

# **NATIONAL RISK ASSESSMENT TOOL GUIDANCE MANUAL**

## **MODULE 5 INSURANCE SECTOR VULNERABILITY**

JUNE 2015

## **World Bank Group's National Money Laundering and Terrorist Financing Risk Assessment Toolkit**

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### **Important reminders for the Working Group**

- Base your assessments on group discussions to ensure the inclusion of a wide array of perspectives. All the members of the Working Group should contribute to discussions, as well as to the overall assessment, as the inclusion of all viewpoints and perspectives will contribute to a higher quality report.
- Keep a record of the key arguments, findings, and conclusions of your discussions. These notes will be important in documenting the analysis and support for the conclusions and findings that will feature in the final report. Assign a note-taker for this task.
- The quality of the output depends on the quality of the input. An unrealistic assessment will reduce the credibility of the assessment and will limit the benefit the jurisdiction can derive from the assessment.
- During the assessment, please clearly identify any problems, weaknesses, or gaps by determining what is missing and what is not working. Such an approach will help you draw up the action plans following your assessment.
- Support all your findings and conclusions with clear analysis and documented evidence, in order to demonstrate the basis for each rating.
- Prepare team reports on the key findings and conclusions that are clearly documented with references to underlying sources. These reports will become the building blocks of the overall National Risk Assessment report.

## **1. OBJECTIVES OF THE INSURANCE SECTOR VULNERABILITY MODULE**

The main objectives of Insurance Sector Vulnerability Module (the module) are to:

- Identify the overall vulnerability of the insurance sector
- Identify insurance products with high vulnerability
- Prioritize action plans that will strengthen anti-money laundering controls (AML controls) in the insurance sector.

The outcome of the Insurance Sector Vulnerability Assessment is necessary for:

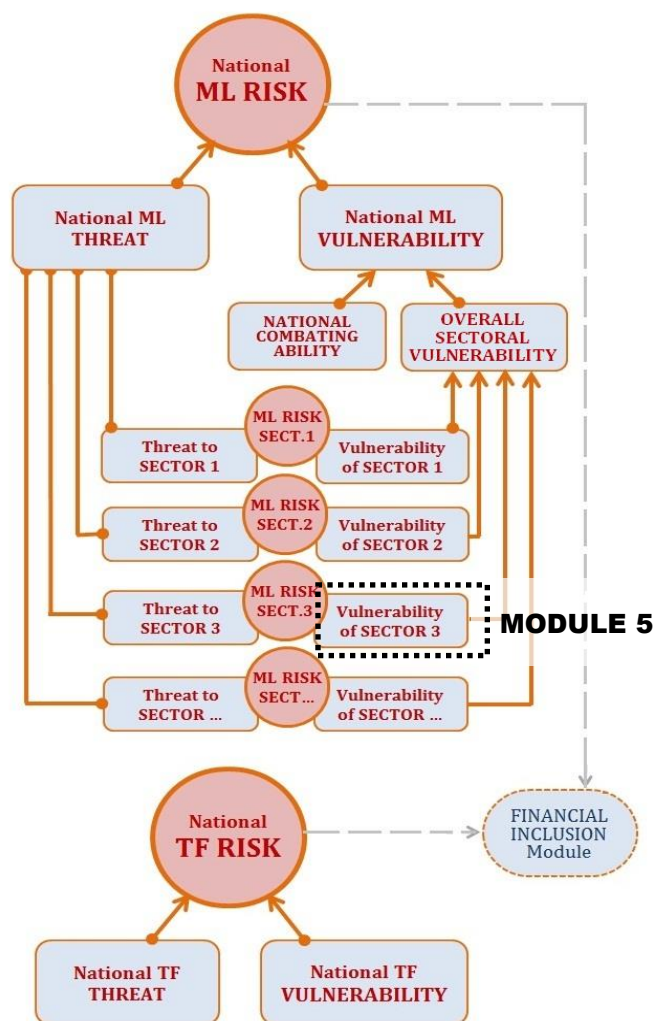
- Designing action plans for more effective AML policies and practices throughout the sector
- Evaluating the impact of different interventions by regulatory (and other relevant) authorities
- Comparing the level of vulnerability in the insurance sector with the vulnerability in other financial sectors
- Ensuring efficient resource allocation
- Developing specific AML controls for high-risk products.

## 2. UNDERSTANDING THE INSURANCE SECTOR VULNERABILITY MODULE

### 2.1. Insurance Sector Vulnerability Module in the Big Picture

It is important to understand the module's place and function in the bigger picture of the National Risk Assessment Tool (the tool). As shown in Figure 1, the insurance sector's vulnerability to money laundering and the money laundering threat to insurance sector together cause the money laundering risk to the insurance sector. In addition to the risk at sector level, the vulnerability of the sector has an impact on the national vulnerability.

**Figure 1: Insurance Sector Vulnerability Module in the Big Picture of National Risk Assessment Tool**



In terms of money laundering (ML), many factors contribute to the overall vulnerability of a country. Some factors have a direct impact, while others are more indirect. The importance and impact of any single factor often depends on the existence, or absence, of other factors. This National Risk Assessment Tool, which has been developed to determine country vulnerability, reflects the various key factors and their relationships.

In this tool, these factors are called “variables”. For example, in this module, the variable *Comprehensiveness of AML Legal Framework* indicates the extent to which the laws and regulations of a jurisdiction contribute to the strength of anti-money laundering controls. The ratings assigned to the variables by the Working Group (which carries out the National Risk Assessment) consequently determine the overall vulnerability of the insurance sector.

## 2.2. Variables

In order to build a foundation for subsequent discussion, it is important to first understand the variables on which the module is based. There are two types of variables in the module: (1) input variables, and (2) intermediate variables.

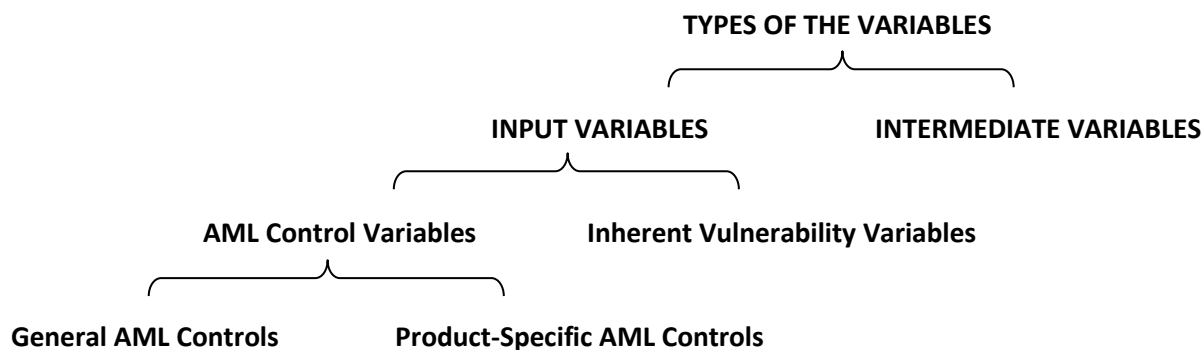
1. **Input variables** require the Working Group (WG) to input an assessment rating. This type of variable breaks down into two subtypes: (1) AML control variables, and (2) inherent vulnerability variables.
  - a. **AML control variables** are further broken down into two subtypes: (1) General AML controls, and (2) Product-specific AML controls:
    - i. *General AML controls*. These apply to the entire insurance sector, and should be assessed at sector level. This type of input variables relate to the quality and effectiveness of general AML controls, and therefore affects the vulnerability of all the products being assessed.
    - ii. *Product-specific AML controls*. These controls are designed specifically for a particular product. They therefore only impact the vulnerability of the product they are related to.
  - b. **Inherent vulnerability variables** relate to specific features and users of a particular product, because they reflect the type/nature of products that make up the insurance sector. An example would be a client base profile. As the client base profile may vary from product to product, and consequently affect its vulnerability, it is necessary to assess risks related to client profiles separately for different products.
2. **Intermediate variables** are broad and high-level factors that cannot be assessed directly. They therefore need to be disaggregated into their constituent parts in order to be assessed. The module determines intermediate variables automatically, based on the ratings entered for the input variable. Though assessment is undertaken at the input variable level, intermediate variables are very important in the network structure. The next section explains the roles of input variables and intermediate variables in more detail. Descriptions of the intermediate variables can be found in Section 5 of this document.

