



Long-Term Insurers, Insurance Managers and Insurance Brokers Sector

ML/TF Risks, Vulnerabilities and Preventive Measures

Presented by: AML/ATF Department and the Financial Intelligence Agency

15 August 2024

Agenda

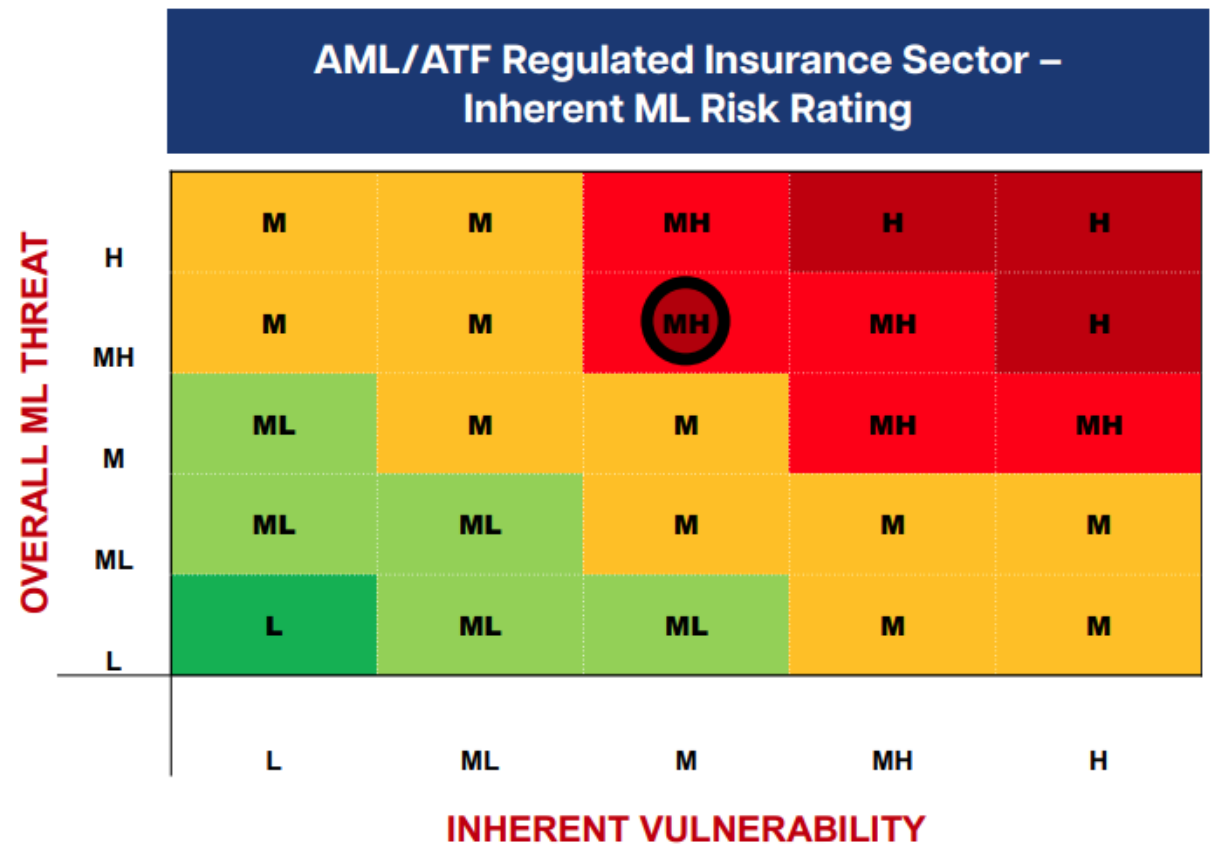
- 01** Overview of AML/ATF and Sanctions Legislation
- 02** Understanding the ML/TF Risks (Sectoral and Institutional)
- 03** ML/TF Trends and Typologies
- 04** Preventive ML/TF Measures
- 05** FIA Statistics, Typologies and Reporting
- 06** Resources
- 07** Q&A

AML/ATF Regulated Insurance – Legislation and Regulations

- 1978 Insurance Act
- 1997 Proceeds of Crime Act
- 2004 Anti-Terrorism Financial and Other Measures Act
- 2008 Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing Supervision and Enforcement) Act
- 2008 Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing) Regulations
- 2003 International Sanctions Act*

