



**GUIDANCE NOTES ON ANTI-MONEY LAUNDERING AND PREVENTING
THE FINANCING OF TERRORISM – for Insurers (Long Term Business)**

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In exercise of the powers conferred on the Supervisor by section 24C of the Insurance Act 1986 (“the Act”) and of all other enabling powers, and having consulted such organisations and persons as appear to the Supervisor to be likely to be affected, the following Guidance Notes, which should be read in conjunction with section 24C of the Act, are hereby issued:—

GUIDANCE NOTES ON ANTI-MONEY LAUNDERING AND PREVENTING THE FINANCING OF TERRORISM – for Insurers (Long Term Business)

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1 FOREWORD

1.1 The anti-money laundering and preventing the financing of terrorism Guidance Notes for Insurers

These Guidance Notes on Anti-Money Laundering and Preventing the Financing of Terrorism for Insurers (“the Guidance Notes”) have been developed by the Isle of Man Insurance and Pensions Authority. They are to be followed by all insurers writing long term business.

These Guidance Notes must be read in conjunction with the Insurance (Anti-Money Laundering) Regulations 2008 (“the Regulations”) and the Criminal Justice (Money Laundering) Code 2007 (“the Statutory Code”).

While these are Guidance Notes, the requirements set out herein must be considered as a mandatory minimum.

1.2 Deviation from paragraph 4 of these guidance notes

It is permitted to deviate from the requirements of paragraph 4 of these Guidance Notes in two ways:

- (a) on a case by case basis, where such deviation is justified as set out below, and with each relevant file containing appropriate documentation, including the sign off by a senior member of staff; or
- (b) as a genre of business where deviation from these Guidance Notes has been considered taking into account the risk profile of the applications involved. Where a proposal is made for an insurer to accept an alternative as standard for an entire genre of business, or where alternative procedures are considered suitable, these must be comprehensively documented, and confirmation of the risk consideration and acceptability must be formally provided by the board of directors of the insurer. Executive meetings at which executive directors are present can be used as an interim measure for expediency but the matter must still be presented at the next board meeting for formal approval and minuting.

Deviation from these Guidance Notes may be considered appropriate when the insurer is satisfied as to the customer due diligence based on the information obtained (which may be less than, or different from, the minimum set out in these Guidance Notes) and has taken a view on the risk of the application (or policyholder) and other connected parties. Variation may also be considered acceptable when the documents or certifications accepted are not those given within the appropriate paragraphs, but are considered to be of equivalent standing, providing that appropriate sign off is obtained.

Paragraph 4 of these Guidance Notes sets out the normal or standard minimum level of customer due diligence which the insurer is required to undertake. If the insurer considers that less than these levels is acceptable under the conditions of this paragraph, it will be considered simplified, lesser or reduced due diligence for the purposes of the Regulations and these Guidance Notes.

When the insurer decides that the amount of evidence required to verify the identity of an applicant to its satisfaction, prior to accepting the business, is less

than the standard set out in these Guidance Notes, consideration must be given to implementing enhanced customer due diligence when the monies are to be paid out into an account other than one in the name of the original applicant and particularly when the proceeds are to be paid to a third party.

The ability to vary the number and type of documents received does not alter the requirement to identify to the satisfaction of the insurer the beneficial owner(s) of any application, or remove the requirements for the insurer to be satisfied in respect of the source of funds and source of wealth. The insurer must also be in compliance with the requirements under the Regulations and Statutory Code which may not be varied.

1.3 Compliance with the Statutory Code

Compliance with these Guidance Notes, and the minimum requirements set out within them **without utilising the ability to deviate from them in accordance with paragraph 1.2**, will be considered regulatory guidance for the purposes of the provisions of paragraph 4(3) of the Statutory Code. Any deviation from, or variation to, the standard requirements set out in these Guidance Notes may not be covered within this provision and may therefore be considered on its own merits by the courts.

1.4 Enhanced customer due diligence

Where an application is assessed as requiring, or requires, enhanced customer due diligence this must include, but not be limited to, one or more of the following:

- (a) ensuring that the applicant's identity is established by additional documents, data or information;
- (b) making additional enquiries into the source of wealth (including the economic activity that created the wealth) which must include obtaining appropriate documentary evidence to support the information provided;
- (c) introducing supplementary measures to verify the veracity of the documentation supplied; or
- (d) making any additional enquiries sufficient to ensure that the insurer is satisfied that all relevant parties to an application for a business relationship have been properly identified and that sufficient information has been obtained for it to make effective risk based assessment;

Key indicators must be set on all policies subjected to enhanced customer due diligence to ensure that they are further subjected to specific and targeted ongoing due diligence and monitoring.

1.5 Failure to comply

Failure to comply with these Guidance Notes, or where the decision to deviate from them is not demonstrated to have been reasonable and/or properly documented and/or signed off as set out in these Guidance Notes, may result in supervisory action being taken by Insurance and Pensions Authority.

Where any procedures are required to be established under these Guidance Notes, such procedures must be documented and the insurer may, upon the request of the Insurance and Pensions Authority, be asked to demonstrate compliance.

These Guidance Notes must always be considered together with, but not necessarily limited to, the obligations of the Regulations, the Criminal Justice (Money Laundering Offences) Act 1998, the Anti-Terrorism and Crime Act 2003 and the Statutory Code.

1.6 Outsourcing and the delegation of functions

An insurer cannot delegate or contract out of its obligations in respect of the Statutory Code, Regulations or these Guidance Notes. In all circumstances compliance remains the responsibility of the insurer. All employees involved in functions outsourced or delegated by the insurer must meet the requirements of the Statutory Code, Regulations and these Guidance Notes, including appropriate training requirements, and it is for the insurer to ensure that this has been done.

Where a function is outsourced or delegated the insurer must assess what, if any, additional controls are required to ensure and monitor compliance. Additionally, the insurer may wish to alter its risk assessment of the business or products administered through that operation.

Where functions are outsourced or delegated the insurer must ensure ongoing access for the Insurance and Pensions Authority, and be aware that these operations may also be the subject of a review by the Insurance and Pensions Authority.

1.7 Recognised jurisdictions

The list of recognised jurisdictions is provided in Schedule 2 of the Statutory Code. This list replaces the previous FATF list, as being jurisdictions which demonstrate some compliance with international regulatory standards from which some comfort may be drawn when undertaking risk assessment.

An insurer may consider the presence of a jurisdiction within Schedule 2 when assessing the risk profile of an application, however, not all recognised jurisdictions appearing on the Schedule will have achieved an appropriate standard of regulation in all aspects of financial services. The insurer must consider whether the regulation applying to a person (legal or natural) or transaction, on the case in question is such that lower risk assessment is appropriate and/or whether simplified or reduced customer due diligence may be applied, or whether it is appropriate for an introducer resident in any of these jurisdictions to be treated as a regulated introducer, or to treat an acceptable applicant as such.

1.8 Financing of terrorism

An insurer which carries out a transaction, knowing that the funds or property

involved are owned or controlled by terrorists or terrorist organisations, or that the transaction is linked to, or likely to be used in, terrorist activity will be committing a criminal offence. Such an offence may exist regardless of whether the assets involved in the transaction were the proceeds of criminal activity or were derived from lawful activity but intended for the support of terrorism.

1.9 Branches and subsidiaries

- 1.9.1 Where an insurer has branches or subsidiaries in other jurisdictions, practices and procedures consistent with these Guidance Notes must be operated throughout all parts of the organisation.
- 1.9.2 In addition, the more specific requirements of regulators and authorities in other jurisdictions must be monitored and met. However, where the requirements of another jurisdiction differ from those required by these Guidance Notes the insurer must comply with:
- (a) the requirements of these Guidance Notes; and
 - (b) any requirements imposed on the insurer in the other jurisdiction which are more onerous than those imposed by these Guidance Notes.
- 1.9.3 An insurer is required to inform the Insurance and Pensions Authority when a foreign branch or subsidiary is unable to comply with paragraphs 1.9.1 or 1.9.2 above, in the event that local (i.e. host country) laws, regulations or other measures prevent such compliance. This notification is to be undertaken as soon as it becomes known to the insurer that a breach of this paragraph of the Guidance Notes has occurred.

An insurer must pay particular attention that the above principles are observed with respect to any branches and/or subsidiaries in countries which it believes do not apply, or insufficiently apply, the FATF Recommendations.

2 CUSTOMER DUE DILIGENCE

2.1 Customer due diligence

Customer due diligence includes all aspects of the applicant's identity, normal residential address, any temporary address, and includes information on the source of funds and source of wealth. It also includes information relating to any beneficial owner who has an interest in the policy, or controller who exercises influence over the policy.

2.2 Applicant/policyholder

Throughout these Guidance Notes reference is made to the applicant and policyholder. These should normally be construed as including any beneficial owner and/or controller of the policy, or any other person on whose behalf the applicant may be considered to be acting.

2.3 Timing of customer due diligence

Where evidence of identity is required, it must be obtained as soon as is reasonably practicable after the applicant applies to enter into a business relationship with an insurer.

Normally, the application will not be concluded until such time as the customer due diligence process is complete to the satisfaction of the insurer. However, it is appreciated that it is not feasible for an insurer to leave any monies uninvested, or a risk uncovered, therefore, it is acceptable for the insurer to invest the monies, and to take on any risk, in such a way that neither the applicant nor the insurer are disadvantaged. Thus the insurer can start processing the business immediately, provided that it is at the same time taking steps to verify the identity of all relevant parties.

Where an applicant is permitted to utilise the business relationship prior to the customer due diligence process being satisfactorily completed e.g. in selecting or changing the assets to be linked to the policy, the insurer must consider adopting risk management procedures e.g. a limitation of the number, types and/or amount of activity that may be permitted before the insurer is satisfied as to the customer due diligence of the applicant and any other relevant parties.

In any event, an insurer would not be expected to settle a claim made under the policy unless it was satisfied as to the identity of the applicant or policyholder, the source of wealth of the original applicant and, if different, the identity of any beneficiary of the policy.

Information relating to the source of funds and source of wealth must be obtained at the same time and under the same conditions as the evidence of identity. An insurer may consider evidence of identity to be satisfactory while having to revisit and possibly obtain additional information in respect of the source of wealth or source of funds, particularly in respect of any additional transaction.

2.4 Beneficiary of a life policy

Where a beneficiary is nominated to receive any benefit arising under a policy the verification of the identity of that beneficiary may take place after the business relationship has been established provided that it takes place at or before the time of payout or at or before the time the beneficiary exercises a right under the policy. A beneficiary under this paragraph may be nominated at outset or at any time during the life of the policy.

For the purposes of this waiver, a beneficiary cannot be the policyholder or other person as defined in paragraph 2.2, or any person appearing within the list of persons who should normally be identified at the outset of a business relationship as set out in paragraph 4. It does not apply to the beneficiaries under a trust to whom the provisions of paragraph 4.5 apply. This waiver does not apply to any beneficiary able to exercise control over the assets of the policy prior to their being transferred into their own name or ownership.

2.5 Verification requirements

An insurer must satisfy itself as to the identity of the applicant including any beneficial owner, or controller who exercises influence over the policy. It is a requirement under the Statutory Code that in the absence of satisfactory evidence the application for a business relationship shall not proceed any further.

An insurer must hold either original documents, or suitably certified copies of original documents, of identification on its files, or must have undertaken a form of investigation which has satisfied the insurer as to the identification of the individual(s) concerned. Where suitably certified copies are obtained, the insurer must ensure that the pages containing the relevant information are copied e.g. the pages containing the relevant names, reference number, date, and country of issue etc.

The information used must be relevant and obtained from a source which an insurer believes to be reliable.

Under certain circumstances it is possible for reliance to be placed on the information collected by a third party as set out in these Guidance Notes.

It must be remembered that it is not possible for an insurer to delegate the responsibility for customer due diligence to another party.

2.6 Risk assessment

The requirements set out in paragraph 4 must be considered as the recommended minimum standards. However, an insurer may adopt a risk based approach when assessing the documents and/or information required, and may, subject to regulation 13 of the Regulations and these Guidance Notes, require additional or less evidence.

The assessment of risk by an insurer is also appropriate to situations where a list of persons are able to act on behalf of a company (or other entity), when, taking

a risk based approach, the insurer must also consider whether it would be appropriate to identify some or all of the signatories.

The risk assessment referred to throughout these Guidance Notes is primarily the risk of the policy being used to launder money or to finance terrorism, although this must not reduce the consideration given by an insurer to its normal risk assessment of any policy.

The factors which may be taken into account when assessing the risk of an application or policy will include, amongst others:

- (a) the size of the investment;
- (b) the applicant and any other party(ies) involved, and their status, including whether there are considerations in respect of politically exposed persons;
- (c) the location of the party, whether this is their normal residence, temporary residence, place of incorporation or branch location etc;
- (d) the information/documentation/verification obtained;
- (e) the introducer;
- (f) the product applied for;
- (g) any previous relationship in respect of the applicant or other parties to the application;
- (h) time scale, especially in relation to early encashment (whether for the current application or previous investments);
- (i) the complexity of the structure(s) involved; and
- (j) the involvement of additional parties to the application.

While these Guidance Notes utilise a split between recognised jurisdictions and non-recognised jurisdictions, the insurer must consider the risk profile of each location, regardless of whether the jurisdiction involved appears on the recognised jurisdiction list contained within the Statutory Code or not.

The starting position must be that all applicants must be subject to the standard range of customer due diligence measures, including the requirement to identify the beneficial owner. Nevertheless there are circumstances where the risk of money laundering or terrorist financing is lower, where information on the identity of the applicant or customer and the beneficial owner of a customer is publicly available, or where adequate checks and controls exist elsewhere in national systems. In such circumstances it could be considered reasonable for an insurer to apply simplified or reduced customer due diligence measures when identifying and verifying the identity of the applicant.

Reduced or simplified customer due diligence must not be applied where the insurer has reason to suspect money laundering or terrorist financing activity.

2.7 Insurance contracts with no surrender or maturity value

Regulation 7(2) sets out that where an insurance contract has neither a surrender nor maturity value e.g. term insurance, then an insurer may, on a risk assessed basis, decide to minimise or defer the identification and source of funds

requirements. Deferral for these purposes would be until either a claim was made or the policy was cancelled when it may be appropriate to undertake customer due diligence.

Where a claim is made on a policy with neither surrender nor maturity value e.g. on the occurrence of an event, the insurer must obtain verification of identity of the policyholder and/or claimant but may at that time undertake an assessment of the risk involved when assessing the amount of information required, and adhere to the requirements set out in paragraph 6.

