

**UNITED INDIA INSURANCE COMPANY LTD.**  
**Anti Money Laundering Programme (AML)**  
**GUIDELINES AND POLICY**

INDEX

**AS ON APRIL 2013.**

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**Anti Money Laundering Programme (AML)**  
**GUIDELINES AND POLICY**

**1. Background:**

1. The Prevention of Money Laundering Act, 2002 brought into force with effect from 1st July 2005 (amended from time to time) .
2. Applicable to all the financial institutions which include insurance companies :: Life and Non-Life, Public Sector and private Sector.
3. Applicable to insurance companies in modified form w.e.f. 1.1.2007.
4. IRDA issued regulatory guidelines to all insurance companies on 31.3.2006 and thereafter circulars suggesting amendments.

**AML Program to cover**

- Internal policies, procedures, and controls;
- Appointment of a Principal compliance officer;
- Recruitment and training of employees/agents;
- Internal Control/Audit;

The above key elements of the AML programme are discussed in detail below:

**1. Internal policies, procedures, and controls:**

The company would establish and implement policies, procedures, and internal controls which would also integrate its agents in its anti-money laundering program as detailed below:

**1.1 Know Your Customer (KYC):**

1.1.1. What are KYC norms ::

1. Identification of name
2. Identification of residence
3. Insurance premium paid by persons other than the person insured should be looked into to establish insurable interest.

4. Identification of source of funds / net worth.
5. At any point in time during the contract period, where an insurance company is no longer satisfied that it knows the true identity of the customer, an STR should be filed with FIU-IND.
6. The insurer would not enter into a contract with a customer whose identity matches with any person with known criminal background or with banned entities and those reported to have links with terrorists or terrorist organizations

#### **How to exercise KYC norms :-**

A list of documents to be verified under KYC norms for individuals and others are given in annexure-I (revised)

#### **1.1.2. When should KYC be done :-**

- At the settlement stage where claim payout/premium refund crosses a threshold of Rs. One lakh per claim/premium refund..
- In cases where payments are made to third party service providers such as hospitals/ garages/ repairers etc., the KYC norms shall apply on the customers on whose behalf service providers act.
- The AML/CFT checks become more important in case of claims on the policies assigned by the policyholder to a third party not related to him (except where the assignment is to Banks/FIs/Capital Market intermediaries regulated by IRDA/RBI/SEBI). Especially where there is suspicion of money laundering or terrorist financing, or where there are factors to indicate a higher risk, AML/CFT checks will have to be carried out on such assignments and STR should be filed with FIU-IND, if necessary.

#### **1.1.3 Risk Assessment and Exempt Products:**

The AML/CFT requirements focus on the vulnerability of the products offered by the insurers to any of the process of money laundering. Insurers shall carry out risk assessment of various products before deciding on the extent of due diligence measures to be applied in each case.

An illustrative list of such vulnerable products/services are given in **Annexure II**

**The hitherto, exempt standalone health/medi-claim policies shall also be brought under the purview of AML/CFT requirements based on the assessed risks associated with each of the product profile.**

**The following products are exempt from the purview of AML/CFT requirements:**

- Reinsurance and retrocession contracts where the treaties are between insurance companies for reallocation of risks within the insurance industry and do not involve transactions with customers
- Group insurance businesses which are typically issued (as per guidelines on group insurance policies) to a company, financial institution, or association and generally restrict the ability of an individual insured / participant to manipulate.

**1.2 Implementation of Section 51A of UAPA:**

By virtue of Section 51A of UAPA, the Central Government is empowered to freeze, seize or attach funds of and/or prevent entry into or transit through India any individual or entities that are suspected to be engaged in terrorism.

The salient aspects of the order with particular reference to insurance sector are detailed in the following paragraphs.

A consolidated list of all the UAPA Nodal Officers of various agencies governed by the order will be circulated every year and on every change in the list, on receipt of the same from Ministry of Home Affairs.

**i. Procedure for freezing of insurance policies of 'designated individuals/entities'**

In case any matching records are identified, the procedure required to be adopted is as follows:

- a. operating offices through Nodal Officer of Regional Office shall immediately and in any case within 24 hours from the time of identifying a match, inform full particulars of the insurance policies held by such a customer on their books to the Joint Secretary (IS-I), Ministry of Home Affairs, at Fax No.011-23092569 and also convey over telephone on 011-23092736 marking a copy to the UAPA Nodal Officer of the State/UT where the account is held, IRDA and FIU-IND. . The particulars apart from being sent by post should necessarily be conveyed on e-mail id: [jsis@nic.in](mailto:jsis@nic.in).
- b. On receipt of the particulars of suspected designated individual/entities IS-I Division of MHA would cause a verification to be conducted by the State Police and/or the Central Agencies so as to ensure that the individuals/entities identified by the insurance companies are the ones listed as designated individuals/entities and the insurance policies, reported by insurance companies are held by the designated individuals/entities.
- c. In case, the results of the verification indicate that the insurance policies are owned by or are held for the benefit of the designated individuals/entities, an order to freeze these insurance policies under section 51A of the UAPA would be issued within 24 hours of such

verification and conveyed electronically to the concerned office of insurance company under intimation to IRDA and FIU-IND.

