

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA



**MASTER CIRCULAR
ON
ANTI MONEY LAUNDERING/COUNTER FINANCING OF TERRORISM (AML/CFT)
GUIDELINES FOR LIFE INSURERS**

IRDAI/SDD/GDL/CIR/175/09/2015

28th September, 2015

Table of Contents

Sl. No.	Particulars	Page
1	Background	1
2	What is Money Laundering	1
3	AML/CFT Program	2
3.1	Internal Policies, Procedure and Controls	2
3.1.1	Know Your Customer (KYC) Norms	2
3.1.2	Reliance on Third Party KYC	4
3.1.3	Enhanced Due Diligence	4
3.1.4	Simplified Due Diligence	5
3.1.5	Implementation of Section 51A of the Unlawful Activities (Prevention) Act, 1967 (UAPA)	5
3.1.6	Contracts Emanating from Countries Identified as Deficient in AML/CFT Regime	6
3.1.7	When should KYC be done	6
3.1.8	Risk Assessment	7
3.1.9	Contracts with Politically Exposed Persons	7
3.1.10	New Business Practices/Developments	8
3.1.11	Products to be covered	8
3.1.12	Verification at the time of Redemption/Surrender	9
3.1.13	Reporting Obligations	9
3.1.14	Record Keeping	10
3.1.15	Sharing of Information	11
3.2	Compliance Arrangements	11
3.3	Recruitment and Training of employees/agents	12
3.4	Internal Control/Audit	13
Annexure I	Procedures for determination of Beneficial Ownership	14
Annexure II	List of Officially Valid Documents for KYC purposes	15
Annexure III	Implementation of Section 51A of UAPA	17
Annexure IV	Vulnerable Features/Products	20
Annexure V	Illustrative list of Suspicious Transactions	21
Appendix	List of Circulars	22



28th September, 2015

To
The Chairman/CEOs of all Life Insurers

Master Circular on
Anti Money Laundering/Counter- Financing of Terrorism (AML/CFT)-Guidelines for
Life Insurers

1. Background:

- 1.1 The Prevention of Money Laundering Act (PMLA), 2002 (the Act) brought into force with effect from 1st July 2005, is applicable to all the financial institutions which include Life Insurers. The application of anti-money laundering measures to non-depository financial institutions generally, and to the Life Insurers in particular, has also been emphasized by international regulatory agencies as a key element in combating money laundering. Establishment of anti money laundering programs by financial institutions is one of the central recommendations of the Financial Action Task Force and also forms part of the Insurance Core Principles of the International Association of Insurance Supervisors (IAIS). Accordingly, the Authority decided to put in place the following regulatory guidelines/instructions to the Life Insurers and Agents as part of the programme on Anti Money Laundering/Counter-Financing of Terrorism (AML/CFT) for the insurance sector.
- 1.2 Life Insurers offer a variety of products aimed at transferring the financial risk of a certain event from the insured to the Life Insurer. These products include life insurance contracts, annuity contracts, and health insurance contracts. These products are offered to the public through trained agents of the Life Insurers and also through a number of alternate distribution channels like direct marketing, bancassurance, etc. The guidelines are therefore of importance to the agents also, to the extent indicated herein.
- 1.3 The obligation to establish an anti-money laundering program applies to a Life Insurer. They have the responsibility for guarding against insurance products being used to launder unlawfully derived funds or to finance terrorist acts.

2. What is Money Laundering?

- 2.1 Money Laundering is moving illegally acquired cash through financial systems so that it appears to be legally acquired.
- 2.2 There are three common stages of money laundering as detailed below which are resorted to by the launderers and Life Insurers which may unwittingly get exposed to a potential criminal activity while undertaking normal business transactions: