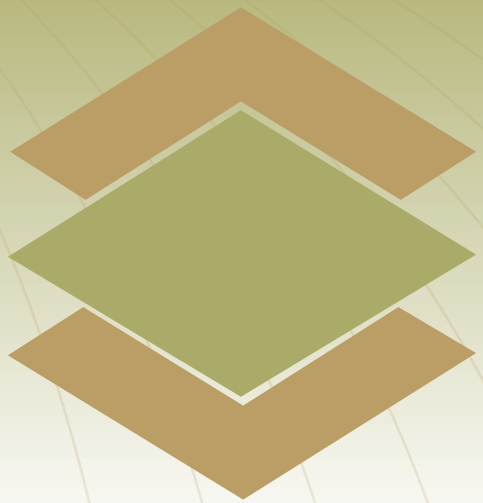

IRA

Insurance Regulatory Authority

GUIDELINES TO THE INSURANCE INDUSTRY ON IMPLEMENTATION OF THE PROCEEDS OF CRIME AND ANTI-MONEY LAUNDERING ACT

JUNE 2011

To All Stakeholders

THE ANTI-MONEY LAUNDERING GUIDELINES

These Anti- Money Laundering Guidelines are issued pursuant to section 3A of the Insurance Act as read together with The Proceeds of Crime and Anti-Money Laundering Act, 2009 and the regulations made thereunder.

The aim of these guidelines is to enable the insurance companies to combat crimes related to money laundering. Insurers are required under the guidelines to develop policies that are capable of detecting, deterring and reporting possible incidences of money laundering.

The Authority recognizes that the insurance industry is capable of being used to launder money.

To this end, the Insurance Regulatory Authority hereby issues these Anti- Money Laundering guidelines.

SAMMY M. MAKOVE
COMMISSIONER OF INSURANCE & CHIEF EXECUTIVE OFFICER

THE INSURANCE ACT
(CAP 487)

GUIDELINES TO THE INSURANCE INDUSTRY ON IMPLEMENTATION OF THE PROCEEDS OF CRIME AND ANTI-MONEY LAUNDERING ACT

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GUIDELINES TO THE INSURANCE INDUSTRY ON IMPLEMENTATION OF THE PROCEEDS OF CRIME AND ANTI-MONEY LAUNDERING ACT

1.0. Authorisation

IN EXERCISE of the powers conferred by section 3A (a), (b) and (g) of the Insurance Act, the Insurance Regulatory Authority (hereafter the Authority) issues the guidelines set out below, for compliance by the insurance industry in Kenya. The purpose of the guidelines is to provide guidance on detection, deterrence and reporting incidences of possible crimes related to proceeds of crime and money laundering by the insurance industry. These guidelines should be read together with the provisions of The Proceeds of Crime and Anti-Money Laundering Act, 2009 which provides (among other things) that in determining whether there has been a failure to comply with that Act, consideration will be taken on the guidelines issued by a supervisory body. The Authority is named as a supervisory body under the Act.

2.0. Introduction

The insurance industry is potentially at risk of being misused for money laundering purposes. The products and transactions of the industry can provide an opportunity to launder money. As a result, an insurance company or intermediary can be involved, knowingly or unknowingly, in money laundering activities thus exposing it to legal, operational and reputational risks.

The Insurance Regulatory Authority , pursuant to its mandate to regulate , supervise and develop the insurance industry has developed guidelines to combat money laundering in the industry.

Internationally, initiatives to combat the misuse of financial systems by persons laundering money led the formation of the Financial Action Task Force (FATF). FATF is an inter-governmental policy making body which sets standards and develops and promotes policies to combat money laundering and terrorist financing. To date, FATF has issued 40 recommendations that are considered to provide a complete set of counter measures against money laundering.

The International Association of Insurance Supervisors (IAIS), of which the Authority is a member, considers the FATF's recommendations to be the international standards in the field of anti-money laundering.

3.0. Definitions

Act means The Proceeds of Crime and Anti-Money Laundering Act No. 9 of 2009.

Authority means Insurance Regulatory Authority.

Beneficiary refers to the beneficiary to the insurance contract.

Centre refers to the Financial Reporting Centre as shall be established.

Customer refers to the policy holder or prospective policy holder.

Insurance institution refers to insurance and reinsurance companies licensed under the Insurance Act, Cap 487.