Where a premium is paid on an insurance contract and is subsequently to be refunded due to, for example, the contract being cancelled, an insurer must undertake reasonable measures to satisfy itself as to the identity of the policyholder and, where appropriate, additional verification of identity should be obtained before the premium is refunded. An insurer must also consider whether the transaction is suspicious and act accordingly. The insurer must also ensure it is satisfied as to the original source of wealth and source of funds.

2.8 Certification of identification documents

Where copy documents have been obtained specifically for an application, or have been requested by an insurer in relation to an existing policy (other than copy documents provided by an introducer from their records), all copy documents must be currently valid, or in the case of a utility bill or other dated document, should ideally not be more than 3 months old. In the event that an older document is provided, the insurer must take steps to understand the reason for this and must be satisfied with the explanation given which must be documented on file.

All copy documents obtained must either:

- (a) be signed and dated by the suitable certifier. The suitable certifier must include a statement to the effect that it is a true copy of the original and the name of the person providing the certification must be clearly and legibly printed; or
- (b) be accompanied by a covering letter or other document signed by the suitable certifier attaching the copy documents and confirming that they are true copies of the originals. The covering letter must also make reference to each document attached.

The name of the suitable certifier must be in a legible form so that identification is possible, and if not apparent, the capacity under which the suitable certifier is signing must be given.

If this certification is not obviously carried out, or is carried out using different wording or by an alternative certification method, the insurer must make a decision on whether to accept the certification based on the risk profile of the application. The decision to accept must be documented, include confirmation that the deficiency has been noticed and that the policy has been accepted, and be signed-off by a suitably senior member of staff.

2.9 Verification by the insurer (other than face to face)

It is acceptable for an insurer to carry out the customer due diligence, for itself, regardless of the involvement of an introducer. This may either be done using its own staff, either directly or by accessing information which it considers is sufficient to prove the identity of the applicant, or by using an agency or data base specialising in this activity.

In these cases, an insurer must risk assess each case to ensure that adequate and appropriate verification of the party(ies) concerned is completed.

The overriding requirement to ensure that the customer due diligence evidence on any application or policy is satisfactory rests with the insurer.

2.9.1 Verification by outside agency or using data bases

When either an outside agency or data bases (or similar) are used, an insurer must be able to demonstrate that some assessment of reliability has been made, usually by an investigation into the agency providing the data. It is anticipated that a number of sources may be used by an insurer on a regular basis, and this information may be held on a central file.

Where the verification of identity or source of wealth is done using an agency or data base the following must be retained:

- (a) the name of the agency or data base which has provided the information;
- (b) the information upon which the insurer is basing its verification;
- (c) the name of the person who has reviewed the information, and, if necessary, sign-off by a suitable member of staff; and
- (d) the date.

2.9.2 Verification by use of internet or other methods

There may be circumstances where an insurer decides to collect evidence of identity itself and rely on information provided by the internet or other sources. In these cases an insurer must assess the reliability of any source, and obtain collaborating evidence where appropriate.

Where the verification of identity or source of wealth is done using the internet or other sources, the following must be retained:

- (a) details of the source(s) of the information;
- (b) printouts or copies of the information upon which an insurer is basing its verification;
- (c) the name of the person who has reviewed the information, and, if necessary, sign-off by a suitable member of staff; and
- (d) the date.

2.9.3 Combining 2.9 and other paragraphs

An insurer may use this paragraph to obtain evidence exclusively or may combine the obtaining of information and evidence as set out in 2.9.1 and/or 2.9.2 with the obtaining of information and evidence from the applicant or introducer directly.

2.10 Suitable certifier

All copy documents must be certified as true copies by a suitable certifier. A suitable certifier is an individual who, by personal qualification, holds a position within their organisation, or approval by the insurer, deemed suitable to certify any copy documents provided to the insurer as part of customer due diligence.

A suitable certifier may be:

- (a) an employee of the insurer, or any group company of the insurer subject to the supervision of a regulator in a recognised jurisdiction;
- (b) an appointed representative bound by contract to the insurer, or any group company of the insurer, and subject to paragraph 2.14;
- (c) an authorised representative of an embassy or consulate of the country who issued the identification document;
- (d) a notary public, commissioner for oaths, lawyer or advocate, other formally appointed member of the judiciary, registrar or other civil or public servant authorised to issue or certify copy documents, or serving police officer;
- (e) an accountant who is a member of an institute, or other professional organisation, which imposes on its members a requirement to abide by anti-money laundering obligations, or who is regulated in the conduct of their business by a regulatory organisation;
- (f) a director or manager of an authorised credit or financial institution located and regulated in a recognised jurisdiction;
- (g) an authorised employee of an agency or company specialising in the obtaining of verification of identity documentation, as set out in paragraph 2.9;
- (h) an acceptable applicant, or authorised employee of an acceptable applicant, acting in relation to the application, as set out in paragraph 2.13;
- (i) a regulated introducer, or authorised employee of a regulated introducer (whether or not a terms of business is in place), as set out in paragraph 2.12;
- (j) an individual employed by an introducer who is not a regulated introducer, and who has been approved in writing by the insurer to act as a suitable certifier, subject to paragraph 2.11;
- (k) an individual within a master agent or master distributor of the insurer who has been approved in writing by the insurer to act as a suitable certifier subject to paragraphs 2.11 and 2.15;
- (l) a registered schemes administrator under the Retirement Benefits

Schemes Act 2000;

- (m) an authorised representative of the sponsoring employer for an occupational pension only; or
- (n) a person who is considered suitable to carry out such a function by a senior member of staff of the insurer. Where this option is utilised, the reason that the person is considered acceptable must be documented, including the reasons that reliance may be placed on their validation of the documents and any method which has been used to verify the identity of the suitable certifier, and signed-off by a senior member of staff of the insurer.

Persons acting as a suitable certifier, as described in (n) above, will normally be persons who would be governed in their professional activities by anti-money laundering requirements, or who would be used for the certifying of documents in their normal occupation, and who may reasonably be considered to understand the implications of a false declaration.

Where an insurer decides to accept as a suitable certifier all persons falling within a particular occupation or profession, which is not within the list given in (a) to (m), rather than on a case by case basis, the acceptability of these persons must be confirmed by the directors of the insurer in accordance with the provisions of paragraph 1.2(b).

It is not appropriate to accept the certification of persons falling within paragraphs (j) or (k) above without meeting the conditions in paragraphs 2.11 and 2.15.

The insurer must have in place procedures which demonstrate that where the capacity under which the certification is given is not known to the insurer, that appropriate investigation of the certifier is undertaken.

In all cases the name of the suitable certifier must be legible, and occasional sampling must be undertaken by an insurer to test that the persons are as described.

2.11 Appointment of a suitable certifier within an introducer who is not a regulated introducer

This paragraph relates only to the appointment of individuals within introducers who are not regulated introducers, and the use of “introducer” in this paragraph only relates to introducers who are not regulated by an appropriate regulatory authority within a recognised jurisdiction.

Only individuals can be appointed as suitable certifiers within an introducer and the position is non transferable. There may be several employees within an introducer appointed as suitable certifiers. If an individual is a suitable certifier for one insurer that individual is not automatically a suitable certifier for any other insurer.

For the avoidance of doubt, it is possible for an introducer to have a terms of business with an insurer without any employees being suitable certifiers. When this is the case any copy documents provided to the insurer must be certified by

a suitable certifier from one of the other categories listed in paragraph 2.10.

Before appointing an individual as a suitable certifier the insurer must have in place a current terms of business with the introducer. Should the terms of business be cancelled or suspended for any reason the appointment of the suitable certifier(s) within that introducer will also be terminated or suspended.

An insurer must have verified the identity of any suitable certifier to the level of an individual as detailed in paragraph 4.2. The insurer must hold a specimen signature of the suitable certifier on file and must have procedures in place to review the signatures certifying the identification documentation produced, on a regular basis to ensure their veracity.

The appointment of a suitable certifier must be provided in writing and must contain the following:

- (a) the name of the introducer;
- (b) details of their obligation to provide original or suitably certified copy documents which verify the identity of all applicants and other parties to an application as appropriate, introduced to the insurer, sufficiently to comply with the requirements of these Guidance Notes;
- (c) the date from which the appointment as a suitable certifier is effective;
- (d) any specific instructions from the insurer as to the form of words to be used when certifying the documents as true copies of the originals;
- (e) the circumstances under which the suitable certifier status will be terminated; and
- (f) any other provisions which the insurer wishes to impose.

An insurer must take whatever steps it deems necessary to ensure that the suitable certifier is aware of the requirements of the Statutory Code, Regulations and these Guidance Notes.

2.12 Regulated introducers

Where an insurer receives an application for a business relationship from a regulated introducer, the regulated introducer may provide:

- (a) a copy of documentary evidence held on the regulated introducer's file which the regulated introducer had used (historically) to verify the identity of the party. This may have been obtained some time ago and might now have expired (but was current at the time that identity was originally verified). Such a copy document may be accepted provided that the information on that verification document is the same as the application form and provided that the information supplied meets the requirements of these Guidance Notes; or
- (b) originals or copies of documents obtained specifically in relation to the particular application or transaction; or
- (c) an introducer's certificate subject to the conditions in paragraph 8.

All copy documentary evidence passed to the insurer must be certified by the regulated introducer as being a true copy of either an original or copy document held on its file as appropriate.

If this evidence is not provided by the regulated introducer the insurer must obtain the evidence itself.

2.13 Acceptable applicants

Where an applicant is an acceptable applicant verification of identity must be carried out in accordance with paragraph 4. However, where it is necessary for the identity of one of the other parties to the application to be verified, for example where payment is to be made directly to a beneficiary of a trust, it is acceptable to rely on an acceptable applicant to provide verification of identity documents. Where this happens an acceptable applicant may provide either:

- (a) a copy of documentary evidence held on the acceptable applicant's file which the acceptable applicant had used (historically) to verify the identity of the party. This may have been obtained some time ago and might now have expired (but was current at the time that identity was verified). Such a copy document may be accepted as long as the information on that verification document is the same as the application form and provided that the information supplied meets the requirements of these Guidance Notes; or
- (b) originals or copies of documents obtained specifically in relation to the particular application or transaction.

All copy documentary evidence passed to the insurer must be certified by the acceptable applicant as being a true copy of either an original or copy document held on its file.

If this evidence is not provided by the acceptable applicant the insurer must obtain the evidence itself.

2.14 Appointed representative

Notwithstanding any other contractual, agency or employment relationship which may exist between an appointed representative and an insurer, any contract or terms of business binding an appointed representative to the insurer, or any group company of the insurer, must contain the provisions set out in paragraph 7. Other than as set out below, for the purposes of these Guidance Notes the treatment of business introduced by an appointed representative is the same as the treatment applicable to any other introducer.

Where an insurer receives an application for a business relationship from an appointed representative, the appointed representative may provide:

- (a) a copy of documentary evidence held on the appointed representative's file which the appointed representative had used (historically) to verify the identity of the party. This may have been obtained some time ago and might now have expired (but was current at the time that identity was verified). Such a copy document may be accepted as long as the

information on that verification document is the same as the application form and provided that the information supplied meets the requirements of these Guidance Notes; or

- (b) originals or copies of documents obtained specifically in relation to the particular application for business; or
- (c) an introducer's certificate subject to the conditions in paragraph 8.

All copy documentary evidence passed to the insurer must be certified by the appointed representative as being a true copy of either an original or copy document held on its file as appropriate.

If this evidence is not provided by the appointed representative the insurer must obtain the evidence itself.

2.15 Master agent or master distributor

Before the insurer can accept any business introduced by a master agent or master distributor, or any sub-agent of a master agent or master distributor, there must be in place written terms of business as described in paragraph 7.

Once the terms of business are in place the insurer may then appoint suitable certifiers within the master agent or master distributor, or sub-agent of the master agent or master distributor, subject to the provisions of paragraph 2.11.

2.16 Business by post (including coupon), telegraphic or electronic means (including internet)

The Statutory Code does not differentiate between the identification requirements for postal, telegraphic or electronic business. Therefore, an insurer must apply identification and verification procedures to all business arriving by these media.

Where an applicant is submitting their details via the internet an insurer must still be satisfied as to the identity of the applicant and any other party to the application, using whichever methods of obtaining that verification it considers appropriate in accordance with this paragraph. Should the insurer not obtain satisfactory evidence of identity, the transaction must not proceed any further.

2.17 Currency movements

An insurer must at all times ensure, when stating or considering the level at which a waiver applies in other currencies, that these figures are reviewed on a regular basis to ensure that currency movements have not affected adherence to the Statutory Code and Regulations.

2.18 Cooling off/cancellation periods

Where an applicant takes up the right to decline to proceed with a contract during a cooling off or cancellation period (where this is permitted by the prevailing regulations and rules under which the contract was sold), the

circumstances surrounding the request to cancel must be considered and if they are viewed as suspicious then this suspicion must be reported. That being the case, suspicion reporting procedures must be followed.

Any payment out to a policyholder as a result of such a right being exercised should normally be to the ceding account from which the monies were originally sent. If the payment out is to be by cheque it must be payable to the policyholder and marked 'account payee only'.

Under certain circumstances payment may be made to a third party account, for example a client money account, or payment to the original account may be impossible, for example if the account has subsequently been closed. In these circumstances an insurer must be satisfied with the connection between the payee and the policyholder, and must also consider whether the payment request is suspicious, in which case, suspicion reporting procedures must be followed.

2.19 Non co-operative countries

Regulation 6 of the Regulations requires that an insurer must have procedures in place to examine those applicants who have connections with any country appearing on the list of FATF Non Co-operative Countries & Territories.

An insurer must undertake enhanced customer due diligence on any case where a connection appears to a FATF Non Co-operative Country & Territory, and the insurer must obtain senior management approval to accept or continue the business relationship. For the purposes of this paragraph, the phrase "case where a connection appears" means any application for a business relationship where the policyholder, or other parties to the application, are situated or incorporated in a country appearing on the list of FATF Non Co-operative Countries & Territories.

An insurer must give special consideration to any transactions involving a FATF non co-operative country & territory, which have no apparent economic or visible lawful purpose, and the background and purpose of such transactions must, as far as possible, be examined, and written findings must be available to assist competent authorities (e.g. supervisors and law enforcement agencies) and auditors.

An insurer must have procedures in place to regularly review the list of FATF Non Co-operative Countries & Territories.

2.20 Jurisdictions ceasing to be recognised jurisdictions

An insurer must have in place procedures requiring the regular monitoring of the recognised jurisdictions appearing in Schedule 2 of the Statutory Code. Where a jurisdiction is removed from the Schedule, and therefore ceases to be a recognised jurisdiction, the insurer must review relevant policies which have not surrendered and consider whether the risk assessment undertaken on each policy, and consequently the information held, remains sufficient to satisfy the insurer.