General AML control variables relate to the effectiveness of the general AML controls, and are relevant for all insurance sector products. This is because insurance sectors that are well-supervised for AML purposes by well-trained and committed officials have reduced vulnerability on all offered products.

Other input variables relate to inherent vulnerability factors that are specific to a particular product: e.g., the total value of that product, the level of cash activity, its client base profile, or the channel through which it is offered. These input variables are called inherent vulnerability variables.

In addition, a third type of input variable – a specific control variable – exists for individual products. Although this variable is not an inherent vulnerability variable, it is product-specific, and needs to be assessed for each product separately. This input variable is called product-specific AML control variable. Figure 2 provides a visual summary of the various types of variables.

**Figure 2: Variables in the Insurance Sector Vulnerability Module**



The relationship between this breakdown and the module structure in Figure 3.a is as follows (see coloured boxes in Figure 3.a):

- Intermediate variables (pink boxes) do not require assessment.
- General AML control variables (green boxes) need to be assessed for the entire sector.
- Inherent vulnerability variables (blue boxes) need to be assessed for each product.
- Product-specific AML controls<sup>1</sup> (blue box with green borders) need to be assessed for each product.

### 2.3. Module Structure (The Network)

The module is based on the assumption that the sector is similar to a building, with the products on offer being the various entrances to the building. Any money-laundering attempt needs to enter the insurance sector through one of these “doors”. Therefore, assessing the vulnerabilities of all the “doors” provides a measure of the overall vulnerability of the building against any unauthorized entry. Similarly, the module assumes that assessing the vulnerabilities of all the products offered by the sector will lead us to the overall vulnerability of the sector.

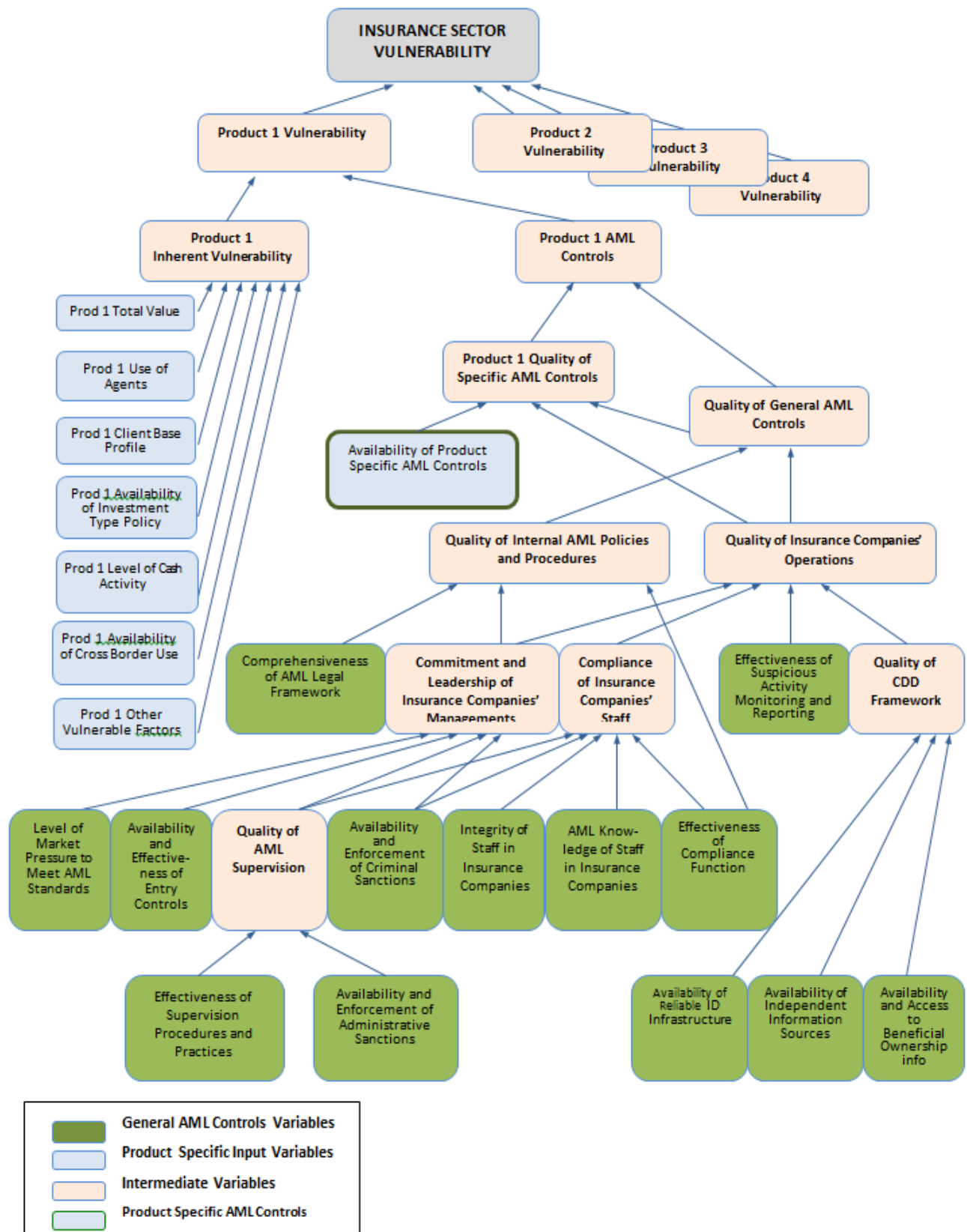
As illustrated in Figure 3.a, the overall vulnerability of the insurance sector is determined by the vulnerabilities of its various products. Assessing the vulnerability of existing products therefore contributes to a comprehensive assessment of the vulnerability of the insurance sector as a whole. This module assumes that the vulnerability of a product can be measured by two main factors, which are determined by underlying sub-factors: (1) inherent vulnerability (of the product) and (2) AML controls (for the product). An example, used in Figure 3.a, is product 1. Similar assessments can be performed for twenty products.

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<sup>1</sup> The colors used for the *Specific AML Controls* represents its similarities with other variables. It is filled in blue, since it needs to be assessed separately for each product (cf. inherent vulnerability variables). Its borders are green, to show that it is a part of AML controls.



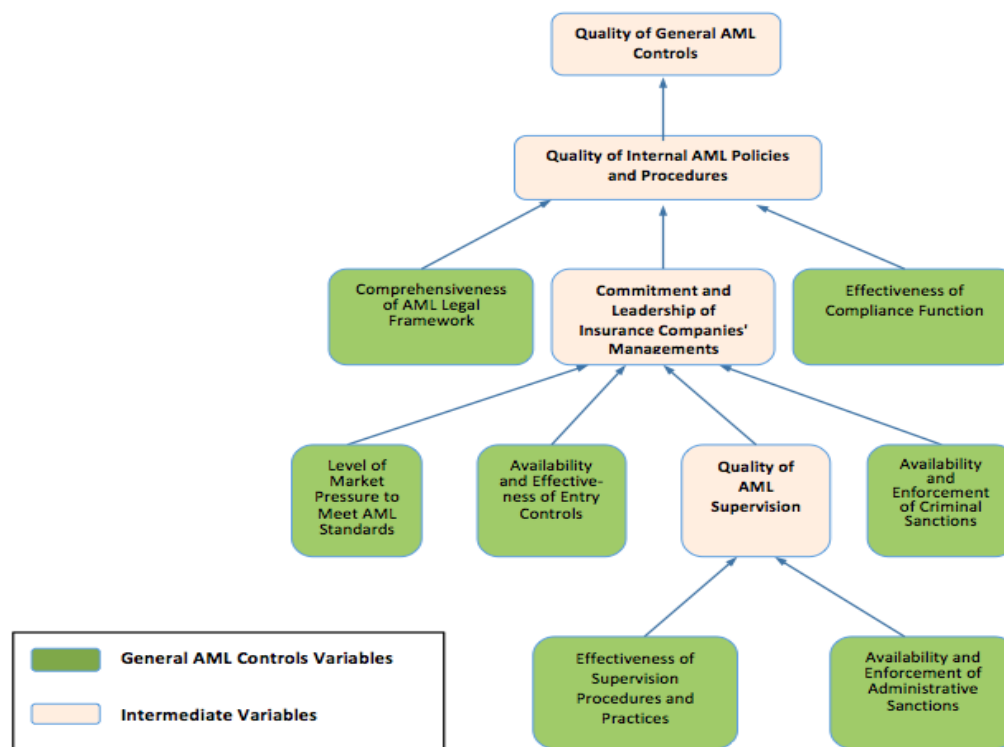
Figure 3.a: Insurance Sector Vulnerability Module structure



## 2.4. The Logic behind the Network

In Figure 3.b, a small part of the structure is highlighted, in order to clarify the logic of the module. In particular, this refers to how the **input variables** and **intermediate variables** contribute to determining the overall vulnerability. Please refer to Figure 3.a to see how Figure 3.b fits in to the whole structure.

**Figure 3.b: Part of the Network Structure**



In order to demonstrate how input variables work, this example will focus on the variable *Availability and Enforcement of Administrative Sanctions*. Consider how the availability and enforcement of administrative sanctions in the insurance sector affects the quality of general AML controls. Clearly there is an impact, but not a direct impact.

The availability and enforcement of administrative sanctions increases the supervisory authority's ability to apply pressure on the managements of insurance companies. This supervisory pressure strengthens the commitment of insurance companies managements to ensure AML compliance and to show leadership in the matter. As a result, the insurance companies start to take action to improve the quality of the internal AML policies and procedures. Eventually, the insurance companies begin to have better general AML controls. As a result, the vulnerabilities of various products, as well as the insurance companies overall vulnerability decreases.

However, the input variable *Availability and Enforcement of Administrative Sanctions* is not the only factor that determines the quality of AML supervision. Other factors also need to be taken into account, such as the power, capacity, and effectiveness of the supervisory agency. These other factors are captured in the

second input variable, *Effectiveness of Supervision Procedures and Practices*. Assessing this second variable together with *Availability and Enforcement of Administrative Sanctions* will provide a good assessment of the *Quality of AML Supervision*. Note that the *Availability and Enforcement of Administrative Sanctions* and *Effectiveness of Supervision Procedures and Practices* are both input variables to the *Quality of AML Supervision*, which is an intermediate variable. Input variables require direct input from the Working Group (WG), while intermediate variables do not – as illustrated in Figure 3.a (i.e., intermediate variables have arrows feeding into them, while the input variables do not). For descriptions of intermediate variables, see Section 5.

### *Factors that determine the vulnerability of the insurance sector*

There are four factors that determine the insurance sector vulnerability:

- The network structure of the module
- The relative weights of the input variables and intermediate variables
- The defined conditions (pre-requisites) for intermediate variables
- The assessment ratings of the input variables.

The assessment ratings for input variables are assigned by the National Risk Assessment WG of the country. The other three factors mentioned in the above list are based on the underlying assumptions and structural components of the module, as developed by the World Bank. These modules contain default (pre-requisite) formulas determined by the World Bank. These provide assessment results for intermediate variables based on weighted linking of the underlying relationships of input variables. These formulas can be viewed (i.e., “unhidden”) – see Annex for further information. Changes to these formulas can only be made by the World Bank. If changes are required, contact the World Bank NRA Team for further information.

### *The calculation*

The formulas that have been built into the module make it possible to combine the assessment results of input variables and calculate the ratings for intermediate variables. Each variable in the module has been assigned a weight, and the underlying relationships between the variables of various levels have been determined by setting up certain pre-conditions. To make the use of the tool relatively easy, the default settings of the module hide the tab that gives details of the weights and pre-conditions. However, the user can make them visible again with a simple Excel procedure. (For more details, see the Excel instructions in the Annex. More on the logic and design of the tool can be found in the PowerPoint presentation “The Logic behind the Tool”, which is included in the NRA training package.)

## **3. GENERAL GUIDANCE FOR THE ASSESSMENT**

### **3.1. Introduction**

The assessments need to be made using the assessment worksheets (see Section 4). Each assessment worksheet describes one input variable and the criteria to be considered in assigning ratings. For example, to determine the assessment rating for the input variable *Comprehensiveness of AML Legal Framework*,

the WG would assess the degree of comprehensiveness of AML laws and regulations. If all the criteria are met fully and perfectly, the input variable can be rated as Excellent (1.0). The WG should use its professional judgment and expertise to determine what ratings to assign when one or more assessment criteria are not satisfied.

The ratings of the input variables affect the sector vulnerability in various directions:

- **General AML controls.** Higher ratings reduce the vulnerability of the insurance sector; lower ratings increase the vulnerability of the insurance sector.
- **Specific AML controls (for certain products).** These have a similar impact as general AML control variables.
- **Inherent vulnerability variables.** Higher ratings increase the vulnerability of the product, thereby increasing the insurance sector vulnerability; lower ratings decrease the insurance sector vulnerability.

Each assessment worksheet includes the definition of the variables, a list of assessment criteria, and guidance on how to support the assessment. The WG should avoid simply averaging the ratings if some of the assessment criteria are met while others are not. This is because an important deficiency in one of the assessment criteria may offset the positive ratings, or impact of other items. Ratings should therefore be decided on the basis of professional judgment, experience, and group discussion, with all viewpoints being taken into account.

The most important thing to keep in mind is that the resulting National AML/CFT Risk Assessment Report will be one of the most important, foundational, and closely scrutinized documents during an AML/CFT evaluation. The AML/CFT Evaluation team will view the evidence, analysis, and justification that support the ratings as being far more important than the ratings themselves. Any input variable rating will therefore be meaningful only to the extent that it is supported with adequate and credible analysis and evidence. The worksheets in Section 4 have been provided to enable the WG to document the reasons and basis for ratings, including the supporting data and information on each of the input variables. The group work during the assessment generates valuable discussions and perspectives. A note-taker in each group should record these in the working papers. Such records are important because they highlight the specific problems that will inform the design of the action plan in the next steps. These working papers will also be used to compile the National ML/TF Risk Assessment Report when the assessment is repeated at some point in the future.

### **3.2. Organization of the Assessment Work**

The assessment consists of two main stages:

**Stage 1.** Assessing and rating the input variables, and supporting the assessment with data and information.

**Stage 2.** Filling in the Excel file, and obtaining and interpreting the outputs.

Stage 1 is the most important and most time consuming, and therefore calls for good time management. During the first workshop, preliminary ratings can be inserted in the Excel file. In this way, the WG can obtain a good understanding of how the Excel tool works. The preliminary ratings can, and should, be amended as the WG conducts additional fact-finding.

As explained above, Sections 4 and 5 are related to Stage 1, while the Annex provides detailed instructions on how to use the Excel file (Stage 2). During the sessions in the first workshop, allocate most of your time to Stage 1, and save the final two hours for Stage 2.

