GLOBAL FEDERATION OF INSURANCE ASSOCIATIONS

To: Financial Action Task Force (FATF)

Date: 29 November 2019

Subject: Comments of the Global Federation of Insurance Associations on the draft Digital ID Guidance

Dear Sir/Dear Madam,

The Global Federation of Insurance Associations (GFIA) was established in 2012. Through its 40 member associations and 1 observer association, GFIA represents the interests of insurers and reinsurers in 64 countries. These companies account for around 89% of total insurance premiums worldwide.

GFIA is active in commenting on a broad range of issues affecting the international insurance industry, including developments in the discussion on systemic risk, the common framework for supervision of international groups, market conduct, trade issues, financial inclusion and initiatives relating to anti-money laundering and counter-terrorist financing. In view of this, GFIA appreciates the opportunity to provide input to the review process of the FATF draft Digital ID Guidance.

As the draft guidance points out, the rapid evolution of digital technology will have a significant impact on how industries identify individuals. In particular, GFIA members are optimistic that new methods of digital ID will improve the confidence insurers have in proving and authenticating customer identity. A related benefit for the insurance industry is the introduction of operational efficiencies in complying with AML-CFT regulatory requirements at onboarding and to aid in transaction monitoring over the life of the customer relationship.

GFIA appreciates the work that the FATF has undertaken in the area of digital ID and is very supportive of the analysis of how these new technologies will inform and shape the existing FATF Recommendations. The proposed draft guidance should help businesses understand where it is appropriate to use digital ID for the purposes of CDD and the relevant levels of assurance to each risk. The guidance set out in Section V is clear and helpful. Given the rapid evolution of technology, it is important that the guidance remain flexible, allowing governments and industry to respond to, and incorporate, new ID technology.

The guidance also recognises the following important points:

- In paragraph 77, the draft guidance reiterates that Recommendation 10 dealing with CDD obligations is technology neutral
- Paragraph 79 connects “assurance” levels associated with a particular digital ID system to compliance with Recommendation 10 requirements that ID methodologies be reliable and independent
- Paragraph 85 confirms that the risk-based approach applies to CDD in onboarding and in ongoing monitoring
- There is the acknowledgement in paragraph 88 that new digital technologies have the power to render non-face-to-face interactions lower risk than face-to-face relationships, depending on assurance levels

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The one aspect of the paper where GFIA is of the view that additional clarity or slight modification would be beneficial is how “official” identity is to be established. Paragraph 82 describes the evolution of Recommendation 12, which no longer requires the use of an official identifying documents, but rather focuses on reliable identifying documents. The draft guidance also recognises the risks associated with using government identity documents to establish official identity (potential lack of security features in developing countries to prevent counterfeiting, and identity theft (paragraph 103)). These are important points given the threat that any one database (including one maintained by government) can be compromised.

GFIA takes the view that the draft guidance should encourage national authorities to adopt standards which allow for higher levels of confidence, including using multiple non-government sources, rather than increasing the dependency on a singular source of government-provided ID systems (paragraph 145) or deferring to each jurisdiction in terms of its framework for providing official ID (paragraph 79). This is also particularly relevant for the few countries where there is no one unique reference number for each citizen or an identity card system.

On a related point, given that any database including those maintained by government could be compromised, governments should be urged to share with private sector regulated entities the details of any breach, or enable those entities to query whether their customers were affected by the breach. This would allow companies to confirm the authenticity of their records, and would improve the overall assurance framework, particularly if the entity’s data is also being used by others to confirm identity.

Thank you again for soliciting GFIA’s input on the draft guidance.

Kind regards,
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