Any regulated introducer or acceptable applicant within a jurisdiction removed from the list of recognised jurisdictions must be reviewed and appropriate action taken.

2.21 Sanctions notices

The insurer must have in place procedures which describe the system used to establish whether they maintain policies for the benefit of any of those individuals or organisations listed on, or, are conducting business with any country detailed on any sanctions notices applying on the Isle of Man, and act in accordance with the relevant sanctions notice. Failure to notify the Treasury of such dealings is a criminal offence. An insurer must consider all parties to a policy when considering the application of sanctions notices, including the beneficiaries, and potential beneficiaries of trusts.

2.22 Assignments and transfers of ownership

Where a policy is assigned to a third party, verification of identity must be obtained either before assignment takes place, or as soon as reasonably practicable thereafter.

Whether an assignment has been notified or not, when a payment is to be made from the policy to an account not in the name of a verified person or entity, the insurer must ensure that verification of identity of the account holder has been completed in accordance with the Regulations and these Guidance Notes before payment is made.

Where the policy has been commercially traded, for example to a traded endowment fund (or similar), or any other dealer in second hand policies, this must be viewed with caution and the insurer must ensure that verification of identity of the account holder has been completed in accordance with these Guidance Notes before payment is made.

2.23 Misuse of technological developments

As required by regulation 37 of the Regulations, an insurer must have systems in place and undertake regular reviews to consider the misuse of technological developments for the purposes of money laundering or terrorist financing schemes, and in particular how these impact, or may impact on the insurer. These reviews must include consideration of any existing policies, procedures or other measures which are in place, and must show any recommendations for change. These reviews may be scheduled and undertaken on a risk assessed basis, taking account of differing locations and facilities available within the operation.

These reviews are particularly relevant where application or other contact is made by electronic methods.

2.24 Waivers

Regulation 7 of the Regulations provides certain waivers in respect of the

undertaking of customer due diligence. However, these Regulations and Guidance Notes are seen as appropriate to all business regardless of value, and when deciding whether to apply a waiver, the insurer must consider the risk profile of the application.

The insurer must at all times ensure when stating the level at which a waiver applies in other currencies, that these figures are reviewed on a regular basis to ensure that currency movements have not affected adherence to the Regulations.

3 POLITICALLY EXPOSED PERSONS

Business relationships with individuals holding, or who have held, important public positions and with persons or companies clearly related to them, may expose an insurer to significant reputational and/or legal risk. Such politically exposed persons are individuals or legal entities who are, or have been, entrusted with prominent public functions.

While in most cases the relationship with a politically exposed person will be unremarkable, there is always a possibility, especially in countries where corruption is widespread, that such persons or entities abuse their public powers for their own illicit enrichment through the receipt of bribes, embezzlement, etc. The risks to reputation can be reduced if detailed customer due diligence information is gathered at the outset of a relationship, and on an ongoing basis, where an insurer knows or suspects that the business relationship is with a politically exposed person or that such a person may be a beneficiary or beneficial owner of a policyholder.

An insurer must apply customer due diligence measures on a risk assessed basis in respect of business relationships with politically exposed persons. It is appropriate for risk analysis in these cases to be focused in particular on applications from locations that are characterised by a high risk of money laundering, terrorist financing or corruption, and particular attention must be given to information relating to the source of wealth and source of funds. When determining the risk profile of a politically exposed person it is essential to take into consideration the social, political and economic differences between countries.

While most politically exposed persons are natural persons it is possible for a corporate entity to have the same status.

The requirements applicable to politically exposed persons apply to a person who is:

- (a) an applicant;
- (b) a policyholder;
- (c) a beneficial owner of an applicant or the person funding a premium paid under a policy;
- (d) a settlor or trustee of a trust whose trustee is an applicant or policyholder;
- (e) a beneficiary named or nominated under a policy;
- (f) a beneficiary of a trust whose trustee is an applicant or policyholder: or
- (g) any natural person having power to direct the activities of an applicant or policyholder.

3.1 Who should be considered a politically exposed person

Politically exposed persons are understood to be persons, natural or legal, entrusted with prominent public functions, their immediate family members or persons known to be close associates of such persons.

The following must be considered to be politically exposed persons:

- (a) Any natural persons who are or have been entrusted with prominent public functions including:
 - (i) heads of State, heads of government, ministers and deputy or assistant ministers, and senior government officials;
 - (ii) members of parliaments and senior political figures;
 - (iii) members of supreme courts, of constitutional courts or of other high-level judicial bodies whose decisions are not subject to further appeal, except in exceptional circumstances;
 - (iv) members of courts of auditors or of the boards of central banks;
 - (v) ambassadors, chargés d'affaires or other high-ranking officer in the diplomatic service;
 - (vi) members of the administrative, management or supervisory bodies of State-owned enterprises; or
 - (vii) high ranking officers in the armed forces.

The categories set out above apply to senior officials only, and do not normally include middle ranking or more junior officials.

- (b) Government departments, councils and authorities, state owned industries, political parties and trade unions.
- (c) Any immediate family members of any person appearing in (a). This will normally be:
 - (i) the spouse;
 - (ii) any partner considered by national law as equivalent to the spouse;
 - (iii) the children and their spouses or partners;
 - (iv) the parents or parents in law;
 - (v) the grandparents;
 - (vi) the grandchildren; or
 - (vii) a sibling.
- (d) Any persons known to be a close associate of a person appearing in (a). This will include any person who is known to have joint beneficial ownership of legal entities or legal arrangements, or any other close business relations, with a politically exposed person, and any natural or legal person who has sole beneficial ownership of a legal entity or legal arrangement which is known to have been set up for the benefit de facto of a politically exposed person.

Persons connected with international organisations, in particular those associated with the petroleum or arms industries, may also be considered to be politically exposed persons and the insurer must consider this when undertaking any risk assessment.

3.2 Procedures to identify politically exposed persons

An insurer must have in place procedures in respect of:

- (a) identifying politically exposed persons; and
- (b) the treatment of those identified as politically exposed persons.

Procedures relating to (b) above may be on a risk assessed basis and it is appropriate for risk analysis in these cases to be focused in particular on applications from locations that are characterised by a high risk of money laundering, where particular attention must be given to information relating to the source of wealth and source of funds.

When determining the risk profile of a politically exposed person it is essential to take into consideration the social, political and economic differences between countries.

It is appreciated that this will not always be easy or infallible; however, the insurer is required to have measures in place at least to attempt to identify these persons. Failure to identify a customer as falling within one of the politically exposed person categories will not automatically be considered a failure of systems or procedures provided that the insurer is able to demonstrate the application of its defined measures.

These procedures must include the following:

- (a) The asking of appropriate questions at the time of application. The insurer should endeavour to gather sufficient information from an applicant in order to establish whether any person listed in paragraph 3 is a politically exposed person;
- (b) A procedure for additional checks to be undertaken by the insurer when the applicant or policyholder is located in a high risk location to determine whether an applicant is a politically exposed person. Where the insurer uses an external resource for identifying politically exposed persons this must be detailed;
- (c) The application of enhanced customer due diligence measures to an applicant or policyholder identified as a politically exposed person in a country identified as high risk; and
- (d) The decision to accept an application for a business relationship from a politically exposed person must be signed off in accordance with paragraph 3.3.

3.3 Application received from a politically exposed person

An insurer is not automatically prohibited from dealing with politically exposed persons and must assess separately each application where a politically exposed person occurs.

Where an applicant, or other party specified in paragraph 3, is considered to be a politically exposed person, an insurer must consider whether the risk profile of the politically exposed person is such that the insurer must apply enhanced customer due diligence measures. It is appropriate for risk analysis in these cases to be focused in particular on applications from locations that are

characterised by a high risk of money laundering, and particular attention must be given to information relating to the source of wealth and source of funds.

Where an application is received from a jurisdiction assessed by the insurer as low risk, the insurer may consider it acceptable for the procedures used to identify whether an applicant is a politically exposed person to be sufficient if questions are asked of the applicant as part of the application process (see also paragraph 3.2) providing appropriate and sufficient information is provided on all parties to the application. However, in these cases it remains important for an overall risk assessment of the application to be undertaken, and the applicant may still be considered to be high or higher risk by the insurer.

When considering the jurisdiction of an applicant, the home or original jurisdiction must be taken into account if this is not the same as the jurisdiction from which the application for a business relationship has been submitted.

Where an application is received from a location considered by the insurer to be low risk for the purposes of this paragraph, and the applicant is identified as a politically exposed person, the insurer need not automatically consider that application to be high risk, without taking into account other aspects of the application.

Simplified or reduced customer due diligence must not be applied to an applicant identified as a politically exposed person, irrespective of the risk assessment of the location of the politically exposed person. In any event, particular attention must be given to information relating to the source of wealth and the source of funds.

Where an application is identified as featuring a politically exposed person in a high risk jurisdiction enhanced customer due diligence measures as set out in paragraph 1.4 must be applied.

When an applicant is deemed to be a politically exposed person, irrespective of the location of the politically exposed person and the risk assessment made by the insurer, the decision for accepting the application must be taken at a suitably senior management level, documented and retained on file for the required period.

3.4 Ongoing oversight of a politically exposed person

The insurer must be able to identify those policies which show a politically exposed person as a policyholder, beneficial owner, settlor, trustee or beneficiary at all times.

While these Guidance Notes cover the application of risk assessed due diligence, all identified politically exposed persons, regardless of the assessed level of risk, must be subject to ongoing monitoring such that any additional monies or complex or unusual transactions are identified and appropriate action taken. Care must also be taken at the stage of paying monies away, where payments to accounts other than the originating account must be subject to enhanced scrutiny, and appropriate action taken where necessary.

When a significant transaction occurs on a policy identified as showing a politically exposed person the transaction must be signed-off by a senior member of staff.

3.5 Subsequently identified politically exposed persons

An insurer must be aware that such connections may also arise after the business relationship is established, and that the list of politically exposed persons in a country may change. Therefore an insurer must have in place procedures to review the information held on countries, products and policyholders, at regular intervals or when it knows that the situation is likely to have changed, for example after an election.

The frequency and extent to which an insurer undertakes these reviews must be set on a risk assessed basis, and particular attention must be given to those jurisdictions considered by the insurer to represent a high or higher risk.

It is also possible that a person may be identified as being a politically exposed person after the business relationship is established, not as the result of a review.

Where an applicant has been accepted, without the applicant, or other party associated with an application, being identified as a politically exposed person, and the policyholder or other party is subsequently found to be, or is subsequently found to have become, a politically exposed person, the insurer must report this fact to senior management.

Where an insurer is in a business relationship with a politically exposed person, they must conduct enhanced ongoing monitoring on that relationship.

4 IDENTIFICATION REQUIREMENTS

This paragraph sets out the standard minimum required evidence of identity which an insurer must obtain from an applicant, and sets out the minimum parties to an application which must be considered by an insurer. Any lessening or simplification of the provisions of this paragraph must be done in accordance with paragraph 1.2 and in accordance with the other provisions of the Statutory Code, Regulations and these Guidance Notes.

4.1 Acceptable applicants

Where an insurer believes that the applicant is an acceptable applicant, the acceptable applicant may be accepted without detailed identification and verification checks being made, provided that the insurer has reasonable grounds for believing that the applicant for business is an acceptable applicant. The insurer must record in detail on the policyholder file the basis on which the acceptable applicant has been accepted.

Where the acceptable applicant is acting as a trustee, nominee or on behalf of someone other than itself as principal, the insurer may accept the identification of the acceptable applicant, but must still satisfy itself as to the evidence of their appointment and the acceptable applicant must provide details of the identity of any other persons involved as set out in these Guidance Notes.

Should at any time the acceptable applicant cease to be an acceptable applicant (but continues as a policyholder), the insurer must obtain verification of identity on the former acceptable applicant appropriate to the nature of the policyholder. In these circumstances the insurer must obtain suitable verification for any underlying parties.

An insurer must monitor the status of all acceptable applicants on an ongoing basis.

4.2 Individual identification requirements

4.2.1 Identity

The identity of an individual is deemed to comprise the true full name or names of the individual. Where the name of the individual has changed for a reason other than by marriage the company may wish to obtain additional documents. Any previous name or names, and any aliases used must also be disclosed.

Additionally, in the event of a suspicious transaction report being submitted to the Financial Crime Unit, they will require a date of birth and it is helpful for this to be obtained, however the information need not be verified. Likewise, it is also helpful for nationality to be ascertained to assist risk assessment procedures and to ensure that an insurer does not breach sanctions requirements.

Where two or more individuals apply as joint applicants the identity of each individual must be verified.

In order to do this an insurer will either:

- (a) verify the identity of the individual by means of reviewing suitable

identification documents; or

- (b) take such measures as will produce satisfactory evidence of identity.

In the absence of satisfactory evidence the application for a business relationship shall not proceed any further.

4.2.2 Documentary evidence of identity

The preferred documents to verify identity are either a Passport or a National Identity Card (carrying a photograph of the individual). This must be accompanied by a document, or documents, set out in paragraph 4.2.3 confirming the residential address.

Where a photo driving licence is presented as sole verification of identity, the insurer must satisfy itself that the licence is issued by an authority which may be relied upon to have undertaken sufficient and appropriate checks into the identity of the individual before issuing the licence and those checks, and findings, must be fully documented on file. If a driving licence is accepted as verification of identity, this must be accompanied by a document or documents set out in paragraph 4.2.3 confirming the residential address.

Where it is not possible to obtain the documents detailed above, an insurer must consider the risk profile of the application as to the documentary evidence it considers acceptable. This should normally be not less than **two** other formal documents carrying appropriate personal details which show verifiable reference numbers.

Where the insurer accepts one of the documents from the list given in paragraph 4.2.3 as part of the verification of the individual's identity it is not normally necessary to obtain additional documentation to verify the address of the individual providing at least one other document is held (a minimum of two documents).

4.2.3 Verification of the address of an individual

The insurer must hold on file documentary evidence of the current residential address of an individual at the time the application is made. Care of, P.O. Box or accommodation addresses must only be used in the circumstances described in paragraph 4.2.6.

To verify the address of an individual the insurer should ideally obtain either an original or certified copy of one of the following, issued in the name of the individual and showing the residential address appearing on the application:

- (a) a utility, rates, or council tax bill. Mobile telephone bills are not acceptable as evidence of address;
- (b) an entry in a local telephone directory;
- (c) an extract from the official register of electors;
- (d) a current driving licence;

- (e) a state pension, benefit book or other government produced document showing benefit entitlement;
- (f) a tax assessment document;
- (g) an account statement from a bank or bank credit card. Statements featuring a care of or accommodation address are not acceptable. Non-bank cards, such as store cards are not acceptable;
- (h) proof of ownership or rental of the residential address;
- (i) proof of payment for a P.O. Box service (which must also show the residential address), where the P.O. Box shown is also the correspondence address of the applicant; or
- (j) a mortgage statement.