### *Common input variables that appear in all modules*

The input variables *Availability and Access to Beneficial Ownership Information*, *Availability of Reliable Identification Infrastructure*, and *Availability of Independent Information Sources* are included in every module of the tool, and are assessed at a national level. Their assessment rating should be consistent across all modules, and should be based on systematic and logical reasoning. Unless there is a rationale to assess these separately, the insurance sector team can retrieve the ratings for these variables from either the National Vulnerability or Banking Sector WG.

### **3.3. Period for Information and Data Collection**

The World Bank's National Risk Assessment methodology is based on informed expert judgment. The purpose of the data and information collection is to inform and facilitate sound judgment. The most appropriate period over which data and information should be collected depends on what can better support the judgment as of the assessment date. For some indicators, data from the past twelve months can provide the most meaningful insight. In other cases, however, it may be necessary to collect data and information from the previous five years, as only then may it be possible to discern relevant trends and cumulative amounts.

**Table 1: Guidance on information and data collection period**

INDICATORS	INFORMATION AND DATA COLLECTION PERIOD
<b>Quantitative indicators of vulnerabilities</b>	Ten, five, or three years, depending on the availability of the data
<b>Qualitative indicators of vulnerabilities</b>	Do not require a strict timeframe. The most meaningful information is the most recent information. Obtain as much information from the last five years as possible

Since this is not a statistical model, it is not strictly necessary that the data collection period be the same for all indicators. Using different data collection periods in different sections will not be problematic. The indicators for each jurisdiction should be analyzed, and judgments made regarding the current situation.

### **3.4. Possible Sources of Information and Data**

The following list provides guidance on which data and information sources can be used for completing the assessment:

- Statistics (national and international)
- Intelligence
- Interviews with relevant authorities/interest groups/market participants
- Focus group meetings with relevant authorities/interest groups/market participants
- Surveys of the general public or focus groups
- Reports by international organizations (e.g., United Nations, World Bank Group, International Monetary Fund, World Customs Organization, and World Trade Organization)
- Reports by international standard-setting bodies (e.g., Financial Action Task Force and FATF-Style Regional Bodies)
- Reports by governments/think-tanks/civil society organizations/private institutions
- Books/articles/reports based on academic research
- Media/Internet/other sources of public information.

The above general sources are applicable to all of the input variables to be assessed. In addition to these general sources, the worksheet for each indicator contains specific guidance on the information and data collection for that specific indicator.

## **4. ASSESSMENT WORKSHEETS FOR INPUT VARIABLES**

### **4.1. Assessment Worksheets for General Input Variables**

This section includes guidance on how to assess each General AML Controls variable. Each assessment worksheet contains a description of the variable, the assessment criteria, brief guidance on how to support the assessment, and a section to record the rating.

The General AML Control variables of this module relate to the strength of the general AML controls. These variables affect the vulnerability of all the insurance sector products, as well as the overall vulnerability of the sector. This assessment is sector-wide, therefore should consider all the insurance companies within the sector.

The General AML Control variables are as follows:

1. *Comprehensiveness of AML Legal Framework*
2. *Effectiveness of Supervision Procedures and Practices*
3. *Availability and Enforcement of Administrative Sanctions*

4. *Availability and Enforcement of Criminal Sanctions*
5. *Availability and Effectiveness of Entry Controls*
6. *Integrity of Staff in Insurance Companies*
7. *AML Knowledge of staff in Insurance Companies*
8. *Effectiveness of Compliance Function (Organization)*
9. *Effectiveness of Suspicious Activity Monitoring and Reporting*
10. *Level of Market Pressure to Meet AML Standards (Optional)*
11. *Availability and Access to Beneficial Ownership Information*
12. *Availability of Reliable Identification Infrastructure*
13. *Availability of Independent Information Sources.*

In order to better understand how these variables impact the vulnerability of the insurance sector, refer to Figure 3.a.

At this stage, the assessment does not focus on vulnerability directly. The assessment is more about the quality, effectiveness, or level of these variables. Based on these inputs, the vulnerability is determined by the module. For example, the assessment should rate the effectiveness of compliance function in the insurance companies, not the impact of their effectiveness on insurance companies' vulnerability to ML. This basic principle applies to all input variables.

The input variables are designed to capture the main drivers of vulnerability within a jurisdiction, and do not necessarily overlap with FATF Recommendations. Still, this self-assessment can be partially supported by findings from the Mutual Evaluation Report (if relevant). This does not mean that the Mutual Evaluation Report (MER) findings are binding on the WG. The WG is encouraged to make use of many different reports and analyses that assess the ML risk of a country.

The input variables *Availability and Access to Beneficial Ownership Information*, *Availability of Reliable Identification Infrastructure*, and *Availability of Independent Information Sources* are included in every module of the tool, and are assessed at a national level. Their assessment rating should be consistent across all modules, and should be based on systematic and logical reasoning. Unless there is a rationale to assess these separately, the insurance sector team can retrieve the ratings for these variables from either the National Vulnerability or Banking Sector WG.

#### *Recording the grounds of the assessment*

The assessment worksheets for the module are in the following pages of this section. In addition to assigning a rating to each of the input variables, the WG should record the justification for these ratings by using a copy of the table below. The table should be extended as necessary.

<b>Name of input the variable:</b>
<b>Assigned rating and brief reasoning behind it:</b>
<b>Discussion of assessment criteria, and the data and information that supports the assessment:</b>
<b>Deficiencies/problems/room for improvement:</b>

*Completing the Entry Page tab in the Excel file*

The results of the *General AML controls* assessments should be filled out on the **Entry Page** tab in the Insurance Sector Vulnerability Excel file. This should only be done after every variable has been assessed. Refer to the Annex for detailed instructions on how to use the Excel file.



#### 4.1.1. Comprehensiveness of AML Legal Framework

<b>Variable description</b> <p>This variable assesses whether a country has comprehensive laws and regulations regarding AML preventive measures and AML supervision in the insurance sector.</p> <p>This input variable <b>does not</b> assess the implementation of AML laws and regulations (which is assessed by other input variables). Rather, it is related to the AML legal and regulatory framework for the insurance sector.</p>										
<b>Assessment criteria</b> <p>A country has comprehensive AML laws and regulations in force within the insurance sector if these laws and regulations conform to the international standards on:</p> <ul style="list-style-type: none"> <li>• Customer Due Diligence (risk-based, including verification of beneficial ownership of customers that are natural persons/legal entities/legal arrangements)</li> <li>• Enhanced Due Diligence for Politically Exposed Persons (PEPs) and high-risk countries</li> <li>• Enhanced Customer Due Diligence, where new technologies are involved</li> <li>• Enhanced Due Diligence for business relationships and transactions with natural/legal persons, or financial institutions from high-risk countries</li> <li>• Reliance on Customer Due Diligence by third parties (including introduced business)</li> <li>• Record-keeping</li> <li>• Suspicious Transaction Reporting (STR)</li> <li>• Tipping-off and confidentiality</li> <li>• Internal controls, foreign branches, and subsidiaries</li> <li>• Regulation and supervision of financial institutions</li> <li>• Supervisory powers.</li> </ul>										
<b>Possible sources of information and data</b> <ul style="list-style-type: none"> <li>• Relevant laws, regulations, and enforceable guidance related to the items above</li> <li>• Interviews/consultations with supervisory authorities</li> <li>• Surveys of insurance companies managements and staff</li> <li>• Interviews/consultations with insurance sector representatives (including professional bodies and voluntary associations).</li> </ul>										
<b>Assessment</b> <p>Based on the assessment criteria and collected information/data, decide the appropriate rating for this variable.</p>										
Excellent	Close to Excellent	Very High	High	Medium High	Medium	Medium Low	Low	Very Low	Close to Nothing	Does not Exist
1.0 ■	0.9 ■	0.8 ■	0.7 ■	0.6 ■	0.5 ■	0.4 ■	0.3 ■	0.2 ■	0.1 ■	0.0 ■