Money Laundering means the act of a person who:

(a) knows or ought reasonably to have known that the property is or forms part of the proceeds of crimes and;

(i) enters into any agreement or engages in any arrangement or transaction with anyone in connection with that property, whether that agreement, arrangement or transaction is legally enforceable or not; or

(ii) performs any other act in connection with such property, whether it is performed independently or with any other person,
Whose effect is to:
(a) conceal or disguise the nature, source, location, disposition or movement of the said property or the ownership thereof or any interest which anyone may have in respect thereof; or
(b) enable or assist any person who has committed or commits an offence, whether in Kenya or elsewhere to avoid prosecution; or
(c) remove or diminish any property acquired directly, or indirectly, as a result of the commission of an offence;

(b) acquires, uses or has possession of property and who, at the time of acquisition, use or possession of such property, knows or ought reasonably to have known that it is or forms part of the proceeds of a crime committed by another person;

(c) knowingly transports, transmits, transfers or receives or attempts to transport, transmit, transfer or receive a monetary instrument or anything of value to another person, with intent to commit an offence.

Person means any natural or legal entity.

Proceeds of Crime means any property or economic advantage derived or realized, directly or indirectly, as a result of or in connection with an offence irrespective of the identity of the offender and includes, on a proportional basis, property into which any property derived or realized directly from the offence was later successively converted, transformed or intermingled, as well as income, capital or other economic gains derived or realized from such property from the time the offence was committed.

Reporting Institution means a financial institution and a designated non-financial business and profession.

3.1. Vulnerabilities in the Insurance Industry

3.1.1. The insurance industry is vulnerable to money laundering in a number of ways. The Authority brings to the attention of the industry some of the transactions or products that may be vulnerable to money laundering. The industry will be required to take more precaution in these transactions.

3.1.2. Life policies may become vulnerable in that when it matures or is surrendered, funds become available to the policyholder or other beneficiary and such beneficiary may sometimes be changed possibly against payment before maturity or surrender in order that payments can be made by the insurer to a new beneficiary. A policy might be used as collateral to purchase other financial instruments. These investments in themselves may be merely one part of a sophisticated web of complex transactions with their origins elsewhere in the financial system.

3.1.3. Examples of the type of long term insurance contracts that are vulnerable as a vehicle for laundering money are products such as:

(a) unit-linked or non unit-linked single premium contracts;
(b) purchased annuities;
(c) lump sum top-ups to an existing life contract; and
(d) lump sum contributions to personal pensions contracts.

3.1.4. General insurance business may be vulnerable for money laundering through inflated and bogus claims e.g.by arson or other means causing fake claims to be made to recover part of the invested illegitimate claim.

3.1.5. Re-insurance may be used for money laundering by establishing fictitious (re)insurance companies and reinsurance intermediaries fronting arrangements and captives, or by misuse of normal reinsurance transactions which may include the deliberate placement via the insurer of the proceeds of crime with a reinsurance institution in order to disguise the source of funds;

3.1.6. Insurance intermediaries being an important channel of distribution and the link between the insurer and the customers may be used for money laundering by either failing to carry out due diligence or being established to facilitate illegal transactions.

3.1.7. Premium financing by non regulated financial institutions can be used as an avenue for money laundering where the insured uses illegal funds to repay the premium loan with an intention of receiving clean funds upon occurrence of the risk and compensation by the insurer. The finances used for premium financing may also be from an illegal source and are being laundered by advancing loans to policyholders or prospective policyholders.

3.2. Stages of Money Laundering

3.2.1. Despite the variety of methods employed, the laundering process is accomplished in three stages. The stages of anti money laundering may occur in any order and may not necessarily be in the order provided.

3.2.2. These stages, described below, may comprise numerous transactions by the launderers that could alert an institution of the criminal activity;

(a) **Placement** – the physical disposal of the initial proceeds derived from an illegal activity. It entails the physical movement of cash or property away from the location where it was illegally obtained and its placement in the legitimate financial system.

(b) **Layering** – separating illicit proceeds from their source by creating complex layers of financial transactions designed to disguise the audit trail and provide anonymity. This may include a scenario where a single premium investment accompanied by a request for a letter of guarantee or followed by surrender or loan and unit trust investments shortly followed by repurchase.

