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

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:

परिश्रम भवन, तीसरा तल, बशीरबाग, हैदराबाद-500 004. भारत
: 91-040-2338 1100, फैक्स: 91-040-6682 3334
ई-मेल: irda@irda.gov.in वेब: www.irda.gov.in
Parisharam Bhavan, 3rd Floor, Basheer Bagh, Hyderabad-500 004. India.
Ph.: 91-040-2338 1100, Fax: 91-040-6682 3334
E-mail : irda@irda.gov.in Web.: www.irda.gov.in