

Indicators Related to Insurance Sector

Preface

The nature of the activities and services provided by insurance companies may create more ML risks given the huge sums received thereby, which in turn makes it difficult to trace illegal funds.

Therefore, it is crucial to participate in the development of the Insurance Sector in Kuwait and upgrade its tools based on the international best practices, thus contributing to combating ML/FT risks through monitoring risk indicators that may be exploited by criminals through the use of insurance services and products provided by the Sector, including the following services:

- Life insurance.
- General accident insurance.
- Travel insurance.
- Health insurance.
- Home insurance.
- Property insurance.
- Car, boat, and vehicle insurance.
- Corporate insurance (company premises, machinery and other contents, warehouses, etc.).

Indicators Related to Customer:

1. Customer submits (wrong, misleading, incomplete or unclear) information about the documents needed to clarify commercial relationship, activity, source of funds or other necessary data, or refrains from submitting them.
2. Customer avoids or refuses personal contact or communication.
3. Customer refuses to send any documents from the insurance company to his residence address.
4. Customer has committed acts punishable under the laws of Kuwait or other states.
5. Customer shows uncommon curiosity about the controlling and monitoring systems and mechanisms and internal policies adopted by the insurance companies.
6. Customer exaggerates in justifying or explaining transactions or in providing documents that prove its validity.

7. Customer appears too concerned about the transaction, despite it is of common nature.
8. Customer tries to build a close relationship with employees.
9. Customer offers financial rewards or unusual services to secure suspicious services.
10. Customer accepts the terms of the insurance policies, which may not be compatible with personal data such as (age and health status).
11. Customer does not show interest in the policy performance, yet he is largely keen on the contract early termination.
12. Commercial entity attempts to use cash to complete a proposed transaction, which is often conducted by other payment instruments, such as checks.
13. Customer requests transactions' values to be paid in lump sum through transfer from financial institutions or transfer in a foreign currency.
14. Customer has multiple insurance policies with other institutions.
15. Customer purchases insurance policies for amounts that exceed his financial capabilities and resources.
16. Low-income persons make continuous large deposits for the insurance policy (i.e., paying additional amounts at the last due installment to have the insurance policy extended).
17. Customer is reluctant to provide specific information when purchasing an insurance product or provides fake information.
18. Customer bears excessive costs resulting from the early cancellation of the insurance policy, and the beneficiary is found to be changed when the cancellation is requested.
19. Customer requests an increase in the insured amount, or an unusual or excessive payment of the insurance premium.
20. Difficulty to identify the actual beneficiary, due to the following reasons:
 - Frequent change of beneficiaries, especially when it is possible to change the beneficiary without his knowledge, this would occur by changing the insured to another party without his consent or transferring the right to pay policy premiums by endorsing the policy (only if endorsement is explicitly stipulated in the policy).
 - Changing the beneficiary of the insurance policy to any irrelevant third party.

- Replacing the ultimate beneficiary during the contract validity term with another person whose relationship with the policyholder is not clear.
 - Commercial entities whose controlling parties or ultimate beneficiaries are difficult to identify.
 - Changing the beneficiary of an individual-owned insurance policy to a commercial entity.
 - Frequent change of the customer's contact information (address, phone number, etc.), or customer's provision of other contact information that is different from the previously provided information.
 - Customer uses close aliases and addresses, but in fact they are different.
 - Customer accompanies other parties during personal consultations, without clarifying the relationship between them, and they have a say in shaping the commercial relationship between the concerned party and the insurance company.
21. Customer requests insurance without a specific purpose and is reluctant to disclose the reason for insurance.

Indicators Related to Transaction:

1. Transactions recently carried out by the commercial entity appear to be inconsistent with the customer's usual activities.
2. Transactions carried out by the commercial entity appear to be out of the scope of the normal commercial practices of similar entities.
3. The commercial entity conducts insurance transactions that lead to inflation in the volume of fake projects undertaken by this entity.
4. Customer unusually makes large purchases of insurance policies and pays the total amount in one payment, while he is used to pay for similar transactions in small and regular payments.
5. Customer frequently purchases insurance policies and cancels them after a short period of time.
6. Customer purchases insurance policies in huge amounts, cancels them after a short period of time, receives their value in cash and delivers it to a third party.

7. Customer guarantees the single premium insurance policy and receives a loan from the lending financial institution, shortly after paying the single premium.
8. Low-income customer increases the sum insured and mobilizes the balance with huge deposits to hide his illegal funds, after paying the initial premium to avoid suspicion.
9. Customer transfers money or hides its origin through the insurance policies, and then cancels the policy during the ***Free Look Period**.

Indicators Related to Products, Services and Channels Used:

1. Customer carries out insurance transactions which do not commensurate with the objective of its commercial relationship with the insurance company.
2. Customer purchases high single-premium insurance policies, especially when renewing the insurance policy before the due date.
3. Commercial entity purchases insurance policies that provide management services for its risky assets, or whose asset management requires international interventions.
4. Cancellation of insurance and incurring related losses, offering cash, or refunding a check and delivering it to another party.
5. Customer assigns its right to benefit from insurance services to a third party with no clear relationship between them.
6. Life insurance contract term is less than three years.

***Free Look Period** enables the insurance policy holder to review the policy and assess its adequacy and gives him the option to cancel and return the policy without any penalties, such as a surrender charge. The Free Look Period often lasts 10 days or more depending on the insurance company.

7. Customer converts a low-risk insurance policy of one insurance company into a high-risk one, containing stricter terms and conditions, of another insurance company, against higher fees.
8. Non-financial professions (i.e., lawyers, accountants, or others) who have accounts, policies, contracts in an insurance company carry out insurance transactions on behalf of their customers, and the insurance company relies unjustifiably on them.
9. Customer attempts to use third party checks to purchase an insurance policy.
10. Insurance premiums are paid regularly by third parties who do not have a clear relationship with the policyholder.
11. Customer deliberately pays the premiums in amounts exceeding the premium value, while the insurance company recovers the excess amount.

Indicators Related to Geographical Location:

1. Customer requests an insurance policy, while his permanent residence address is outside the State, and he does not have any logical economic relationships with the State, except for cases of obtaining compulsory insurance policies for visitors.
2. Agent or broker applies for an insurance policy in high-risk states known for poor regulation and organized crime.
3. Customer pays for transactions in one payment (single-premium policies) by means of transfers from financial institutions or transfers in foreign currencies from a bank account located outside the country.