(c) **Integration** – the provision of apparent legitimacy to criminally derived wealth. If the layering process has succeeded, an integration scheme places the laundered proceeds back into the economy in such a way that they re-enter the financial system appearing as normal business funds. This may be obtaining assets e.g. through investment in a policy, obtaining payment by way of cheque or electronic payment from the insurer and reinvestments in other instruments.

4.0. Policies and Procedures to Combat Money Laundering

4.1. These guidelines will apply to insurance and reinsurance companies licensed under the Insurance Act, Chapter 487 Laws of Kenya. The guidelines highlight methods of prudent customer identification, record keeping, identification of suspicious activities and reporting such activities to the Centre for further investigation.

4.2. It is the responsibility of the board of directors and management of insurance institutions to establish appropriate policies and procedures and to train staff to ensure adequate identification of clients, their source of funds and the use of the said funds.

4.3. Such policies should also ensure the effective prevention, detection, reporting and control of possible money laundering activities.

4.4. The insurance institutions will file such policies and procedures with the Authority, in case of the first filing within six months after coming into force of these guidelines. There after any changes on the policies and procedures will be filed within thirty days of effecting the changes.

4.5. The insurance institutions will in addition to the policies and procedures;

(a) communicate the policies to all management and relevant staff whether in branches, departments or subsidiaries.

(b) develop instruction manuals setting out procedures for:

- Customer acceptance
- Customer due diligence
- Record-keeping
- Recognition and reporting of suspicious transactions
- Staff screening and training

(c) Comply with relevant legislations and seek actively to promote close co-operation with law enforcement authorities.

(d) Instruct their internal audit or compliance departments to verify, on a regular basis, compliance with policies, procedures and controls against money laundering.

(e) Regularly review the policies and procedures on money laundering to ensure their effectiveness.

(f) Report to the Centre any cash transactions exceeding US$ 10,000 or its equivalent in any other currency.

(g) Appoint an Anti money laundering officer or an officer designated to perform the responsibility of Anti money laundering officer to whom the employees will report to any suspicious transaction under the Act.

4.6. Whilst appreciating the sensitive nature of extra-territorial regulations, and recognizing that their foreign operations must be conducted in accordance with local laws and regulations, insurance institutions will ensure that their overseas branches and subsidiaries are aware of the policies concerning money laundering and, where appropriate, have been instructed to report suspicious transactions to the Centre.

5.0. Customer Acceptance

5.1. Insurance institutions will develop customer acceptance policies and procedures that aim to identify the types of customers or beneficiaries that are likely to pose a higher than average risk of money laundering.

5.2. Prior to the establishment of a business relationship, insurance institutions will assess the characteristics of the required product, the purpose and nature of the proposed business relationship and any other relevant factors in order to create and maintain a risk profile of the customer. Based on this assessment, insurance institutions will decide whether or not to accept the business relationship.

5.3. In assessing the risk profile of a customer, insurance institutions will consider the following factors;

(a) nature of the insurance policy, which is susceptible to money laundering risk, such as single premium policies;

(b) origin of the customer or beneficiary such as place of birth, residency, the place where the customer's or beneficiary's business is established, the location of any other party the customer conducts business with such as high risk and non-cooperative jurisdictions designated by the FATF or those known to the insurance institution to lack proper standards in the prevention of money laundering;

(c) nature of the customer's or beneficiary's business, which may be particularly susceptible to money laundering risk, such as money changers or casinos that handle large amounts of cash;

(d) for a corporate customer or beneficiary, unduly complex structure of ownership for no good reason;

(e) means of payment as well as type of payment such as cash, wire transfer, third party cheque without any apparent connection with the prospective customer or beneficiary;

(f) the source of funds; and

(g) any other information that may suggest that the customer or beneficiary is of high risk.

6.0. Customer Due Diligence

6.1. General Provisions

6.1.1. Insurance institutions will conduct due diligence of their customers before and after entering into business relationship. The Board of directors will be required to formulate policies on the information required from customers that will take into consideration the risk profile of customers.