**this is separate to AML/ATF requirements*

National Risk Assessment (NRA) Overall, Threat and Vulnerability Scores



Graph provided from Report on 2020 Money Laundering and Terrorist Financing Risk Assessment

Insurance Sector Overview - Understanding the ML/TF Risks

Red Flag indicators

- Customers with complex structures
- Customers are part of a company with nominee shareholders or shares in bearer form
- Deposits misaligned with knowledge of the customer e.g., low income occupation
- Customer occupation/industry presents higher ML/TF risk e.g., cash intensive business, international exposure
- Customer is reluctant to provide information
- Customer transfers the contract to another insurer after a short period of time
- Insurer is only made aware of a change in beneficiary when a claim is made
- Customer willing to incur high costs for early termination
- Customer makes regular requests to change the sum insured
- Customer makes unusual or excessive premium payments

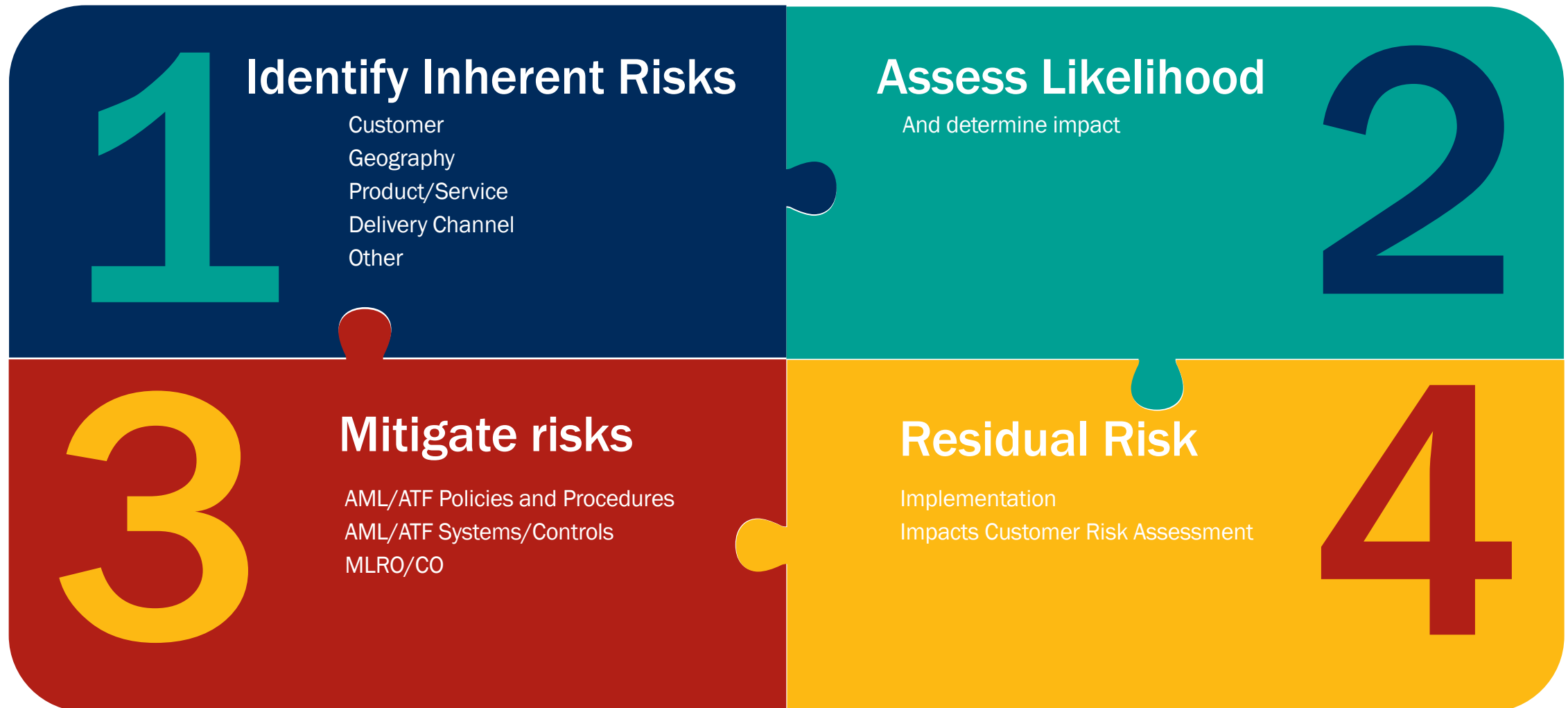
Insurance ML/TF Typologies

Examples

- Politically Exposed Persons using policies to launder proceeds of corruption
- Premium Fraud
- Collusion with agents and brokers