In all cases the documents seen must be the most recent available and, if dated, should ideally not be more than 3 months old. In the event that an older document is provided, the insurer must take steps to understand the reason for this and must be satisfied with the explanation given which must be documented on file.

Alternatively the insurer may:

- (k) obtain a letter from the employer of the individual confirming the current residential address of the individual. Where the individual has accompanied a partner or spouse on a work assignment or contract, an employer may confirm the address of a non employee where a relationship is detailed;
- (l) obtain a letter from a bank resident and regulated in a jurisdiction appearing on the list given in Schedule 2 of the Statutory Code and in which there are in force anti-money laundering requirements which are equivalent to those of the Isle of Man with whom the individual has an account which confirms the current residential address of the individual;
- (m) obtain a letter from an officer or representative of any residential home, care or nursing facility confirming that the address is the current residential address of the individual;
- (n) obtain an original or certified copy of a utility bill sent to a P.O. Box or care of address which references the residential address of the individual; or
- (o) use an address validation/verification service.

An alternative method of verifying the residential address of the individual to those listed above, may be considered acceptable to an insurer taking into account the risk profile of the application and document(s) presented. However, any document accepted must have displayed upon it the residential address of the individual, and should ideally be issued by a government or regulated entity.

Once the usual residential address has been established to the satisfaction of the insurer, any change to that address may be notified to the insurer in any way that it decides is satisfactory.

4.2.4 Home visits

Home visit reports are not normally acceptable as verification of the residential address of an individual. However, an insurer may decide to accept them when it considers the risk profile of the case to be low and the information is:

- (a) provided by an employee of the insurer;
- (b) provided by appointed representatives of the insurer; or
- (c) provided by a regulated introducer in a regulated jurisdiction.

An appropriate extract of the home visit report must be produced which includes a record of who conducted the home visit, the date upon which it took place, and a physical description of the location of the residential address.

An insurer must at all times hold on file an address to which correspondence is to be sent. This may be a P.O. Box or care of address.

4.2.5 Current residential address

It is the responsibility of an insurer to ensure that verification of address is conducted in accordance with Regulations and these Guidance Notes. Once the verification of the address of the individual has been accepted, the insurer may accept further notifications of changes in address in any form acceptable to it.

4.2.6 Temporary accommodation

Where the address given is short term temporary accommodation, for example where the individual is an expatriate on a short term contract, the address given may be a hotel and/or accommodation provided by an employer for the individual's use. Ideally, an insurer will obtain confirmation of address as set out in paragraph 4.2.3, however, it may not be possible to obtain verification of the address to this level.

Where an insurer does not obtain the documentation described in paragraph 4.2.3, it must ensure that it has a contact address for the individual. This may be a P.O. Box or care of address.

Except where the contact address has been evidenced as detailed below, an insurer must ensure that the policy is identifiable for monitoring and review purposes.

Where the contact address is the normal residential address of the individual and the insurer is able to obtain documentary evidence of that address in accordance with paragraph 4.2.3 then the insurer may accept further notifications of changes in address in any form acceptable to it, and the policy does not need to be identifiable for ongoing address monitoring and review.

Where the residential address is a temporary address which has not been verified for reasons outlined in this paragraph (and where the contact address has not been verified as the normal residential address) and the insurer is subsequently notified of a change of address it must endeavour to obtain verification of the new address in accordance with paragraph 4.2.3. This must

occur for each subsequent change of address until documentary evidence is received.

4.2.7 Inability to certify the address of an individual

Where an insurer has been unable to obtain certified documentary evidence of the address of an individual, excluding temporary addresses as set out in paragraph 4.2.6, and where the insurer has exhausted the options available set out in paragraph 4.2.3, and has been unable to obtain any other form of evidence of address to the satisfaction of the insurer (approved in accordance with paragraph 1.2), the insurer must:

- (a) hold on file an address to which correspondence is to be sent. This may be a P.O. Box or care of address;
- (b) obtain a written physical description of the location of the residential address;
- (c) carry out a risk assessment on the individual taking into account factors such as:
 - (i) the information provided as documentary proof of identity;
 - (ii) the location of the individual;
 - (iii) the size of the investment;
 - (iv) any additional information provided by the introducer (if applicable); and
 - (v) the information provided in (a) and (b)

to assess whether the information already obtained cumulatively gives the insurer sufficient information for it to be satisfied that they have identified the individual.

In the absence of being so satisfied, the application for a business relationship shall not proceed any further;

- (d) obtain written confirmation of acceptance for this application from a senior member of staff authorised to accept this business on behalf of the insurer; and
- (e) ensure that the policy is identifiable for monitoring and review purposes.

When an insurer is notified of any change of address for an individual for whom verification of address has not been obtained, the insurer must endeavour to obtain verification of the new address in accordance with paragraph 4.2.3. Where the insurer is still not able to verify the new address, steps (a) to (e) above must be completed (or the steps outlined in paragraph 4.2.6 must be followed if appropriate). This must occur for each subsequent change of address until documentary evidence is received.

4.2.8 Married couples

Where a document has been provided which shows the residential address for

one spouse of a legally married couple, and the insurer has no reason to doubt that the marriage exists, then the insurer may consider this as acceptable verification of the address for the other spouse, providing it is satisfied that the risk profile of the application is such that it is appropriate to do so.

For the purposes of these Guidance Notes all civil partnerships, supported by appropriate legal documentation, may be classed as marriages.

4.3 Corporate business relationships - public companies listed on a recognised stock exchange

Corporate applicants that are quoted on a recognised stock exchange are considered to be publicly owned and generally accountable. However, an insurer must as a minimum be satisfied that the applicant is the listed company (i.e. that the applicant is not a company with a similar name) and may require sufficient documentation to be satisfied that this is so. This does not remove the requirement for source of funds and source of wealth to be satisfactorily verified.

Additionally, the insurer must have confirmation that the company has not been, or is not in the process of being, dissolved, struck off, wound up or terminated.

An insurer must hold a list of the officers from whom it is to take instructions and specimen signatures (although their identity need not be verified). The insurer must make appropriate arrangements to ensure that the officer(s) so named are properly able to act on behalf of the company.

It is a requirement under the Statutory Code that in the absence of satisfactory evidence the application for a business relationship shall not proceed any further.

4.4 Corporate business relationships - public companies not listed on a recognised stock exchange and private limited companies

The insurer must as a minimum, take such measures as will produce satisfactory evidence of the identity of a corporate investor as listed below:

- (a) a suitably certified copy of the certificate of incorporation or equivalent document;
- (b) evidence of the registered office of the contracting party, and, if this is not the address on the application, evidence satisfactory to the insurer that the applicant is using the address and the reasons for that address being used;
- (c) a list of all directors, and verification of the identity of at least two directors, one of whom must be an executive director;
- (d) where possible a set of the latest annual report and accounts;
- (e) confirmation that the company has not been, or is not in the process of being, dissolved, struck off, wound up or terminated;
- (f) a list of the officers from whom the insurer is to take instructions and specimen signatures (although their identity need not be verified); and
- (g) verification of the identity of all shareholders holding 25 per cent or more

of the issued share capital as at the date of the application. Where a holder of 25 per cent or more is a holding company, trust or nominee, then the insurer must look behind this to the ultimate beneficial owner and verification of identity of the ultimate beneficial owner must be done as set out in the appropriate paragraph. In certain circumstances the insurer may consider that the risk profile of the company is such that holders of 10 per cent or more issued share capital as at the date of the application is more appropriate and must be identified.

The principal requirement is to look behind the corporate entity to identify those who have ultimate control over the business and company's assets. If this involves a structure with a number of layers between the applicant and the ultimate beneficial owner (or ultimate company) the insurer must attempt to understand the reasons behind the structure, and need normally obtain information on the applicant and ultimate beneficial owner (company) only.

It is a requirement under the Statutory Code that in the absence of satisfactory evidence the application for a business relationship shall not proceed any further.

4.5 Trustee business relationships

Where the applicant is a trustee (or trustees), the insurer must satisfy itself that:

- (a) the trustees have been identified in accordance with the appropriate verification requirements for corporate applicants or individuals. Where there is more than one trustee, appropriate identification must be obtained for each;
- (b) satisfactory evidence of proper appointment of the trustees has been received e.g. extracts of the deed of trust;
- (c) the nature and purpose of the trust is known;
- (d) the source or origin of the assets under the trust is known and the insurer considers it satisfactory;
- (e) the persons from whom the insurer is to take instructions have been identified and specimen signatures have been obtained (although their identity need not be verified); and
- (f) the trustees have provided details of the parties to the trust at the time the application was made. These will be:
 - (i) the settlor(s), whose details must include the full name(s), date(s) of birth and, if they are still living, the current addresses of any individuals. If the settlor is no longer living the date of death must be included. If the settlor has been other than an individual, or individuals, the trustee must provide sufficient information for the insurer to identify the settlor(s) should they wish to do so;
 - (ii) any protector(s), whose details must include the full name(s), date(s) of birth and the current addresses of any individuals;
 - (iii) all beneficiaries (as and when defined).

The list of beneficiaries provided by the trustees might include certain beneficiaries whose identity the trustees have not determined such as infants, and beneficiaries defined only by class.

Where a class of beneficiary is disclosed the insurer must satisfy itself that the class does exist and undertake whatever steps it considers necessary to achieve this. It is not necessary at this point to identify the individual members of this class.

The list must also include those contingent beneficiaries named at the time of the application for business which may include charities.

The details of beneficiaries must include the full name(s), dates of birth and current addresses of any individuals, and sufficient information to identify any other class, corporate entity, charity or other beneficiary.

In any event the insurer must verify the identity of the beneficiary, as appropriate, should payment by the insurer directly to a beneficiary, or to a third party for the benefit of a beneficiary, be requested by the trustees (whether named on the original list provided by the trustees, subsequently added, or included originally only by class).

In the absence of satisfactory evidence, or where it may be impossible to identify the parties involved in the application at a date in the future due to insufficient information, it is a requirement under the Statutory Code that the application for a business relationship shall not proceed any further.

Where a trustee who has been verified is replaced, the identity of the new trustee must be verified before they are allowed to exercise any control over the assets.

The insurer may wish to undertake regular reviews of the parties to a trust for the duration of the policy, the timing of such reviews to be at the discretion of the insurer.

4.6 Nominee business relationships

Where the applicant is a nominee an insurer must satisfy itself that:

- (a) the nominees have been identified in accordance with the appropriate verification requirements for corporate entities or individuals;
- (b) satisfactory evidence of the appointment of the nominees has been received;
- (c) the persons from whom the insurer is to take instructions have been identified and specimen signatures obtained (although their identity need not be verified); and
- (d) the nominees have provided details of the parties to the arrangement. These will be:
 - (i) the person beneficially entitled to the assets to be used to fund a premium for the policy; or

- (ii) the settlor or original source of the assets under the nominee arrangement if different from (i).

The details provided must include the full name(s), dates of birth and current addresses of any individuals.

The insurer must assess the risk profile of the application and decide whether these persons should be verified or just notified.

It is a requirement under the Statutory Code that in the absence of satisfactory evidence the application for a business relationship shall not proceed any further.

Where a nominee who has been verified is replaced, the identity of the new nominee must be verified before they are allowed to exercise any control over the assets.

In any event, an insurer must verify the identity as set out in the appropriate paragraph, should payment by the insurer directly to the person beneficially entitled to the assets or to a third party be requested by the nominees.

4.7 Partnerships/Unincorporated businesses business relationships

An insurer must as a minimum, take such measures as will produce satisfactory evidence of the identity of a partnership/unincorporated business as listed below:

- (a) details of the nature of the partnership/business;
- (b) evidence of the trading address of the partnership/business, and, if this is not the address on the application evidence satisfactory to the insurer that the applicant is resident at that address and the reasons for that address being used;
- (c) where possible a set of the latest annual report and accounts;
- (d) a list of all controllers or partners, and verification of the identity of at least two;
- (e) a list of the officers from whom the insurer is to take instructions and specimen signatures (although their identity need not be verified); and
- (f) verification of the identity of all persons with a beneficial interest of 25 per cent or more of the partnership/business as at the date of the application. In certain circumstances the insurer may consider that the risk profile of the partnership is such that persons with a beneficial interest of 10 per cent or more issued share capital as at the date of the application is more appropriate and should be identified. The principal requirement is to look behind the partnership/business to identify those who have ultimate control over the assets.

In any event, the insurer must verify the identity as set out in the appropriate paragraph, should payment by the insurer directly to an account other than one in the name of the partnership/business be requested.

It is a requirement under the Statutory Code that in the absence of satisfactory evidence the application shall not proceed any further.

4.8 Limited liability partnerships business relationships

Limited liability partnerships must be treated as corporate applicants for identification purposes and identity must be ascertained in accordance with paragraph 4.4.

It is a requirement under the Statutory Code that in the absence of satisfactory evidence the application for a business relationship shall not proceed any further.

4.9 Pension business relationships – occupational schemes

Where the applicant is the trustee of an occupational retirement arrangement an insurer must satisfy itself that:

- (a) the trustees have been identified in accordance with the appropriate verification requirements for corporate applicants or individuals. Where there is more than one trustee, appropriate identification must be obtained for each;
- (b) any scheme administrator has been identified in accordance with the appropriate verification requirements for corporate applicants or individuals (or acceptable applicants);
- (c) satisfactory evidence of proper appointment of the trustees (and scheme administrator) has been received e.g. extracts of the deed of trust;
- (d) the source or origin of the assets under the trust is known and the insurer considers it satisfactory;
- (e) a list of the persons from whom the insurer is to take instructions and specimen signatures have been obtained (although their identity need not be verified); and
- (f) the trustees (and/or scheme administrators) have provided details of the parties to the trust at the time the application was made. These will be:
 - (i) the sponsoring employer and members of the scheme. The details of members must include the full name(s), dates of birth and current addresses;
 - (ii) where the beneficiaries are named the trustee must list each. The details of beneficiaries must include the full name(s), dates of birth and current addresses of any individuals;
 - (iii) where the beneficiaries are not individuals, the details of beneficiaries must include sufficient information to identify any class, corporate entity, charity or other beneficiary;
 - (iv) where the beneficiaries are disclosed as being a group of employees of the sponsoring employer this may be considered sufficient. Where a class of beneficiary other than employees of the sponsoring employer is disclosed the insurer must satisfy itself that the class does exist and undertake whatever steps it considers necessary to achieve this.