6.1.2. Insurance institutions will not keep anonymous accounts or accounts in obviously fictitious names. Insurance institutions will be required to undertake the following measures in regard to the principle of due diligence:

(a) identify the customer and verify the customer's identity using reliable, independent source documents, data or information;

(b) identify the beneficiary and verify the identity of the beneficiary such that the insurance institution is satisfied that it knows who the beneficial owner is. For legal persons and arrangements, insurance institutions should understand their ownership and control structure;

(c) obtain information on the purpose and intended nature of the business relationship between the customer and the insurance institution;

(d) conduct on-going due diligence and scrutiny i.e. perform on-going scrutiny of the transactions and accounts throughout the course of the business relationship to ensure that the transactions being conducted are consistent with the insurance institution's knowledge of the customers or beneficiary, their businesses and risk profile, including, where necessary, identifying the source of funds;

(e) insurance institutions may apply simplified due diligence in respect of a customer where there is no suspicion of money laundering and;

i. where the risk profile of the customer is low

ii. there is adequate public disclosure in relation to the customers; or

iii. there are adequate checks and controls from the customer's country of origin or the source of the funds.

6.1.3. Insurance institutions will take reasonable steps to satisfy themselves as to the true identity of their customers or beneficiaries which should be objective and reasonable.

6.1.4. If claims, commissions, and other monies are to be paid to persons or companies other than the customers or beneficiaries, then the proposed recipients of these monies should also be the subject of identification and verification.

6.1.5. Insurance institutions will pay special attention to all complex, unusually large transactions and all unusual patterns of transactions which have no apparent economic or visible lawful purpose.

6.1.6. Where the insurance institution is unable to satisfy itself on the identity of the customer or beneficiary, it will not commence business relationship or perform the transaction and will consider making a suspicious transaction report as required under the Act.

6.1.7. Where the insurance institution has already commenced the business relationship and is unable to satisfy itself on the identity of the customer or beneficiary, it will consider terminating the business relationship, if possible, and making a suspicious transaction

report as required under the Act.

6.2. Due Diligence to Individual/Natural Customer

6.2.1. Insurance institutions will institute effective procedures for obtaining satisfactory evidence of the identity of individual customers or beneficiaries including obtaining information about:

(a) true name or name(s) used,
(b) identity card or passport or birth certificate or driving licenses or any other official means of identification,
(c) current permanent address,
(d) date of birth,
(e) nationality; and
(f) occupation/business.

And this information will be evidenced in the relevant copies of the documents taken after the verification of the original copies.

6.2.2. If there is doubt about whether an identification document is genuine, contact will be made with relevant government authority in custody of such information.

6.2.3. Insurance institutions will maintain the current residential address of their customers at all times of the tenure of the policy.

6.2.4. Insurance institutions will also identify the source of funds of customers or beneficiaries if the customers or beneficiaries are assessed to be of high risk based on the factors set out.

6.3. Due Diligence to Corporate Customers

6.3.1. The following documents or information will be obtained in respect of corporate customers or beneficiaries;

(a) Evidence of registration or incorporation
(b) memorandum and articles of association (if insurance institution considers necessary having regard to the risk of the particular customer);
(c) Evidence conferring authority to those persons to act on behalf of the body corporate as well as the identification information of those persons;
(d) A copy of the latest annual returns submitted in respect of the body corporate in accordance with the law under which it is established.

6.3.2. A company may be considered to be of low risk if;

(a) the company is listed in any stock exchange in East Africa.
(b) the company is owned by the Government of Kenya.
(c) the company acquires an insurance policy for pension schemes which does not have surrender clause and the policy cannot be used as collateral; or
(d) the company acquires a pension, superannuation or similar scheme that provides retirement benefits to employees, where contributions are made by way of deduction

from wages.

(e) the company is regulated by a supervisory body as defined in the Act.

6.3.3. Where a listed company is effectively controlled by an individual or a small group of individuals, insurance institutions will consider whether it is necessary to verify the identity of such individual(s).

6.3.4. Insurance institutions will exercise special care in initiating business transactions with companies that have nominee shareholders. Satisfactory evidence of the identity of beneficiaries of such companies will be obtained.

6.4. Un-incorporated Business

In the case of partnerships and other unincorporated businesses whose partners are not known to the insurance institution, satisfactory evidence will be obtained of the identity of at least two partners and all authorized signatories designated to sign insurance contracts.

6.5. Trust Accounts

Where trusts or similar arrangements are used, particular care will be taken in understanding the substance and form of the entity. Where the customer is a trust, the insurance institution will verify the identity of the trustees, any other person exercising effective control over the trust property, the settlors and the beneficiaries. Verification of the beneficiaries will be carried out prior to any payments being made to them.

