with Developing FATF Guidance We encourage the IAIS to carefully align the Draft Application Paper with developing FATF Recommendations and FATF Guidance. Divergence from emerging FATF guidance can have a detrimental impact on effectively addressing domestic and international financial crime. Ensuring convergence with the letter and spirit of what has been agreed at the FATF, and focusing on effective implementation, will make it harder for criminals to exploit gaps in AML/CFT protections in one jurisdiction. This will help eliminate one of the incentives criminals have to channel their operations through jurisdictions they know are less resilient than others.</p>	<p>While supervisors may take the proposed approach in assessing robustness of insurers' AML/CFT programmes, consistent with ICP 22 and the FATF Recommendations, it is not appropriate for this AP to encourage supervisors to do so, considering that risks associated with ML/TF and insurance fraud are not entirely identical to (even though related to) each other, that insurance fraud is not directly addressed this Application Paper, and that this Application Paper is not directed to supervisors.</p> <p>The Application Paper does not recommend that insurers take additional AML/CFT measures when they use reinsurance contracts. Its advice regarding reinsurance mirrors that in the FATF Guidance.</p> <p>We concur that it is important to keep consistency between the Application Paper and the up-to-date FATF Standards. Building on this recognition, the project aims to update (in order to align terminology and to ensure consistency with FATF recommendations) and supplement (in order to introduce new guidance on elements reflected in the ICP 22) the existing version of the AP, in light of developments such as updates of the FATF Recommendations in recent years and publication in 2018 of the revised FATF Guidance, as well as the adoption of the revised ICP 22 in November 2019. The revisions to this Application Paper have been carefully prepared to keep consistency with the up-to-date ICP 22 and FATF Recommendations as well as FATF Guidance.</p>
--	--	--	---	---

			<p>Adopting a Risk-Based Approach The IIF endorses the Risk-Based Approach (RBA) taken by the FATF in its Recommendations and Guidance and reflected in the Draft Application Paper. We believe that a consistent and coordinated RBA is essential to implementing the FATF Recommendations and guidance in a manner that minimizes the risks of regulatory fragmentation and promotes the adoption of appropriate and proportionate measures to address ML and TF risks. The IAIS should strongly encourage supervisors to adopt the RBA.</p> <p>Facilitating Information Sharing The Draft Application Paper identifies several areas where information is required on the beneficial owner or beneficiary of an insurance policy. The Draft Application Paper should acknowledge and address the challenges that life insurers face in determining the accuracy of information in beneficial ownership registries and in addressing other weaknesses in the completeness, transparency, reliability, and access to information in public or commercial databases. The FATF is consulting on amendments to strengthen Recommendation 24 on transparency and beneficial ownership, noting that countries are still not fully addressing the need to ensure that beneficial ownership information is available and up to date. The Draft Application Paper should clarify that the information contained in beneficial ownership registries is sufficient to satisfy the identification of beneficial owners, and that responsibility for keeping registries up-to-date lies with governments and law enforcement agencies, not the life insurance sector. The IAIS should emphasize the need to require legal entities themselves to provide complete and verifiable information to public authorities for inclusion in accessible registries.</p> <p>It would also be helpful for the IAIS to reflect more</p>	<p>We concur that it is important for supervisors to adopt a RBA. ICP 22.1 specifically requires supervisors to apply a RBA, consistent with FATF Recommendations, where they are designated AML/CFT competent authorities. Having said that, note that the Application Paper is directed to the life insurance sector, rather than to supervisors.</p> <p>With respect to potential challenges of identification of beneficial ownership, we note the ongoing FATF work on amendments to FATF Recommendation 24 and wish to avoid risking pre-empting any forthcoming guidance from the FATF on this evolving issue. With respect to the proposed clarification, we note that the current FATF Recommendations do not require or encourage usage of any specific methods to obtain or cross-reference information on beneficial ownership.</p> <p>The use of public registries is addressed, for example, in Paragraphs 61 and 64.</p> <p>Based on the comment, we revised the first bullet point of Paragraph 60 (a) to clarify that insurers and intermediaries</p>
--	--	--	--	--

		<p>extensively on the use of Legal Entity Identifiers (LEI) to enhance transparency when considering beneficial ownership information. LEIs provide for the unambiguous identification of legal entities. LEI tools could be very effectively leveraged by law enforcement and regulators to identify the entity that owns a structure or to monitor activity. Incorporating further use of LEIs into beneficial ownership registries as a required field and encouraging their use would aid in securing further reliable information and in enhancing customer due diligence (CDD) generally.</p> <p>The Draft Application Paper should also place greater emphasis on the broader importance of being able to share information concerning financial crime matters within an institution and between the public and private sectors (with appropriate recognition of the data privacy/protection concerns, which are not mutually exclusive). To facilitate this, the IAIS should work with its international counterparts, including the FATF, to address the legal and regulatory barriers to such data exchange (particularly cross-border) and explore mechanisms for public/private cooperation and partnership among the insurance sector, regulators, and law enforcement. This should include consideration of how public/private partnerships can assist in addressing information sharing barriers.</p> <p>Proliferation Finance We support the wider efforts of the IAIS to mitigate proliferation finance (PF) risk. However, the Draft Application Paper should recognize that the links between life insurance and PF risks are extremely tenuous, if not non-existent, and that any PF risks in the non-life insurance sector typically are addressed through existing AML/CFT rules, guidance, and compliance programs. Since any PF risks arise solely in the non-life insurance sector, PF should be out of scope for the Draft Application Paper.</p> <p>Importantly, the FATF reviewed comments received on its</p>	<p>may collect information on such unique identifier, if available, to assist in verifying identity of customers or beneficiary.</p> <p>We consider that information exchange and cooperation between the public and private sectors is out of scope of this Application Paper, which is addressed to the life insurance sector, rather than to the public sector. On the other hand, Paragraph 127 provides general guidance for information exchange within the insurer or intermediary in the context of group-wide programmes. For these reasons, we did not make further change to the Application Paper based on this comment, however, appreciate your input and will consider it for any future activities in this area.</p> <p>Regarding treatment of PF / TFS please see resolution to Comments #1 and #2, above.</p> <p>As clarified in our revisions (see response to Comment 1), this Application Paper is addressed to the life insurance sector, and does not establish any guidance on PF for the non-life insurance sector. Nevertheless, we appreciate your input and will consider it if the IAIS undertakes any work in that area in the future.</p>
--	--	---	--

			<p>March 2021 Public Consultation on FATF Guidance on Proliferation Financing Risk Assessment and Mitigation and finalized guidance during its June 2021 Plenary meeting. We encourage the IAIS to consider whether additional guidance on PF for the non-life insurance sector is necessary in light of the recent FATF PF guidance. Any further non-life insurance sector guidance should be subject to a specific IAIS consultation.</p> <p>The IIF and the Wolfsberg Group responded to a Public Consultation on FATF Guidance on Proliferation Financing Risk Assessment and Mitigation last year.</p> <p>We appreciate the opportunity to comment on the Draft Application Paper. We are available at your convenience to further discuss our response and elaborate any of the points raised herein.</p> <p>Respectfully submitted, Mary Frances Monroe Matthew Ekberg</p>	
5. General Insurance Association of Japan	Japan	No	<p>Answer: We, the General Insurance Association of Japan, are grateful for this opportunity to comment on the AP. We would like to request the following from the viewpoint of clarification and ensuring transparency.</p> <p>In order to clarify the position of this AP, we propose adding "this paper does not set new standards or expectations.". (Please refer to the comment on paragraph 1.)</p> <p>For the parts that refer to FATF standards, we propose adding which FATF standards are specifically referred to. (Please refer to the comment on Paragraphs 68, 71, 73, 80, 81, 83, 84, 87, 91, 92, 93, 94, 97, 101, 102, 103, 109, 114, 116, 117, 124, 126, 129, 134, 140, 141 and 143.)</p>	<p>Based on the comment, Paragraph 1 has been revised to clarify that the Application Paper does not establish new standards or expectations. Also note that the box in Page 2 also generally clarifies that Application Papers do not include new requirements.</p> <p>In the new revision, we have provided references to specific FATF Recommendations where it appeared relevant and helpful to do so.</p>

			The status of the case studies is unclear. For example, it is unclear whether the cases listed in Annex 1 and 2 are common cases of ML/TF in the insurance sector, or whether they list actual cases including rare ones. The positioning of Annex 1 and 2 should be clarified and, rare cases should be identified as "rare cases". (Please refer to the comment on Paragraph 18.)	Regarding case studies, please see response to Comment #1, above.
6. The Life Insurance Association of Japan	Japan	No	<p>Answer: - The Life Insurance Association of Japan (hereafter "LIAJ") appreciates the opportunity to submit public comments to the International Association of Insurance Supervisors (or the "IAIS") regarding the Revised Application Paper on Combating Money Laundering and Terrorist Financing.</p> <p>- We appreciate the clarification that the Application Paper does not include new supervisory requirements and that the proportionality principle is applied to the content of the Application Paper.</p>	Application Papers do not establish new standards or expectations (see response to Comment #5). In terms of the proportionality principle, we consider that the Application Paper clearly indicates that the paper should be read in the context of a RBA, and the box in Page 2 states that the IAIS proportionality principle is generally applicable to Application Papers.
7. CGAP (World Bank)	none	No	<p>Answer: 1. We did not notice a discussion of FATF's "proven low risk" exemption. Where risks are appropriately low, regulators may exempt institutions, products, or channels from all or some of the AML/CFT obligations. This is an important regulatory option. In many cases the low risk associated with lower risk insurance products may merit an exemption rather than simplified CDD. We suggest that the text should highlight the option of an exemption, where appropriate.</p>	See response to Comment #4.
8. Prudential Assurance Company Singapore	Singapore	Yes	<p>Answer: 1) Clearer guidelines on the roles and responsibilities - ie. the duty to combat ML/TF should not be limited to the MLRO of the insurer</p> <p>2) Given the current Covid situation, there is an increase in non face to face sales. Is there any guideline on the controls that can be in place</p> <p>3) For higher risk cases, is the expectation to obtain</p>	With respect to Point 1, the Task Force considers that the Application Paper sufficiently captures the spirit of this Comment, for example under Section 15 (Internal controls and foreign branches and subsidiaries), which provides guidance on company- and group-wide AML/CFT programmes including responsibility of the Board and senior management for implementation of internal policies, procedures and controls. In

			<p>corroboration documents on the source of wealth/fund (or obtaining information would suffice)? If the former, able to provide guidelines on what are the types of corroboration documents</p>	<p>addition, the guidance for ongoing employee training program set out under Section 16 (Screening and training of staff) highlights employees' responsibilities with respect to AML/CFT.</p> <p>With respect to Point 2, Paragraph 52 indicates that the Application Paper does not seek to specify what, in any particular case, may or may not be sufficient evidence to complete verification (this should be up to jurisdictional requirements). Based on the comment, we further revised Paragraph 52 to clarify that this consideration applies to either face-to-face or non-face-to-face interactions.</p> <p>With respect to Point 3, depending on their risk assessment, insurers and intermediaries should take "reasonable measures" regarding source of funds / wealth, as the Paper notes in Paragraph 95(c).</p>
Q2 Comment on paragraph 1				
<p>9. World Federation of Insurance Intermediaries</p>	<p>Belgium</p>	<p>No</p>	<p>Answer: Paragraph 1 and Paragraph 2</p> <p>WFII comments: We suggest mentioning more consistently in these paragraphs and throughout the whole Paper that the Paper is directed to the life insurance sector and intermediaries distributing life insurance products. Most paragraphs speak of the insurance sector and of intermediaries as a whole and we believe that this is confusing. It looks as if the whole sector falls into the scope of this Paper which is not the case. We also suggest deleting the word primarily in paragraph 1 and replacing it with the word solely. We believe that paragraph 3 is clear enough on the ML/TF risks posed by the non-life sector where it mentions " Depending upon its assessment of the ML/TF risks posed by the non-life sector,</p>	<p>See response to Comment #1.</p>

			<p>a jurisdiction may consider and apply ICP 22 in whole or in part to that sector as well." Furthermore, we suggest adding the word potentially in paragraph 2. Paragraphs 1 and 2 then read as follows:</p> <p>Paragraph 1: The purpose of this Application Paper is to provide information on how money laundering (ML) and terrorist financing (TF) can occur within the insurance sector, and on measures to mitigate the associated risks. While Insurance Core Principle (ICP) 22 on Anti-money laundering and combating the financing of terrorism (AML/CFT) and the accompanying standards and guidance apply to insurance supervisors, this Paper is solely directed to life insurers and intermediaries. It is not intended to be exhaustive or prescriptive.</p> <p>Paragraph 2 The life insurance sector 2 and other sectors of the financial services industry are potentially at risk of being misused for ML and TF. Criminals look to "legitimise" proceeds of criminal activity by disguising the sources, changing the form, or moving the funds to a place where they are less likely to attract attention, and, therefore, may use the financial sector, including the life insurance sector, to do so. Persons involved in organising terrorist acts or terrorist organisations look for ways to finance terrorist acts, terrorists or terrorist organisations. The products and transactions of life insurers and intermediaries distributing life insurance products can potentially provide the opportunity to launder money or to finance terrorism. The life insurance sector should therefore apply AML/CFT preventive measures commensurate with their risks, and report suspicious transactions.</p>	<p>We have added "potentially" before "provide" as proposed in this comment.</p>
--	--	--	--	--

10. General Insurance Association of Japan	Japan	No	<p>Answer: We agree that there are some items that should be dealt with by both life and general insurance in common such as compliance with TFS. However, as general insurance products mainly compensate actual losses, they are less considered to be utilized for money laundering and terrorist financing purposes than life insurance products. Therefore, as shown in paragraphs 1 and 6, we support that "this paper is primarily directed to life insurers and intermediaries".</p> <p>While it is stated that "It is not intended to be exhaustive or prescriptive.", as described in our general comment, in order to clarify the position of this AP, we propose adding "this paper does not set new standards or expectations.".</p>	<p>Noted. Also see Comment #1 addressing revisions that clarify the scope of the Application Paper.</p> <p>The proposed revision has been reflected to Paragraph 1 (see response to Comment #5).</p>
11. The Life Insurance Association of Japan	Japan	No	<p>Answer: - As for the statement in Paragraph 1 "this paper is primarily directed to life insurers and intermediaries", we would like to confirm the background and reason for the addition of this statement.</p>	<p>See response to Comment #1.</p>
12. Global Federation of Insurance Associations	Switzerland	No	<p>Answer: The Global Federation of Insurance Associations (GFIA) welcomes the opportunity to express its views on the topic of anti-money laundering and combatting the financing of terrorism (AML/CFT).</p> <p>GFIA strongly believes that international guidance is important to properly address AML/CFT issues, which are often international. GFIA notes that many sets of guidelines for life insurance already exist at international, regional or national level. Such a multiplicity of standards, which are at the same time very close and slightly different, may create a very complex international environment.</p> <p>It is therefore crucial to carefully articulate the work of the different international bodies to avoid excessively complexifying the international regulatory environment and to avoid duplicative or even contradictory standards.</p>	<p>We concur that it is important to keep consistency between the Application Paper and work of relevant international organization (ie FATF). Building on this recognition, the project aims to update (in order to align terminology and to ensure consistency with FATF recommendations) and supplement (in order to introduce new guidance on elements reflected in the ICP 22) the existing version of the AP, in light of developments such as updates of the FATF Recommendations in recent years and publication in 2018 of the revised FATF Guidance for a Risk-Based Approach in the Life Insurance Sector, as well as the adoption of the revised ICP 22 in November 2019. We consider that the revisions to this Application Paper will contribute to the reduction of undesired complexity of international environment in this area.</p>

			In addition, with regard to the scope of the application paper, GFIA would stress that ICP 22 has been designed for the life insurance sector – only taking into account AML/CFT risk for the life insurance sector – so the paper sets out recommendations that are not suitable for non-life products.	See response to Comment #1.
Q3 Comment on paragraph 2				
13. World Federation of Insurance Intermediaries	Belgium	No	<p>Answer: Paragraph 1 and Paragraph 2</p> <p>WFII comments: We suggest mentioning more consistently in these paragraphs and throughout the whole Paper that the Paper is directed to the life insurance sector and intermediaries distributing life insurance products. Most paragraphs speak of the insurance sector and of intermediaries as a whole and we believe that this is confusing. It looks as if the whole sector falls into the scope of this Paper which is not the case. We also suggest deleting the word primarily in paragraph 1 and replacing it with the word solely. We believe that paragraph 3 is clear enough on the ML/TF risks posed by the non-life sector where it mentions " Depending upon its assessment of the ML/TF risks posed by the non-life sector, a jurisdiction may consider and apply ICP 22 in whole or in part to that sector as well." Furthermore, we suggest adding the word potentially in paragraph 2. Paragraphs 1 and 2 then read as follows:</p> <p>Paragraph 1: The purpose of this Application Paper is to provide information on how money laundering (ML) and terrorist financing (TF) can occur within the insurance sector, and on measures to mitigate the associated risks. While Insurance</p>	See response to Comment #1.