#### 4.1.2. Effectiveness of Supervision Procedures and Practices

Variable description										
<p>This variable assesses the effectiveness of AML supervisory procedures and practices for the insurance sector. An effective supervisory regime is one that: (1) has a comprehensive legal and regulatory framework, which is supported by appropriate powers and is well resourced, and (2) employs a risk-based approach to on-site/off-site monitoring and inspection.</p> <p>This variable <b>does not</b> assess the availability and enforcement of sanctions. Sanctions are assessed below as two separate variables in relation to administrative and criminal sanctions.</p>										
Assessment criteria										
<p>AML supervision procedures and practices are effective when the supervisory body:</p> <ul style="list-style-type: none"> <li>• Is clearly identified in the laws and regulations</li> <li>• Has appropriate authority and mandate to conduct AML compliance supervision</li> <li>• Carries out its supervisory activities within a comprehensive supervisory framework (which includes clear supervision policies, procedures, and manuals)</li> <li>• Possesses a good understanding and appreciation of the ML risks within the insurance sector</li> <li>• Has a sufficient number of trained staff</li> <li>• Equips its staff with the necessary skills and up-to-date knowledge for AML compliance examinations</li> <li>• Has necessary resources to ensure AML compliance (such as technical capacity, budget, and tools)</li> <li>• Carries out a comprehensive, risk-based supervisory program that consists of on-site/off-site components on both regularly scheduled cycles and periodic spot-checks (risk-based and as necessary)</li> <li>• Reports and records examination results in a systematic way and is able to effectively use these records for policy purposes</li> <li>• Exercises moral suasion that has a significant impact on the managements of the insurance companies, and is sufficient to positively influence behavior patterns</li> <li>• Can demonstrate that supervisory powers are exercised effectively and impartially.</li> </ul>										
Possible sources of information and data										
<ul style="list-style-type: none"> <li>• Relevant laws and regulations, policies, procedures, and manuals (including how the risk-based approach is determined)</li> <li>• Statistics on the number of supervisory staff, and information on their level of training, knowledge, and skill-set</li> <li>• Information on the type(s) and methods of off-site supervision activities and findings</li> <li>• Statistics on the number of insurance companies actually inspected (on-site/off-site), and information as to the scope, frequency, and intensity of the inspections</li> <li>• Statistics and information on the main findings of inspections (on-site/off-site)</li> <li>• Interviews/consultations with supervisory authorities</li> <li>• Interviews/consultations with insurance sector representatives (including professional bodies and voluntary associations)</li> <li>• Surveys of insurance companies managements and staff.</li> </ul>										
Assessment										
Based on the assessment criteria and collected information/data, decide the appropriate rating for this variable.										
Excellent	Close to Excellent	Very High	High	Medium High	Medium	Medium Low	Low	Very Low	Close to Nothing	Does not Exist
1.0 ■	0.9 ■	0.8 ■	0.7 ■	0.6 ■	0.5 ■	0.4 ■	0.3 ■	0.2 ■	0.1 ■	0.0 ■

#### 4.1.3. Availability and Enforcement of Administrative Sanctions

Variable description										
<p>This variable assesses whether a country has a range of effective, proportionate, and dissuasive administrative sanctions applicable to natural or legal persons in cases of noncompliance with AML laws and regulations. Sanctions should be applicable not only to insurance companies, but also to their directors and senior management. The more the sanctions are effective, proportionate, and dissuasive, the more likely it is that management and staff members will comply with AML laws and obligations.</p> <p>This variable also assesses whether a country takes administrative enforcement action against an insurance company, or individual members of management or staff, in cases of noncompliance with AML obligations. Consider the number of administrative actions that have been taken against insurance companies and their staff over the past few years for noncompliance with AML obligations.</p>										
Assessment criteria										
<p>The following criteria indicate that a country has effective, proportionate, and dissuasive administrative sanctions in place:</p> <ul style="list-style-type: none"> <li>• Appropriate administrative sanctions are in place for noncompliance with AML obligations.</li> <li>• Administrative sanctions are sufficient to positively influence management and staff behavior (such as monetary penalties, administrative actions, removal of critical staff, and suspension/withdrawal of licenses) in insurance companies.</li> </ul> <p>The following criteria indicate that a country enforces its AML obligations in cases of noncompliance:</p> <ul style="list-style-type: none"> <li>• Most persons working in the insurance sector believe that administrative action would be initiated in case of noncompliance with AML requirements.</li> <li>• There is a record of administrative enforcement actions taken in the past by law enforcement authorities regarding noncompliance with AML requirements in the insurance sector.</li> </ul> <p>*The adequacy of the administrative sanctions may need to be assessed alongside criminal sanctions. The balance and preference between administrative and criminal sanctions may differ among countries.</p>										
Possible sources of information and data										
<ul style="list-style-type: none"> <li>• Specific legal and regulatory provisions concerning administrative sanctions</li> <li>• Statistics (by type) of past administrative enforcement actions taken by relevant authorities</li> <li>• Information on the steps taken (or not taken) by insurance companies to remedy infractions</li> <li>• Interviews/consultations with supervisory authorities</li> <li>• Interviews/consultations with insurance sector representatives, including professional bodies and voluntary associations (which includes the forms of sanctions they enforce, such as disciplinary hearings or revocations of membership)</li> <li>• Surveys of insurance companies management and staff.</li> </ul>										
Assessment										
Based on the assessment criteria and collected information/data, decide the appropriate rating for this variable.										
Excellent	Close to Excellent	Very High	High	Medium High	Medium	Medium Low	Low	Very Low	Close to Nothing	Does not Exist
1.0 ■	0.9 ■	0.8 ■	0.7 ■	0.6 ■	0.5 ■	0.4 ■	0.3 ■	0.2 ■	0.1 ■	0.0 ■

#### 4.1.4. Availability and Enforcement of Criminal Sanctions

##### Variable description

This variable assesses whether a country has a range of effective, proportionate, and dissuasive criminal sanctions, which are applicable in cases of noncompliance with AML laws and regulations. This should include sanctions for serious and deliberate (or criminally negligent) breaches that can be ancillary to the money laundering offense. Sanctions should be applicable not only to insurance companies, but also to their directors and senior management. The more the criminal sanctions are effective, proportionate, and dissuasive, the more likely it is that management and staff members comply with AML laws and obligations.

This variable assesses not only legal frameworks, but also actual criminal enforcement actions taken against an insurance company, or individual members of management or staff, in cases of noncompliance with AML obligations.

##### Assessment criteria

The following criteria indicate that effective, proportionate, and dissuasive criminal sanctions are available and effective:

- Appropriate criminal sanctions are in place for noncompliance with AML obligations.
- Persons in the insurance industry regard the criminal sanctions regime as sufficiently dissuasive to positively influence individual behavior patterns.
- Criminal sanctions are also applicable for appropriate ancillary offenses to ML offenses.

The following criteria indicate that a country enforces its AML obligations in cases of noncompliance:

- Most persons working within the insurance sector believe that criminal enforcement action would be initiated in the event of noncompliance with AML requirements.
- There is a record of convictions, and criminal enforcement actions, that have been taken over the past years by law enforcement authorities regarding noncompliance with AML requirements in the insurance sector. Consider the number of investigations, prosecutions, and convictions, as well as other available evidence on enforcement actions.
- Criminal enforcement against insurance companies and their staff in regards to other financial crimes (such as fraud, etc.), may also give an insight into the perceptions of enforcement within the sector.