6.6. High Risk Customers

6.6.1. Insurance institutions will apply an enhanced due diligence in respect of high risk customers or beneficiaries. Some examples of high risk customers or beneficiaries are:

(a) customers or beneficiaries assessed to be of high risk based on the factors set out in the preceding paragraphs,

(b) customers of non-face-to-face transactions,

(c) Customers from high risk and non-cooperative jurisdictions as identified by FATF.

6.6.2. For high risk customers, the following additional measures will be applied to enhance due diligence;

(a) obtaining senior management approval for establishing business relationship;

(b) obtaining comprehensive customer profile information e.g. purpose and reasons for entering the insurance contract, business or employment background and source of funds;

(c) assigning a designated staff to serve the customer who bears the responsibility for customer due diligence and ongoing monitoring to identify any unusual or suspicious

transactions on a timely basis;
(d) requisition of additional documents to complement those which are otherwise required; and
(e) certification by appropriate authorities and professionals of documents presented.

6.7. On-Going Due Diligence on Existing Customers or Beneficiary

6.7.1. Insurance institutions will conduct on-going due diligence on existing customers and particularly will pay attention to all requested changes to the policy or exercise of rights under the terms of the contract. Enhanced due diligence will be conducted on high risk customers.

6.7.2. Some of the transactions after the establishment of business relation that will require the customers due diligence include;

(a) there is change in beneficiaries for instance, to include non-family members, request for payments to persons other than beneficiaries;
(b) there is significant increase in the amount of sum insured or premium payment that appears unusual in the light of the income of the policy holder;
(c) there is use of cash or payment of large single premiums;
(d) there is payment or surrender by a wire transfer from or to foreign parties;
(e) high frequency of changes in a policy;
(f) there is payment by banking instruments which allow anonymity of the transaction,
(g) there is change of address or place of residence of the policy holder or beneficiary,
(h) there are lump sum top-ups to an existing life insurance contract,
(i) there are lump sum contributions to personal pension contracts,
(j) there are requests for prepayment of benefits,
(k) there is use of the policy as collateral or security for instance, unusual use of the policy as collateral unless it is clear that it is required for financing of a mortgage by a reputable financial institution,

(l) there is change of the type of benefit for instance, change of type of payment from an annuity into a lump sum payment,

(m) there is early surrender of the policy or change of the duration where this causes penalties or loss of tax relief,

(n) the insurance institution is aware that it lacks sufficient information about the customer or beneficiary; or

(o) there is suspicion of money laundering.

6.8. Non-Face-To-Face Transactions

6.8.1. Where possible insurance institutions will carry out face to face interview to conduct due

diligence particularly for high risk customers.

6.8.2. New or developing technologies that might favour anonymity can be used to market insurance products. Where face-to-face interview is not conducted, for example where the transactions are conducted via the internet, insurance institutions will apply equally effective customer identification procedures and on-going monitoring standards as for face-to-face customers.

6.8.3. Insurance institution will carry out the following specific measures to mitigate the risk posed by such customers of non-face-to face transactions;

(a) certification of identity documents presented by suitable certifiers,

(b) requisition of additional documents to complement those required for face-to-face customers,

(c) completion of on-line questionnaires for new applications that require a wide range of information capable of independent verification such as confirmation with a government department,

(d) independent contact with the customer by the insurance institution,

(e) requiring the payment of insurance premiums through an account in the customer's name with a bank,

(f) more frequent update of the information on customers of non-face-to-face transactions; or

(g) in the extreme, refusal of business relationship without face-to-face contact for high risk customers.

6.9. Carrying on Due Diligence by the Intermediaries

6.9.1. Insurance institutions may rely on insurance intermediaries to perform customer due diligence procedures. However, the ultimate responsibility for knowing the customer or beneficiary always remains with the insurer. Insurance institutions will therefore satisfy themselves as to the adequacy of customer due diligence procedures conducted by the insurance intermediaries.

6.9.2. Where the insurance institutions rely on the intermediary for due diligence, they will immediately obtain the necessary information concerning the relevant identification data and other documentation pertaining to the identity of the customer or beneficiary from the insurance intermediary. The insurance intermediary will submit such information to the insurer upon request and without delay.

6.9.3. Insurance institutions will undertake and complete their own verification of the customer and beneficial owner if they have any doubts about the ability of the insurance intermediary to undertake appropriate due diligence.

7.0. Record Keeping

7.1. Insurance institutions will maintain customer records for at least seven years after the end of the business relationship and ensure that it is easy to retrieve relevant information without delay.