- g. The said order shall take place without prior notice to the designated individuals/entities. 'Freezing of insurance contracts' would require not-permitting any transaction (financial or otherwise), against the specific contract in question.

**ii. Procedure for unfreezing of insurance policies of individuals/entities inadvertently affected by the freezing mechanism, upon verification that the individual/ entity is not a designated individual/entity**

- a. Any individual or entity, if they have evidence to prove that the insurance policies, owned/held by them has been inadvertently frozen, shall move an application giving the requisite evidence, in writing, to the concerned insurance companies.
- b. The insurance companies shall inform and forward a copy of the application together with full details of the insurance policies inadvertently frozen as given by any individual or entity, to the Nodal Officer of IS-I Division of MHA within two working days.
- c. The Joint Secretary (IS-I), MHA, the Nodal Officer for IS-I Division of MHA shall cause such verification as may be required on the basis of the evidence furnished by the individual/entity and if he is satisfied, he shall pass an order, within 15 working days, unfreezing the insurance policies owned/held by such applicant, under intimation to the concerned insurance company. However, if it is not possible for any reason to pass an Order unfreezing the assets within 15 working days, the Nodal Officer of IS-I Division shall inform the applicant.

**Reporting Obligations:**

The AML/CFT program envisages submission of Reports on certain transactions to a Financial Intelligence Unit-India (FIU-IND) set up by the Government of India to track possible money laundering attempts and for further investigation and action.

**i. Suspicious Transactions Reports:**

- a. Special attention should be paid to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose. Background of such transactions, including all documents /office records /memorandums pertaining to such transactions, as far as possible, should be examined by the Principal Compliance Officer. These records are required to be preserved for ten years.

An illustrative list of suspicious transactions is provided in **Annexure III**.

- b. Operating offices through Nodal Officer of Regional Office should report the suspicious transactions immediately on identification. Such reports should include attempted transactions, whether or not made in cash, irrespective of the monetary value involved. When such transactions are identified post facto the contract, a statement may be submitted to FIU-IND within 7 working days of identification in the prescribed formats.
- c. Directors, officers and employees (permanent and temporary) shall be prohibited from disclosing the fact that a Suspicious Transactions Report or related information of a policyholder/prospect is being reported or provided to the FIU-IND.

**ii. Monitoring and Reporting of Cash Transactions:**

- a. With a view to ensuring that premiums are paid out of clearly identifiable sources of funds, premium/proposal deposits remittances in cash beyond Rs. 50000/- per transaction shall be accepted subject to the customer quoting PAN. Insurers shall verify the authenticity of the details of PAN so obtained. In case of customers not required to have PAN or with only agricultural income, Form 60/61 prescribed under the provisions of Income Tax Rules shall be obtained.
- b. From the perspective of AML/CFT guidelines, it becomes imperative to obtain the details of PAN of the person/entity funding the premium/proposal deposit on an insurance policy.
- c. Any cash transaction above Rs.10 lakh and integrally connected cash transactions above Rs 10 lakh per month shall be reported to FIU-IND by 15th of the succeeding month
- d. Premium collected from various customers and remitted by intermediaries is however, excluded from these reporting requirements.
- e. Proper mechanisms shall be laid down to check any kind of attempts to avoid disclosure of PAN details. In case of possible attempts to circumvent the requirements, the same shall be reviewed from the angle of suspicious activities and shall be reported to FIU-IND, if required.
- f. The above clauses should not be selectively interpreted on individual transaction basis. Splitting of the insurance policies/issue of number of policies to one or more entities facilitating individuals to defeat the spirit of the AML/CFT guidelines should be avoided. Where there is possibility of transactions being integrated through a single remitter, the insurer should refuse to accede to the requests for cash deposits.

### **iii. Reporting of receipts by Non-Profit Organisations :**

All transactions, involving receipts by non-profit organizations of value more than Rs 10 lakh, or its equivalent in foreign currency, should be reported to FIU-IND by 15<sup>th</sup> day of next succeeding month.

### **iv. Reporting of Counterfeit Currency/Forged Bank notes (CCR):**

All cash transactions, where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security or a document has taken place facilitating the transaction should be reported within 7 days of identification to FIU-IND.