In any event an insurer must verify the identity of a beneficiary, as set out in these Guidance Notes, should payment by the insurer directly to that beneficiary, or for the benefit of a beneficiary, be requested by the trustees (whether named on the original list provided by the trustee, subsequently added, or included originally only by class).

In the absence of satisfactory evidence, or where it may be impossible to identify the parties involved in the application at a date in the future due to insufficient information, the application for a business relationship shall not proceed any further.

Where a trustee or scheme administrator who has been verified is replaced, the identity of the new trustee or scheme administrator must be verified before they are allowed to exercise any control over the assets.

4.10 Pension business relationships – non occupational schemes

Where the applicant is a trustee of a retirement benefit scheme which is not an occupational retirement arrangement, for example where a scheme is a private or personal pension scheme, a retirement annuity trust scheme, a group personal pension scheme, or a SSAS, an insurer must satisfy itself that:

- (a) the trustees have been identified in accordance with the appropriate verification requirements for corporate applicants or individuals. Where there is more than one trustee, appropriate identification must be obtained for each;
- (b) any scheme administrator has been identified in accordance with the appropriate verification requirements;
- (c) satisfactory evidence of proper appointment of the trustees has been received e.g. extracts of the deed of trust;
- (d) the source or origin of the assets under the trust is known and the insurer considers it satisfactory;
- (e) a list of the persons from whom the insurer is to take instructions and specimen signatures have been obtained (although their identity need not be verified); and
- (f) the trustees have provided details of the members of the scheme. These will include the full name(s), dates of birth and current addresses of all members, and sufficient information to identify any other class, corporate entity, charity or other beneficiary.

In any event an insurer must verify the identity of a beneficiary, as set out in these Guidance Notes, should payment by the insurer directly to that beneficiary, or for the benefit of a beneficiary, be requested by the trustees (whether named on the original list provided by the trustee, subsequently added, or included originally only by class).

In the absence of satisfactory evidence, or where it may be impossible to identify the parties involved in the application at a date in the future due to insufficient information, it is a requirement under the Statutory Code that the application for a business relationship shall not proceed any further.

Where a trustee or scheme administrator who has been verified is replaced, the identity of the new trustee or scheme administrator must be verified before they are allowed to exercise any control over the assets.

4.11 Pension business relationships – non trust arrangements

Where a pension scheme which is not in trust is the applicant all the parties to the scheme must have their identity verified as appropriate.

In the absence of satisfactory evidence, the application for a business relationship shall not proceed any further.

4.12 Charities

4.12.1 The charity as an applicant

Where the application for a business relationship is in the name of a charity (which may include any entity with charitable aims) an insurer must satisfy itself that:

- (a) the charity exists, and that this investment is legitimately being made on behalf of the charity. Where possible the registration details (including place and number of registration) of the charity must be recorded;
- (b) evidence of the registered (or similar) office of the charity is received, and, if this is not the address on the application, the insurer must be satisfied that the charity is using the address and the reasons for that address being used;
- (c) a list of all directors or executives is received, and, where the charity is not on an acceptable register of charities, verification of the identity of at least two of them, is obtained. An acceptable register of charities may be the Charity Commission of England and Wales, Central Register of Charities or similar register in a recognised jurisdiction;
- (d) a set of the latest annual report and accounts is obtained where possible;
- (e) the application for a business relationship is being made with the knowledge of the charity; and
- (f) a list of the officers from whom the insurer is to take instructions and specimen signatures. The insurer must verify the identity of at least two of the principal signatories which, wherever possible, should not be the same people whose identity has been verified as required in paragraph (c) above. When signatories change the insurer must ensure that it continues to hold verified identity of at least two signatories. Under certain circumstances the insurer may wish to verify the identity of additional or all of the signatories.

It is a requirement under the Statutory Code that in the absence of satisfactory evidence the application for a business relationship shall not proceed any further.

4.12.2 The charity as the beneficiary of a trust (or similar)

Where an insurer is requested to make payment to a charity for example as the beneficiary of a trust, the insurer must satisfy itself that:

- (a) the charity exists and has legitimate charitable aims. Where possible the registered details of the charity must be recorded;
- (b) evidence of the registered (or similar) office of the charity is received, and, if this is not the address on the payment instructions the insurer must be satisfied as to the legitimacy of the address being used and the reasons for that address being used;
- (c) where the charity is not on an acceptable register of charities, verification of the identity of at least two of the directors or executives is received. An acceptable register of charities may be the Charity Commission of England and Wales, Central Register of Charities or similar register in a recognised jurisdiction;
- (d) where payment directly to a bank account is being requested that the account requested is an account of that charity; and
- (e) the payment to the benefit of the charity is being made with the knowledge of the charity.

4.13 Foundations

Where the applicant is a foundation, an insurer must satisfy itself that:

- (a) the foundation council (or equivalent) have been identified in accordance with the appropriate verification requirements for corporate applicants or individuals. Where there is more than one foundation council member, appropriate identification must be obtained for each;
- (b) a certified extract of the public registry showing the protocolisation of the public deed (where appropriate) has been received;
- (c) a certified copy of the foundation charter (or equivalent) has been received;
- (d) satisfactory evidence of proper appointment of the foundation council has been received e.g. extracts of the Regulations of the foundation (or equivalent);
- (e) the nature and purpose of the foundation is known;
- (f) the source or origin of the assets under the foundation is known and the insurer considers it satisfactory;
- (g) the persons from whom the insurer is to take instructions have been identified and specimen signatures have been obtained (although their identity need not be verified); and
- (h) the foundation council have provided details of the parties to the foundation at the time the application is being made. These will be:
 - (i) the founder(s) of the foundation, whose details must include the full name(s), date(s) of birth and, if they are still living, the current

addresses of any individuals. If the founder is no longer living the date of death must be included. If the founder is other than an individual, or individuals, the foundation council must provide sufficient information for the insurer to identify the establisher(s) should they wish to do so;

- (ii) any protector(s) or auditors, whose details must include the full name(s), date(s) of birth and the current addresses of any individuals. If the auditors are other than an individual, or individuals, the foundation council must provide sufficient information for the insurer to identify the auditors should they wish to do so; and
- (iii) all beneficiaries (as and when defined).

The list of beneficiaries provided by the foundation council might include certain beneficiaries whose identity the foundation council have not determined such as infants, and beneficiaries defined only by class.

Where a class of beneficiary is disclosed the insurer must satisfy itself that the class does exist and undertake whatever steps it considers necessary to achieve this. It is not necessary at this point to identify the individual members of this class.

The list must also include those contingent beneficiaries named at the time of the application for business which may include charities.

The details of beneficiaries must include the full name(s), dates of birth and current addresses of any individuals, and sufficient information to identify any other class, corporate entity, charity or other beneficiary.

In any event the insurer must verify the identity of the beneficiary, as appropriate, should payment by the insurer directly to a beneficiary, or for the benefit of a beneficiary, be requested by the foundation council (whether named on the original list provided by the foundation council, subsequently added, or included originally only by class).

In the absence of satisfactory evidence, or where it may be impossible to identify the parties involved in the application at a date in the future due to insufficient information, it is a requirement under the Statutory Code that the application for a business relationship shall not proceed any further. Many foundations exist purely to hide the ownership and beneficiaries of assets. An insurer must not proceed with an application for a business relationship where the parties to a foundation, the parties responsible for the operation of a foundation, or the beneficiaries of a foundation are not disclosed.

Where a foundation council member who has been verified is replaced, the identity of the new foundation council member must be verified before they are allowed to exercise any control over the assets.

An insurer may wish to undertake regular reviews of the parties to a foundation for the duration of the policy, the timing of such reviews to be at the discretion of the insurer.

4.14 Other applicants

Other applicants may arise and an insurer must exercise common sense in obtaining suitable evidence of identity.

As a guide, where the application for a business relationship is in the name of another category of applicant the insurer must satisfy itself that:

- (a) the applicant exists. This may be achieved by obtaining copies of the constitution or similar;
- (b) this investment is legitimately being made on behalf of the organisation. For example, certain applicants e.g. local authorities, will be required to have a resolution of council to authorise the investment and copies of these must be obtained;
- (c) evidence of the normal address for delivery of documents has been received. This may be by means of a suitably certified copy of an existing bank account statement;
- (d) a list of all directors, executives or committee members has been received, and, verification of the identity of at least two of them, is obtained;
- (e) a set of the latest annual report and accounts is obtained where possible; and
- (f) a list of the officers from whom the insurer is to take instructions and specimen signatures is held. The insurer must verify the identity of at least two of the principal signatories. When signatories change, the insurer must ensure that it continues to hold verified identity of at least two signatories. Under certain circumstances the insurer may wish to verify the identity of additional or all of the signatories.

It is a requirement under the Statutory Code that in the absence of satisfactory evidence the application for a business relationship shall not proceed any further.

4.15 Powers of attorney and third party mandates

When an application for a business relationship is received from an applicant acting under a power of attorney or similar, evidence of identification must be obtained for the holder(s) of the power(s) of attorney and/or third party mandates in addition to the evidence of identification for the person granting the power. The insurer must be satisfied that the power or mandate exists. The reason for granting the power of attorney must also be recorded.

4.16 Verification of identity by a related party

Where an employee, partner or principal of a regulated introducer or acceptable applicant is the applicant, either personally or in the role of an individual trustee or nominee, they may not act as a suitable certifier to verify the identity of either themselves or of other parties or documentation relevant to the application. Any certification of copy documents must be completed by a third party.

This does not apply when the application is made by an individual acting as an authorised officer of an acceptable applicant.

4.17 Applications in the name of children

When an applicant is a child who is not in possession of suitable identification documents, an insurer may rely on a written confirmation of details of identity of the applicant from a parent or guardian providing that:

- (a) the identity of the parent or guardian providing the confirmation has been verified in accordance with these Guidance Notes;
- (b) the relationship between the child and the person providing the confirmation is established to the satisfaction of the insurer; and
- (c) the insurer must endeavour to verify the identity of the child as set out in these Guidance Notes when payment to the child is requested. If at that time the child is still not able to provide suitable documentary evidence of identity the insurer must decide whether it is satisfied with the confirmation received and take such additional action as it considers necessary.

4.18 Group life schemes

Where the applicant is a company or organisation applying on behalf of its staff, employees or members, the insurer must obtain appropriate verification on the applicant company or organisation as set out in the previous paragraphs. It will not normally be considered necessary to obtain verification of the identity of each individual member of the scheme unless and until such time as a payment out of the scheme to a beneficiary, or to the original applicant, is made. However, the insurer must have a list of all members of the scheme as at the commencement of the scheme and at regular periods after that. At the time of making a payment to a third party i.e. not to the original contracting entity, the insurer must obtain appropriate verification of identity. The regularity of any reviews, and the other information required, must be established by the insurer on a risk assessed basis.

4.19 Policyholders as group clients

Where the applicant is an existing policyholder (or other type of financial services client) of another member of the insurer's group which is subject to (consolidated) supervision of an equivalent standard and verification of identity is held by that group company, it is not necessary to re-verify the identity provided that:

- (a) a copy of the verification documents are obtained and retained on the file;
- (b) the copy documents are certified as copies of documents held on file;
- (c) the location of the original verification documents is recorded; and
- (d) the methods used to verify identity are in accordance with these Guidance Notes.

Where it is not obvious that the verification of identity is in accordance with these Guidance Notes, or is not appropriate, or the group company is not subject to equivalent supervision, the insurer must decide whether sufficient verification of identity is held, and if considered necessary procedures as described in these Guidance Notes must be followed.

4.20 Other parties to an application

Where an application for a business relationship has persons other than the applicant and beneficiaries who are able to exercise significant control (a 'controller') over the assets, for example an investment advisor on a personalised bond, the insurer must establish procedures for verifying the identity of the controller as appropriate under these Guidance Notes. This would also apply to existing contracts where a controller changed.

Where a controller is a regulated investment advisor they may be accepted without detailed identification and verification checks being made, provided that the insurer has reasonable grounds for believing that the controller is a regulated investment advisor. The insurer must record on the policyholder file the basis on which the controller has been accepted as a regulated investment advisor. Should a regulated investment advisor acting as a controller cease to be a regulated investment advisor the insurer must verify the identity of the controller as set out in these Guidance Notes.

For all controllers, regardless of whether the controller is a regulated investment advisor or not, the insurer must ensure that the persons within the controller from whom the insurer is to take instructions have been identified (although their identity need not be verified) and specimen signatures have been obtained.

4.21 Unfamiliar documents/documents in a foreign language

Where applicants put forward documents with which an insurer is unfamiliar, either because of origin, format or language, the insurer must take reasonable steps to verify that the document is indeed genuine, which may include contacting the relevant authorities. Where an insurer is unable to verify a document it must consider whether it has sufficient documentary evidence on the applicant and other relevant parties to be satisfied as to their identity. In the absence of being so satisfied the application must not proceed.

Where a document in a foreign language or script is held on file an insurer must ensure that a description of what it is, and if necessary a translation, is held, or that staff able to read and explain the document are available.

4.22 Share exchange and the accepting of bearer shares

4.22.1 Share exchange

Where a premium is to be paid in total or in part by the exchange of an existing share holding an insurer must be satisfied that the shares presented are held in the name of the applicant.

Where the share certificate(s) or share register are not in the name of the

applicant the insurer must be satisfied that the reasons for the name appearing on the share certificate(s) or share register not being the applicant are understood, and where considered necessary, the identity of the person(s) or entity whose name(s) appear on the share certificate(s) or share register must be verified.

In the absence of being so satisfied the application for a business relationship shall not proceed any further.

4.22.2 Bearer shares

Where a premium is to be paid in total or in part by the exchange of bearer shares an insurer must be satisfied that the applicant is entitled to benefit from such bearer shares and must record on file details of how the applicant came into possession of the bearer shares.

The insurer must record full details of all bearer shares received on the file of the applicant.

To reduce the opportunity for bearer shares to be used to obscure information on beneficial ownership, the insurer must, wherever possible, register the bearer shares to show the registered owner as being the insurer. Where it is not possible for the bearer shares to be changed to show the insurer as the registered holder the bearer shares must be held in a secure situation and a register maintained of those held.

The insurer may not issue bearer shares as all or part of the policy proceeds where a policy surrenders or matures.

4.23 Business introduced by an Isle of Man regulated introducer

Where business has been introduced to an insurer by an Isle of Man regulated introducer (whether a financial advisor or other financial services company), it is acceptable to have either copies of the documents collected by the introducer or an introducer's certificate, whether this meets the requirements of these Guidance Notes or not but providing the information has been obtained in accordance with the anti-money laundering requirements of the Isle of Man Financial Supervision Commission, and that the insurer is satisfied with the information submitted.

However, should the introducer cease to be regulated by the Financial Supervision Commission the insurer must obtain any documents as set out in paragraph 7.2.