7.2. The records to be maintained will include;

(a) the risk profile of each customer or beneficiary;
(b) data obtained through the customer due diligence process such as name, address;
(c) the nature and date of the transaction;
(d) the type and amount of currency involved;
(e) the policy details, the statements of account and business correspondence; and
(f) the copies of official identification documents such as passports, identity cards or similar documents;

7.3. Insurance institutions will ensure that all documents collected through the process of due diligence are kept up-to-date and relevant by undertaking reviews of existing records, particularly for the high risk category of customers.

7.4. Insurance institutions will ensure that they have in place adequate procedures to;

(a) provide initial proposal documentation including, where applicable, the customer financial assessment, analysis of needs, details of the payment method, illustration of benefits, and copy of documentation in support of verification,

(b) retain all records associated with the maintenance of the contract post sale, up to and including maturity of the contract; and

(c) provide details of the maturity processing and claim settlement which will include completed discharge documentation.

7.5. Retention may be by way of original documents or in any electronic form accepted as evidence under the Evidence Act, Chapter 80, Laws of Kenya.

8.0. Recognition and Reporting of Suspicious Transactions

8.1. Insurance institutions will develop relevant mechanism of detection of suspicious transactions and report such transactions to the Centre.

8.2. The mechanism developed should detect patterns of unusual or suspicious activity,

particularly in relation to high risk customers.

8.3. The mechanism used for monitoring purposes should identify transactions that are unusual either in terms of amount or type of transaction or other relevant risk factors.

8.4. Suspicious transactions may fall in any of the following categories and as provided in Annexure 1;

(a) any unusual financial activity of the customer in the context of the customer's own usual activities,
(b) any unusual transaction in the course of some usual financial activity,
(c) any linked transactions that are not ordinarily linked,
(d) any unusual or disadvantageous early redemption of an insurance policy,
(e) any unusual employment of an intermediary in the course of some usual transaction or financial activity,
(f) any unusual method of payment; or
(g) any involvement of any person subject to international sanctions.

8.5. Due diligence once started by an insurance institution will be pursued either to conclusion or refusal and if a customer does not pursue an application it may be considered to be suspicious transaction.

8.6. Insurance institutions will report to the Centre all the suspicious transactions immediately and maintain a register of all the reported transactions.

8.7. Insurance institutions may refrain from carrying out transactions which they suspect to be related to money laundering.

8.8. Insurance institutions which obtain or become aware of information which is suspicious or indicates possible money laundering activities will not disclose such information except to report it to the Centre as required.

8.9. Any officer of an insurance institution who discloses information regarding suspicious transactions and the disclosure is likely to prejudice the investigation commits an offence under the Act.

9.0. Staff Screening and Training

9.1. Screening

9.1.1. Insurance institutions will develop internal procedures for assessing whether employees taking up key positions meet fit and proper requirements in respect to:

(a) verification of the identity of the person involved; and

(b) verification whether the information and references provided by the employee are correct and complete.

9.1.2. Key positions include executive directors and senior management with the responsibility for supervising or managing staff, and for auditing the system and employees who deal with:
(a) new business and the acceptance – either directly or via intermediaries – of new policyholders, such as sales persons
(b) the collection of premiums; and
(c) the settlement and payments of claims.

9.1.3. Insurance institutions will maintain records on the identification data of the employees in key positions. The records will demonstrate due diligence performed in relation to the fit and proper requirements.

9.2. Training of Staff

9.2.1. Insurance institutions will train their staff on;
(a) the nature and processes of money laundering, including new developments and current money laundering techniques, methods and trends;
(b) the underlying legal obligations contained in the relevant laws; and
(c) their anti money laundering policy and systems, including particular emphasis on verification and the recognition of suspicious customers or transactions and the need to report suspicions to the anti money laundering officer.

9.2.2. Those staff who deal with new business and acceptance, settlement and payment of claims and collection of premiums will in addition to being made aware of their legal responsibilities and the anti money laundering policies and procedures, in particular the client acceptance policies and all other relevant policies and procedures, the requirements of verification and records, the recognition and reporting of suspicious transactions.

9.2.3. The executive directors and senior management will in addition be trained on the following:
(a) their responsibility regarding anti money laundering policies and procedures;
(b) relevant laws, including the offences and penalties arising;
(c) internal reporting procedures, and
(d) the requirements for verification and record keeping.