Understanding the Institutional ML/TF risks

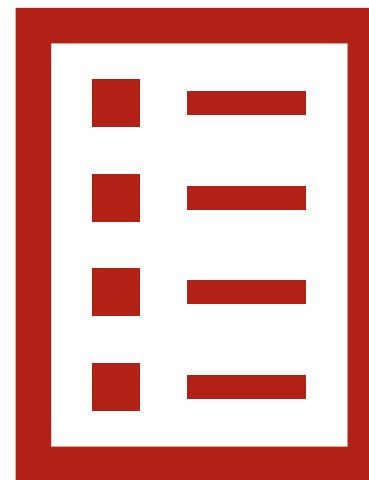
Business Risk Assessment process



Insurance sector on-site/off-site examination trends of non-compliance

Examples

- Deficiencies in AML/ATF and Sanctions Policies and Procedures
- Gaps in CDD and EDD documentation
- Gaps in ongoing monitoring documentation
- Inadequate BRAs and CRAs
- Low quality of Independent AML/ATF and Sanctions Audits
- Inadequate training of CO/MLRO
- Inadequate sanctions screening



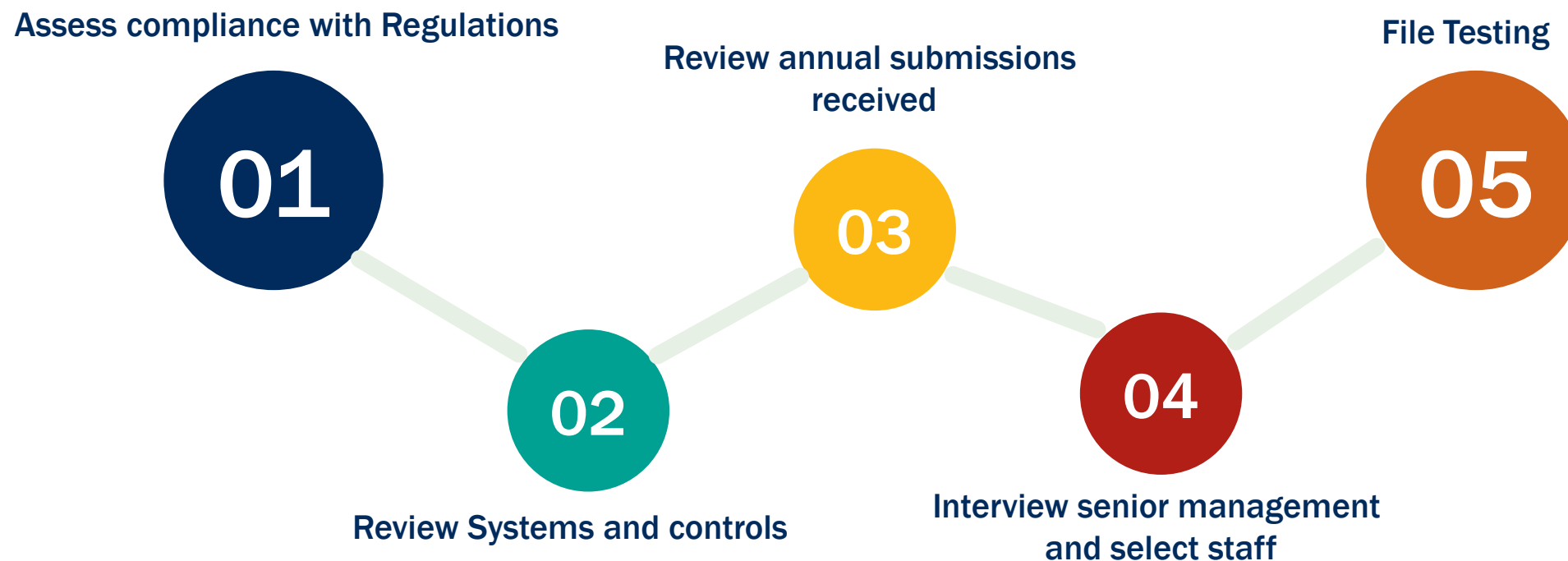
Insurance Preventive ML/TF Measures/Controls