			<p>Core Principle (ICP) 22 on Anti-money laundering and combating the financing of terrorism (AML/CFT) and the accompanying standards and guidance apply to insurance supervisors, this Paper is solely directed to life insurers and intermediaries. It is not intended to be exhaustive or prescriptive.</p> <p>Paragraph 2 The life insurance sector 2 and other sectors of the financial services industry are potentially at risk of being misused for ML and TF. Criminals look to "legitimise" proceeds of criminal activity by disguising the sources, changing the form, or moving the funds to a place where they are less likely to attract attention, and, therefore, may use the financial sector, including the life insurance sector, to do so. Persons involved in organising terrorist acts or terrorist organisations look for ways to finance terrorist acts, terrorists or terrorist organisations. The products and transactions of life insurers and intermediaries distributing life insurance products can potentially provide the opportunity to launder money or to finance terrorism. The life insurance sector should therefore apply AML/CFT preventive measures commensurate with their risks, and report suspicious transactions.</p>	
14. Great Eastern Life	Singapore	No	<p>Answer: Para 2.1, Item 14. "products with provisions that allow a policy to be cancelled within a stipulated timeframe and the premiums paid to be refunded" - Does this include free-look period? As life insurance typically have a free-look period which the policy can be terminated without penalties and the premiums paid will be refunded. Would this mean that policies with free-look period can be classified as relatively vulnerable?</p>	<p>The referred bullet point is intended to be consistent with the guidance on risk factors of life insurance products provided by the FATF Guidance, reflecting that life insurance products that allow early cancellation (including cancellation within free-look period) may fall under this category. The Application Paper and the FATF Guidance acknowledge that risks of products should be assessed taking into account all relevant risk factors, and that life insurance products should not be automatically considered to be high-risk solely because they allow early cancellation.</p>
Q4 Comment on paragraph 3				

15. Insurance Europe	Europe	No	<p>Answer: It should be made clearer that non-life is outside of the scope of the FATF recommendations, and that it is generally considered a very low risk of ML/TF.</p>	See our response to Comment #1.
16. Global Federation of Insurance Associations	Switzerland	No	<p>Answer: As stated in its recently released position paper on the application of AML to general insurance, GFIA wishes to highlight the need for the strict application of a risk-based approach. It is essential to focus on tackling possible risk areas and to avoid placing a significant compliance burden on insurers at low or no risk. AML/CFT requirements should thus remain focused on life insurance.</p> <p>As stated in paragraph 13 of the Application Paper, generally, money-laundering/terrorism-financing (ML/TF) risks associated with the life insurance sector are lower than risks associated with other financial products (eg, loans and payment services) or other sectors (eg, banking, gambling, precious stone and metal dealers). Indeed, many life insurance products are not sufficiently flexible to be the first vehicle of choice for money launderers.</p> <p>The Financial Action Task Force (FATF) did not include non-life insurers in the definition of "financial institution" in its recommendations and most countries have also not included them in their local AML/CFT regime apart from the suspicious activity reporting requirements. Non-life insurance is generally considered a very low risk for ML/TF. In view of this, GFIA thinks that this sentence should be removed. At the very least, GFIA suggests amending the last sentence as follows to reflect the fact that in reality this is unlikely to happen: "Where, following a national risk assessment, a jurisdiction has determined that the ML/TF risks in its non-life sector are sufficiently high to be included within the local AML/CFT legislation then the jurisdiction may consider and apply any relevant parts of ICP 22."</p>	<p>See our response to Comment #1.</p> <p>We consider that the existing language (which has been moved to footnote 5) is consistent with ICP 22 and sufficiently capture the role of the jurisdiction in making decisions regarding the scope of its AML / CFT framework. Regarding the definition of "financial institution" and the scope of the Application Paper generally, see response to Comment #1.</p>
<p>Q5 Comment on paragraph 4</p>				

17. Global Federation of Insurance Associations	Switzerland	No	<p>Answer: As mentioned above, GFIA strongly believes that international guidance is important to properly address ML/TF issues, which are often international. GFIA believes it is crucial to carefully articulate the work of the different international bodies to avoid an excessively complex international regulatory environment and avoid duplicative or even contradictory standards. It is of primary importance to clearly specify that insurers are first bound by national regulators and FATF guidelines.</p>	<p>The Application Paper does not establish new standards or expectations (see response to Comment #5). See also response to Comment #12.</p>
Q6 Comment on paragraph 5				
Q7 Comment on paragraph 6				
18. World Federation of Insurance Intermediaries	Belgium	No	<p>Answer: We believe that the above mentioned is not in line with the definition of an Application Paper: (...) Application Papers do not include new requirements, but provide further advice, illustrations, recommendations or examples of good practice to supervisors on how supervisory material may be implemented.</p> <p>The way paragraph 6 is written now, is too compelling and goes way beyond what is intended by an Application Paper. And, here again, we suggest deleting the word primarily and replacing it with the word solely. We believe that paragraph 3 is clear enough on the ML/TF risks posed by the non-life sector.</p> <p>We propose the following text for paragraph 6: This Application Paper is directed solely at life insurers and intermediaries distributing life insurance products and is based on ICP 22, taking into account the FATF Recommendations and the Guidance. It can provide examples of good AML/CFT practices, and can provide further advice, illustrations or recommendations on how jurisdictionally specific requirements and guidance may be implemented.</p>	<p>The Application Paper does not establish new standards or expectations (see response to Comment #5). See also response to Comment #12.</p> <p>With respect to the comment on the scope of the Application Paper, see response to Comment #1.</p>

19. Insurance Europe	Europe	No	<p>Answer: References to "insurers and intermediaries" in this Application Paper should therefore always be understood to mean "life insurers and intermediaries".</p> <p>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, we would suggest adding at the end: "... where the available jurisdictional guidance is insufficient to adequately support life insurers and intermediaries."</p>	<p>See response to Comment #1.</p> <p>With respect to the comment on the nature of the Application Paper, see response to Comment #4.</p>
20. General Insurance Association of Japan	Japan	No	<p>Answer: We agree that there are some items that should be dealt with by both life and general insurance in common such as compliance with TFS. However, as general insurance products mainly compensate actual losses, they are less considered to be utilized for money laundering and terrorist financing purposes than life insurance products. Therefore, as shown in paragraphs 1 and 6, we support that "This Application Paper is directed primarily to life insurers and intermediaries."</p>	<p>Noted. Also see response to Comment #1.</p>
21. ACAPS	Morocco - ACAPS	No	<p>Answer: The FATF guideline on the RBA as well as the FATF recommendations applies actually to life insurance. Indeed, the FATF glossary includes in the definition of financial institutions, insurance companies and intermediaries operating in underwriting and placement of life insurance and other investment related insurance. However, the scope of the AML / FT regulations differs from a jurisdiction to another and there are several jurisdictions (among IAIS members) that include non-life insurance in the AML/CFT scope. Moreover, the case studies provided for in this application paper present some ML/TF cases within non-life insurance.</p> <p>We suggest highlighting the fact that non-life insurance, to a lesser extent, can be used also for ML/TF purposes (through fraud essentially). We suggest also arguing that the same principles in this application paper (RBA,</p>	<p>Regarding the scope of this Application Paper, see response to Comment #1. Additionally, we made further revisions to Paragraph 6 to suggest that if a particular jurisdiction has included the non-life sector within its AML/CFT framework, portions of this Application Paper may be helpful to affected firms.</p>

			customer due diligence, monitoring, internal procedures and policies...etc.) still applicable when dealing with ML/TF issues in non-life insurance.	
22. Global Federation of Insurance Associations	Switzerland	No	<p>Answer: GFIA notes that the examples included in annex 1 and 2 are about both life insurance and non-life insurance.</p> <p>The Application Paper and ICP 22 are based on the FATF Recommendations, which have only life insurance in their scope, not non-life insurance. The paper does not identify any vulnerabilities in the non-life sector (paragraph 14). Therefore, GFIA questions the importance of non-life case studies.</p> <p>In paragraph 3, there is no explicit content linking the guidance in the application paper to the non-life sector. For this reason, GFIA takes the view that non-life case studies could be confusing for insurers and intermediaries and suggests removing those case studies to be consistent with paragraphs 6 and 14. Inclusion of non-life case studies may encourage some supervisors and legislators to extend the scope of AML regulation or expectations to non-life businesses, which is not in the spirit of the FATF Recommendations.</p> <p>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 those in the EU, GFIA would suggest adding at the end of the paragraph: "... where the available jurisdictional guidance is insufficient to adequately support life insurers and intermediaries."</p>	<p>See response to Comment #1.</p> <p>See response to Comment #5.</p>
Q8 Comment on paragraph 7				
Q9 Comment on paragraph 8				

23. Great Eastern Life	Singapore	No	<p>Answer: Para 8.1, Item 70. How can insurers establish that 3rd party are unaware that they are appointed as beneficiaries to the policy?</p>	<p>The FATF Recommendations and the Application Paper reflect that insurers and intermediaries should take CDD measures on the beneficiaries of life insurance and other investment related insurance policies as soon as the beneficiaries are identified/designated, and should verify the identity of the beneficiaries at least at the time of the payout.</p>
Q10 Comment on paragraph 9				
Q11 Comment on paragraph 10				
Q12 Comment on paragraph 11				
Q13 Comment on paragraph 12				
24. Insurance Europe	Europe	No	<p>Answer: While sanctions compliance is indeed absolute and not risk based, how you achieve that can be risk based. This includes the nature, frequency and method of name screening, for which there is no defined legal/regulatory standard.</p> <p>It should also be noted that ICP22 itself does not elaborate on PF/TFS, so it is surprising to find this topic covered in the paper.</p> <p>We suggest adding beneficial owners to customers and beneficiaries.</p>	<p>Based on the comment, paragraph 14 has been revised to clarify that actions to mitigate PF risks, including screening of customers, beneficiaries and beneficial owners on an ongoing basis, can be done on a risk-sensitive basis, consistent with recent FATF publications.</p> <p>Based on the comment, references to beneficial owners have been added to the paragraph.</p>
25. Institute of International Finance	Global	No	<p>Answer: Paragraph 12, which addresses PF, provides that screening for sanctions is not subject to an RBA. As noted above, we believe that PF should be out of scope for the Draft Application Paper. If and when PF is addressed by the IAIS, we would revise this Paragraph to state that, while compliance with sanctions is not subject to an RBA, the manner in which that compliance is achieved, including but not limited to the scope, method and frequency of sanctions screening, can be subject to an RBA.</p>	<p>See response to Comment #2</p> <p>Regarding the third sentence of the comment, see response to Comment #24.</p>

26. General Insurance Association of Japan	Japan	No	Answer: As we commented on Paragraph 1, we understand that the general insurance sector should also address and take due care of TFS.	The Application Paper as drafted does not contravene the point made in the comment.
27. CGAP (World Bank)	none	No	<p>Answer: We note the discussion of money laundering, and financing of terrorism and targeted financial sanctions in insurance in part 2 of the paper. We expect many questions in the next years around the implementation of the new requirement of risk measures in relation to PF-TFS. Very few countries and institutions have undertaken PF-TFS risk assessments and many questions will arise around the implementation of the new obligations. We suggest that PF-TFS should be mentioned throughout the document and that par 12 should reflect the text of the Standards and the language adopted in the FATF's recently published guidance on PF-TFS. Key points to make in the introductory discussion include the following:</p> <ul style="list-style-type: none"> - FATF requires countries and regulated institutions identify, assess, and understand the proliferation financing risks. "Proliferation financing risk," in this context, refers strictly and only to the potential breach, non-implementation, or evasion of the targeted financial sanctions under United Nations Security Council resolutions relating to the prevention, suppression and disruption of proliferation of weapons of mass destruction and its financing. - Where higher risks are identified, these must be adequately addressed, including by adopting additional steps, where required. - Where lower risks are identified, risk management measures should still ensure full implementation of the targeted financial sanctions as required by FATF's Recommendation 7. 	See response to Comment #2.
28. Global Federation of	Switzerland	No	Answer: While compliance with sanctions is indeed absolute and not risk-based, how it is achieved can be risk-based. This includes the nature, frequency and method of	See response to Comment #24

Insurance Associations			<p>name screening, for which there is no defined legal/regulatory standard.</p> <p>It should also be noted that ICP 22 itself does not elaborate on targeted financial sanctions (TFS) related to proliferation financing (PF), so it is surprising to find this topic covered in the paper.</p> <p>GFIA suggests adding beneficial owners to the sentence "Where particular individuals or organisations are the subject of sanctions on TF or PF, the obligation on companies to comply with such targeted financial sanctions (TFS), including screening of customers, beneficiaries and beneficial owners on an ongoing basis, is not subject to a RBA."</p>	
Q14 Comment on paragraph 13				
29. World Federation of Insurance Intermediaries	Belgium	No	<p>Answer: We propose deleting the word generally because we believe this word does not correspond to the reality that ML/TF risks in the life insurance sector are low, lower than other financial products and that most life insurance products are too inflexible for money launderers. WFII suggests the following text: (...) The ML/TF risks associated with the life insurance sector are lower and lower than that associated with other financial products (eg loans and payment services) or other sectors (eg banking, gambling, precious stones and metal dealers). Indeed, most life insurance products are not sufficiently flexible to be the first vehicle of choice for money launderers. However, as with other financial services products, there is a risk that the funds used to purchase life insurance may be the proceeds of crime. There is also a potential risk that funds withdrawn from life insurance contracts could be used to fund terrorism.</p>	We do not concur on the proposed revision because taking out "generally" and replacing "many" with "most" would lead to inconsistency between this Application Paper and ICP 22 as well as FATF Guidance.
30. Insurance Europe	Europe	No	<p>Answer: On section 2.1 as a whole, we note there are no ML/TF vulnerabilities listed, which is inconsistent with the</p>	See response to Comment #1.