4.24 Holding companies

Where, within the structure of a corporate or trust ownership, there is one or more holding company between the applicant and the ultimate beneficial owner(s), an insurer must decide how much or little information they consider necessary to obtain on the interim tiers in the ownership structure. The principal requirement is to look behind the corporate entity to identify those who have ultimate control over the business and company's assets. This does not detract

from the requirement to obtain appropriate information on the ultimate beneficial owners or controllers. The amount of detail required will depend on the risk profile of the application.

5 EXISTING POLICYHOLDERS AND ONGOING REVIEW

At any time during the life of a business relationship the risk profile and circumstances of a policyholder may change or additional information may come to the attention of an insurer. An insurer must continue to consider whether or not, at any time, additional information is required. The obligations of the insurer to consider and report any person(s) are not limited to the application procedure nor is a trigger event required before additional information may be sought or a suspicion reported.

5.1 Trigger events

For all files, including cases which have previously been assessed as medium and low risk cases, there are a number of trigger events which will automatically cause a file to require review:

- (a) a subsequent business transaction on the policy;
- (b) a surrender or redemption (partial or full) request;
- (c) the insurer becomes aware of anything which causes it to doubt the identity of any person connected with the policy; or
- (d) the insurer becomes aware of anything which causes it to doubt the veracity or adequacy of evidence of identity previously produced.

The results and supporting information relating to any file review must be documented and retained for the required period as set out in paragraph 10.11.

However, suspicion can arise at any time and other events may prompt a review.

5.2 Subsequent business transaction

5.2.1 Subsequent business transactions

For the purposes of this paragraph a subsequent business transaction is a transaction which was not expected by the insurer. It should be noted that a regular premium payment (whether of the same value as the previous premium payment or not) is not a subsequent business transaction.

If the applicant is an existing policyholder of the insurer and has had its identity verified within the preceding two years, it is not necessary to re-verify identity for that subsequent business transaction, providing that simplified or reduced customer due diligence was not undertaken previously.

However, in all instances of a subsequent business transaction, the information requested in respect of the source of wealth must be reviewed, irrespective of the period since the last customer due diligence was undertaken, and the insurer must ensure that the information held is sufficient to satisfy it in respect of the combined value of any existing policy(ies) and each subsequent transaction. If the information held is not sufficient the insurer must request sufficient information so that it is satisfied as to the source of wealth. Source of funds must be inline with paragraph 6 for each transaction.

Where a subsequent business transaction occurs and the applicant is an existing

policyholder and:

- (a) it is more than two years since verification of identity was undertaken and the verification on file is not of the level required by the current Guidance Notes (with the exception of the age requirement in relation to any utility bills or dated documents, as described in paragraph 2.8, which have been provided prior to these Guidance Notes taking effect);
- (b) simplified customer due diligence was previously undertaken; or
- (c) no verification of identity is held on file;
- (d) previously the policyholder was subject to a waiver, but where the existing, plus proposed, investments are now above the waiver level; or
- (e) there is reason to believe that the information previously supplied by the policyholder has been superseded,

then the file must be reviewed and consideration given as to whether the risk profile of the policyholder, taking into account the existing business plus the proposed business, is such that additional information is required. In most cases where little or no documentary evidence of identity is held the insurer must consider obtaining evidence of identification in line with these Guidance Notes.

Whether identification of the policyholder is held or not, where any subsequent business transaction is undertaken which is significantly different from the normal pattern of previous business, or unusually complex or large, or has no apparent economic or visible lawful purpose, then the insurer must consider whether this requires additional information or not and whether this is a suspicious transaction or not.

5.2.2 Subsequent business transactions - source of wealth

Where source of wealth information is held on the original investment, the insurer must consider whether the information held is sufficient to evidence the source of wealth for any subsequent business transaction. Where the insurer is not satisfied that the original (or any subsequent) source of wealth is sufficient for the subsequent business transaction, or where no source of wealth information is held, additional information must be obtained, and the insurer must be satisfied prior to the transaction being completed.

5.2.3 Subsequent business transactions - cases with an introducer certificate

Where a subsequent business transaction occurs and the insurer has previously relied upon an introducer's certificate then the insurer must review the file and consider whether it remains satisfied with the information provided on the introducer's certificate, taking into account the risk profile of the policyholder and policy including the subsequent business transaction.

If the information contained on the introducer's certificate is not considered sufficient, or if the insurer no longer holds a terms of business with the original regulated introducer, then the insurer must obtain satisfactory documentary evidence of identity.

This may be:

- (a) verification of identity which satisfies the insurer, as set out in these Guidance Notes;
- (b) suitably certified copy documentation from that regulated introducer, or
- (c) a revised introducer's certificate which complies with these Guidance Notes (provided that the insurer can demonstrate that all the requirements to accept business under an introducer's certificate under these Guidance Notes have been met).

Where information is obtained from the regulated introducer it may be either correct at the time of the request or at the time of the original application, provided that the insurer is satisfied that any changes to the original information have been provided to the insurer in a way acceptable to it.

The insurer may be satisfied that the information is sufficient given the risk profile of the case, without the identification being in line with paragraph 4 of these Guidance Notes, in which case the variation must be signed-off in accordance with the provisions of paragraph 1.2.

5.3 Surrender or redemption

In the case of a redemption or surrender of a policy, wholly or partially, provided that an insurer has no suspicions of money laundering or terrorist financing, it will not normally be required to verify the identity of the policyholder (even when no, or insufficient, information is held on file or where an introducer's certificate was used but the insurer no longer has a terms of business with the regulated introducer) where payment is made:

- (a) to the name of the policyholder(s) by means of a cheque crossed "account payee";
- (b) to a bank account held (solely or jointly) in the name of the policyholder by any electronic means effective to transfer funds; or
- (c) to a specified bank account in the name of a regulated person at the written request of the policyholder.

If the above conditions are not met the insurer must be satisfied as to the identity of the policyholder, or beneficiary, or account holder as appropriate. Where payment is made to an account other than in the name of the policyholder the reasons for this must be understood and recorded and where considered necessary evidence of identity of the account holder must be obtained.

5.4 Retrospective review

In the Anti-Money Laundering Standards for Insurance Businesses dated 31 March 2003, each insurer was required to have in place a programme to review the identification documents on each file.

The programme required that all high risk relationships for which a deficiency in verification documentation existed must be addressed and completed as a

matter of priority. Those cases assessed as high risk should now have been reviewed, and appropriate documentation received. If this is not the case the review of these files must be completed as a matter of priority.

Relationships assessed as medium or low risk, which have not been reviewed on a risk basis must continue to be reviewed for any deficiency in verification documentation following the occurrence of a trigger event. For the purpose of this paragraph the trigger events should as a minimum be deemed to be those events detailed in paragraph 5.1.

6 SOURCE OF FUNDS

6.1 The source of the applicant's monies (source of wealth)

An insurer must make enquiries as to how the applicant has acquired the monies to be invested. A risk based approach will be needed in respect of the extent of the information that may be required and/or validated for this purpose.

An insurer should not normally accept generic descriptions of the source of wealth from the applicant such as savings, investments, inheritance, or business dealings.

The source of wealth of an existing policyholder who wishes to undertake an additional or subsequent transaction must be examined to consider whether the information held at that time is sufficient to indicate that the additional transaction would be reasonable. Should an insurer consider that additional information is required this must be obtained as soon as is reasonably practicable, and if the insurer is not satisfied with the information provided it must not only not proceed with the transaction but must also consider whether the information provided in respect of the initial or earlier transactions should also be considered reliable, and appropriate action taken.

6.2 Remitting the monies

An insurer must establish how any payment is to be made, from where and by whom.

Where the monies are being remitted from accounts other than in the name of the applicant an insurer must be satisfied that the reasons for the account remitting the monies not being in the name of the applicant are understood, and where considered necessary, the identity of the holder of the account from which remittance has been made must be verified.

In the absence of being so satisfied the application for a business relationship shall not proceed any further.

6.3 Monies received

An insurer must be satisfied that the monies received have come from expected account(s).

While, ideally, an insurer should demonstrate its satisfaction by linking the information provided with the monies remitted to the information supplied under paragraph 6.2, it is accepted that this may not always be possible. Where an insurer does not receive complete originator information from the remitting bank it must review the information provided and consider whether additional information should be sought. A risk based approach may be used in deciding whether to seek additional information.

6.4 Monitoring for alternative remittance systems

It is possible that alternative remittance systems may be used to remit monies to an insurer.

While these are not illegal, per se, they must be treated with caution and where an application or existing policy wishes to remit monies using an alternative remittance system, the reasons for these methods being used must be understood and documented, and the decision for accepting the monies must be taken at a suitably senior management level.

6.5 Multiple accounts remitting monies

Where the monies are being remitted from several accounts an insurer must understand the reasons for this and be satisfied in each case.

6.6 Additional remittances and regular payments

6.6.1 Additional remittances

Where an insurer receives additional remittances, other than expected premiums for a regular premium contract, it must ensure that the source of monies and account(s) remitting the monies is known in accordance with paragraphs 6.1 to 6.5.

6.6.2 Regular payments

Where a policyholder remits monies on a regular premium contract an insurer must have in place procedures requiring the review of these policies on a regular basis to ensure that the requirements of paragraphs 6.2, 6.3 and 6.4 are being complied with. The frequency of such reviews must be set to take account of risk factors such as the size of premium, frequency of remittance and location of the remitting bank.

Should, at any time, an insurer become aware of a change of remitting account the file must be reviewed to ensure that sufficient information is held to satisfy the requirements of paragraphs 6.2, 6.3 and 6.4. Additionally should the level of premiums contributed on a regular basis change, the insurer must review the information held to ensure that the requirements of paragraph 6.1 are met.

6.7 Payment out of monies

Monies remitted by an insurer must be paid to an account in the name of the policyholder. Where payment is made to an account other than in the name of the policyholder the reasons for this must be understood and recorded and where considered necessary evidence of identity of the account holder must be obtained.

6.8 Use of multiple accounts when paying monies out

When payment of monies to be remitted by an insurer is requested to be made to more than one account, whether in the name of the policyholder or otherwise, the reasons for this must be understood and recorded and, where considered necessary, evidence of identity of the account holder(s) must be obtained.

6.9 Multiple small payments when paying monies out

When the policyholder requests the monies to be remitted by multiple small payments, whether to the same account or not, and whether in the name of the policyholder or otherwise, an insurer must consider whether additional enquiries are required to ascertain the reasons for this. Where additional enquiries are made the reasons for the multiple payments must be understood and recorded and, where considered necessary, evidence of identity of the account holder(s) must be obtained.

7 WRITTEN TERMS OF BUSINESS

7.1 Written terms of business

Irrespective of the content of the terms of business, and the activities an insurer permits or requests that an introducer carry out, the ultimate responsibility for customer identification and verification remains with the insurer.

An insurer must take whatever steps it deems necessary to ensure that an introducer is explicitly aware of the requirements of the Statutory Code, Regulations and these Guidance Notes.

It should be noted that an introducer has no discretion to vary these Guidance Notes, and any decision whether to accept a document or signatory, or to accept lower or simplified customer due diligence, must remain with the insurer.

7.2 Cessation of terms of business

Introducers may retire, their business close, be sold or the terms of business be terminated for some other reason.

Where an introducer's certificate has previously been supplied by a regulated introducer an insurer must, in the event of the terms of business with that introducer being terminated or ceasing for whatever reason, risk assess the business introduced by that regulated introducer.

As a result of that assessment an insurer must immediately:

- (i) obtain suitably certified copies of the verification of identity documentation from the regulated introducer;
- (ii) obtain suitably certified documentary evidence of identity from the policyholder;
- (iii) take steps to verify the identity of the policyholder as set out in these Guidance Notes; or
- (iv) in cases where the insurer assesses the business as low risk, and believes that it holds sufficient information on the policyholder to be able to adequately make a suspicious transaction report should one be required, or reasonably believes that it can obtain copies of the information required from one of the above steps at any time in the future, the insurer may treat the case in line with paragraph 5, and await the occurrence of a trigger event. Once the trigger event has occurred the insurer must proceed as set out in paragraph 5.

7.3 Introducer's certificates

Where the insurer is prepared to accept introducer's certificates from a regulated introducer the terms of business must state this fact.

The terms of business must also describe the requirements of these Guidance Notes in relation to introducer's certificates, the content, storage and retention of documents.

7.4 Introducer procedures

It is a requirement under the Statutory Code that an insurer ensures that the evidence produced, or to be produced, by an introducer is satisfactory and that the procedures of the introducer are fit for that purpose. Generally, it will be sufficient for the insurer to demonstrate the adequacy of the procedures to be tested through the normal review of the information and/or documents supplied or produced by the introducer. However, an insurer must consider in its assessment the location, regulatory status of, and regulatory body responsible for, the introducer.

Where an insurer has reason to believe that an introducer is subject to insufficient (or no) legislation, regulation or guidance in respect of anti-money laundering, or as a matter of good practice, the insurer may wish to introduce additional measures to demonstrate why it may reasonably believe that adequate procedures are in place. These may include:

- (i) devising a standard set of customer due diligence procedures and requiring an undertaking from the introducer that procedures to the same standard will be applied;
- (ii) requiring sight of the introducer's procedures in this area;
- (iii) providing a copy of our legislation/regulations/guidance to the introducer, and obtaining an undertaking that they at least meet these requirements;
- (iv) physically auditing the introducer's procedures and/or requiring the right to do so at any time in the future; or
- (v) asking to receive a copy of the relevant section of the last inspection report undertaken by the introducer's regulator.

The introduction of any of the above is at the discretion of the insurer, and may be done on a case by case or more general basis.

Should an insurer have any reason to doubt the quality or validity of any information or document produced, procedures must provide for additional information to be gathered such that the insurer is satisfied with the identification of the applicant or existing client. This may occur at any time during the relationship of an insurer and introducer, and may involve review of some or all business introduced by that introducer. Procedures must also require that any suspicion of this type is reported to the Money Laundering Reporting Officer who must document the actions taken, and reasons for such action.

7.5 Monitoring and control

An insurer must have in place procedures to monitor the ongoing status of all regulated introducers who hold customer due diligence documentation on its behalf, and also to undertake sample testing to ensure that the documents can be retrieved when required and that the regulated introducer has measures in place to comply with the customer due diligence requirements.

7.6 Document retention

It is a requirement under the Statutory Code that all terms of business require the introducer to establish and maintain records of certain transactions. These records may be held in any form acceptable to the insurer.

Where the insurer has itself generated a document, the insurer should consider whether by maintaining a copy of the document accessible to the introducer, i.e. effectively holding the record on behalf of the introducer, the requirements of the Statutory Code will have been met.