### **4. Record Keeping:**

- The insurer/agents/corporate agents are required to maintain the records of types of transactions mentioned under Rule 3 of PMLA Rules 2005 as well as those relating to the verification of identity of clients for a period of 10 years.
- Sharing of information on customers may be permitted between different organisations such as banks, insurance companies, Income tax authorities, local government authorities on request.
- Operating offices shall retain the records of those contracts, which have been settled by claim (maturity or death), surrender or cancellation, for a period of at least 10 years after that settlement.
- Records of investigations, customer account files and business correspondence to be retained for a period of at least 10 years.

## **2. Compliance Arrangements :-**

### **Responsibility on behalf of the agents and corporate agents:**

It is necessary that steps are taken to strengthen the level of control on the agents and corporate agents engaged by the insurers.

- a. A list of rules and regulations covering performance of agents and corporate agents must be put in place. A clause should be added making KYC norms mandatory and specific process document can be included as part of the contracts.
- b. Services of defaulting agents who expose the insurers to AML/CFT related risks on multiple occasions should be terminated.
- c. Company when faced with a non-compliant agent or corporate agent should take necessary action to secure compliance, including when appropriate, terminating its business relationship with such an agent/corporate agent.

Appointment of Principal Compliance Officer:

**Appointment** :: The company would designate a Principal Compliance Officer under AML rules at senior level and preferably not below the Head (Audit/Compliance) /Chief Risk Officer. The name of the principal compliance officer would be communicated to IRDA and FIU .

**Rights and Responsibility of Principal Compliance Officer, ::**

- i. The Principal Compliance Officer would ensure that the Board approved AML program is being implemented effectively, including monitoring compliance by the company's insurance agents with their obligations under the program;
- ii. He/She should ensure that employees and agents of the insurance company have appropriate resources and are well trained to address questions regarding the application of the program in light of specific facts.
- iii. He /She should be able to act independently and report to senior management.
- iv. Principal Compliance Officer for AML guidelines and staff assisting him in execution of AML guidelines should have timely access to customer identification data, other KYC information and records.

**Recruitment and Training of employees / agents ::**

- Selection of agents/corporate agents should be monitored carefully.
- Supervisory authority would monitor Rules & Regulations for performance of agents / corporate agents, implementation of KYC norms for their customers, monitoring of sales practices of agents, action for non-compliance by agents.
- Proper screening procedures for hiring of employees would be put in place.
- Instruction Manuals on the procedures for selling insurance products, customer identification, record-keeping, acceptance and processing of insurance proposals, issue of insurance policies would be set out.
- The concept of AML would be part of in-house training curriculum for all employees including agents at Corporate Training Centre and Regional Training Centre, Regional Offices.
- Records of training imparted to staff in the various categories detailed above should be maintained.

The following training requirements are considered essential based on the class of employees.



- a. New employees: A general appreciation of the background to money laundering, and the subsequent need for identifying and reporting of any suspicious transactions to the appropriate designated point should be provided to all new employees who will be dealing with customers or their transactions, irrespective of the level of seniority.
- b. Sales/Advisory staff: Members of staff who are dealing directly with the public (whether as members of staff or agents) are the first point of contact with potential money launderers and their efforts are therefore vital to the strategy in the fight against money laundering. It is vital that "front-line" staff is made aware of the insurance institution's policy for dealing with non-regular customers particularly where large transactions are involved, and the need for extra vigilance in these cases.
- c. Processing staff: Those members of staff who receive completed proposals and cheques for payment of premium must receive appropriate training in the processing and verification procedures.
- d. Administration/Operations supervisors and managers: A higher level of instruction covering all aspects of money laundering procedures should be provided to those with the responsibility for supervising or managing staff.

Vi Ongoing training: It will also be necessary to make arrangements for refresher training at regular intervals to ensure that staff does not forget their responsibilities.

**Internal Control/Audit:**

- internal audit/inspection departments would verify on a regular basis, compliance with policies, procedures and controls relating to money laundering activities.
- Make constructive suggestions where necessary, to strengthen the policy and implementation aspects.
- Exception reporting under AML policy would be done to Audit Committee of the Board.

- List Of Annexures
- 1 Customer Identification Procedure
  - 2 Vulnerable Products
  - 3 Illustrative list of Suspicious Transactions:

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Customer Identification Procedure