			<p>inclusion of non-life case studies later in the paper.</p> <p>The inclusion of the statement on the lower ML/TF risks associated with the life insurance sector is very welcome.</p>	
31. Institute of International Finance	Global	No	<p>Answer: An insurer's RBA should reflect the relatively lower risks of ML/TF in the life insurance sector. Insurers should be guided to develop systems, controls and processes that align closely to the ML/TF risks to which they are exposed. Accordingly, we recommend the addition of the following sentence at the end of Paragraph 13: "When developing an RBA to AML/CTF, insurers should design systems, controls and processes that reflect the relatively low ML/TF risks associated with the life insurance sector."</p>	<p>The Application Paper reflects that insurers' and intermediaries' AML/CFT programmes should be commensurate with their assessed risks. Consistent with ICP 22 and FATF Guidance, the Application Paper notes that the ML/TF risk in the life insurance sector is generally lower than that in other financial sectors. While insurers and intermediaries should take into account the applicable National Risk Assessment in designing their AML/CFT programmes, the Task Force declines to offer the advice proposed in this comment, which would not take into account jurisdictionally specific considerations.</p>
32. The Life Insurance Association of Japan	Japan	No	<p>Answer: - While Paragraph 13 states "Generally, the ML/TF risks associated with the life insurance sector is lower than that associated with other financial products (eg loans and payment services) or other sectors (eg banking, gambling, precious stones and metal dealers)", Paragraph 14 lists 17 examples of the ML/TF risks in life insurance and annuity products, including unit-linked, single premium and endowment policies.</p> <p>- In this regard, since "the Draft Risk-Based Approach Guidance for the Life Insurance Sector" published by the FATF in 2018 contains a similar statement, we would like to confirm that this revision is added only to show examples of the ML/TF risks following the FATF guidance and does not indicate that the ML/TF risks in the life insurance sector are higher than those in other sectors, and therefore the Application Paper does not require heavier regulations than those in other sectors.</p>	<p>As stated in the Application Paper, these paragraphs are examples, and were updated based on the FATF Guidance. The Application Paper states, consistent with the Guidance, that the ML/TF risk in the insurance sector is generally less than that in the other sectors, and it does not urge jurisdictions to adopt stronger requirements on the insurance sector than those on the other sectors (nor does it urge them not to do so).</p>
33. Global Federation of	Switzerland	No	<p>Answer: [On section 2.1] GFIA notes there are no ML/TF vulnerabilities listed in this</p>	<p>With respect to the comment on vulnerabilities of the non-life sector, see response to Comment #1.</p>

Insurance Associations			<p>section, which is inconsistent with the inclusion of non-life case studies later in the paper.</p> <p>[On paragraph 13] GFIA welcomes this new draft of paragraph 13; adding the comparison of ML/TF risks in the insurance sector to those in other financial service sectors is a significant improvement.</p> <p>GFIA believes that adding a statement at the end of paragraph 13 linking the development of an insurer's risk-based approach to AML/CFT with the lower ML/TF risk associated with the life insurance sector would strengthen the focus of insurers on developing systems, controls and processes for the actual ML/TF risks to which they are exposed. GFIA suggests the following addition: "When developing their risk-based approach to AML/CFT, insurers should design systems, controls and processes aligned to the lower ML/TF risks associated with the life insurance sector."</p>	See response to Comment #31.
Q15 Comment on paragraph 14				
34. World Federation of Insurance Intermediaries	Belgium	No	<p>Answer: According to the FATF "Guidance for a Risk-Based Approach - Life Insurance Sector", Table 1 - Examples of life insurance products and indicative risk ratings, the risk for annuities is lower compared with other life insurance products. We propose mentioning this as follows in this paragraph:</p> <p>ML/TF risks in the insurance industry may be found in life insurance and, albeit with an even lower risk compared with other life insurance products, annuity products. Such products allow a customer to place funds into the financial system and potentially disguise their criminal origin or to finance illegal activities. Life insurance products (or product features) that may be relatively vulnerable as vehicles for ML/TF include (...)</p>	Change made as proposed.

35. Institute of International Finance	Global	No	<p>Answer: Given the relatively low ML/TF risks in the life insurance sector, we caution the IAIS against categorically treating certain life insurance products and product features, such as those listed in Paragraph 14, as high risk. Many of these products and product features are quite common in the life insurance sector and should not automatically require greater AML/CFT compliance measures. Some of these product features, such as those "with provisions that allow a policy to be cancelled within a stipulated timeframe and the premiums paid to be refunded" (Bullet 9) may be legally required in some jurisdictions. Automatically categorizing certain features and products as high risk would be disproportionate and contrary to the RBA and may unintentionally divert life insurers' focus from the actual ML/TF risk at hand. Instead of focusing on individual products and features, we urge the IAIS to take a holistic approach when assessing ML/TF risk, for instance by focusing on the customer's behavior over time or unusual transaction patterns.</p>	<p>The paragraph aims to provide examples of products or product features that might be potentially at risk of being misused for ML/TF purposes, and does not intend to uniformly categorize these products or product features as high risk. We consider that risks of products should be appropriately assessed by insurers and intermediaries in the context of a RBA taking into account all relevant factors. To further clarify this, we have revised the paragraph as follows:</p> <p><i>“Examples of life insurance products or product features that might be potentially at risk of being misused relatively vulnerable as vehicles for ML/TF purposes (without prejudice of exposure to other ML/TF risk factors such as transaction, distribution, geographical or customer risk), include...”</i></p> <p>Further, in the context of a RBA, we concur that ML/TF risks of insurance products (and other aspects) should be assessed in a holistic manner taking into account all relevant risk factors, not only the product but with other risks such as the geographical risk and the customer profile. To further clarify this, the second sentence of Paragraph 24 has been revised as follows:</p> <p><i>“All relevant risk factors should be considered in a holistic manner before determining the level of overall risk, and the appropriate level and type of mitigation to be applied to each business relationship.”</i></p> <p>Also note that examples of potentially higher risk products are identified in Section 8.2 (Higher risk cases).</p> <p>We also concur on the importance of careful monitoring of customer behavior and any unusual transaction patterns for identification of any potential red flags. This is mainly addressed in Sections 10 (Ongoing due diligence and monitoring) and 14 (Suspicious transaction reporting).</p>
--	--------	----	--	--

36. General Insurance Association of Japan	Japan	No	<p>Answer: We would like to confirm what "(second hand) endowment policies" specifically indicate. (Please provide examples such as "transfer to third party".)</p>	<p>We have deleted "second hand" as the list referenced in the comment is generically about products, not events.</p>
37. Tokio Marine Life Insurance Singapore Ltd	Singapore	No	<p>Answer: Would like to clarify on this example: - products that allow for assignment without the insurer being aware that the beneficiary of the contract has been changed until such time as a claim is made</p> <p>Would like to clarify typically what kind of life insurance products would allow assignment without the insurer being aware that the beneficiary of the contract has been changed. Usually assignment and nomination or change in beneficiary have to be processed through the insurer. Perhaps, where the insurer would not be made aware would be if the policy is under trust and beneficiaries are not named at the onset of if they are discretionary beneficiaries. But under such scenarios, it would happen for all types of life insurance products as you can assign policies to a trust.</p>	<p>The existence of the referred products would depend on jurisdictional requirements and practices; however, if insurers and intermediaries operate in a jurisdiction where such products are permitted by law and practice, they should be aware that they might potentially be at risk of being misused for ML/TF purposes.</p>
38. Global Federation of Insurance Associations	Switzerland	No	<p>Answer: Many product features listed in this paragraph are very common in life insurance products (eg, single premium, policy loans, cash value accumulation/withdrawal, etc.). Instead of focusing on these product features and making virtually all products "high-risk", GFIA suggests focusing on monitoring for unusual transaction patterns (repeated policy loan and repayment, withdrawal of large amounts of cash value, policy cancellation immediately after policy issuance). Similarly, "products with provisions that allow a policy to be cancelled within a stipulated timeframe and the premiums paid to be refunded" is a legal/regulatory requirement in many jurisdictions.</p> <p>In addition, GFIA would appreciate further clarification on the definition of an insurance industry "customer".</p> <p>Example: FINRA Rule 3310 defines a customer account</p>	<p>See response to Comment #35.</p> <p>We added footnote 4 to clarify that "customer" should be interpreted contextually, consistent with the FATF Standards.</p>

			<p>relationship as a "formal relationship with a broker-dealer established to effect transactions in securities, including, but not limited to, the purchase or sale of securities, securities loaned and borrowed activity, and the holding of securities or other assets for safekeeping or as collateral." It further clarifies that there are two exclusions from the definition of "account", which are: (a) an account that the broker-dealer acquires through any acquisition, merger, purchase of assets, or assumption of liabilities; and (b) an account opened for the purpose of participating in an employee benefit plan established under the Employee Retirement Income Security Act of 1974 ("ERISA").</p> <p>It is important for the insurance industry to clarify who to include in the identification measures, customer risk rating and due diligence, since the insured, the owner and the payer may not always be the same person.</p> <p>Example: A customer is defined when a policy has been issued and accepted by the policyholder. Identification measures should be performed on the insured, owner and payer. It excludes policyholders/contractholders through acquisitions, mergers, etc. In that case, the risk rating would be lower and insurance firms would not have to waste time, efforts and resources in conducting due diligence.</p>	
Q16 Comment on paragraph 15				
Q17 Comment on paragraph 16				
39. World Federation of Insurance Intermediaries	Belgium	No	<p>Answer: We have said it before, it is confusing for the reader if the Paper only speaks of a policy or an insurer or and intermediary without specifying that it is about a life insurance policy or life insurer or intermediary distributing life insurance products.</p> <p>We propose the following text: Also, a life insurance policy might be used as collateral to purchase other financial instruments. In such</p>	<p>Based on the comment, we replaced "policy" with "life insurance policy". Additionally, in terms of the scope of the Application Paper, revisions have been made to further clarify that the Application Paper is directed to the life insurance sector (see response to Comment #1).</p>

			circumstances, life insurers should request explanations and additional information.	
40. Global Federation of Insurance Associations	Switzerland	No	Answer: GFIA wishes to point out that insurers may not be aware of such use and it should thus be clarified that insurers should request explanations "as soon as they learn about this use".	Change made as proposed.
Q18 Comment on paragraph 17				
41. Insurance Europe	Europe	No	Answer: It is not the responsibility of reinsurers to assess the AML/CFT-compliance of obliged cedants.	The paragraph is consistent with the consideration for reinsurance set out in Paragraph 6 of the FATF Guidance.
42. Global Federation of Insurance Associations	Switzerland	No	Answer: It is not the responsibility of reinsurers to assess the AML/CFT-compliance of the cedants with such obligations. GFIA is not aware of any legal or supervisory requirement under which this audit would be mandatory. The wording ("should") rather suggests a recommendation. Such a recommendation would not be entirely unproblematic, especially for internationally active reinsurance companies, because not all countries in the world have the same requirements with regard to the prevention of ML/TF. But even the general recommendation to check the existing (or non-existing) AML/CFT measures of a cedant or to have them presented would be a considerable administrative effort. GFIA thus suggests replacing "should" with "could".	See response to Comment #41.
Q19 Comment on paragraph 18				
43. General Insurance Association of Japan	Japan	No	Answer: We agree that there are some items that should be dealt with by both life and general insurance in common such as compliance with TFS. However, as general insurance products mainly compensate actual losses, they are less considered to be utilized for money laundering and terrorist financing purposes than life insurance products. Therefore, as shown in paragraphs 1 and 6, we support that "this paper is primarily directed to life insurers and intermediaries". We also agree that "ML/TF risks in the	Noted. Also note that changes have been made to clarify that the Application Paper is directed to the life insurance sector (see response to Comment #1).

			<p>insurance industry may be found in life insurance and annuity products", as referred to in paragraph 14.</p> <p>Contrary to the above, cases described as "Specific cases and examples of ML/TF are included in Annexes 1 and 2" in paragraph 18 include multiple general insurance related cases. It is unclear whether the cases listed are general cases of ML/TF in the insurance sector, or a list of actual cases including rare ones. In addition, the status of the case study is unclear. Although described as "Case studies" in Annex 1 and 2, it appears to be a simple list of cases rather than a case study.). The positioning of Annex 1 and 2 should be clarified and rare cases should be identified as "rare cases".</p>	See response to Comment #1.
Q20 Comment on paragraph 19				
44. General Insurance Association of Japan	Japan	No	<p>Answer: As we commented on Paragraph 1, we understand that the general insurance sector should also address and take due care of TFS.</p>	See response to Comment #26.
Q21 Comment on paragraph 20				
45. World Federation of Insurance Intermediaries	Belgium	No	<p>Answer: We propose mentioning that the assessment of risk, understanding it, and developing strategies supported by appropriate resources, should be proportionate to the size and complexity of the life insurance business, The paragraph then reads as follows: Adopting a RBA encompasses recognising the existence of ML/TF risk, undertaking an assessment of risk, understanding it, and developing strategies supported by appropriate resources, proportionate to the size and complexity of the life insurance business, to manage and mitigate the identified risks.</p>	Change made as proposed.
Q22 Comment on paragraph 21				