9.2.4. The anti money laundering officer should receive in-depth training concerning all aspects of relevant legislation, guidelines and policies and procedures on the detection, deterrence and prevention of money laundering.

10.0. Submission of Returns

Insurance institutions will file with the Authority on a quarterly basis a return on compliance with The guidelines within thirty (30) days after the end of the quarter in a prescribed

format.

11.0. Effective Date

1st July 2011

12.0 Enquiry

Enquiries on any aspect of these guidelines shall be referred to;

Address: The Technical Manager,
Insurance Regulatory Authority,
P.O. Box 43505-00100,
Nairobi

Telephone: +254 20 4996000

Facsimile: +254 20 2710126

E-mail: commins@ira.go.ke

13.0. Annex 1

INDICATORS OF SUSPICIOUS TRANSACTIONS

1. A request by a customer to enter into an insurance contract(s) where the source of the funds is unclear or not consistent with the customer's apparent standing.

2. A sudden request for a significant purchase of a lump sum contract with an existing customer whose current contracts are small and of regular payments only.

3. A proposal which has no discernible purpose and a reluctance to divulge a "need" for making the investment.

4. A proposal to purchase and settle by cash.

5. A proposal to purchase by utilizing a cheque drawn from an account other than the personal account of the proposer.

6. The prospective client who does not wish to know about investment performance but does enquire on the early cancellation/surrender of the particular contract.

7. A customer establishes a large insurance policy and within a short time period cancels the policy, requests the return of the cash value payable to a third party.

8. Early termination of a product, especially in a loss.

9. A customer applies for an insurance policy relating to business outside the customer's normal pattern of business.

10. A customer requests for a purchase of insurance policy in an amount considered to be beyond his apparent need.

11. A customer attempts to use cash to complete a proposed transaction when this type of business transaction would normally be handled by cheques or other payment instruments.

12. A customer refuses, or is unwilling, to provide explanation of financial activity, or provides explanation assessed to be untrue.

13. A customer is reluctant to provide normal information when applying for an insurance policy, provides minimal or fictitious information or, provides information that is difficult or expensive for the institution to verify.

14. Delay in the provision of information to enable verification to be completed.

15. Opening accounts with the customer's address outside the local service area.

16. Opening accounts with names similar to other established business entities.

17. Attempting to open or operating accounts under a false name.

18. Any transaction involving an undisclosed party.

19. A transfer of the benefit of a product to an apparently unrelated third party.

20. A change of the designated beneficiaries (especially if this can be achieved without knowledge or consent of the insurer or the right to payment could be transferred simply by signing an endorsement on the policy).

21. Substitution, during the life of an insurance contract, of the ultimate beneficiary with a person without any apparent connection with the policy holder.

22. The customer accepts very unfavorable conditions unrelated to his health or age.

23. An atypical incidence of pre-payment of insurance premiums.

24. Insurance premiums have been paid in one currency and requests for claims to be paid in another currency.

25. Activity is incommensurate with that expected from the customer considering the information already known about the customer and the customer's previous financial activity. (For individual customers, consider customer's age, occupation, residential address, general appearance, type and level of previous financial activity. For corporate customers, consider type and level of activity.)

26. Any unusual employment of an intermediary in the course of some usual transaction or formal activity e.g. payment of claims or high commission to an unusual intermediary.

27. A customer appears to have policies with several institutions.

28. A customer wants to borrow the maximum cash value of a single premium policy, soon after paying for the policy.

29. The customer who is based in non co-operative countries designated by the FATF from time to time or in countries where the production of drugs or drug trafficking may be prevalent.

30. The customer who is introduced by an overseas agent, affiliator or other company that is based in non co-operating countries designated by the FATF from time to time or in countries where corruption or the production of drugs or drug trafficking may be prevalent.

31. A customer who is based in Kenya and is seeking a lump sum investment and offers to pay by a wire transaction or foreign currency.

32. Unexpected changes in employee characteristics, e.g. lavish lifestyle or avoiding taking holidays.

33. Unexpected change in employee or agent performance, e.g. the sales person selling products has a remarkable or unexpected increase in performance.

34. Consistently high activity levels of single premium business far in excess of any average company expectation.

35. The use of an address which is not the client's permanent address, e.g. utilization of the salesman's office or home address for the dispatch of customer documentation.

36. Any other indicator as may be detected by the insurance institutions from time to time.

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