**Documents that may be obtained from customers**

**ANNEXURE - I**

Features	Documents		
Insurance Contracts with individuals	i.Passport		
<table border="1"> <tr> <td data-bbox="201 386 727 422">Legal name and any other names used</td> </tr> <tr> <td data-bbox="201 428 727 485">Proof of Residence</td> </tr> </table>	Legal name and any other names used	Proof of Residence	ii.PAN Card iii. Voter’s Identity Card
Legal name and any other names used			
Proof of Residence			
	iv. Driving License v. Letter from a recognized Public Authority (as defined under Section 2 (h) of the Right to Information Act, 2005) or Public Servant (as defined in Section 2(c) of the ‘The Prevention of Corruption Act, 1988’) verifying the identity and residence of the customer vi. Personal identification and certification of the employees of the insurer for identity of the prospective policyholder. <b>vii. Letter issued by Unique Identification Authority of India containing details of name, address and Aadhar number</b> <b>viii. Job card issued by NREGA duly signed by an officer of the State Government</b>		
<table border="1"> <tr> <td data-bbox="201 1274 727 1331">•Proofs of both Identify and Residence</td> </tr> </table>	•Proofs of both Identify and Residence		
•Proofs of both Identify and Residence			
	----- i.Telephone bill pertaining to any kind of telephone connection like, mobile, landline, wireless, etc. provided it is not older than six months from the date of insurance contract <b>ii. Current Passbook with details of permanent/present residence address (updated upto the previous month)</b> <b>iii.Current statement of bank account with details of permanent/present</b>		

	<p style="text-align: center;"><b>residence address (as downloaded)</b></p> <p>iv. Letter from any recognized public authority</p> <p>v. Electricity bill</p> <p>vi. Ration card</p> <p>vii. Valid lease agreement along with rent receipt, which is not more than three months old as a residence proof</p> <p>viii. Employer’s certificate as a proof of residence (Certificates of employers who have in place systematic procedures for recruitment along with maintenance of mandatory records of its employees are generally reliable)</p> <p>Written confirmation from the banks where the prospect is a customer, regarding identification and proof of residence.</p> <p>The above need not be insisted upon in case of micro insurance products. Instead the following documents are sufficient proofs of identity and address:</p> <p style="text-align: center;"><b>Current Passbook with details of permanent/present residence address (updated upto the previous month)</b></p> <p style="text-align: center;"><b>Current statement of bank account with details of permanent/present residence address (as downloaded)</b></p>	
<p>Insurance Contracts with companies</p> <table border="1" data-bbox="298 1493 727 1738"> <tr> <td> <ul style="list-style-type: none"> <li>· Name of the company</li> <li>· Principal place of business</li> <li>· Mailing address of the company</li> <li>Telephone/Fax Number</li> </ul> </td> </tr> </table>	<ul style="list-style-type: none"> <li>· Name of the company</li> <li>· Principal place of business</li> <li>· Mailing address of the company</li> <li>Telephone/Fax Number</li> </ul>	<p>i. Certificate of incorporation and Memorandum &amp; Articles of Association</p> <p>ii. Resolution of the Board of Directors to open an account and identification of those who have authority to operate the account</p> <p>iii. Power of Attorney granted to its managers, officers or employees to transact business on its behalf</p> <p>iv. Copy of PAN allotment letter</p>
<ul style="list-style-type: none"> <li>· Name of the company</li> <li>· Principal place of business</li> <li>· Mailing address of the company</li> <li>Telephone/Fax Number</li> </ul>		

<p>Insurance Contracts with partnership firms</p> <p>·Legal name ·Address Names of all partners and their addresses Telephone numbers of the firm and partners</p>	<p>i. Registration certificate, if registered ii. Partnership deed iii. Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf iv. Any officially valid document identifying the partners and the persons holding the Power of Attorney and their addresses</p>
<p>Insurance Contracts with trusts &amp; foundations</p> <p>Names of trustees, settlers beneficiaries and signatories ·Names and addresses of the founder, the managers/directors and the beneficiaries Telephone/fax numbers</p>	<p>i. Certificate of registration, if registered ii. Power of Attorney granted to transact business on its behalf iii. Any officially valid document to identify the trustees, settlers, beneficiaries and those holding Power of Attorney, founders/managers/directors and their addresses iv. Resolution of the managing body of the foundation/association</p>

### **Annexure II**

#### **Vulnerable Products/Features :**

##### **1 Personal Accident Policies**

##### **2. Assignment of Policies**

Note: The list is only illustrative and not exhaustive

### **Annexure III**

#### **Illustrative list of Suspicious Transactions:**

1. Customer insisting on anonymity, reluctance to provide identifying information, or providing minimal, seemingly fictitious information
2. Cash based suspicious transactions for payment of premium over and above Rs. 5 lakh per person per month. It should also consider multiple DDs each denominated for less than Rs. 50,000/-
3. Frequent free look surrenders by customers;
4. Assignments to unrelated parties without valid consideration;
5. Policy from a place where he does not reside or is employed;
6. Frequent request for change in addresses
7. Inflated or totally fraudulent claims e.g. by arson or other means causing a fraudulent claim to be made to recover part of the invested illegitimate funds
8. An established trend or pattern or frequent overpayment of premium with a request for refund of the overpaid amount

9. Frequent cancellation of policies for the return of premium by an insurer's cheque

Note: The list is only illustrative and not exhaustive.

For more examples on Suspicious Transactions please visit <http://www.iaisweb.org>