8 INTRODUCER'S CERTIFICATE

8.1 An introducer's certificate can only be used when:

- (a) the jurisdiction in which the regulated introducer is regulated permits the use of introducer's certificates for the type of contract to which the application relates;
- (b) the applicant is also permanently resident in a recognised jurisdiction (see paragraph 1.7). Where there is more than one applicant all applicants must be resident in a recognised jurisdiction (though not necessarily the same recognised jurisdiction). If the applicant is a corporation (or similar) the place of incorporation must also be a recognised jurisdiction, irrespective of the location of the applicant. Where there are several parties to the application, for example trust cases, all parties must be resident in a recognised jurisdiction;
- (c) the insurer is willing to accept introducer's certificate; and
- (d) the introducer's certificate meets all the requirements set out in this paragraph.

8.2 Terms of business

An introducer's certificate may only be used where there are in place written terms of business meeting the criteria set out in paragraph 7.

Where the terms of business have not been issued, are terminated or suspended for any reason introducer's certificates may not be accepted. The date on any introducer's certificate must be within the dates of a valid terms of business having been issued. If they are not, then suitably certified documents must be obtained in accordance with these Guidance Notes.

8.3 Payment when an introducer's certificate is used

An introducer's certificate may only be used where the application for a business relationship is:

- (a) accompanied by payment from the applicant's personal account at a credit or financial institution in a recognised jurisdiction;
- (b) by payment made by a building society or bankers draft from a credit or financial institution in a recognised jurisdiction and the cheque or payment details reference the applicant(s);
- (c) made by electronic transfer from an account in a credit or financial institution in a recognised jurisdiction, where the payment details reference the applicant(s);
- (d) made by a facility set up on a credit card issued by a regulated credit or financial institution in a recognised jurisdiction, in the name of the applicant(s); or
- (e) accompanied by payment by a cheque provided by a regulated exchange house in a recognised jurisdiction and carrying a reference to the applicant(s).

Where payment is not from one of the above, an introducer's certificate cannot be used and full verification of identity must be obtained.

8.4 The Introducer's Certificate

The introducer's certificate may take the form of a separate document or a section on the application form, duly completed by the regulated introducer.

Where an introducer's certificate is relied upon it must:

- (a) state the name and address of the introducer;
- (b) state by what self-regulatory or statutory body the introducer is regulated and the reference number of the introducer's authorisation;
- (c) be signed and dated by a representative of the introducer who is permitted by the introducer to sign the certificate. The representative must write their name in block capitals underneath their signature and state their position within the introducer. The representative signing must have either personally seen the documentation and taken the copies for the introducer's files or believe that the copies held on the introducer's files are true copies of the originals;
- (d) be completed as a separate introducer's certificate for each applicant and each party to the application, in accordance with these Guidance Notes and, where necessary, the role of the person within an application for whom the form has been completed must be described;
- (e) detail the documents used to verify the identity of the party to the application (including verification of the current address of the party). The minimum identification acceptable must be in accordance with these Guidance Notes. There must therefore be a minimum of two document's details provided. The information recorded must be sufficient for the insurer to decide whether they require additional information. This will include, as a minimum, details specified in sub-paragraphs (i) to (iv) below plus as many of the other details as possible:
 - (i) a description of each document used to verify the identity or address e.g. passport;
 - (ii) the reference numbers or account references of the documents;
 - (iii) the issuing authorities;
 - (iv) the dates and places of issue;
 - (v) the place and date of birth of the party if shown;
 - (vi) the expiry date of each document used;
 - (vii) any endorsements to any document;
 - (viii) the nationality of the party;
 - (ix) where a copy document is taken from a file copy of a document held by the introducer, the date upon which the original was seen and the copy was taken.

When the regulated introducer has used either documents obtained via the

internet or information obtained from a data base, for example an extract of the electoral roll, copies of these documents must be attached to the introducer's certificate.

Where the proof of address has been supplied by a letter from the applicant's employer a copy of the letter must be attached to the introducer's certificate; and

- (f) Where the insurer does not receive all the information it requires, or which it would expect to obtain should copy documents be supplied rather than an introducer's certificate, then it must obtain that information. Where the introducer is unable to supply the information from their records either:
 - (i) the introducer must obtain the information in accordance with these Guidance Notes; or
 - (ii) the insurer must obtain the information itself.

In the absence of this information the transaction must not proceed.

In the event that any identity is not confirmed by the introducer's certificate to the satisfaction of the insurer then the insurer must verify the identity of the party in accordance with these Guidance Notes. Where the insurer is not able to verify the identity of a relevant party to its satisfaction the transaction must not proceed any further.

The introducer's certificate should be varied for corporate, trust and nominee applicants so that the insurer is satisfied that all requirements of these Guidance Notes have been complied with.

The introducer's certificate must be an original and bear original signatures of the introducer.

If copies of documentary evidence are attached to the introducer's certificate they must be certified by the person signing the introducer's certificate. Where historic copies are requested from the introducer the introducer must certify each document as a copy of a document held on its file. Any historic copy used for address verification must be the same address as shown on the application.

The introducer's certificate does not represent an exemption from an insurer's obligations under the legislation but is merely an administrative measure which reduces or eliminates duplication of effort and documentation. At any time an insurer may decide to verify the information directly with the applicant or ask the introducer to produce documentary proof of the verification.

8.5 Pre 1994 policyholders

Where the applicant was a policyholder of the introducer before April 1994, and where no documents verifying identity are held by the regulated introducer, the regulated introducer must now obtain copies of suitable documentation and either submit such documents to the insurer, or retain them on its files and submit appropriate details on an introducer's certificate.

8.6 Monitoring procedures

Where an insurer uses, or has used, introducer's certificates they must have in place written procedures for the obtaining of copy documentation from the regulated introducer on request, both on an ad hoc basis and when the relationship with the regulated introducer is terminated. The insurer must also be able to demonstrate the ability to obtain the information when required.

9 SUSPICION REPORTING

9.1 Suspicion reporting

Where an employee or a director of an insurer reports a knowledge or suspicion of money laundering or terrorist financing, there remains a duty to protect client confidentiality. However, no breach of that duty is committed by a person reporting the information associated with the knowledge or suspicion to the Financial Crime Unit.

Recognised reporting procedures shall be established within an organisation to aid reporting to the authorities. In normal circumstances an employee or director who reports their suspicions through the recognised reporting procedures within their organisation, will be discharged from liability relating to future activity only. Further reporting to the Financial Crime Unit may be necessary if additional events occur.

Furthermore this responsibility still applies where an application is rejected for whatever reason by the insurer and there are grounds for reporting suspicions of money laundering or terrorist financing.

Reporting must be done promptly on the form provided for this purpose a copy of which can be downloaded from the link in paragraph 13:

Money Laundering Reporting Officers must distinguish between the making of a Money Laundering Suspicion Report and the lodging of a complaint or allegation of crime with the police for investigation.

9.2 Money laundering reporting officer

The Statutory Code and regulation 26 of the Regulations require that a senior officer is appointed by the Board of the insurer as Money Laundering Reporting Officer to oversee relevant policies and procedures; receive reports of suspicions from employees; determine whether the information gives rise to a suspicion; investigate that suspicion; decide whether to report or not; record his or her action (which may involve further disclosure to the Financial Crime Unit) and act as the central co-ordination point.

It is also a requirement that the Money Laundering Reporting Officer must be able to act independently and to report to the board of directors. A Money Laundering Reporting Officer must demonstrate experience and knowledge sufficient to undertake the role, and will be expected to undertake ongoing training and education to ensure that they remain aware of current trends and issues.

The Money Laundering Reporting Officer must be approved by the Insurance and Pensions Authority prior to taking up their appointment.

An insurer may also appoint a Deputy Money Laundering Reporting Officer, who must be a staff member of sufficient status and experience to provide locum cover for the Money Laundering Reporting Officer. The details of the Deputy Money Laundering Reporting Officer must also be notified to the Insurance and Pensions Authority in the same format as for the Money Laundering Reporting Officer.

Where an insurer has associated operations in other jurisdictions, a local officer may be appointed to deal with suspicion reports raised in those operations. In normal circumstances that local officer will be responsible for co-ordinating suspicion reports with the local authorities and for co-ordinating their activities with the senior officer responsible. At all times the Money Laundering Reporting Officer must be aware of any suspicion reports raised in these offices and must include details within the records and reports maintained in the Isle of Man under these Guidance Notes. This applies to both reports made by the insurer and enquiries made by the Financial Crime Unit (or similar). Where a local officer is not appointed, the Money Laundering Reporting Officer is responsible for ensuring that both local and Isle of Man obligations are met by the branch.

9.3 Deputy money laundering reporting officer

An insurer may decide to appoint a Deputy Money Laundering Reporting Officer, to provide locum cover for the Money Laundering Reporting Officer. Any person appointed as a Deputy Money Laundering Reporting Officer must be of sufficient status and experience, and undertake training, to fulfil the role.

Regulations 26(1) to 26(3) of the Regulations will also apply to the appointment, approval and ongoing status of the Deputy Money Laundering Reporting Officer.

9.4 Suspicious circumstances

Suspicious may be aroused as a result of one, or a combination, of any number of circumstances which may be associated with a policyholder, case or transaction. Money launderers constantly invent new schemes, but the list below gives examples of the traits shown in some of those so far identified:

- | | |
|-----------------------------|--|
| (a) Evasiveness | <ul style="list-style-type: none"> (i) Concealment of identity of a policyholder or client (ii) Concealment of identity of the beneficial owner (iii) Concealment of ownership of funds (iv) Incomplete application details and lack of willingness to provide evidence to answers required |
| (b) Inappropriateness | <ul style="list-style-type: none"> (i) Application beyond lifestyle or means (ii) Unexplained changes in investment pattern (iii) Investment taken against advice or not appropriate to customer's true needs (iv) Sudden changes in introducer transaction pattern (v) Unexplained receipt of bulk premiums from introducer accounts |
| (c) Unexplained or improper | <ul style="list-style-type: none"> (i) Third party transaction (payments or withdrawals) |

Circumstances	(ii)	Cash or “near cash” payments or withdrawal requests
	(iii)	Multiple sources of payment
	(iv)	Cross jurisdiction funding for payment
	(v)	Payment of premium from early surrender of another investment in unusual circumstances
	(vi)	Payment from obscure or unregulated organisations
	(vii)	Unnecessarily complex and/or unusual transactions or intentions, or patterns of transactions
	(viii)	Requests for part investment and return of surplus funds
	(ix)	Immediate interest in surrender penalties or requests for large withdrawals or policy loans
	(x)	Early surrender of contract
	(xi)	Receipt of unexplained Telegraphic Transfers and/or requests to return Telegraphic Transfers
	(xii)	Requests for no correspondence to go to policyholder
	(xiii)	Complex ownership structures involving layers of companies and/or trusts
	(xiv)	Suspicious of behaviour of either the client or introducer

This list is not exhaustive.

The presence of any one or more of the above circumstances does not in itself mean money laundering is occurring. Each employee or director of an insurer must judge a case on its own merits.

Where any of the above circumstances, or other circumstances giving cause for concern, have been identified on an application or file this fact must be recorded. Comprehensive details of any subsequent actions, explanations and decisions taken on the application or file must also be documented and maintained on the file.

If, for any reason, at any stage of the life of a policy, the insurer becomes aware of any doubts as to the identity of a policyholder (or any other party to a policy) this must be reported to the Money Laundering Reporting Officer using the normal reporting procedure for suspicious transactions. The Money Laundering Reporting Officer may take whatever steps they consider appropriate to satisfy the insurer as to the identity of the policyholder (or other party) and if they consider there is a suspicion they must report it as detailed in paragraph 9.1.

Departments of an insurer must be encouraged to share information which may highlight suspicious transactions e.g. underwriters and claims investigators.

9.5 Complex and unusual transactions

All complex or unusual transactions and complex or unusual patterns of transactions, that have no apparent or visible economic or lawful purpose, must

be scrutinised by the insurer and the background and purpose of such transactions ascertained so that the insurer is satisfied as to why the transaction is being structured in this way. In the absence of being so satisfied the insurer must not proceed with the transaction and report the suspicion in the normal way. Full details of any information obtained, and decisions made, must be recorded on the file.

9.6 Suspicion reporting procedure

It is appreciated that internal procedures for reporting suspicions by employees or directors to the Financial Crime Unit will vary between insurers. Nevertheless the key principles that must be adopted in establishing these procedures are as follows:

- (a) An insurer shall establish written internal procedures which enable all directors, managers and employees to know to whom they must report any knowledge or suspicions of money laundering activities;
- (b) Any knowledge or suspicions of money laundering activities must be reported to the Money Laundering Reporting Officer who will determine whether the information gives rise to a suspicion, investigate that suspicion; decide whether to report or not; record his or her action (which may involve further disclosure to the Financial Crime Unit) and act as the central co-ordination point;
- (c) All suspicions must be reported to the Financial Crime Unit promptly;
- (d) Once a suspicion has been reported, it may not be suppressed by the insurer. Although an employee's line manager may add comments and recommendations to the suspicion report to assist in evaluating the circumstances surrounding the suspicion, the report must otherwise be sent directly to the Money Laundering Reporting Officer, or their Deputy, who must ensure that an appropriate record is maintained.

A suspicion is not transferable and, as such, cannot be passed on as the report is progressed within the organisation;

- (e) Where, in the judgement of the Money Laundering Reporting Officer, it is believed that the suspicion is well founded, the suspicion must be reported to the Financial Crime Unit; and
- (f) The lodging of a suspicion report with the Financial Crime Unit may not in itself initiate an investigation. The information will be used to build up a picture (if the report is well founded), and only in the situation where a link or pattern has emerged will the Financial Crime Unit take action or initiate formal proceedings. In this situation they may serve the Money Laundering Reporting Officer with formal production orders to disclose relevant evidence from the insurer's own records.

9.7 Reporting declined business

Where a transaction has not been proceeded with for any reason, and any member of staff of the insurer considers that there may be a suspicion of money

laundering, or other suspicious activity, normal reporting procedures must be followed.

9.8 Tipping-off

It is an offence under the anti-money laundering legislation on the Isle of Man for anyone to take any action likely to prejudice an investigation by informing (i.e. tipping-off) the person who is the subject of a suspicious transaction report, or anybody else, that a disclosure has been made, or that the police, Financial Crime Unit or customs authorities are carrying out, or intending to carry out, a money laundering investigation.