##### Possible sources of information and data

- Relevant laws (specific provisions on criminal sanctions and enforcement), including relevant ancillary offenses to ML
- Statistics on past and ongoing criminal investigations, prosecutions, and convictions by domestic law enforcement and other relevant authorities with respect to the insurance sector
- Statistics on criminal enforcement actions that have been carried out by foreign law enforcement (and other relevant authorities) against insurance companies and individual members of staff, and whether (as well as in what form, and to what extent) the country provided informal/formal assistance to the investigation and prosecution
- Interviews/consultations with supervisory authorities, law enforcement, and prosecuting agencies
- Interviews/consultations with insurance sector representatives (including professional bodies and voluntary associations)
- Surveys of insurance companies management and staff.

##### Assessment

Based on the assessment criteria and collected information/data, decide the appropriate rating for this variable.

Excellent	Close to Excellent	Very High	High	Medium High	Medium	Medium Low	Low	Very Low	Close to Nothing	Does not Exist
1.0	0.9	0.8	0.7	0.6	0.5	0.4	0.3	0.2	0.1	0.0

#### 4.1.5. Availability and Effectiveness of Entry Controls

##### Variable description

This variable assesses the availability and effectiveness of entry controls (including licensing, registration, or other forms of authorization to operate). A country has effective entry controls if there is a comprehensive legal and regulatory framework, which provides authorities with appropriate powers, a sufficient level of trained staff, and other resources with which to carry out their duties. Effective entry controls help to reduce money-laundering vulnerability and ensures a higher level of compliance with AML requirements.

##### Assessment criteria

Entry controls are effective when the licensing body:












- Is clearly identified within the laws and regulations
- Possesses good understanding and appreciation of ML risks of the insurance sector
- Effectively carries out its licensing and entry controls duties
- Has a clear and comprehensive framework for the licensing and registration requirements in the insurance sector, including:
  - A fit and proper test designed to prevent criminals (or their associates) from being granted an insurance license, or having a significant controlling interest in an insurance company, or holding a significant management position
  - Appropriate educational and professional certification requirements for key directors and senior management
  - Requirement for all licensees to have adequate AML compliance controls in place, including compliance manuals and the appointment of well-qualified internal controls/compliance staff
  - Adequate resources to ensure quality implementation of entry controls for insurance companies, including a sufficient number of well-trained and highly skilled personnel to screen, vet, and approve all applications and supporting documentation.

##### Possible sources of information and data

- Licensing and registration laws and regulations, policies, procedures (including application forms and supporting documentation), and manuals for supervisory staff
- Statistics on license applications received and actually granted
- Statistics and information on licenses not granted or later suspended/revoked for failure to meet AML controls
- Interviews/consultations with supervisory authorities
- Interviews/consultations with insurance sector representatives (including professional bodies and voluntary associations)
- Surveys of insurance companies managements and staff.

##### Assessment

Based on the assessment criteria and collected information/data, decide the appropriate rating for this variable.

Excellent	Close to Excellent	Very High	High	Medium High	Medium	Medium Low	Low	Very Low	Close to Nothing	Does not Exist
1.0 	0.9 	0.8 	0.7 	0.6 	0.5 	0.4 	0.3 	0.2 	0.1 	0.0 

#### 4.1.6. Integrity of Staff in Insurance Companies

Variable description										
<p>This variable assesses whether staff in insurance companies act with integrity. This means that the staff does not act in a willfully blind manner or collude with criminals or act corruptly. In addition, they take care to ensure that they do not become unwittingly involved (as “innocent agents”) for criminals that seek to use their products including specialized knowledge and skills.</p> <p>If staff members collude with criminals or undermine AML controls by acting corruptly, insurance companies are vulnerable to money laundering abuse. Consider (1) the effectiveness of staff vetting programs within the insurance industry, (2) the incidence of disciplinary action for breaches of integrity-related rules, and (3) the number of criminal cases against staff members of insurance companies.</p>										
Assessment criteria										
<p>Insurance companies staff are regarded as acting with integrity if the following criteria are met:</p> <ul style="list-style-type: none"> <li>Insurance companies generally regard their staff members as secure from corruption by criminals.</li> <li>The incidence of integrity failure (e.g. negligent or “willful blindness” to suspicious transactions) involving the staff is low (but consider whether there is underreporting of incidences of integrity failure).</li> <li>There are appropriate mechanisms in place to protect insurance companies staff against any negative consequences resulting from reporting suspicious transactions, or other actions complying with AML obligations.</li> </ul>										
Possible sources of information and data										
<ul style="list-style-type: none"> <li>Relevant laws/regulations (including specific provisions on confidentiality mechanisms in place for staff to report suspicious or other relevant transactions)</li> <li>Information on staff vetting and training programs</li> <li>Interviews/consultations with insurance sector representatives, including professional bodies and voluntary associations (particularly internal control, or compliance, units)</li> <li>Interviews/consultations with supervisory authorities</li> <li>Surveys of insurance companies managements and staff</li> <li>Findings of on-site/off-site AML examinations of insurance companies</li> <li>Statistics on integrity breaches by insurance companies staff, and the disciplinary actions taken as a result</li> <li>Statistics on the number (and types) of administrative enforcement actions taken against insurance companies and individuals working in the sector</li> <li>Statistics on criminal cases, including ML cases against insurance companies staff</li> <li>Review of reports/records of internal control/compliance units at insurance companies</li> <li>Historical data of incidents/breaches by insurance companies staff (kept for operational risk management purposes)</li> <li>Insurance companies’ reputation on involvement in financial crimes, including tax evasion</li> <li>General level of integrity, or the operating environment within a country (e.g., Transparency International’s Corruption Perception Index).</li> </ul>										
Assessment										
Based on the assessment criteria and collected information/data, decide the appropriate rating for this variable.										
Excellent	Close to Excellent	Very High	High	Medium High	Medium	Medium Low	Low	Very Low	Close to Nothing	Does not Exist
1.0 ■	0.9 ■	0.8 ■	0.7 ■	0.6 ■	0.5 ■	0.4 ■	0.3 ■	0.2 ■	0.1 ■	0.0 ■

#### 4.1.7. AML Knowledge of Staff in Insurance Companies

<b>Variable description</b>										
This variable assesses how well the insurance companies' staff knows and understands their AML duties and responsibilities.										
<b>Assessment criteria</b>										
<p>Staff in insurance companies have the required level of AML knowledge if the following criteria are met:</p> <ul style="list-style-type: none"> <li>• There are appropriate AML training programs and materials available to insurance companies staff.</li> <li>• Training programs are designed to ensure all appropriate staff members are trained.</li> <li>• All staff members are required to undergo ongoing training to ensure that their knowledge of AML laws, policies, and procedures is appropriate and up-to-date. (Keep in mind that if the insurance company conducts business with clients and professional intermediary firms in other jurisdictions, their knowledge should also extend to AML laws and regulations of those jurisdictions.)</li> <li>• Staff members have a good knowledge of and are regularly updated on domestic and transnational money laundering schemes and typologies, including those involving the misuse of the insurance companies and specialized knowledge and skills of its staff and its products.</li> <li>• Staff members are aware of AML compliance and reporting procedures, and obligations.</li> <li>• Staff members understand the legal consequences of AML compliance breaches.</li> </ul>										
<b>Possible sources of information and data</b>										
<ul style="list-style-type: none"> <li>• Relevant regulatory framework</li> <li>• Interviews/consultations with insurance sector representatives, including professional bodies and voluntary associations (particularly internal control units)</li> <li>• Interviews/consultations with supervisory authorities</li> <li>• Surveys of insurance companies managements and staff</li> <li>• Findings of on-site/off-site AML examinations of insurance companies</li> <li>• Statistics and information on AML training activities by insurance companies (hours of training, number of trainees, frequency of trainings, level and type of staff trained, mandatory/voluntary participation, etc.)</li> <li>• Information on AML training programs and training material of insurance companies</li> <li>• Statistics on AML trainings given by public authorities to insurance companies.</li> </ul>										
<b>Assessment</b>										
Based on the assessment criteria and collected information/data, decide the appropriate rating for this variable.										
Excellent	Close to Excellent	Very High	High	Medium High	Medium	Medium Low	Low	Very Low	Close to Nothing	Does not Exist
1.0 ■	0.9 ■	0.8 ■	0.7 ■	0.6 ■	0.5 ■	0.4 ■	0.3 ■	0.2 ■	0.1 ■	0.0 ■

#### 4.1.8. Effectiveness of Compliance Function (Organization)

<b>Variable description</b>										
This variable assesses whether insurance companies have an effective compliance function that is comprehensive, risk-based, and well-resourced with an independent AML compliance function.										
<b>Assessment criteria</b>										
<p>The insurance sector possesses effective internal AML compliance functions if most insurance companies meet the following criteria:</p> <ul style="list-style-type: none"> <li>• Internal compliance programs that are commensurate to the level of risk, taking into account factors such as the volume and nature of products provided, the client base profile, and the cross-border nature of transactions.</li> <li>• A sufficiently resourced and independent AML compliance officer has been appointed and functions at a senior management level.</li> <li>• Disciplinary actions have been taken against staff for breaches of the compliance policy.</li> <li>• Internal and/or external AML audits are performed.</li> </ul>										
<b>Possible sources of information and data</b>										
<ul style="list-style-type: none"> <li>• Relevant regulatory framework in relation to the compliance function</li> <li>• Information on the internal compliance function and policies of insurance companies</li> <li>• Findings of the AML on-site inspections and off-site monitoring</li> <li>• Internal audit reports (and external, if any) on the adequacy and effectiveness of compliance functions</li> <li>• Statistics on the disciplinary actions taken by insurance companies against their staff for breaching the compliance policy</li> <li>• Statistics on new clients, declined business, or terminated business relationships based on recommendations from the compliance staff</li> <li>• Interviews/consultations with supervisory authorities</li> <li>• Interviews/consultations with insurance sector representatives (including professional bodies and voluntary associations)</li> <li>• Surveys of insurance companies managements and staff.</li> </ul>										
<b>Assessment</b>										
Based on the assessment criteria and collected information/data, decide the appropriate rating for this variable.										
Excellent	Close to Excellent	Very High	High	Medium High	Medium	Medium Low	Low	Very Low	Close to Nothing	Does not Exist
1.0 ■	0.9 ■	0.8 ■	0.7 ■	0.6 ■	0.5 ■	0.4 ■	0.3 ■	0.2 ■	0.1 ■	0.0 ■



#### 4.1.9. Effectiveness of Suspicious Activity Monitoring and Reporting

<b>Variable description</b>										
<p>This variable assesses whether insurance companies have effective and appropriate systems for record-keeping, monitoring, and STR reporting to support their AML policies and procedures. A well-designed manual system may be adequate for a small rural insurance company with a single branch, but large insurance companies with multiple branches will require more sophisticated systems. A good record-keeping system is a pre-requisite for an effective monitoring system. Therefore any problems and deficiencies in record keeping should be assessed under this variable.</p>										
<b>Assessment criteria</b>										
<p>Insurance companies have adequate and appropriate AML monitoring and STR reporting systems if the following criteria are met:</p> <ul style="list-style-type: none"> <li>Insurance companies have information systems that enable and facilitate the monitoring of transactions of clients against their profiles.</li> <li>Transactional records are available in a format that facilitates AML screening and monitoring.</li> <li>The systems support insurance companies in performing effective PEP screenings.</li> <li>The systems assist insurance companies and their staff to effectively identify and record all complex, unusual large transactions.</li> <li>The systems assist insurance companies and their staff in identifying and reporting suspicious transactions.</li> </ul> <p>Staff should have a good understanding of the scope of their reporting obligations on suspicious transactions and activities, including what activities are covered or not covered under laws.</p>										
<b>Possible sources of information and data</b>										
<ul style="list-style-type: none"> <li>Relevant regulatory framework in relation to AML monitoring, record-keeping, and STR reporting obligations</li> <li>Interviews/consultations with insurance sector representatives, including professional bodies and voluntary associations (particularly internal control units)</li> <li>Interviews/consultations with supervisory authorities</li> <li>Surveys of insurance companies managements and staff</li> <li>Findings of on-site/off-site AML examinations of insurance companies</li> <li>Information on quality and accessibility of insurance companies' transaction records</li> <li>Findings of the supervision with regard to the effectiveness of insurance companies' STR reporting systems (e.g., how many insurance companies are compliant, how many are not compliant, and how this impacts the overall effectiveness of STR reporting system in the insurance sector)</li> <li>Statistics on the number and quality of STRs filed, including the numbers filed defensively (after being alerted to suspicious activity, or investigation by authorities)</li> <li>Statistics on the number of STRs relating to monitoring lapses that originate from insurance companies</li> <li>Statistics on the number of STRs by insurance companies referred to law enforcement agencies</li> <li>Information on the quality of STRs and STR systems of insurance companies</li> <li>Any other statistics on the outputs of AML monitoring systems in insurance companies (for example, unusual transactions).</li> </ul>										
<b>Assessment</b>										
Based on the assessment criteria and collected information/data, decide the appropriate rating for this variable.										
Excellent	Close to Excellent	Very High	High	Medium High	Medium	Medium Low	Low	Very Low	Close to Nothing	Does not Exist
1.0 ■	0.9 ■	0.8 ■	0.7 ■	0.6 ■	0.5 ■	0.4 ■	0.3 ■	0.2 ■	0.1 ■	0.0 ■

#### 4.1.10. Level of Market Pressure to Meet AML Standards (Optional)

##### Variable description

This is an optional variable. It assesses whether (and if so, to what extent) market forces exert pressure on the managements of insurance companies to have an effective AML compliance function. It addresses the pressures that exist outside a country's legal and supervisory regimes; for instance, commercial pressure applied by commercial counterparts.

This variable is different from the other general AML control variables in terms of being subject to policy decisions. The market pressure is determined by the domestic and international market forces and may not be easily and/or directly impacted by policy decisions and regulatory interventions.

Given this variable's limited impact on policy decisions, the WG may choose not to assess it.

##### Assessment criteria

Market pressure on insurance companies managements to meet international AML standards exists if the following criteria are met:

- Insurance companies have cross-border relationships that they deem important and that require them to comply with international AML standards if they wish to maintain these relationships.
- Insurance companies managements are sensitive to international and national AML-related reputational risks.

##### Possible sources of information and data

- Interviews/consultations with insurance sector representatives (both within the country and any relevant external counterparts)
- Interviews/consultations with supervisory authorities (both within the country and any relevant external counterparts)
- Surveys of insurance companies managements and staff.

##### Assessment

Based on the assessment criteria and collected information/data, decide the appropriate rating for this variable.

Excellent	Close to Excellent	Very High	High	Medium High	Medium	Medium Low	Low	Very Low	Close to Nothing	Does not Exist
1.0	0.9	0.8	0.7	0.6	0.5	0.4	0.3	0.2	0.1	0.0

#### 4.1.11. Availability and Access to Beneficial Ownership Information

##### Variable description

This variable assesses whether it is easy for criminals to hide their beneficial ownership in corporations, trusts or similar structures registered in or administered from within the country.

##### Assessment criteria

Transparency relating to beneficial interests in corporations, trusts or similar entities is in place if comprehensive information on the structure, management, control, and beneficial ownership in corporations, trusts and similar vehicles is readily available and can be accessed in a timely manner by competent authorities and is available to AML-regulated institutions and businesses and professions to facilitate their Customer Due Diligence requirements.

