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## PRESS RELEASE

**For Release: Thursday, 12 August 2021**

### **Bermuda Monetary Authority Fines Allianz Life Bermuda Limited**

HAMILTON, BERMUDA – The Bermuda Monetary Authority (Authority) has imposed civil penalties totalling **\$1,700,000** on ALLIANZ LIFE BERMUDA LIMITED (Company) pursuant to sections 20 and 24A of the Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing Supervision and Enforcement) Act 2008 (POCA SEA) and section 32A of the Insurance Act 1978 (Insurance Act) with respect to significant breaches of the Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing) Regulations 2008 (Regulations), International Sanctions Regulations 2013 (Sanctions) and longstanding and persistent breaches of the Insurance Act. The Company has consented to the imposition of these civil penalties.

Incorporated in Bermuda on 19 July 1976 and licensed as an insurer since 1 January 1981, the Company currently holds a Class 3 licence and Long-Term Class C licence. The Company was engaged in the insurance and reinsurance of life and long-term risks, which were written outside of Bermuda.

#### Breaches of the Regulations and Sanctions

The civil penalties have been imposed for the Company's failure to adequately comply with the following requirements of the Regulations and the Sanctions:

- i) Regulation 16 – Systems;
- ii) Regulations 5 and 6 – Customer due diligence;
- iii) Regulation 8 – Timing of verification;
- iv) Regulation 7 – Ongoing monitoring;
- v) Regulation 11 – Enhanced due diligence;
- vi) Regulation 14A – Outsourcing;
- vii) Regulation 17A – Independent audit functions; and
- viii) Sanctions – Reporting Requirements.

The above breaches and deficiencies were identified during an onsite review of the Company's activities conducted by the Anti-Money Laundering/Anti-Terrorist Financing Department of the Authority. While the Authority found no evidence of money laundering or terrorist financing, the Authority required the Company to remediate these findings within a prescribed time period; however, such remediation was not completed to the satisfaction of the Authority. The Authority views these breaches as serious because of their extent and duration, and because they demonstrated a weakness of the Company's controls to ensure full compliance with the Regulations and Sanctions. Accordingly, the Authority imposed a civil penalty under the POCA SEA in the amount of **\$1,250,000**.

### Breaches of the Insurance Act

The Company has demonstrated a pattern of non-compliance with the Insurance Act, which contributed, in part, to the Company's failure to have a resident director in Bermuda at all times, no regular Bermuda decision-making meetings nor management to ensure that the Company's annual filings under the Insurance Act were accurate, adequate and timely. Accordingly, the Company failed to demonstrate that it maintained a head office in Bermuda, as required by section 8C of the Insurance Act.

Civil penalties have been imposed for the Company's failure to comply with the following provisions of the Insurance Act:

- i) Section 24A – Certification of dividends;
- ii) Section 31B – Restrictions as to the payment of dividends;
- iii) Section 8(1A) – Appointment of principal representative;
- iv) Section 8A(2)(g) – Principal representative to report certain events;
- v) Section 8C – Maintain head office in Bermuda;
- vi) Section 15A – Declaration of compliance;
- vii) Section 16 – Appointment and approval of auditors; and
- viii) Section 18 – Insurer to make financial returns.

The circumstances of the above breaches highlight multiple breaches of the minimum criteria for registration, in accordance with Schedule 1 of the Insurance Act, which highlight the failure of the business of the Company to be conducted in a prudent manner. Further, the Authority determined that the Company's corporate administration was not being carried on with the professional skills appropriate to the nature, scale and complexity of its activities. The Authority views these breaches of the Insurance Act as serious because of their extent and duration and, accordingly, imposed a civil penalty in the amount of **\$450,000**.

### Considerations by the Authority

The Authority was guided by its Statement of Principles and Guidance on the Exercise of Enforcement Powers issued in September 2018 (Enforcement Guide) in assessing and determining the appropriate penalty to impose on the Company, which is effective, proportionate and dissuasive. Accordingly, the Authority considered all relevant facts, circumstances and the impact of each breach and was guided by Annex A to the Enforcement Guide in determining the most appropriate level of financial penalty to impose. While the Authority will always have regard to action it has taken against other companies in similar cases, it must also focus on the unique circumstances of the Company in assessing the level of penalty.

The Company has accepted the Authority's findings and has consented to and paid the above-noted civil penalties in the amount of \$1,700,000. The Company has further agreed to continue with its plan to cancel its registration under the Insurance Act and will promptly thereafter commence liquidation proceedings.

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