Examples

- Assess and document the robustness of your AML/ATF framework
- Ensure there is adequate AML/ATF and sanctions training
- QA your AML/ATF controls
- Document all AML/ATF processes
- Perform and action the Independent AML/ATF Audit



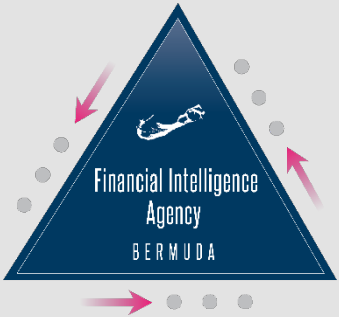
AML/ATF and Sanctions On-site/Off-site Examination Process



LTIs: Overview of SAR/STR Filings (2021-2024)

SAR/STR Filings (2021-2024)

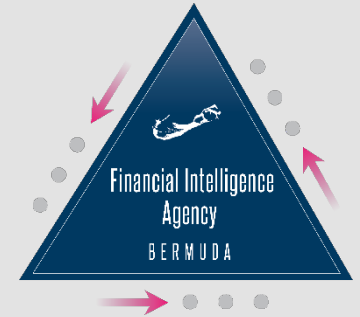
2021	2022	2023	2024 (Q1)	2024 (Q2)
141	152	223	72	45



Insurance Managers: Overview of SAR/STR Filings (2021-2024)

SAR/STR Filings (2021-2024)

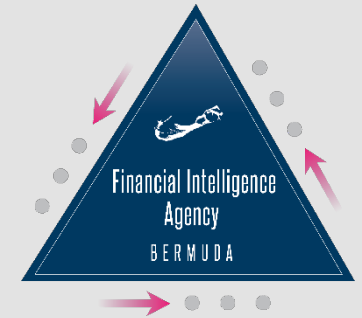
2021	2022	2023	2024 (Q1)	2024 (Q2)
7	4	5	5	0



Insurance Brokers: Overview of SAR/STR Filings (2021-2024)

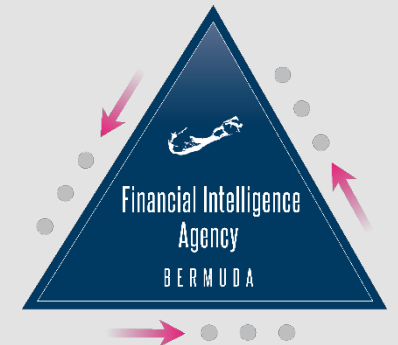
SAR/STR Filings (2021-2024)

2021	2022	2023	2024 (Q1)	2024 (Q2)
0	0	1	0	0



LTI Trends

- Adverse media identified involving actual or alleged embezzlement, bribery, corruption, human trafficking, terrorist financing, market abuse, sanctions, fraud etc.
- Refusal to comply with FATCA requirements
- Fraud involving fictitious/fraudulent documents
- Consent requests filed due to adverse media



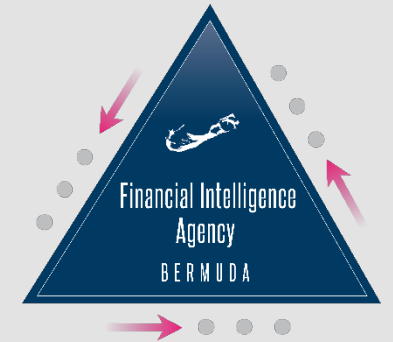
Insurance Manager Trends

- Declined business: potential client refused to provide CDD/KYC documentation for the purchase of local property and requested to pay for a mortgage by way of cash transactions
- Fraudulent activity: fraudulent wire payment request; adverse media reported that letters of credit used by the entity may be fraudulent; provision of false info in response to previous KYC document requests.