46. World Federation of Insurance Intermediaries	Belgium	No	<p>Answer: As in paragraph 20, we propose adding "Proportionate to the size and complexity of the life insurance business".</p> <p>The paragraph then reads as follows: Proportionate to the size and complexity of the life insurance business, life insurers and intermediaries distributing life insurance products should develop ML/TF risk profiles of their products (including services and transactions), geography, customers and delivery channels, including by identifying the level of risk associated with customers, countries or geographic areas, products and services, transactions and delivery channels. In certain cases, customers may be assessed to be lower risk. All relevant risk factors should be considered before determining the level of overall risk, and the appropriate level and type of mitigation to be applied. They should be documented as appropriate and kept up to date. Risk assessments are not static. They will change over time, depending on how circumstances develop, and how risks evolve.</p>	<p>Based on Comment #45, "proportionate to the size and complexity of the business" has been added to Paragraph 23. We consider that we do not need to repeat the same phrase in Paragraph 24 because it should be clear that Paragraph 24 should be read in the context of Paragraph 23.</p> <p>Please note that Paragraph 24 has been revised as indicated in response to Comment #48.</p>
47. Office of the Supervisor of Insurance and Private Pensions	Belize	No	<p>Answer: ML/TF/PF should be instead of ML/TF so that the proliferation financing is covered</p>	<p>See response to Comment #2.</p>
48. ACAPS	Morocco - ACAPS	No	<p>Answer: As the expression "Risk profile" is usually associated to a business relationship, and since customer, products, transactions, geography and delivery channels are risk factors according to FATF methodology, and to avoid repetition, we suggest rephrasing this passage as follows: Insurers and intermediaries should develop ML/TF risk profiles for all their business relationships. To do that, they should identify and assess the risks associated to their</p>	<p>The paragraph has been updated as follows: <i>"24. Insurers and intermediaries should develop ML/TF risk profiles for all their business relationships. To achieve this, they should identify and assess the risks associated with their products (including services and transactions), geography (countries or geographic areas), customers and delivery channels, including by identifying the level of risk associated with customers, countries or geographic areas, products and</i></p>

			products (including services and transactions), geography, customers and delivery channels. Insurers and intermediaries should develop ML/TF risk profiles of their products (including services and transactions), geography, customers and delivery channels, including by identifying the level of risk associated with customers, countries ⁵ or geographic areas, products and services, transactions and delivery channels. In certain cases, customers may be assessed to be lower risk. All relevant risk factors should be considered before determining the level of overall risk, and the appropriate level and type of mitigation to be applied. They should be documented as appropriate and kept up to date. Risk assessments are not static. They will change over time, depending on how circumstances develop, and how risks evolve.	services, transactions and delivery channels. In certain cases, business relationships customers may be assessed to be lower risk. All relevant risk factors should be considered in a holistic manner before determining the level of overall risk and the appropriate level and type of mitigation to be applied to each business relationship. They Such risk assessments should be documented as appropriate and kept up to date. Risk assessments are not static. They will change over time, depending on how circumstances develop and how risks evolve.”
Q23 Comment on paragraph 22				
49. Office of the Supervisor of Insurance and Private Pensions	Belize	No	Answer: ML/TF/PF should be instead of ML/TF so that the proliferation financing is covered	See response to Comment #2.
Q24 Comment on paragraph 23				
50. ACAPS	Morocco - ACAPS	No	Answer: In the same sense of the previous remark, we propose to distinguish between risk profile and risk factors and to reformulate the 2nd paragraph as follows: A RBA implies that appropriate policies, controls and procedures, approved by senior management, should be designed and implemented, based on and commensurate with identified and assessed risk. These policies and procedures should be built on the strategic policies of the Board of the insurer, including consideration of risk profile based on risk factors such as products, channels, markets and customers. These policies and procedures should be	Based on the comment, we have revised the sentence as follows, avoiding repetition of the risk factors explained in this section: “ <i>These policies and procedures should be built on the strategic policies of the insurer’s Board, including consideration of assessed risk profiles based on all appropriate risk factors, products, channels, markets and customers.</i> ” Relating to this comment, we also made the following change to the following sentence for clarification:

			built on the strategic policies of the Board of the insurer, including consideration of risk profile, products, channels, markets and customers."	<i>"Higher risk business relationships and transactions areas should be subject to enhanced procedures and other measures, such as enhanced CDD checks and enhanced transaction monitoring."</i>
Q25 Comment on paragraph 24				
51. Office of the Supervisor of Insurance and Private Pensions	Belize	No	Answer: ML/TF/PF should be instead of ML/TF so that the proliferation financing is covered ; Marine insurance is vulnerable to PF; some NRAs has found vehicle dealers and traders of precious metals & stones to be risky sectors. The non-life insurance sectors provide insurance coverage for these sectors - motor insurance or property insurance	See our response to Comment #2.
52. Insurance Europe	Europe	No	Answer: Section 4 is generally consistent with the approach taken by insurers. We would welcome guidance on assessing Proliferation Finance risk in the context of insurance to align with the latest FATF Recommendations.	In light of the comment, a new paragraph has been added to the end of Section 4 (Identification and assessment of risks) in reference to PF risk in the context of its identification and assessment, based on the FATF Recommendations. See also response to Comment #2.
53. Institute of International Finance	Global	No	Answer: We encourage the IAIS to take a holistic view of the identification of customer-related, product-related and delivery channel-related life insurance AML/CFT risks rather than a separate identification of each potential source of risk, as these sources are interrelated and interconnected. A holistic approach would involve a more efficient use of resources and is more likely to mitigate the possibility that potential sources of ML/TF risk are missed and makes it is less likely that a life insurer adopts a "tick box' compliance exercise.	The fourth sentence of Paragraph 24 has been revised as follows to provide additional clarity that a RBA should consider all relevant risk factors in a holistic manner (see response to Comment #35): <i>"All relevant risk factors should be considered in a holistic manner before determining the level of overall risk and the appropriate level and type of mitigation to be applied to each business relationship."</i>
54. Global Federation of Insurance Associations	Switzerland	No	Answer: [On section 4] Section 4 is generally consistent with insurers' approach and supports the need for periodic financial crime risk assessments.	See response to Comment #52.

			However, if the proliferation topic is raised – though it is not mentioned in ICP 22 – this section could benefit from including more on assessing PF risk, especially how this is done in insurance to align with the latest FATF Recommendations.	
Q26 Comment on paragraph 25				
55. ACAPS	Morocco - ACAPS	No	<p>Answer: According to the FATF methodology, customers are part of business relationships, we suggest to replace :</p> <p>Assessing inherent ML/TF risks in business activities involves a process of:</p> <ul style="list-style-type: none"> - analysis of ML/TF risks in relation to business relationships including mainly customersto customers, business relationships, countries or geographic areas, products (including services and transactions) and delivery channels, and whether or not the activities in which the risks arise are considered material in value" 	See response to Comment #38.
Q27 Comment on paragraph 26				
Q28 Comment on paragraph 27				
Q29 Comment on paragraph 28				
Q30 Comment on paragraph 29				
Q31 Comment on paragraph 30				
56. World Federation of Insurance Intermediaries	Belgium	No	<p>Answer: Insurance intermediaries distributing life insurance products are licensed and subject to stringent supervisory requirements with regard to AML/TF rules. It is not up to the insurer to verify/supervise the intermediaries' compliance with the AML/CFT requirements. This is the task of the AML/CFT supervisory authority. The life insurer should be able to rely on the assessment done by this supervisory authority of the intermediaries' compliance with the relevant</p>	The Task Force does not concur with the suggestion to take out the referred paragraph because intermediary considerations are an important risk factor, as discussed in this paragraph, and consistent with Paragraph 48 of the FATF Guidance.

			rules. We, therefore, believe that paragraph 30 should be deleted.	
Q32 Comment on paragraph 31				
Q33 Comment on paragraph 32				
Q34 Comment on paragraph 33				
Q35 Comment on paragraph 34				
Q36 Comment on paragraph 35				
57. Office of the Supervisor of Insurance and Private Pensions	Belize	No	Answer: Sanctions list should be include as insurers/intermediaries are required to check that the client is not on the Targeted Financial Sanctions list. This would complement Part 6, para 43 and Part 11 para 87	The point is addressed under Paragraph 73, which is a part of Section 7.4 (Initial screening of and risk rating of customers).
58. Insurance Europe	Europe	No	Answer: "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. We suggest replacing the term nationality with the term citizenship and clarifying that ML/TF mitigation measures should not be based on racial or gender profiling.	Note that the documents specified in the FATF Guidance consistent with FATF Recommendation 10 in the last bullet point of Paragraph 61: "Obtain appropriate information to understand the customer's circumstances and business, including the purpose and the expected nature of the relationship (for example for natural persons: income, wealth, profession, activity; for legal entities: financial statement). Considering the risk profile of the customer and of the beneficial owner, life insurers and intermediaries should, if necessary, extend this to the customer's tax residency." Based on the comment, and taking into account above, we revised Paragraph 39 of the Application Paper as follows: <i>"39. The outcome of the customer risk assessment is a customer risk rating. Factors that will need to be considered include, but are not limited to, the identity of the customer and any beneficial owner, the customer's country of origin,</i>

				<i>residence including, where appropriate, tax residency, citizenshipnationality, place of incorporation or place of business, and the nature of the business relationship.”</i>
59. Institute of International Finance	Global	No	Answer: Paragraph 35 deviates from the FATF Recommendations and FATF Guidance by considering the customer's country of origin and nationality in developing a customer risk profile. Consideration of an individual's country of origin and nationality as part of a customer's risk profile is highly problematic and potentially violative of legislation and rules in some jurisdictions. Existing guidance from the FATF focuses on the jurisdiction in which the customer operates, and not on an individual's country of origin or nationality.	See revisions indicated in response to Comment #58.
60. Global Federation of Insurance Associations	Switzerland	No	Answer: "Country of origin" and "nationality" have been included as indicators of customer risk. While some jurisdictions require the nationality of customers to be collected, 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. GFIA suggests replacing the term "nationality" with "citizenship" and clarifying that ML/TF mitigation measures should not be based on racial or gender profiling.	See revisions indicated in response to Comment #58.
Q37 Comment on paragraph 36				
61. Global Federation of Insurance Associations	Switzerland	No	Answer: GFIA would highlight that, in most jurisdictions, the result of the risk-based approach (RBA) would not in itself justify the termination of a life insurance product. Insurers are bound by the life insurance product and cannot decide whether or not to continue the business relationship. GFIA suggests removing "or continue".	Based on the comment, "(if legally permissible)" has been added to the paragraph. Further, the same phrase has been added to Paragraph 70 to keep consistency between this paragraph and Paragraph 70.
Q38 Comment on paragraph 37				

62. World Federation of Insurance Intermediaries	Belgium	No	Answer: We believe that this paragraph should specify that the sophistication of the customer risk assessment framework should be proportionate to the size and complexity of the life insurance business.	The paragraph already specifies that the sophistication of the customer risk assessment framework should be proportionate to the size and complexity of the business.
Q39 Comment on paragraph 38				
Q40 Comment on paragraph 39				
63. Insurance Europe	Europe	No	Answer: 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 (e.g. " the relationship between the beneficiary of a life insurance policy and the policyholder/life insured").	<p>The paragraph is consistent with FATF Recommendation 10, which calls for financial institutions to consider the beneficiary of a life insurance policy in determining whether enhanced CDD measures are applied.</p> <p>Building on this recognition, and considering the comment, we revised Paragraph 17 as follows to suggest how risks could materialise in connection with beneficiaries of life insurance policies:</p> <p><i>"...The beneficiary to the contract may be changed before maturity or surrender, so that the payments are made by the insurer to a new beneficiary. A money launderer or terrorist financier may attempt to achieve their objective by nominating their conspirator as a beneficiary of a life insurance policy..."</i></p> <p>Further, we added "relationship between customers and beneficiaries" as a second bullet point of Paragraph 43, in order to make the non-exhaustive list more consistent with the statement about beneficiary in the paragraph.</p>
64. Institute of International Finance	Global	No	Answer: Paragraph 39 focuses on the beneficiary of a life insurance policy without explaining how the designation of a particular beneficiary could increase ML/TF risks. We encourage the IAIS to recognize that the beneficiary of a life insurance policy is not the customer of the insurer and that the beneficiary can be changed over the life of the contract.	The beneficiary and policyholder may or may not be the same person or entity. The Application Paper text is consistent with FATF Recommendations, recognizing that an identified beneficiary could affect the level of CDD required – even before payout.

			Life insurers often cannot obtain information on the beneficiary of the policy. An insurer should only be required to review a beneficiary's identity against a Politically Exposed Persons (PEP) list at the time of the payment of the benefit. Moreover, we would caution against the check-box list approach taken in Paragraph 39. Guidance on developing and maintaining risk profiles and risk assessments should be proportionate and risk-based, consistent with the approach that is taken by the IAIS in the development of application papers.	With respect to the second point of the comment, Paragraph 41 clarifies that the sophistication of the customer risk assessment framework should be proportionate to the size and complexity of the business, considering all the key factors. We are of the view that this paragraph provides appropriate contexts for Paragraph 43, and therefore, that no further change is needed to this paragraph based on the comment.
65. Global Federation of Insurance Associations	Switzerland	No	<p>Answer: GFIA wishes to highlight that the beneficiary can change over the course of the relationship; national requirements may stipulate customer due diligence (CDD) at the time of payout. Consideration of the beneficiary of a life insurance policy as a risk factor is introduced, but there is no explanation of how that risk will manifest itself (eg, "the relationship between the beneficiary of a life insurance policy and the policyholder/life insured"). GFIA would like the IAIS to elaborate on why the beneficiary of a life insurance policy should be included as a relevant risk factor.</p> <p>In addition, GFIA would stress that life insurance may involve infrequent transactions. For this reason, the scarcity of transactions/operations is not necessarily a relevant criterion by itself.</p>	<p>See revisions indicated in response to Comment #63.</p> <p>The referred paragraph implies that frequency of transactions that are unusual in relation to the nature of business relationship could be considered as a factor within customer risk rating framework, and does not imply that low frequency of transactions should be seen to present higher risk.</p>
Q41 Comment on paragraph 40				
Q42 Comment on paragraph 41				
66. Monetary Authority of Singapore (MAS)	Singapore	No	Answer: Apart from having clear risk-based policies and procedures, this paragraph should also highlight the importance of having robust systems that can conduct the CDD screening. For instance, the system should be equipped to identify fictitious or duplicate national	We concur on the importance of having robust systems to conduct CDD screening. Recognizing the technological neutrality of the FATF Recommendations, and the evolving nature of relevant technologies, however, we are of the view that the Application Paper can not go into specific detail of

			identification numbers, and for such cases to be immediately red-flagged.	such systems. Nevertheless, Section 7.1 (Methods of identification and verification) sets out, as a matter of good practice, what may generally be expected of insurers and intermediaries as methods of identification and verification. The considerations under the section should be applicable regardless of what systems are used. Also note that guidance for the usage of automated tools is provided in Paragraph 93 in the context of ongoing due diligence.
Q43 Comment on paragraph 42				
67. Insurance Europe	Europe	No	Answer: The revised text suggests that insurers operate 'accounts' while this is generally not the case.	We consider that the concept of "account" is still relevant to investment-type insurance products. Based on the comment, the paragraph has been revised as follows: <i>"They should prohibit the issuance of insurance policies to customers whose identities cannot be confirmed and, where relevant, the use of anonymous accounts or accounts in fictitious names."</i>
68. Institute of International Finance	Global	No	Answer: Paragraphs 42 and 47 use the term "accounts," which is not relevant to life insurance. The second sentence of Paragraph 42 should be reworded, "[t]hey should prohibit the issuance of life insurance policies to individuals whose identities cannot be confirmed or file a suspicious transaction report."	See revisions indicated in response to Comment #67.
69. Global Federation of Insurance Associations	Switzerland	No	Answer: The revised text suggests that insurers operate "accounts" – generally this is not the case.	See revisions indicated in response to Comment #67.
Q44 Comment on paragraph 43				
Q45 Comment on paragraph 44				
70. Global Federation of	Switzerland	No	Answer: According to the RBA, verification measures have to be commensurate with the risk.	See response to Comment #4.

