GLOBAL FEDERATION OF INSURANCE ASSOCIATIONS

To: Shana Krishnan
Policy Analyst
Anti-Money Laundering / Counter-Financing of Terrorism
Financial Action Task Force

Date: 22 January 2016

Subject: GFIA comments on characteristics and indicators of terrorist risks

Dear Ms. Krishnan,

You have asked that we reach out to insurers to see if they have developed terrorist financing characteristics and risk indicators that they can share with the Financial Action Task Force (FATF).

Insurers in our member associations have indicated that they do indeed consider various risk factors to identify customers or third parties who may be involved in transactions that are part of a scheme to finance terrorist activities. Generally speaking, the operational details underpinning terrorist organizations, or even "lone wolf" actors, are the purview of national and international intelligence services and are not widely understood by insurers or the public at large. Accordingly, insurers rely heavily on guidance from the FATF and from their national authorities in screening for potential terrorist financing plots, and they do not tend to develop such mechanisms on their own. Furthermore, insurers need objective elements to rely on in order to monitor these risks effectively.

As you are aware, the FATF requires governments to establish financial intelligence units (FIU) and to prepare National Risk Assessments (NRAs). Both of these tools may be utilized by governments to transmit their expectations to private sector firms. For instance, drawing on United Nations (UN) resolutions, regulators publish lists of organizations suspected of having terrorist ties. In some countries (e.g. Italy) FIUs are authorized, by statute, to convey their expectations directly to private sector organizations. In Italy and the United States (U.S.), to facilitate the detection of suspicious transactions, anomaly indicators may be published by the authorities, and the FIU may disseminate models and patterns representing anomalous conduct. A similar situation exists in Germany. The German FIU publishes frequent lists of indicators and suspicious facts which suggest the risk of financing of terrorism. In addition, the German, Italian, and U.S. insurance associations communicate this information to their member companies.

NRAs also highlight particular countries which may pose a greater risk of terrorist financing (e.g. Afghanistan, Pakistan, Somalia, Syria, Yemen and others). Money transmitted to such countries would be a risk indicator. These risk assessments also identify certain businesses that may pose a heightened security risk. Examples would include (i) registered charities that operate in close proximity to an active terrorist threat, or (ii) family-owned money service businesses that provide wire transfer services through informal networks (since these can wire funds to high-risk jurisdictions through informal networks). Insurers conduct additional due diligence before paying claims when certain red flags are present. These include

deaths that occur in a foreign jurisdiction with an unrelated beneficiary, particularly in high-risk jurisdictions where a death has occurred in a terrorist attack. However, insurers will often not be in a position to know if, for example, a registered charity operates near an active terrorist threat or even if a death occurred in a terrorist attack. It would be useful for NRAs to include case studies outlining how insurance products could be used to fund terrorist activity.

There are common indicators that could be a sign of money laundering or terrorist financing. The structuring of transactions (typically cash deposits) into smaller transactions to avoid reporting requirements triggered by a particular threshold (e.g. $10,000) can be used by money launderers and terrorist financiers alike, and institutions would report such transactions to their FIU. However, the amounts involved in terrorist financing schemes will often be small and spread out between different financial institutions, making them difficult to detect.

Finally, apart from 'traditional' methods of terrorist financing, insurers in our member associations are aware that methods in which terrorist organizations raise, move and use funds have evolved and need further assessment. Examples are the use of social media to raise funds, new payment products and services, and the operation of Foreign Terrorist Fighters (FTFs).

In summary, insurers tend to look to national authorities in developing tools to identify terrorist financing risk patterns. The mechanism for governments to communicate these expectations can be through guidance or legislation. Several insurance associations, including those in Germany, Italy, and the U.S., support these efforts by regular communication and exchange of information.

Thank you for providing us with the opportunity to offer feedback on your request. We also look forward to the opportunity to comment on the final indicators proposed by the FATF at the upcoming private sector consultation forum in Paris.

Sincerely yours,

Ethan Kohn
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About the GFIA

Through its 40 member associations, the Global Federation of Insurance Associations (GFIA) represents the interests of insurers and reinsurers in 60 countries. These companies account for around 87% of total insurance premiums worldwide. The GFIA is incorporated in Switzerland and its secretariat is based in Brussels.