10 RECORD KEEPING

10.1 Record keeping

The records prepared and maintained by an insurer on its policyholder relationships and transactions must be such that:

- (a) requirements of all legislation, including the Statutory Code, regulation 28 of the Regulations and these Guidance Notes, are met;
- (b) competent third parties will be able to assess an insurer's observance of anti-money laundering and prevention of terrorist financing policies and procedures;
- (c) any transactions effected via the insurer can be reconstructed; and
- (d) an insurer can satisfy, within a reasonable time, any enquiries or court orders from the appropriate authorities requiring disclosure of information.

Any records retained in computer or microfilm format must be capable of being reproduced in a manner acceptable to the Insurance and Pensions Authority and to the courts of the Isle of Man and in accordance with any legislative requirements of those courts.

The Money Laundering Reporting Officer, compliance officer and other appropriate staff must have timely access to customer identification data and other customer due diligence information, transaction records, and other relevant information.

10.2 Administration records

All documentary items relevant to customer due diligence undertaken on the policyholder, beneficial owner or other associated party, and transaction history must be maintained and be capable of being retrieved efficiently.

These requirements extend to all those functional areas of an insurer which may be involved at any stage in the life of an insurance contract. Where records are maintained by third parties (including regulated introducers and acceptable applicants), the onus will be on the insurer to ensure that any records are stored securely and are capable of being retrieved. Further, the insurer must ensure that any transactions which originate from, or are requested by, the policyholder (such as electronic transfers) are accompanied by all details sufficient to identify the immediate source/recipient of the funds.

Where file notes and supporting information are created these items must be legible, dated and carry either a name or user identification of the person completing them, so ensuring an audit trail and proper use as evidence in any potential legal proceeding. File notes evidencing decisions must demonstrate that they are produced by an appropriate person with appropriate knowledge of the circumstances and matters surrounding a case.

Where relevant, records maintained electronically will only be admissible if it can be demonstrated that the systems maintaining them are accurate and fully efficient. The author of any such record must be identifiable.

10.3 Records verifying evidence of identity

Records which evidence the identity of an individual, corporation, trustee, nominee or other entity, as described in these Guidance Notes, must be maintained for the required period.

Where these records are not available i.e. when an introducer's certificate has been supplied, the records maintained must include the introducer's certificate completed by the regulated introducer to show that verification of identity has taken place.

It should also be considered that, should the insurer be required to produce evidence of verification of identity to a law enforcement officer, i.e. that they request from a regulated introducer the evidence that they obtained in order to produce the introducer's certificate, this evidence must be capable of being produced in a timely manner. The introducer's certificate does not represent an exemption from an insurer's obligations under the legislation but is merely an administrative measure which reduces or eliminates duplication of effort and documentation.

10.4 Transaction records

All items which constitute a transaction in the life of a contract must be recorded and be retrievable for the required period. These records must be able to show exactly what was requested by the policyholder and the subsequent results of processing.

For example, records showing the following must be maintained:

- (a) the origin of the funds;
- (b) the form in which they were offered or withdrawn i.e. cheque, cash, telegraphic transfers;
- (c) the identity of the person originating the transaction;
- (d) the destination of the funds; and
- (e) the form of instruction and authority.

10.5 Compliance records

An insurer must maintain written records in two broad categories:

- (a) reports of suspicions; and
- (b) maintenance of adequate procedures,

thus enabling it to report matters to the Financial Crime Unit and to demonstrate that ongoing compliance with these Guidance Notes is maintained.

10.6 Staff screening

An insurer must retain all records associated with staff screening for the required period following the termination (for whatever reason) of the employment (or other relationship) with the insurer.

10.7 Money laundering report register and suspicion report records

The suspicion reporting procedure will generate information and/or documents the form of which may vary for each organisation. They must, however, include a register containing the following for each report made to the Financial Crime Unit:

- (a) an outline of the circumstances of the suspicion;
- (b) details of the action taken following the processing of the report within the organisation;
- (c) details of the date on which the report is made;
- (d) the identity of the person who makes the report;
- (e) identification of the Law Enforcement Officer to whom the report is made (if applicable); and
- (f) information sufficient to identify any relevant papers.

Relevant reports and disclosures to, and acknowledgements and consents received from, the Financial Crime Unit must also be retained.

Records must also be kept of all reports made to the Money Laundering Reporting Officer which are not passed on to the Financial Crime Unit. These records must also demonstrate the decision making process and the reasons why a disclosure was not made.

10.8 Register of money laundering enquiries

- (a) An insurer shall maintain a register of all enquiries made of it by law enforcement or other authorities acting under powers provided by anti-money laundering requirements.
- (b) The register maintained under sub-paragraph (a) shall be kept separate from other records and shall contain as a minimum the date and nature of the enquiry, the name and agency of the inquiring officer, the powers being exercised, and details of the policy(ies) and/or transaction(s) involved.

10.9 Appointment of money laundering reporting officer records

Formal records must be maintained to support the appointment of the Money Laundering Reporting Officer and, if applicable, Deputy Money Laundering Reporting Officer. This will normally be recorded in the Board Minutes of an insurer.

10.10 Introducer records

An insurer must maintain a register of all introducers through whom it does business. All due diligence undertaken on an introducer, either at the commencement of the relationship or at any time during the period for which

the introducer holds a terms of business must be held for the required period.

All introducers must be notified of the requirements of the Statutory Code, Regulations and Guidance Notes.

10.11 Retention periods

The required period for the purposes of these Guidance Notes is at least 5 years from the date when:

- (a) all activities relating to a one-off transaction or a series of linked transactions were completed;
- (b) the business relationship was formally ended; or
- (c) if the business relationship was not formally ended, when the last transaction was carried out.

Where a report has been made to the Financial Crime Unit, or the insurer knows or believes that a matter is under investigation, the insurer shall retain all relevant records for as long as required by the Financial Crime Unit.

11 STAFF SCREENING, AWARENESS AND TRAINING

11.1 Staff screening

The Statutory Code and regulation 31 of the Regulations require that an insurer must have in place screening procedures when hiring employees. These may be varied in accordance with the seniority and scope of the position. All staff must be screened prior to appointment, or at least prior to their commencing activity with the insurer.

Where temporary staff are utilised via an agency or similar, the insurer must be satisfied that appropriate screening has been carried out by the employing agency, and if this has not occurred, must undertake appropriate actions itself.

11.2 Training requirements

An insurer shall provide, or shall arrange to be provided, education and training for all staff to ensure that they are, as a minimum, aware of:

- (a) the provisions of the anti-money laundering requirements;
- (b) their personal obligations under the anti-money laundering requirements;
- (c) their personal liability for failure to report information or suspicions in accordance with the anti-money laundering requirements;
- (d) the internal procedures, policies and controls to prevent money laundering and the financing of terrorism;
- (e) the internal procedures for reporting suspicious transactions within the insurer; and
- (f) the identity of the Money Laundering Reporting Officer and, if applicable, Deputy Money Laundering Reporting Officer.

Additionally, the insurer shall provide training to assist all staff:

- (g) in the recognition and handling of transactions carried out by or on behalf of, any person who is, or appears to be, engaged in money laundering;
- (h) in dealing with customers where such transactions occur; and
- (i) in procedures to be adopted where transactions have been reported to the Financial Crime Unit in accordance with these Guidance Notes, or where the Financial Crime Unit or Customs and Excise are carrying out or intending to carry out a money laundering investigation.

11.3 Senior/Specific/Key staff

An insurer shall provide, or shall arrange to be provided, specific training appropriate to the particular categories of staff, dependent on the jobs performed which in addition to the training set out in paragraph 11.2 includes:

- (a) the legal obligations and the offences associated with money laundering activities;
- (b) the types of suspicious transactions in respect of which diligence must be exercised;

- (c) the policies and procedures in place to prevent money laundering;
- (d) customer identification, record keeping and other procedures; and
- (e) the recognition and handling of suspicious transactions.

For the purposes of this paragraph, senior staff include directors, both executive and non-executive.

Staff, including senior staff, who have been given authority to vary or deviate from the provisions of these Guidance Notes, or who have authority to accept a politically exposed person or the acceptance of monies through an alternative remittance source, must also have training at least annually, and must receive, in addition to the training set out above, training in those areas of the Guidance Notes where variation may be made, and the insurer's approach and risk profiles where the insurer considers it acceptable to deviate.

11.4 Senior staff providing sign-off

Those persons able to provide sign-off or acceptance, as described in paragraph 11.3 above, must appear on a list maintained by the Money Laundering Reporting Officer, and this list must be confirmed by the Directors at least once per year.

11.5 Timing and frequency of training

11.5.1 New employees

All new employees must receive training as soon as reasonably practicable after the commencement of employment in accordance with the requirements set out in regulation 32 of the Regulations.

11.5.2 Refresher training

The insurer must provide, or must arrange provision of, refresher courses at regular intervals, not less than annually for directors, senior management, specific anti-money laundering staff and holders of relevant key control positions, in order to maintain awareness and continued adherence to prevention procedures and regulatory requirements.

In the event that there have been significant changes either to legislative, regulatory or internal requirements and/or procedures, the insurer must provide, or must arrange provision of, suitable training to make all staff aware of their responsibilities.

12 DEFINITIONS

- (a) An **acceptable applicant** is one where there are reasonable grounds for believing that the applicant is:
 - (i) a regulated person;
 - (ii) an authorised and regulated credit or financial institution in a country appearing on Schedule 2 to the Statutory Code and which has anti-money laundering requirements which have been approved by FATF;
 - (iii) an authorised and regulated credit or financial institution in the Isle of Man, Jersey or Guernsey;
 - (iv) an advocate, a registered legal practitioner within the meaning of the Legal Practitioners Registration Act 1986 or an accountant, where the relevant person is satisfied that the rules of the applicant's professional body embody requirements equivalent to the Statutory Code; or
 - (v) where the applicant for business acts in the course of a business in relation to which a regulatory authority outside the Island exercises regulatory functions, and the applicant is based or incorporated in or formed under the law of a country appearing on the list given in Schedule 2 of the Statutory Code and in which there are in force anti-money laundering requirements which are at least equivalent to those of the Isle of Man.
- (b) An **applicant** means a person or body seeking to effect a contract of insurance with an insurer (whether directly with an insurer or through an introducer) and includes a person specified in regulation 10 of the Insurance (Anti-Money Laundering) Regulations 2008.
- (c) An **appointed representative** is an individual or firm bound by contract to the insurer, or any group company of the insurer and restricted in the products they may promote to those offered by the insurer or the group of the insurer. For the purposes of these Guidance Notes an appointed representative must be subject to the supervision of a country appearing on the list given in Schedule 2 of the Statutory Code and in which there are in force anti-money laundering requirements which are at least equivalent to those of the Isle of Man.
- (d) An **approved occupational pension** is one where the scheme is sponsored by an employer and has also been approved by a regulatory, taxation or other government authority in a jurisdiction appearing in the list within Schedule 2 of the Statutory Code.
- (e) **The Statutory Code** means the Criminal Justice (Money Laundering) Code 2007.
- (f) **FATF** means the inter-governmental body established by the G7 countries in 1989 and known as the Financial Action Task Force on Money Laundering ([link here](#)).
- (g) An **insurer** includes insurers which are authorised under section 6 of the Insurance Act 1986 or which hold permits issued under section 25 of that Act and which are involved in the effecting or carrying out of contracts of insurance of class 1 or class 2 as defined in regulation 2 of the Insurance Regulations 1986.

- (h) An **introducer** means a person who by way of business, whether or not receiving commission, fees or other payment for the services provided, introduces an applicant to an insurer or undertakes the ongoing servicing of a policyholder.
- (i) An **introducer's certificate** is a document, or information comprising part of a larger document, which, historically, was an acceptable method of a regulated introducer certifying the identity of an applicant without providing certified copy documents.
- (j) A **policy** includes all policies of insurance and also includes capital redemption bonds, and the term **policyholder** also includes the holders of capital redemption bonds, annuities and other contracts issued by the insurer.
- (k) A **recognised stock exchange** is a stock exchange located in a country appearing on the list given in Schedule 2 of the Statutory Code, in which there are in force anti-money laundering requirements which are equivalent to those of the Isle of Man and over which a regulatory body exercises regulatory functions.
- (l) A **regulated introducer** is an introducer in relation to which a regulatory authority within or outside the Island exercises regulatory functions and the introducer is based or incorporated in or formed under the law of a country appearing on the list given in Schedule 2 of the Statutory Code and in which there are in force anti-money laundering and regulatory requirements which are broadly equivalent to those of the Isle of Man.
- (m) A **regulated investment advisor** is a person carrying out the functions of an investment advisor in a Jurisdiction appearing on the list given in Schedule 2 of the Statutory Code and in which there are in force anti-money laundering requirements which are equivalent to those of the Isle of Man, where the activities being undertaken by the Investment Advisor are regulated.
- (n) A **regulated person** is for the purposes of these Guidance Notes deemed to be:
 - (i) any person carrying on banking business within the meaning of the Banking Act 1998;
 - (ii) any person carrying on investment business within the meaning of the Investment Business Act 1991;
 - (iii) any person carrying on insurance business within the meaning of the Insurance Act 1986 (as amended);
 - (iv) any person acting as an insurance manager within the meaning of the Insurance Act 1986 (as amended);
 - (v) any person acting as a registered schemes administrator under the Retirement Benefits Schemes Act 2000;
 - (vi) a building society within the meaning of section 7 of the Industrial and Building Societies Act 1892 which is authorised under section 2 of the Building Societies Act 1986;
 - (vii) a United Kingdom building society to which section 2 of the Building Societies Act 1986 applies by virtue of section 4A of that Act and which is authorised under section 2 of that Act;

- (viii) any registered schemes administrator under the Retirement Benefits Schemes Act 2000;
- (ix) any person acting as a trustee service provider under the Corporate Service Providers Act 2000; or
- (x) any person acting as a corporate service provider under the Corporate Service Providers Act 2000.

In relation to insurance business, the word “transactions” should be understood to refer to the insurance product itself, the premium payment and the benefits.

13 USEFUL LINKS

The following links are provided purely as a matter of potential convenience:

[Insurance \(Anti-Money Laundering\) Regulations 2008](#)

[Criminal Justice \(Money Laundering\) Code 2007](#)

[Financial Action Task Force on Money Laundering](#)

[Insurance Act 1986](#)

[Insurance \(Amendment\) Act 2004](#)

[Suspicion Disclosure Form to the Financial Crime Unit*](#)

[Isle of Man Government Insurance and Pensions Authority](#)

[Isle of Man Government Financial Supervision Commission](#)

[Isle of Man Government Customs and Excise](#)

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Supervisor,
Insurance and Pensions Authority

* - Since the Guidance Notes were laid before Tynwald, the Suspicion Disclosure Form to the Financial Crime Unit has been amended. For the purposes of this reading-copy of the Guidance Notes, the above hyperlink has been amended to point to the most up-to-date version of the form.