Insurance Associations			GFIA suggests adding that some jurisdictions consider that the entities with AML/CFT obligations can verify the beneficial owner's identity by consulting their registers.	
Q46 Comment on paragraph 45				
71. Insurance Europe	Europe	No	Answer: There may be situations where the level of ML/TF risk means that verification could additionally occur when the beneficiary is identified.	<p>On consideration of the comment, as well as to enhance consistency among relevant paragraphs and to align these paragraphs more closely with the FATF Recommendations, we have made the following changes:</p> <p><Paragraph 17> <i>“...According to the FATF Recommendations 10, companies should take appropriate CDD measures, as soon as the beneficiary is named or designated, to enable the verification of identify the identity of the beneficiary of life insurance and other investment-related insurance policies as soon as the beneficiary is named or designated, which could occur at the time of the payout but before the funds are disbursed.”</i></p> <p><Paragraph 49> <i>“...Verification of the identity of the beneficiary should occur at the time of the payout and before the funds are disbursed, based on the information previously gathered under (a) and (b), which should be recorded and maintained in accordance with the record keeping provisions (see paragraphs 144-147). After verifying the identity of the beneficiary, insurers and intermediaries should take additional measures, depending on their assessment of ML/TF risks with respect to the beneficiary, for example, if the beneficiary is a PEP (see paragraph 97).”</i></p>
72. Institute of International Finance	Global	No	Answer: The last sentence of Paragraph 45 notes that the verification of a beneficiary should occur at the time of payout. We note that, in some circumstances, the level of ML/TF risk may warrant verification when the beneficiary is identified.	See revisions indicated in response to Comment #71.

73. Global Federation of Insurance Associations	Switzerland	No	Answer: There may be situations in which the level of ML/TF risk means that verification could additionally occur when the beneficiary is identified.	See revisions indicated in response to Comment #71.
Q47 Comment on paragraph 46				
74. Global Federation of Insurance Associations	Switzerland	No	Answer: The beneficiary may change several times, but the risk-checking associated with the beneficiary is mainly relevant at payout.	We consider that the paragraph is not inconsistent with the comment and that no change is needed.
Q48 Comment on paragraph 47				
75. Insurance Europe	Europe	No	Answer: 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).	See revision indicated in response to Comment #71. The text about tipping off is in our view consistent with FATF Recommendation 10, however, we deleted the text because the same point is expressed in Paragraph 118.
76. Institute of International Finance	Global	No	Answer: Paragraphs 42 and 47 use the term "accounts," which is not relevant to life insurance. The second sentence of Paragraph 42 should be reworded, "[t]hey should prohibit the issuance of life insurance policies to individuals whose identities cannot be confirmed or file a suspicious transaction report." Paragraph 47 should recognize that it is not always feasible for insurers to terminate relationships or halt transactions already underway, such as benefit payouts or payments to beneficiaries. If such a transaction or business relationship cannot feasibly be terminated, filing a suspicious transaction report (STR) can be a suitable alternative. As such, we would suggest using "and/or" instead of "and" between the first and second bullets of this Paragraph. We would delete the words "open the account"	We consider that the concept of "accounts" has relevance to investment-type life insurance products (see response to Comment #67). Additionally, we have revised the first bullet point of paragraph 51 as follows in consideration of this comment: <i>"it should not open the account, commence business relations or, if consistent with law, should not perform the transaction or should terminate the business relationship; and"</i>

			in this Paragraph, consistent with our comments with respect to Paragraph 42.	
77. Global Federation of Insurance Associations	Switzerland	No	<p>Answer: The revised text suggests that insurers operate "accounts" – generally that is not the case.</p> <p>In addition, not completing transactions or terminating relationships are not always possible in the insurance context (eg, benefit payouts or payments to a beneficiary). GFIA suggests making the first and second bullets "and/or" instead of "and".</p> <p>Furthermore, CDD must always be performed and this should therefore not tip off a customer. On the other hand, enhanced CDD could indeed tip them 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).</p>	<p>We retained the reference to “account” see response to Comment #67).</p> <p>See response to Comment #76.</p> <p>See response to Comment #75.</p>
Q49 Comment on paragraph 48				
78. Insurance Europe	Europe	No	<p>Answer: 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. We suggest replacing the word "generally" with "publicly".</p>	<p>We consider that information insurers and intermediaries may refer to is not limited to publicly available information, and could include non-public information (eg internal database) where appropriate. We have adjusted the wording in this paragraph accordingly (the paragraph has been moved to Paragraph 73).</p> <p><i>“Once the identity of customers, beneficiaries and beneficial owners with respect to the insurance contract has been established, the insurer or intermediary should conduct due diligence on a risk-sensitive basis by referencing generally available information the standard information gathered from the counterparty together with other relevant available information, accordingly to their customer risk assessment framework.”</i></p>

				Further, principles of a RBA described in Section 3 (Risk based approach) also apply to this Section.
79. Monetary Authority of Singapore (MAS)	Singapore	No	<p>Answer: We suggest that this paragraph provide more guidance on screening frequency. For example, the paragraph should provide guidance on what circumstances would periodic screening be required.</p>	<p>We have added a new paragraph at the end of the section entitled “Ongoing due diligence and monitoring” to address this feedback:</p> <p><i>“94. Insurers and intermediaries should also ensure that existing customers are regularly screened on a risk-sensitive basis against TFS lists in order to detect any persons or entities that are in existing business relationship and whose listing status has changed since the last screening, and to take appropriate actions in such cases</i></p>
80. Global Federation of Insurance Associations	Switzerland	No	<p>Answer: Again, GFIA would highlight that this measure does not seem to be an RBA, as it requests systematic further due diligence. An RBA would be to apply additional due diligence only in situations where insurers or intermediaries have a doubt about a relationship (for example when a trigger event leads the insurer or intermediary to obtain further information).</p> <p>Furthermore, this section is vague on the underlying justification for “referencing generally available information” and what the expectations are in practice in line with data protection restrictions and the principles of risk based due diligence. GFIA suggests replacing the word “generally” with “publicly”.</p>	<p>While the method and extent of screening should be commensurate with risks identified for customers, we consider that it is a part of CDD process to conduct appropriate screening of customers (eg against sanctions list) once they are identified. Further, ongoing CDD is covered under Section 10 (Ongoing due diligence and monitoring).</p> <p>See response to Comment #78.</p>
Q50 Comment on paragraph 49				
81. Institute of International Finance	Global	No	<p>Answer: Paragraph 49 states that insurers and intermediaries should use appropriate available sources of information when considering whether to accept ML/TF risk. As noted above, life insurers should be able to rely on public registries and databases. The Draft Application Paper should place greater emphasis on the importance of sharing information concerning financial crime matters within an</p>	<p>See response to Comment #78.</p> <p>With respect to the comment on information sharing, we consider that it is generally out of scope of this Application Paper. See response to Comment #4.</p>

			institution and between the public and private sectors (with an appropriate recognition of data privacy/protection concerns, which are not mutually exclusive) and should encourage supervisors to support efforts to reduce barriers to information sharing on ML/TF risks.	
82. General Insurance Association of Japan	Japan	No	Answer: As we commented on Paragraph 1, we understand that the general insurance sector should also address and take due care of TFS.	See response to Comment #26.
83. Monetary Authority of Singapore (MAS)	Singapore	No	Answer: On the sentences pertaining to reinsurance business, we suggest that the IAIS should provide clarity whether reinsurers should also screen their cedants and underlying insureds (in cases where they are made known to the reinsurers) against relevant ML/TF information sources.	This paragraph has been deleted because the guidance is already covered under Paragraph 19. Note further that reinsurers are not included in the definition of financial institutions and DNFBPs under the FATF Glossary to which FATF Recommendations are extended. In this respect, the Application Paper does not imply that it is a minimum requirement for countries to extend AML/CFT requirements (eg obligation to conduct CDD on cedants and/or underlying insureds) to reinsurers. Nevertheless, the FATF Guidance suggests that, as a matter of good practice, through their regular commercial due diligence, life reinsurers should seek to transact only with life insurers that have adequate AML/CFT compliance programmes in place. This element is covered under Paragraph 19.
Q51 Comment on paragraph 50				
84. Office of the Supervisor of Insurance and Private Pensions	Belize	No	Answer: Insurers should also conduct CDD on reinsurers. While this may be impractical due to the reinsurance broker negotiating the business, the non AML/CFT supervision of the reinsurance sector makes it vulnerable to ML/TF/PF [See FATF Money Laundering & Terrorist Financing Typologies 2004-2005, 10th June 2005]	The Task Force considers that placement of reinsurance is not within the scope of this Application Paper (please refer to Paragraph 3). We would refer to ICP 13 with respect to normal commercial due diligence on placement of reinsurance.
85. Global Federation of	Switzerland	No	Answer: GFIA is not aware of any legal or supervisory requirement under which this audit would be mandatory.	See response to Comment #83.

Insurance Associations			<p>The wording ("should") rather suggests a recommendation. Such a recommendation would not be entirely unproblematic, especially for internationally active reinsurance companies, because not all countries in the world have the same AML/CTF requirements. Even the general recommendation to check the existing (or non-existing) AML/CFT measures of a cedant or to have them presented would be a considerable administrative effort.</p> <p>GFIA thus suggests replacing "should" with "could".</p>	
Q52 Comment on paragraph 51				
Q53 Comment on paragraph 52				
Q54 Comment on paragraph 53				
Q55 Comment on paragraph 54				
Q56 Comment on paragraph 55				
86. Insurance Europe	Europe	No	<p>Answer: 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).</p> <p>Digital and biometric identifiers would be more useful.</p> <p>Country/ies of tax residence must be obtained as per CRS requirements and it is very useful for AML/CTF purposes.</p>	<p>Based on the comment, we have split the paragraph into two paragraphs: one as guidance on information that may be used to identify the customer, the other as guidance on additional information about the customer which the insurer may collect on a risk-sensitive basis. We concur on the potential usefulness of tax residence and included it as an example of additional information that the insurer may collect on a risk-sensitive basis, together with "occupation and name of employer/source of income". Further, we concur on the limited relevance of "specimen signature" in a digital environment and added "digital signature". Accordingly, the paragraphs now read as follows:</p> <p><i>"55. The personal information used to identify the customer may include:</i></p> <ul style="list-style-type: none"> • <i>Full name(s) and alias;</i> • <i>Date and place of birth;</i>

				<ul style="list-style-type: none"> • <i>Citizenship;</i> • <i>Current permanent address including postcode/zipcode; and</i> • <i>Specimen signature or digital signature of the individual</i> <p>56. <i>On a risk-sensitive basis, the insurer or intermediary may also collect the following information to complete its customer risk assessment:</i></p> <ul style="list-style-type: none"> • <i>Occupation and name of employer/source of income;</i> • <i>Details concerning any public or high-profile positions held; and</i> • <i>Country(ies) of tax residency.”</i> <p>Regarding digital and biometric identifiers, we did not include these in the examples above as we consider that adoption of these identities would vary among jurisdictions; however, note that the newly added paragraph preceding the above paragraphs provides general guidance on the adoption of digital ID systems, consistent with the FATF Guidance on Digital Identity.</p> <p>Further, in connection with this comment, we have reviewed the structure of relevant Sections and rearranged them in order to make them more consistent with the general flow of CDD process associated with new customers. Together with this, we have deleted the “Existing customers” section, because we consider that the guidance under the section is covered under Section 10 (Due diligence and monitoring) in detail. Accordingly, the relevant sections now have the following structure:</p> <p>“7 <i>New Customers</i> <i>7.1 Methods of identification and verification</i> <i>7.1.1 Individuals</i> <i>7.1.2 Legal persons, companies, partnerships,</i> <i>other institutions and arrangements</i></p>
--	--	--	--	---

				<p>7.2 <i>Timing of identification and verification (-> former Section 10)</i></p> <p>7.3 <i>Initial screening of and risk rating of customers (-> former "7.1 New customers" section)</i></p>
87. Institute of International Finance	Global	No	<p>Answer: We encourage the IAIS to explore whether specimen signatures can be replaced by a more reliable means of customer identification that could be adopted globally. If and when an alternative is identified, we would recommend removing specimen signatures from the list of personal identifying information in Paragraph 55. The use of specimen signatures is an outdated and unreliable source of customer identification, especially given the growing digitalization of the life insurance industry. We would not include the fifth bullet of Paragraph 55 as indicative of the identity of the customer. Rather, occupation is more relevant to a customer's source of wealth.</p>	See revisions indicated in response to Comment #86.
88. Global Federation of Insurance Associations	Switzerland	No	<p>Answer: GFIA would warn against detailing too much personal information in this list. Indeed, most of the entities with AML/CFT obligations do not have this information today, as they are not required by some local rules, some of which are not relevant. Furthermore, some information could raise issues with labour law or data protection law.</p> <p>For example, information on nationality is illegal in some jurisdictions and can be considered discriminatory. In addition, information on occupation and name of an employer is not collected today. Occupation is not considered a feature of identity (it may be relevant for the source of wealth, but does not contribute to an individual's identity).</p> <p>Relevant information would be the socio-professional category, which is most often collected by the entities with AML/CFT obligations. In addition, GFIA has some doubts about the "specimen signature of the individual" given that e-signatures are more and more widely used.</p>	See revisions indicated in response to Comment #86.