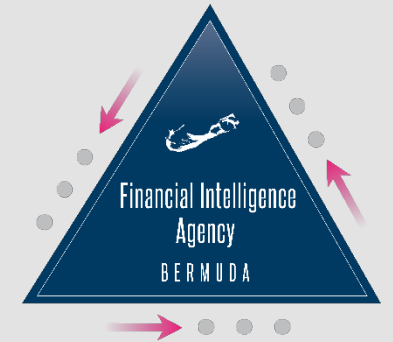
Insurance Broker Patterns

- A fraudulent claim was made under an insurance policy
- Involvement of sanctioned entities as ultimate stakeholders and a request for broking the placement of a share of the reinsurance placement for a property insurance risk



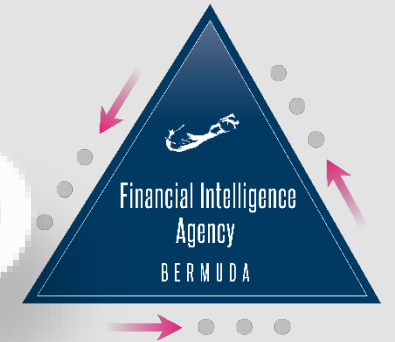
LTI Typology

In July 2021, the long-term insurer received a request to surrender a life insurance policy. While conducting due diligence in processing the request, the insurer ran a Bridger scan which resulted in a positive match of the insured and beneficial owner to a relative or close associate of a PEP as well as a Special Interest Person to overseas law enforcement due to alleged involvement in a Hawala scam.



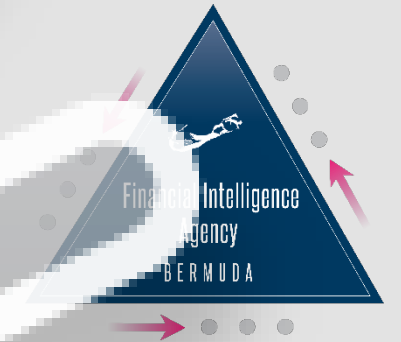
Insurance Manager Typology

In 2022, a local professional services firm filed on behalf of an insurance manager in liquidation. The filing reported adverse media involving allegations of embezzlement and tax evasion in the USA that have been linked to their client through her spouse. Although the client holds the contract and was the person who made the withdrawal request in 2022, the client's spouse is listed as her beneficiary on the policies held. At the time of this filing, funds were not being distributed by the liquidator to policyholders.



Insurance Broker Typology

A client made a claim under his insurance policy for an expensive watch that he claimed had fallen overboard while on a cruise. Upon further investigation and requests for additional supporting documentation, the client stated that he left the invoice for the watch purchase in New York to avoid paying customs duty. He intended to have the watch appraised locally to get it insured.



Quality of SAR/STR Filings

Overall Quality: Good

NB. Always provide supporting documents to support the SAR/STR narrative. Also, for consent requests, please provide all of the beneficiary bank account details.

Upcoming Action for the FIA:

To provide guidance about the introduction of a new STR report to be specifically used for consent requests.



REMINDERS – SAR/STR Filings

1. Consent requests
2. Declined Business
3. Refusal to Provide CDD



Insurance Sector-specific Resources

- **Bermuda Monetary Authority (BMA)** – www.bma.bm
 - Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing) Regulations 2008
 - General Guidance Notes for AML/ATF Regulated Entities (Revised – June 2013)
 - Sanctions Guidance Note (November 2021)
 - Annex II - Sector-Specific Guidance Notes for Long-Term Insurance Business (November 2016)

Other AML/ATF Resources

- FIA – <https://www.fia.bm>
 - Financial Intelligence Agency Act 2007
 - Money Laundering Typologies Report (January 1st, 2013 – December 31st, 2015)
- FATF – <https://www.fatf-gafi.org/en/publications/Fatfrecommendations/RBA-Life-Insurance-Sector.html>
 - Guidance for a Risk-Based Approach: Life Insurance Sector (October 2018)
- CFATF – <https://www.cfatf-gafic.org/>



Questions & Answers