

GFIA response to Financial Action Task Force (FATF) public consultation on updating guidance to the National Risk Assessments (NRA)

The Global Federation of Insurance Associations (GFIA) understands the goal is to update the NRA guidance to make it more effective, comprehensive and useful for all stakeholders involved. GFIA reiterates its long-standing view that policymakers should follow the risk-based approach promoted by FATF on guidance regarding AML. Any new rules to fight money laundering/terrorism financing (ML/TF) should consider only covering life insurance, which has some, albeit very low, exposure to these risks. General insurance exposure to AML/ATF is close to non-existent. NRAs should consider this position in the guidance review process.

What are the most useful ways that the private sector, civil society and academia can contribute to the NRA?

GFIA notes that several members participate in face-to-face meetings and workshops with public authorities and engage in discussions and questionnaires related to the preparation of their country's NRA. GFIA supports these initiatives and recommends that they be continued.

Utilisation of the outcomes and outputs of the NRA

How does the private sector, civil society and academia use NRA outputs? Are there any key performance indicators or other methods to measure the impact of the NRA?

GFIA supports the preparation of NRA's for ML and TF, as they do provide insight into the background for the national policies and the further development and changes to such policies. Industry members use the information contained in the NRA's to assess their own risks for ML and TF to develop their risk-based approach, evaluating their risk factors and shaping their customer risk rating methodologies. The NRA's contribute to the industry's resources for managing its risks. Furthermore, GFIA understands that NRA's are used to develop FATF guidance which assists industry to better understand the background for such guidance.

GFIA does acknowledge that the risk for the insurance industry is different from the risk profiling of other sectors such as banking. In particular, reinsurance and property and casualty (general or non-life) sectors do not have proportionately the same level of risks for ML as other forms of general business or the life/long term business. In some assessments, the risk profiling of insurance is not as fulsome. GFIA recognises that the NRA is an important process for understanding the overall risks at a national level and global level of ML and TF. GFIA would recommend that the assessment of the various different aspects of the insurance sector be as fulsome as possible as it is important for the industry to assess, on an ongoing basis changes, their own risk profiling as well as the various insurance sectors more generally.



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How can countries design the NRA process and outputs to maximise their utility to the private sector, civil society and academia?

As noted, NRA's provide not only important information about the trends and development of risks in the various areas of ML and TF, but it also highlights changes and new trends. This is important information for industry to ensure that its assessment of risks is current. Therefore, it is important for NRA's to be prepared on a regular basis and to be consistent.

Based on the information gathered during the assessment, it is recommended that case studies should be developed and shared with industry to provide better understanding of cases that have actually occurred and preventative measures that may have been taken.

If possible, horizon scanning of new trends and developments would be helpful. This may be shared at meetings with industry.

Feedback on NRA process, outcomes and outputs

What is the most appropriate and effective mechanism for the private sector, civil society and academia to provide feedback on the NRA?

GFIA recommends face-to-face meetings with industry and focused consultations to assist the private sector to provide better feedback on the findings of the NRA. These meetings should be held sufficiently early in the process considering the significant issues that may arise for the insurance sector. With constructive direction and presentation of key aspects of the NRA, industry can better focus on what has been identified in the NRA in order to provide input.

As part of the evaluation results, local regulators should be invited to align level 2 texts to avoid creating distortions and inconsistencies, and therefore, legal uncertainty.

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About GFIA

The Global Federation of Insurance Associations (GFIA), established in October 2012, represents through its 42 member associations and 1 observer association the interests of insurers and reinsurers in 68 countries. These companies account for 89% of total insurance premiums worldwide, amounting to more than US\$4 trillion. GFIA is incorporated in Switzerland and its secretariat is based in Brussels.