			<p>Therefore GFIA suggests:</p> <ul style="list-style-type: none"> - deleting "nationality" from the paragraph - deleting the following bullet points: "occupation and name of employer (if self-employed, the nature of the self-employment)"; and "specimen signature of the individual". - Including a more up-to-date definition of identity, taking account of digital and biometric identifiers. <p>Country/ies of tax residence must be obtained as per CRS requirements and are very useful for AML/CFT purposes.</p>	
Q57 Comment on paragraph 56				
Q58 Comment on paragraph 57				
Q59 Comment on paragraph 58				
89. Insurance Europe	Europe	No	<p>Answer: 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.</p>	On consideration of the comment, the paragraph has been deleted.
90. Institute of International Finance	Global	No	<p>Answer: The suggested approach to document validation in Paragraph 58 should be reconsidered in light of an increasingly digital insurance industry and digital means of validation and authentication. The IAIS should consider and support the use of digital and biometric identifiers. More generally, we encourage the IAIS to confirm that the Draft Application Paper reflects the FATF guidance on digital identity.</p> <p>As noted above, it would also be helpful for the IAIS to reflect more extensively on the use of LEIs to enhance methods and tools for transparency. Incorporating further</p>	The paragraph has been deleted as proposed. With respect to the comment on digital and biometric identifiers, see response to Comment #86. With respect to the comment on the LEI, see response to Comment #4.

			use of LEIs into beneficial ownership registries as a required field and encouraging their use would aid in securing further reliable information and in enhancing customer due diligence generally.	
91. Global Federation of Insurance Associations	Switzerland	No	Answer: 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 neither required nor appropriate in many jurisdictions. GFIA suggests a more up-to-date definition of identity, taking account of digital and biometric identifiers.	On consideration of the comment, the paragraph has been deleted. With respect to the comment on the digital and biometric identifiers, see response to Comment #86 above.
Q60 Comment on paragraph 59				
Q61 Comment on paragraph 60				
Q62 Comment on paragraph 61				
92. Office of the Supervisor of Insurance and Private Pensions	Belize	No	Answer: Suggest placing "ultimate" before beneficial owners in 61 b.	We have added footnote 7 to clarify the definition of a beneficial owner, consistent with the FATF Glossary, which encompasses the "ultimate" concept in the comment.
93. Global Federation of Insurance Associations	Switzerland	No	Answer: With regards to other types of legal arrangement, the requirement mentioned is not practical for widely-held trusts.	We did not make any change to the paragraph as we consider that it is consistent with the FATF Recommendations.
Q63 Comment on paragraph 62				
Q64 Comment on paragraph 63				
Q65 Comment on paragraph 64				
Q66 Comment on paragraph 65				

Q67 Comment on paragraph 66				
Q68 Comment on paragraph 67				
Q69 Comment on paragraph 68				
94. Institute of International Finance	Global	No	<p>Answer: We caution the IAIS against categorically treating certain situations as high risk. We believe this to be generally disproportionate and contrary to the RBA. Treating a broad range of transactions as high risk may unintentionally shift the life insurer's focus from actual risk by incenting a "tick box" prescriptive methodology. Generally speaking, this Section should reflect that, given the markedly lower ML/TF risk profile of the life insurance sector, life insurers do not need to employ the types of enhanced due diligence measures that are appropriate for banks and other financial intermediaries.</p> <p>We encourage the IAIS to focus on measures that are particularly helpful in identifying higher risk life insurance transactions, rather than on approaches that may apply more generally to financial institutions. We note that the U.S. Department of the Treasury Financial Crimes Enforcement Network has issued Frequently Asked Questions on AML and Suspicious Activity Reporting Requirements for issuers or underwriters of covered life insurance products that present a higher degree of risk for money laundering. These FAQs include some examples of 'red flags' that include unusual payment methods, a customer who is reluctant to provide identifying information or customers that show little concern for the investment performance of a product. As noted above, we encourage the IAIS to take a holistic view of the identification of customer-related, product-related and delivery channel-related life insurance AML/CFT risks rather than a separate identification of each potential source of risk, as these sources are interrelated and interconnected. Moreover, reviewing a single transaction without the context provided by a more holistic review of the customer's behavior over</p>	<p>With respect to the comment about a "ticking-a-box" methodology, see response to Comment #35.</p> <p>With respect to the comment about the types of enhanced due diligence measures to be employed by insurers as opposed to the other types of entities, see response to Comment #31.</p> <p>With respect to the comment about "red flags", see response to Comment #35</p>

			time may not give a realistic indication of whether the activity is suspicious. It could also give rise to false positives that could result in unintended financial exclusion.	
95. General Insurance Association of Japan	Japan	No	Answer: As noted in our general comments, with regard to the phrase "According to the FATF Recommendations", we propose adding reference to the specific FATF standards referred to in this particular part.	See response to Comment #5.
96. ACAPS	Morocco - ACAPS	No	Answer: We propose to replace : According to the FATF Recommendations, insurers and intermediaries should conduct enhanced CDD measures, consistent with the risks identified to be taken with respect to all higher risk categories of business relationships (including customers and beneficiaries) and transactions higher risk categories of business relationship, customer, beneficiary and transactions.	The sentence has been revised as follows to ensure better consistency with ICP 22 and FATF Recommendations. " <i>...consistent with the risks identified to be taken with respect to all higher risk categories of products (including services and transactions), geography, customers and delivery channels. business relationship, customer, beneficiary and transactions.</i> "
Q70 Comment on paragraph 69				
Q71 Comment on paragraph 70				
97. Office of the Supervisor of Insurance and Private Pensions	Belize	No	Answer: Bearer policies -would the parametric policies used in micro insurance to cover vulnerable persons which is purchased by an NGO or membership organization for the benefit of unnamed beneficiaries be classified under this? Insurers should be discouraged from issuing bearer policies, especially those that carry a cash value	We understand that bearer policies are insurance contracts that require the insurer to pay funds to the person(s) holding the policy document or to whom the entitlement to the benefit(s) is endorsed, without needing to seek the consent of the insurer. Whether or not a specific product is categorized as a bearer policy should be determined based on specific design and characteristics of the product, and we are unable to determine whether the product falls in the category of bearer policies only with the given information. Please also note that the examples of lower risk situations provided under the FATF Recommendations include financial products or services that provide appropriately defined and limited services to certain types of customers, so as to increase access for financial inclusion purposes. If the referred

				type of products falls under this category, simplified CDD may be deemed as sufficient.
98. Insurance Europe	Europe	No	Answer: Insurers have controls in place to address the specific product, service, transaction or delivery channel risks.	See revisions indicated in response to Comment #99.
99. Institute of International Finance	Global	No	Answer: We encourage the IAIS to reconsider the second bullet of Paragraph 70. Non-face-to-face life insurance business is becoming the norm with the digitalization of insurance and the expansion of direct-to-consumer markets, particularly in the wake of the global pandemic. We expect that these changes in marketing and delivery channels will continue going forward and that life insurers will adapt their risk management practices to reflect any increased risk. We encourage the IAIS to note that life insurers that conduct properly risk-based KYC and transaction monitoring can mitigate any risks of non-face-to-face business transactions. Importantly, Paragraph 4 of the FATF Guidance on Digital Identity (FATF Digital Guidance) notes that the International Organization for Standardization (ISO), together with the International Electrotechnical Commission (IEC) is standardizing digital ID assurance frameworks and updating ISO/IEC technical standards to develop a comprehensive global standard for digital ID systems. Paragraph 3 of the FATF Digital Guidance clarifies that non-face-to-face customer identification and transactions that rely on reliable, independent digital ID systems with appropriate risk mitigation measures in place may present a standard level of ML/TF risk and may even be lower risk. FATF notes that the use of reliable, independent digital ID systems can potentially reduce the possibility of human error in identifying and verifying the identity of a person and largely eliminates the role of subjective human judgement in authentication of a customer.	Based on the comment, new Paragraph 78 has been added to reflect that non-face-to-face customer-identification and transactions that rely on reliable, independent digital ID systems with appropriate risk mitigation measures in place, may present a standard level of risk, and may even be lower-risk, consistent with the FATF Guidance on Digital Identity. In addition, new Paragraph 54 has been added to provide general guidance on an informed, risk-based approach towards digital ID technology, which now integrates old Paragraph 59 noting technology neutrality of the implementation of the FATF Recommendations. A cross reference to Paragraph 54 has been also added to Paragraph 101 under Section 12 (New or developing technologies and products).
100. Global Federation of	Switzerland	No	Answer: Insurers have controls in place to address specific product, service, transaction or delivery channel risks.	See revisions indicated in response to Comment #99.

Insurance Associations			<p>GFIA believes that the example of non-face-to-face business relationships or transactions as situations of higher risk is not relevant if there are adequate safeguards to mitigate the risks of identity fraud. According to the FATF, non-face-to-face sales, such as online, postal or telephone sales, "without adequate safeguards to mitigate the risks of identity fraud", contribute to a higher risk (FATF Guidance for a Risk-Based Approach in the Life Insurance Sector).</p> <p>Depending on the jurisdiction, distance selling may no longer be considered as a higher risk, especially given the electronic means of identification allowed by some regulation. For instance in the eIDAS Regulation in the EU, an electronic means of identification with "substantial" certification is considered equivalent to a face-to-face identification.</p> <p>In addition, GFIA notices that this paragraph is not consistent with paragraph 59, which recognised the significant recent advances in digital ID technology, architecture and processes, and the emergence of consensus-based open-source digital ID technical standards. Insurers and intermediaries may consider the adoption of independent digital ID systems complemented by appropriate risk mitigation measures as part of their CDD processes and solutions.</p> <p>Finally, GFIA would like to stress that the world is moving towards increased digitalisation. This trend has been accelerated by the pandemic. Non-face-to-face business relationships or transactions will increasingly become the norm that will need to be implemented to meet the needs of customers.</p>	
Q72 Comment on paragraph 71				

101. General Insurance Association of Japan	Japan	No	Answer: As noted in our general comments, with regard to the phrase "According to the FATF Recommendations", we propose adding reference to the specific FATF standards referred to in this particular part.	See response to Comment #5.
Q73 Comment on paragraph 72				
102. CGAP (World Bank)	none	No	<p>Answer: Par 72: "Examples of credible sources referred to in this paragraph could include, but are not limited to, Basel Institute on Governance AML Index and Transparency International's Corrupt Practices Index."</p> <p>The lists that are mentioned as credible sources are controversial. The Transparency list reflects perceptions rather than facts while the Basel list does not take account of the size of national economies, thereby skewing the risk picture of small countries in relation to large money laundering transactions. We therefore caution against the endorsement of any specific list unless accompanied by observation regarding their limitations.</p>	On consideration of the comment, we removed the examples of credible sources.
Q74 Comment on paragraph 73				
103. General Insurance Association of Japan	Japan	No	Answer: As noted in our general comments, with regard to the phrase "According to the FATF Recommendations", we propose adding reference to the specific FATF standards referred to in this particular part.	See response to Comment #5.
104. CGAP (World Bank)	none	No	Answer: We note with appreciation the discussion of simplified customer due diligence in lower risk cases in Part 9 of the paper. We suggest that the discussion should include a reference to the use of digital ID in tiered and progressive CDD. See the discussion in Box 3 of FATF's Digital ID Guidance, page 56. It allows for an account to be opened without adequate identity verification where identify evidence may be strengthen over the course of the relationship, for example through a pattern of payment of premiums.	A footnote has been added to Paragraph 86 to introduce so-called "progressive" or "tiered" CDD approach in the context of financial inclusion based on the FATF's "Guidance on AML/CFT measures and financial inclusion". On the other hand, we did not make a direct reference to the example in Box 3 of FATF Guidance on Digital ID because we acknowledge that it is introduced more in the context of banking rather than insurance.

			<p>We furthermore suggest including references to, or brief summaries of, Box 3.3 (Supervising lower risk sectors and entities and supporting financial inclusion) and 3.4 (The role of supervisors in identifying de-risking or in encouraging financial inclusive practices) of FATF's Guidance on a Risk-based Approach to Supervision (pages 32-33). Many institutions still fail to simplify CDD where appropriate and FATF provided guidance to supervisors regarding appropriate supervisory responses in these boxes.</p>	<p>Considering that the Application Paper is addressed to the life insurance sector rather than to supervisors, we did not adopt the comment to include references to, or brief summaries of, Box 3.3. and 3.4 of FATF's Guidance on a Risk-based Approach to Supervision, which is focused on approaches taken by supervisors rather than the private sector.</p>
Q75 Comment on paragraph 74				
105. Office of the Supervisor of Insurance and Private Pensions	Belize	No	<p>Answer: Certain DNFBPs have been classified as high risk with some being involved in trade-based money laundering.</p>	<p>We did not revise the paragraph based on the comment because we consider that it is consistent with FATF Recommendation 10. On the other hand, we consider that the essence of the comment is consistent with Paragraph 87, which specifies that simplified CDD measures are not acceptable in any event when there is a suspicion of ML or TF or specific higher risk scenarios apply, consistent with FATF Recommendation 10.</p>
Q76 Comment on paragraph 75				
Q77 Comment on paragraph 76				
106. Institute of International Finance	Global	No	<p>Answer: We support the approach taken in Paragraph 76, and the IAIS's recognition that simplified CDD measures are appropriate in certain cases, especially when it can help increase access to life insurance products and improve financial inclusion. Moreover, products that are designed to "increase access for financial inclusion purposes" are often lower-value policies, thereby representing an even lower risk of ML/TF.</p> <p>A greater range of life insurance transactions may be suitable for simplified CDD since life insurance by its very nature poses lower ML/TF risk than other financial services transactions. We would emphasize that the development of</p>	<p>See revisions indicated in response to Comment #4.</p>

			<p>appropriate CDD measures at the jurisdictional level should follow the FATF Recommendations and Guidance to provide for global consistency.</p> <p>In certain jurisdictions, some lines of life insurance business are carved out from ML/TF requirements. For example, in the U.S. group life insurance products are not covered under AML/CFT requirements. In Switzerland, pure protection life insurance products and certain group life insurance products are not subject to local AML/CFT requirements. We encourage the IAIS to promote the use of national risk assessments by jurisdictional authorities to identify life insurance lines of business that may warrant an exclusion from AML/CFT requirements.</p>	
107. CGAP (World Bank)	none	No	<p>Answer: Par 76: "The simplified CDD measures may be appropriate for financial products or services that provide appropriately defined and limited services to certain types of customers, so as to increase access for financial inclusion purposes."</p> <p>We note with appreciation the highlighting of simplified Customer Due Diligence in this paragraph but removing these products from the general list of lower risk products in par 75 may cause some confusion.</p> <p>We suggest that the reference to "financial products or services that provide appropriately defined and limited services to certain types of customers, so as to increase access for financial inclusion purposes" be retained in par 75 while par 76 could state: "In the absence of further indicators of higher risk, simplified CDD measures would be appropriate for lower risk financial products or services."</p>	<p>On consideration of the comment, the paragraph has been merged into the preceding paragraph as the last bullet point. On the other hand, we did not adopt the proposed textual change because we consider that its element is sufficiently captured under Paragraph 81.</p>
Q78 Comment on paragraph 77				
Q79 Comment on paragraph 78				
Q80 Comment on paragraph 79				

Q81 Comment on paragraph 80				
108. General Insurance Association of Japan	Japan	No	Answer: As noted in our general comments, with regard to the phrase "the FATF Recommendations provide that...", we propose adding reference to the specific FATF standards referred to in this particular part.	See response to Comment #5.
Q82 Comment on paragraph 81				
109. General Insurance Association of Japan	Japan	No	Answer: As noted in our general comments, with regard to the phrase "According to the FATF Recommendations", we propose adding reference to the specific FATF standards referred to in this particular part.	See response to Comment #5.
Q83 Comment on paragraph 82				
Q84 Comment on paragraph 83				
110. General Insurance Association of Japan	Japan	No	Answer: As noted in our general comments, with regard to the phrase "the FATF Recommendations recognise that...", we propose adding reference to the specific FATF standards referred to in this particular part.	See response to Comment #5.
Q85 Comment on paragraph 84				
111. General Insurance Association of Japan	Japan	No	Answer: As noted in our general comments, with regard to the phrase "according to the FATF Recommendations", we propose adding reference to the specific FATF standards referred to in this particular part.	See response to Comment #5.
Q86 Comment on paragraph 85				
Q87 Comment on paragraph 86				
112. Global Federation of Insurance Associations	Switzerland	No	Answer: GFIA would highlight that insurers or intermediaries may not be allowed to "freeze" a contract when they cannot successfully conduct CDD measures because of the rules of the local jurisdiction. Therefore, and similar to the comment on paragraph 47, requiring the	We have updated the paragraph (now Paragraph 72) as indicated below to remain appropriately aligned with FATF Guidance Paragraph 64:

			completion of CDD as a condition for benefit payouts is not always possible in life insurance. GFIA suggests rephrasing with the following sentence: "Insurers or intermediaries should identify and verify identity before a benefit is paid and/or file a STR."	<i>"Measures to restrict the services available and prohibit any further transactions on the contracts in question could be considered as a preferred alternative. For example, where permitted, a contract could be "frozen" and the payment would only be made to the beneficiary once full and proper CDD measures have been successfully conducted."</i>
Q88 Comment on paragraph 87				
113. General Insurance Association of Japan	Japan	No	Answer: As noted in our general comments, with regard to the phrase "According to the FATF Recommendations", we propose adding reference to the specific FATF standards referred to in this particular part.	See response to Comment #5.
114. ACAPS	Morocco - ACAPS	No	Answer: We believe that including a risk classification concept in this paper could be beneficial so as to make insurers and intermediaries understand that the exercise of identifying and evaluating risks needs to be formalized according to a classification specific to each institution. We suggest adding at the end of the first paragraph "...based on risk classification" : According to the FATF Recommendations, the insurer or intermediary should perform ongoing due diligence on the business relationship. Ongoing due diligence should include scrutiny of transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the institution's knowledge of the customer, their business and risk profile category, and where necessary, the source of funds based on risk classification. There should also be systems to detect prohibited (eg with entities designated by the relevant UNSCRs), unusual or suspicious transactions, and investigate them as required. The insurer or intermediary should pay attention to all requested changes to the policy and/or exercise of rights under the terms of the contract. It should assess whether the change/transaction fits the risk profile category of the customer and/or beneficial owner or is for some other reason unusual or suspicious.	Section 5 (Customer risk assessment) introduces the customer risk rating concept, and explicitly provides that a customer risk assessment, the outcome of which is a customer risk rating, should be conducted not only at onboarding but also on an ongoing basis. Assuming that the "risk classification" is a concept comparable to customer rating, we consider that the essence of the comment is reflected in the AP.

Q89 Comment on paragraph 88				
115. Global Federation of Insurance Associations	Switzerland	No	<p>Answer: The designation of beneficiaries is sometimes indicated in a document held by a lawyer or a solicitor.</p> <p>Furthermore, GFIA would highlight that insurers may not be notified of the use of a policy as collateral/security.</p>	<p>Note that the referred paragraph provides a non-exhaustive list of examples of transactions or trigger events after establishment of the contract that require CDD review, and as noted in the following paragraph, that some of them can be expected over the life of a contract and are not necessarily suspicious. Having said that, we consider that it is appropriate to include “a change in beneficiaries (for instance, to include non-family members, or a request for payments to be made to persons other than beneficiaries)” in these examples in light of the spirit of FATF Recommendation 10, which requires the beneficiary of a life insurance policy to be included as a relevant risk factor in determining whether enhanced CDD measures are applicable.</p> <p>With respect to the comment on the acceptance of life insurance policy as a collateral, we consider that the paragraph is in line with ICP 22.1.6 and do not concur on the need for further revision. However, please note the revision we made to the relevant paragraph (see our response to Comment #40).</p>
Q90 Comment on paragraph 89				
Q91 Comment on paragraph 90				
Q92 Comment on paragraph 91				
116. Insurance Europe	Europe	No	<p>Answer: The final part on using automated tools to monitor transactions could be a separate paragraph as it relates to transactions monitoring.</p>	Change made as proposed.
117. Institute of International Finance	Global	No	<p>Answer: The first and second sentences of Paragraph 91 discuss customer due diligence and the third, fourth and fifth sentences of this Paragraph 91 address transaction monitoring. We suggest placing the text of Paragraph 91 in two different paragraphs for clarity.</p>	Change made as proposed.

118. General Insurance Association of Japan	Japan	No	<p>Answer: As noted in our general comments, with regard to the phrase "According to the FATF Recommendations", we propose adding reference to the specific FATF standards referred to in this particular part.</p>	See response to Comment #5.
119. ACAPS	Morocco - ACAPS	No	<p>Answer: The concept of "Customer" in the application paper is not defined and needs to be consistent throughout the document. Indeed, we suggest to make sure that the definition of the customer includes or not the beneficial of the insurance contract. We think that this definition vary from a jurisdiction to another. In Morocco for example, we define the customer as the subscriber, the insured person and/or the beneficial of the contract. in our case, paragraph 92 is applicable even to beneficiaries of insurance contracts. While in the application paper, some passages include the beneficiary in the customer definition and some passages exclude it. Example: Example, in paragraph 12 we talk about customers and beneficiaries.</p> <p>We would like to highlight that this concept is very important for this paragraph as FATF Recommendation 12 on PEP has specific requirements with regard to beneficiaries of life insurance contracts.</p> <p>Also, it is proposed to replace « potential customer » by « prospective customer » in order to unify the terminology. Indeed, in the application paper, both concepts are mentioned. According to our understanding, a potential customer is anybody who could become a customer. A prospective customer is somebody who is actively considering becoming one. We suggest that in the context of this document potential customer is more appropriate.</p> <p>(a) have appropriate risk management systems to determine whether a prospective potential customer, a customer or the beneficial owner of a customer is a foreign PEP.</p>	<p>See response to Comment #38.</p> <p>We have maintained “potential customer” because it is the term used in the FATF Recommendations (see FATF Recommendation 10). “Prospective customer” in case study 12 has been replaced by “potential customer”.</p>

120. Global Federation of Insurance Associations	Switzerland	No	Answer: This could be a separate paragraph as it relates to transaction monitoring.	Change made as proposed.
Q93 Comment on paragraph 92				
121. Institute of International Finance	Global	No	<p>Answer: We question the need for additional guidance on PEPs in the Draft Application Paper, as this topic has been comprehensively addressed in the FATF Recommendations and Guidance. As discussed above, we strongly encourage the IAIS to focus its guidance on topics that provide helpful value-added advice to life insurers that identify where life insurers may need to take a different approach than is taken by other financial services firms.</p> <p>The Draft Application Paper should recognize there are limitations to using commercially available PEP lists due to divergence in AML/CFT rules and guidance across jurisdictions and the lack of a common taxonomy for the identification of PEPs and their family members. The Draft Application Paper could benefit from a clearer discussion of how supervisors could coordinate to make PEP databases more reliable.</p> <p>Section 12 should also acknowledge that PEP lists are developed and updated by government authorities. Insurers' determinations of whether a customer or a beneficiary is a PEP can only be conducted on a best-efforts basis.</p> <p>We would caution against taking an overly restrictive approach to outsourcing AML/CFT functions, which may present an undue burden to insurers. Consistent with FATF Guidance, life insurers should take into consideration their distribution networks and channels when conducting a risk assessment (See Table 2) but this risk assessment should</p>	<p>PEPs are an important consideration in the insurance context, considering that FATF Recommendations stipulate that financial institutions should take reasonable measures to determine whether the beneficiaries of a life insurance policy and/or, where required, the beneficial owner of the beneficiary are PEPs. In this respect, we retained the guidance on PEPs in the Application Paper.</p> <p>Paragraph 99 describes a range of resources potentially available to assist in identifying PEPs within a RBA context. We consider that the proposed guidance on potential enhancement of the PEPs lists by supervisors is beyond the scope of the Application Paper.</p> <p>While the Section provides guidance on possible methods insurers and intermediaries can use to identify PEPs (including PEP lists from government authorities and other sources), it does not compel insurers and intermediaries to take any particular methods. Appropriate method for identification of PEPs should be considered by insurers in a manner commensurate with assessed risks.</p> <p>We consider that guidance on reliance on third parties set out in this Application Paper is consistent with that in the FATF Recommendations and the Guidance. Further, the essence of the comment that risks associated with third party reliance</p>

			be conducted in a flexible and proportionate manner, as provided in Paragraph 45 of the FATF Guidance.	should be assessed in the context of a RBA is covered under Section 4 (Identification and assessment of risks).
122. General Insurance Association of Japan	Japan	No	Answer: As noted in our general comments, with regard to the phrase "the FATF Recommendations require...", we propose adding reference to the specific FATF standards referred to in this particular part.	See response to Comment #5.
Q94 Comment on paragraph 93				
123. General Insurance Association of Japan	Japan	No	Answer: As noted in our general comments, with regard to the phrase "According to the FATF Recommendations", we propose adding reference to the specific FATF standards referred to in this particular part.	See response to Comment #5.
Q95 Comment on paragraph 94				
124. Insurance Europe	Europe	No	Answer: This paragraph should better reflect the FATF recommendation on senior management approval of PEP relationships, not just being informed before the payout.	We do not concur on the need for further change to this paragraph because it is consistent with FATF Recommendation 12 with respect to beneficiaries.
125. Institute of International Finance	Global	No	Answer: Paragraph 94 should be updated to reflect FATF Recommendations for senior management approval of PEP relationships (see FATF Recommendation 12). Paragraph 69 of the FATF Guidance also calls for senior management approval of these relationships.	See response to Comment #124.
126. General Insurance Association of Japan	Japan	No	Answer: As noted in our general comments, with regard to the phrase "according to the FATF Recommendations", we propose adding reference to the specific FATF standards referred to in this particular part.	See response to Comment #5.
127. Global Federation of Insurance Associations	Switzerland	No	Answer: This paragraph should better reflect the FATF recommendation on senior management approval of politically exposed person (PEP) relationships, not just being informed before the payout.	See response to Comment #124.
Q96 Comment on paragraph 95				

Q97 Comment on paragraph 96				
Q98 Comment on paragraph 97				
128. General Insurance Association of Japan	Japan	No	Answer: As noted in our general comments, with regard to the phrase "According to the FATF Recommendations", we propose adding reference to the specific FATF standards referred to in this particular part.	See response to Comment #5.
Q99 Comment on paragraph 98				
129. Tokio Marine Life Insurance Singapore Ltd	Singapore	No	Answer: Should there be a definition of virtual assets as this is a new potential area in ML/TF risk.	The definition of virtual asset has been added to Paragraph 16 in a footnote, consistent with the FATF Glossary.
Q100 Comment on paragraph 99				
Q101 Comment on paragraph 100				
Q102 Comment on paragraph 101				
130. General Insurance Association of Japan	Japan	No	Answer: As noted in our general comments, with regard to the phrase "the FATF Recommendations require...", we propose adding reference to the specific FATF standards referred to in this particular part.	See response to Comment #5.
Q103 Comment on paragraph 102				
131. General Insurance Association of Japan	Japan	No	Answer: As noted in our general comments, with regard to the phrase "the FATF Recommendations require...", we propose adding reference to the specific FATF standards referred to in this particular part.	See response to Comment #5.
Q104 Comment on paragraph 103				
132. General Insurance	Japan	No	Answer: As noted in our general comments, with regard to the phrase " The FATF has also crafted similar provisions in respect of financial groups.", we propose adding reference	See response to Comment #5.

Association of Japan			to the specific FATF standards referred to in this particular part.	
Q105 Comment on paragraph 104				
Q106 Comment on paragraph 105				
Q107 Comment on paragraph 106				
Q108 Comment on paragraph 107				
Q109 Comment on paragraph 108				
Q110 Comment on paragraph 109				
133. Institute of International Finance	Global	No	Answer: We would suggest deleting the clause "among other things" in the second sentence of Paragraph 109, as it broadens the scope of STR inappropriately. We recognize that tax offenses can be predicate offenses for ML/TF violations, but this overbroad clause could be interpreted to include a wide range of unrelated offenses with no nexus to ML/TF risks.	We have deleted "or whether they are thought, among other things, to involve tax matters". Please note that reference to tax crimes is made in Paragraph 31.
134. General Insurance Association of Japan	Japan	No	Answer: As noted in our general comments, with regard to the phrase "According to the FATF Recommendations", we propose adding reference to the specific FATF standards referred to in this particular part.	See response to Comment #5.
Q111 Comment on paragraph 110				
135. World Federation of Insurance Intermediaries	Belgium	No	Answer: As intermediaries have the obligation to report on suspicious transactions, we believe the insurer should check whether the intermediary has already reported the transaction as suspicious. This is to avoid double work. We propose adding the following to this paragraph: In general terms, in order to avoid double work, the life insurer and the intermediary distributing its insurance products must remain allowed (and even encouraged) to	We did not make the proposed change as each obliged entity is responsible for complying with their own obligations, especially in multi-jurisdictional contexts. The focus of the paragraph is to ensure that any reliance placed by the insurer on an intermediary, where locally permitted, is recognised and appropriately managed. See also FATF Recommendation 17.

			agree on the division of AML activities and to confirm this in a contract.	
136. Insurance Europe	Europe	No	Answer: 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 parties obligations..	<p>Taking into account the FATF Guidance, and the subsequent guidance in this paper regarding Reliance on third parties, the paragraph has been revised as follows:</p> <p><i>"When relying on the identification and verification work completed by insurance intermediaries, insurers should ensure that they will receive a copy of the relevant CDD record(s) without delay upon request, or have ready access to the CDD record(s) or the database where the information is available in order to facilitate the filing of STRs."</i></p>
137. Institute of International Finance	Global	No	Answer: With respect to Paragraph 110, we would delete the reference to the intermediary's database, as it is highly unlikely that an insurance intermediary would allow an insurer to have access to its database for IT and data protection reasons. We would amend this paragraph to read as follows: 110. When relying on the identification and verification work completed by insurance intermediaries, insurers should ensure that they have ready access to the CDD record(s) in order to facilitate the filing of STRs.	See revisions indicated in response to Comment #136.
138. Global Federation of Insurance Associations	Switzerland	No	Answer: It is unlikely that an insurance intermediary will be able to allow an insurer to have access to their CDD database for IT and data protection reasons. Requiring the insurer to "provide the relevant information in a timely manner" would more accurately reflect the reliance on third-party obligations.	See revisions indicated in response to Comment #136.
Q112 Comment on paragraph 111				
Q113 Comment on paragraph 112				
Q114 Comment on paragraph 113				
Q115 Comment on paragraph 114				

139. General Insurance Association of Japan	Japan	No	Answer: As noted in our general comments, with regard to the phrase "The FATF Recommendations provide", we propose adding reference to the specific FATF standards referred to in this particular part.	See response to Comment #5.
Q116 Comment on paragraph 115				
Q117 Comment on paragraph 116				
140. Institute of International Finance	Global	No	Answer: Section 16 assumes that the group or parent entity is regulated for AML/CFT purposes and exposed to AML/CFT risk to the same extent as the underlying life insurance entity, which often is not the case. The AML/CFT frameworks in place should reflect the level of risk and the regulatory and supervisory framework applicable to the individual entity.	Consistent with FATF Recommendation 18, a financial institution's group-wide AML/CFT programme should be appropriate to the business of the branches and majority-owned subsidiaries. We consider that this essence is reflected in Paragraph 127 of the AP. On the other hand, we do not concur on the proposed revision because it may lead to material departure from FATF Recommendation 18, which stipulates that financial institutions should be required to ensure that their foreign branches and majority owned subsidiaries apply AML/CFT measures consistent with the "home country requirements" implementing the FATF Recommendations.
141. General Insurance Association of Japan	Japan	No	Answer: As noted in our general comments, with regard to the phrase "According to the FATF Recommendations", we propose adding reference to the specific FATF standards referred to in this particular part.	See response to Comment #5.
Q118 Comment on paragraph 117				
142. World Federation of Insurance Intermediaries	Belgium	No	Answer: Paragraph 117. The FATF Recommendations require these programmes to include internal policies, procedures and controls which have regard to the risk of ML/FTF and the size of the business, and which cover: (...) (d) an independent audit function to test the AML/CFT system. WFII comments:	Change made as proposed.

			<p>Does the word "independent " refer to an external auditor? If this is the case, this could be too expensive, especially for smaller intermediaries. WFII suggests deleting the word independent or at least to add the words external or internal. The sentence would then be: "(d) an (internal or external) independent audit function to test the AML/CFT system".</p> <p>The FATF, in the RBA Guidance for the Life insurance sector, also refers in paragraph 91 to an (external or internal) independent audit function.</p>	
143. General Insurance Association of Japan	Japan	No	<p>Answer: As noted in our general comments, with regard to the phrase "the FATF Recommendations require...", we propose adding reference to the specific FATF standards referred to in this particular part.</p>	See response to Comment #5.
Q119 Comment on paragraph 118				
Q120 Comment on paragraph 119				
Q121 Comment on paragraph 120				
Q122 Comment on paragraph 121				
Q123 Comment on paragraph 122				
144. Global Federation of Insurance Associations	Switzerland	No	<p>Answer: Considering the volume of information to be dealt with, GFIA believes it is important to specify in this paragraph that the compliance officer has the possibility to delegate this responsibility.</p>	<p>The following sentence has been added to address the commented issue.</p> <p><i>"Where the compliance officer delegates part of the role to other staff for the purpose of efficient execution, the ultimate responsibility for ongoing monitoring of the fulfilment of AML/CFT duties should still lie with the compliance officer. In this respect, the compliance officer should establish that the delegated staff are appropriately supervised and required to report to the compliance officer in an appropriate and timely manner."</i></p>
Q124 Comment on paragraph 123				

145. Global Federation of Insurance Associations	Switzerland	No	Answer: As mentioned above, the compliance officer should be able to delegate. GFIA suggests clarifying the paragraph and rephrasing the following sentence: "there is a clear procedure for staff to report suspicions of ML/TF without delay to the compliance officer, or to the person specifically designated by him/her."	Change made as proposed.
Q125 Comment on paragraph 124				
146. General Insurance Association of Japan	Japan	No	Answer: As noted in our general comments, with regard to the phrase "The FATF also require...", we propose adding reference to the specific FATF standards referred to in this particular part.	See response to Comment #5.
Q126 Comment on paragraph 125				
Q127 Comment on paragraph 126				
147. General Insurance Association of Japan	Japan	No	Answer: As noted in our general comments, with regard to the phrase "According to the FATF Recommendations", we propose adding reference to the specific FATF standards referred to in this particular part.	See response to Comment #5.
Q128 Comment on paragraph 127				
Q129 Comment on paragraph 128				
148. World Federation of Insurance Intermediaries	Belgium	No	Answer: Here we make the same comments as for paragraph 117.	Change made as proposed.
Q130 Comment on paragraph 129				
149. General Insurance Association of Japan	Japan	No	Answer: As noted in our general comments, with regard to the phrase "In order to meet the FATF Recommendations", we propose adding reference to the specific FATF standards referred to in this particular part.	See response to Comment #5.

150. Global Federation of Insurance Associations	Switzerland	No	Answer: As this paragraph seems to be inconsistent with labour and data protection laws, GFIA suggests removing the end of this paragraph: "In order to meet the FATF Recommendations staff should have the level of competence necessary for performing their duties. Insurers and intermediaries should ascertain whether they have the appropriate ability and integrity to conduct insurance activities."	"For instance the financial background of the employee" has been deleted.
Q131 Comment on paragraph 130				
Q132 Comment on paragraph 131				
Q133 Comment on paragraph 132				
Q134 Comment on paragraph 133				
Q135 Comment on paragraph 134				
151. General Insurance Association of Japan	Japan	No	Answer: As noted in our general comments, with regard to the phrase "According to the FATF Recommendations", we propose adding reference to the specific FATF standards referred to in this particular part.	See response to Comment #5.
152. Global Federation of Insurance Associations	Switzerland	No	Answer: GFIA suggests adding "relevant" before "staff of insurers".	Based on the comment, and in light of FATF Recommendation 18, which stipulates that "the type and extent of measures to be taken should be appropriate having regard to the risk of money laundering and terrorist financing and the size of the business", we have added the sentence below into this paragraph: <i>"Such training and who should be trained should be appropriate given the risk of money laundering and terrorist financing and the size of the business."</i>
Q136 Comment on paragraph 135				
Q137 Comment on paragraph 136				

Q138 Comment on paragraph 137				
Q139 Comment on paragraph 138				
Q140 Comment on paragraph 139				
Q141 Comment on paragraph 140				
153. General Insurance Association of Japan	Japan	No	Answer: As noted in our general comments, with regard to the phrase "According to the FATF Recommendations", we propose adding reference to the specific FATF standards referred to in this particular part.	See response to Comment #5.
Q142 Comment on paragraph 141				
154. General Insurance Association of Japan	Japan	No	Answer: As noted in our general comments, with regard to the phrase "According to the FATF Recommendations", we propose adding reference to the specific FATF standards referred to in this particular part.	See response to Comment #5.
Q143 Comment on paragraph 142				
Q144 Comment on paragraph 143				
155. General Insurance Association of Japan	Japan	No	Answer: As noted in our general comments, with regard to the phrase "the FATF Recommendations require...", we propose adding reference to the specific FATF standards referred to in this particular part.	See response to Comment #5.
Q145 Comment on Annex 1				
156. World Federation of Insurance Intermediaries	Belgium	No	Answer: WFII comments on the non-life case studies: The non-life sector is not in the scope of this Application Paper. Paragraph 1 mentions that this Application Paper is primarily directed to life insurers and intermediaries. Paragraph 3 mentions that the IAIS endorses the FATF Recommendations on ML/TF, that ICP 22 is consistent with the FATF Recommendations, and that it applies to the underwriting, placement and administration of life insurance	See response to Comment #1.

			<p>and other investment-related insurance policies. WFII is, therefore, of the opinion that the non-life case studies, mentioned in the Annexes 1 and 2, should all be deleted.</p> <p>By inserting non-life case studies in this Application Paper, directed at life insurers and intermediaries distributing life insurance products, the IAIS creates confusion and uncertainty on the scope of this Paper for those who have to implement it. Many jurisdictions and stakeholders could interpret these case studies as a requirement/benchmark which it is not.</p> <p>The FATF Recommendations and the IAIS Application Paper only target life insurance and these requirements can only be effectively implemented if the focus is solely on the life sector. This focus should not be diluted by the extension of its scope to ML/TF risks in another sector where such risks are, for the moment, not recognised by the majority of the countries.</p> <p>We also suggest:</p> <ul style="list-style-type: none"> - labelling in Annex 1, studies 20 and 21, as life case studies. These two cases are now labelled "non-life" but they seem to be "investment only policies"; - deleting study 1 of Annex 2 that is now labelled as "life" but is actually non-life (short-term), it should thus be removed along with the other non-life examples in the annexures. 	
157. Insurance Europe	Europe	No	<p>Answer: As stated on section 2.1, there should not be any non-life case studies given 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.</p> <p>Should these be maintained, each case study should identify a type of ML/TF involved (e.g. "placement of criminal funds") rather than the control impacted (e.g. "CDD at onboarding"), and include more detail on the specific ML/TF vulnerabilities that they intend to illustrate, as</p>	<p>With respect to the comment on the non-life case studies, please see revisions indicated in our response to Comment #1. Further, while fraud is not the focus of this Application Paper, we are of the view that illustrations related to fraud would still provide useful implications in the context of ML/TF, because fraud can be a predicate offence for ML/TF according to FATF. We consider that this spirit is now captured under the newly introduced introductory remark (see response to Comment #1).</p> <p>We revised labels of the case studies so that they consistently indicate vulnerabilities, rather than control impacted.</p>

			<p>opposed to fraud vulnerabilities.</p> <p>On non-life case study 21, this wording is not clear. There is not any mention of early cancellation but rather of (banking?) multiple withdrawals. We suggest removing this case as it is not a relevant suspicious transaction example.</p> <p>Non-life case study 24, this case does not appear based on real-life examples, as it is easy to verify the existence and ownership of an ocean-going vessel.</p> <p>Non-life case-study 25, this is not a clear suspicious transaction case but a related party issue which is not linked to the insurance services or products. We suggest removing this case as it is not a relevant suspicious transaction example.</p>	<p>On consideration of the third paragraph of the comment, we changed “early cancellation” to “multiple withdrawals” in case study 21.</p> <p>The original case studies 24 and 25 have been deleted.</p>
158. Institute of International Finance	Global	No	<p>Answer: The case studies are more exemplary of insurance fraud than of ML/TF and/or describe control failures. While fraud can be a predicate offense for ML, the case studies should focus on actual instances of ML/TF in life insurance, which are rare. We suggest that each case study identify the type of ML/TF that occurred (e.g. placement of criminal funds), how life insurance products were used for ML/TF, and the ML/TF vulnerabilities that were exploited by the criminals. As noted above, the case studies should not include non-life insurance examples.</p>	See responses to comment #156 and #157.
159. General Insurance Association of Japan	Japan	No	<p>Answer: (General Comments on Annex) As described in our general comments and on our comments on paragraph 18, it is unclear whether the cases listed are common cases of ML/TF in the insurance sector, or whether they list actual cases including rare ones. The status of the case studies is also unclear. Although it is described as “Case studies” in Annex 1 and 2, it appears to be a simple list of cases rather than actual case studies. The positioning of Annex 1 and 2 should be clarified and</p>	See revisions indicated in responses to Comment #156, as well as to Comment #5.

			<p>rare cases should be identified as "rare cases".</p> <p>Case Study 16: This case is categorized as the "Source of funds", but we believe it is more appropriate to categorize it as "Agent oversight".</p> <p>Case Study 25: Judging by how the text reads, this case is not unique to the general insurance sector (general insurance companies / general insurance products), and is considered to be a case that can occur in other sectors as well. It is better to clarify the characteristic element for general insurance more clearly if there is such an element. Alternatively, it is more appropriate that the case be shown as an example / expression that is not limited to general insurance.</p>	<p>We added "Employee/agent fraud" to the label of case study 16.</p> <p>The original case study 25 has been deleted (see also response to Comment #156).</p>
160. ACAPS	Morocco - ACAPS	No	<p>Answer: It is proposed the replace "the accounts were blocked by the FIU" by "the FIU ordered blocking the accounts" to highlight the fact that the FIU order the financial institution to block the account :</p> <p>Mrs T (teacher) from country A, entered into a life insurance policy with a small initial premium being paid. The transaction was arranged by Mr B who was the agent of insurance company C and a cousin of Mrs T. Two days later, company C made a payment of an additional premium, in excess of €540,000, on behalf of Mrs T. After one month, Mrs T cancelled her policy and transferred the refund of contributions to three different accounts:</p> <p>a) Mr MD (Managing Director of Company C) - €240,000; b) Mrs N (niece of Mr MD) - €150,000; and c) Mr U - €150,000.</p> <p>All of them subsequently transferred the money onwards to other accounts in different banks. Following an investigation it appeared that the money being laundered was linked to fuel smuggling. The FIU ordered blocking the accounts The</p>	<p>On consideration of the comment, we have made the following change:</p> <p><i>"The FIU ordered the accounts to be were blocked by the FIU and the case was forwarded to the public prosecutor."</i></p>

			accounts were blocked by the FIU and the case was forwarded to the public prosecutor.	
161. Global Federation of Insurance Associations	Switzerland	No	<p>Answer: As stated in relation to Section 2.1, there should not be any non-life case studies, given that no vulnerabilities have been 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.</p> <p>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 – as opposed to fraud vulnerabilities – that they are intended to illustrate.</p> <p>[Non-life - case study 20. Intermediary oversight] GFIA suggests deleting this case study.</p> <p>[Non-life - case study 21. Agent oversight, early cancellation] The wording "to purchase insurance policies from his wife" is not clear. There is no mention of early cancellation, but rather of (banking?) multiple withdrawals. GFIA suggests removing this case as it is not a relevant suspicious transaction example.</p> <p>[Non-life - case study 23. Suspicious transaction] GFIA suggests deleting this case study.</p> <p>[Non-life - case study 24. Suspicious transaction] This case would appear not to be based on real-life examples, as it is easy to verify the existence and ownership of an ocean-going vessel.</p>	<p>With respect to the comment on non-life case studies and insurance fraud, please see our responses to Comments #157 and #158 above.</p> <p>See our response to Comment #157.</p> <p>We are of the view that the referred case study could provide useful insights into aspects such as reliance on intermediaries for CDD as well as potential red flags such as early cancellation with losses and payment to third parties and retained it.</p> <p>See response to Comment #157.</p> <p>The original case studies 23, 24 and 25 have been deleted (see response to Comment #156).</p>

			<p>[Non-life - case study 25. Suspicious transaction] This is not a clear suspicious transaction case but a related-party issue that is not linked to the insurance services or products. GFIA suggests removing this case as it is not a relevant suspicious transaction example.</p>	
Q146 Comment on Annex 2				
162. World Federation of Insurance Intermediaries	Belgium	No	<p>Answer: WFII comments on the non-life case studies: The non-life sector is not in the scope of this Application Paper. Paragraph 1 mentions that this Application Paper is primarily directed to life insurers and intermediaries. Paragraph 3 mentions that the IAIS endorses the FATF Recommendations on ML/TF, that ICP 22 is consistent with the FATF Recommendations, and that it applies to the underwriting, placement and administration of life insurance and other investment-related insurance policies. WFII is, therefore, of the opinion that the non-life case studies, mentioned in the Annexes 1 and 2, should all be deleted.</p> <p>By inserting non-life case studies in this Application Paper, directed at life insurers and intermediaries distributing life insurance products, the IAIS creates confusion and uncertainty on the scope of this Paper for those who have to implement it. Many jurisdictions and stakeholders could interpret these case studies as a requirement/benchmark which it is not.</p> <p>The FATF Recommendations and the IAIS Application Paper only target life insurance and these requirements can only be effectively implemented if the focus is solely on the life sector. This focus should not be diluted by the extension of its scope to ML/TF risks in another sector where such risks are, for the moment, not recognised by the majority of the countries.</p> <p>We also suggest:</p> <ul style="list-style-type: none"> - labelling in Annex 1, studies 20 and 21, as life case studies. These two cases are now labelled "non-life" but 	See response to Comment #156.

			they seem to be "investment only policies"; - deleting study 1 of Annex 2 that is now labelled as "life" but is actually non-life (short-term), it should thus be removed along with the other non-life examples in the annexures.	
163. Insurance Europe	Europe	No	Answer: Non-life case study 4, this case appears to be fraud and the potential high-risk transaction is not linked to the insurance services provided. We suggest removing this case as it is not a relevant suspicious transaction example.	We retained the referred case study (see response to Comment #158).
164. Global Federation of Insurance Associations	Switzerland	No	Answer: [Non-life - case study 4. Suspicious claim] This case appears to be fraud and the potential high-risk transaction is not linked to the insurance services provided. GFIA suggests removing this case as it is not a relevant suspicious transaction example.	We retained the referred case study (see response to Comment #158).