*\*This variable is also assessed by the National Vulnerability and Banking Sector Vulnerability Working Groups. Assessment ratings can be obtained from these Working Groups.*

##### Possible sources of information and data

- Information as to whether regulated businesses or professions (e.g., lawyers, notaries, or Trust and Company Service Providers) are required to form, register, or administer a legal entity or legal arrangement
- Information as to the mechanism chosen by the country to collect and maintain basic and beneficial ownership information of legal entities formed or registered in the country, and beneficial ownership information of legal arrangements formed or administered in or from the country
- The relevant regulatory framework and the effectiveness of beneficial ownership information Customer Due Diligence requirements (pertaining to natural persons and legal entities and legal arrangements)
- Statistics or information on crimes (including money laundering involving the use of shell companies or other opaque structures) and whether accurate, adequate, and current beneficial ownership information can be accessed in a timely manner by competent authorities
- Interviews/consultations with the reporting entities and their supervisory authorities, law enforcement agencies, tax authorities and, if applicable, the supervisors of Trust and Company Service Providers (TCSPs)
- Interviews/consultations with TCSPs, law firms and accountancy firms
- Surveys of reporting entities' management and staff
- Experience and opinion of the public authority or private agency that registers corporations and other legal entities.

##### Assessment

Based on the assessment criteria and collected information/data, decide the appropriate rating for this variable.

Excellent	Close to Excellent	Very High	High	Medium High	Medium	Medium Low	Low	Very Low	Close to Nothing	Does not Exist
1.0 ■	0.9 ■	0.8 ■	0.7 ■	0.6 ■	0.5 ■	0.4 ■	0.3 ■	0.2 ■	0.1 ■	0.0 ■

#### 4.1.12. Availability of a Reliable Identification Infrastructure

##### Variable description

Financial transparency and customer identification and verification processes are enhanced when AML-regulated institutions are able to verify the identity of customers using reliable, independent source documents, data or information. A good identification infrastructure will also prevent the use of fake documents and false identities. Fake documents and false identities hamper the ability to detect and investigate money laundering and trace the proceeds of crime.

##### Assessment criteria

A good identification infrastructure exists and information is available if AML-regulated institutions can rely on the country's identification infrastructure. For instance, there is reliable and secure government or private sector documentation, data or information to identify and verify the identity of the clients.

The infrastructure may consist of:

- A secure national identification system with government-issued identity documents, whether issued by the national or a local authority, and/or
- Comprehensive and reliable public information systems that assist in the verification of details of clients' details.

*\*This variable is also assessed by the National Vulnerability and Banking Sector Vulnerability Working Groups. Assessment ratings can be obtained from these Working Groups.*

##### Possible sources of information and data

- Information about the national identification system
- Information on national identification (ID) infrastructure database and its suitability and availability for ID verification purposes (if available)
- Information on available identification documents and installed anti-counterfeit measures
- Statistics (or experience) concerning the frequency of cases that involve the use of fraudulent ID documents
- Statistics relating to the part of the population that lacks proper ID documents
- Information on any community, social group (such as immigrant communities, tribes, etc.) whose members have no ID documents or have no access to ID documents
- Discussions with reporting institutions on the usefulness of the identification infrastructure
- Discussion of reasons why the national identification system and practices are not working ideally.

##### Assessment

Based on the assessment criteria and collected information/data, decide the appropriate rating for this variable.

Excellent	Close to Excellent	Very High	High	Medium High	Medium	Medium Low	Low	Very Low	Close to Nothing	Does not Exist
1.0 ■	0.9 ■	0.8 ■	0.7 ■	0.6 ■	0.5 ■	0.4 ■	0.3 ■	0.2 ■	0.1 ■	0.0 ■

#### 4.1.13. Availability of Independent Information Sources

##### Variable description

This variable assesses the availability of independent and reliable sources of information to determine transaction patterns of clients. Customer due diligence processes are easier to perform, and are generally of a higher quality, if such sources are available. They can be used to identify or verify clients' transactional patterns and commercial history. Such information may include data held by credit bureaus, details of previous banking relationships, accessibility to former employers, and the availability of utility bills.

##### Assessment criteria

Independent and reliable information sources are available if sources of comprehensive and reliable historical financial information and other information about clients are available and can easily be accessed by AML-regulated institutions.












*\*This variable is also assessed by the National Vulnerability and Banking Sector Vulnerability Working Groups. Assessment ratings can be obtained from these Working Groups.*

##### Possible sources of information and data

- Interviews/consultations with the reporting entities and their respective supervisory authorities
- Surveys of reporting entities' management and staff
- Interviews with credit bureaus, utility companies, etc., with regard to information available on clients.

##### Assessment

Based on the assessment criteria and collected information/data, decide the appropriate rating for this variable.

Excellent	Close to Excellent	Very High	High	Medium High	Medium	Medium Low	Low	Very Low	Close to Nothing	Does not Exist
1.0 	0.9 	0.8 	0.7 	0.6 	0.5 	0.4 	0.3 	0.2 	0.1 	0.0 

## 4.2. Assessment Worksheets for the Inherent Vulnerability Variables

This section provides guidance for assessing inherent factors that are specific to certain products,. These factors are called inherent vulnerability variables. Each assessment worksheet contains a description of the variable, the assessment criteria, a brief guidance on how to support the assessment, and a section to record the chosen ratings.

### **Why perform an assessment of certain products?**

Certain products are more inherently vulnerable to money laundering. This increased vulnerability may arise from the characteristics of the product – such as the availability of anonymous use, non-face-to-face interactions, frequent use of cash – or the characteristics of the clients – such as PEPs or high-wealth individuals who are likely to make use of the product. Since the inherent factors may differ among the products, the inherent vulnerability factors need to be assessed for each product. The vulnerability of a product will also depend on the availability of any additional AML control that is specific to that particular product. Product-specific AML controls are explained in Section 4.3.

This section provides guidance on seven inherent vulnerability variables.

### *Inherent vulnerability factors*

The following input variables reflect the inherent vulnerability factors:

1. *Total value/size of the product*
2. *Use of agents*
3. *Client base profile of the product*
4. *Availability of investment type policy*
5. *Level of cash activity*
6. *Availability of cross-border use of the product*
7. *Other vulnerable factors of the product.*

These seven inherent vulnerability input variables determine the vulnerability of each individual product. The assessment of these seven inputs should be performed for each product separately. Therefore, if a country is assessing 10 products, (7\*10=) 70 variables will need to be assessed.

### *Suggested list of insurance products to assess*

Below is a list of recommended products to provide a starting point for the Working Group (WG). The WG is encouraged to modify the list according to country context. If one or more of the products does not exist in the country, it can be deleted from the list, and conversely, other products that are of more importance within the country context can be added. This is the suggested list of products to assess:

- Single-premium life insurance products (non-group)
- Pure protection life insurance plans—excluding single-premium (non-group)
- Life insurance plans with cash value and investment/savings component—excluding single-premium (non-group)
- Other insurance plans with cash value and investment/savings component—excluding single-premium (non-group)
- Pension products (non-group)
- Single-premium life insurance products (group) (optional)
- Pure protection life insurance plans—excluding single-premium (group) (optional)
- Life insurance plans with cash value and investment/savings component—excluding single-premium (group) (optional)
- Other insurance plans with cash value and investment/savings component—excluding single-premium (group) (optional)
- Non-life insurance products with no cash value or investment/saving component (optional)
- Re-insurance products (optional).

The WG may decide to break down some of these products further, if it feels that different sub-categories within a product may pose different ML risks. For example, if the WG thinks that the client base profile, use of agents, or other inherent vulnerability factors for non-life insurance is different from life insurance, and that consequently it is not accurate to assess them in the same basket, they may decide to have two separate categories.

The WG may also decide to include some other products that are important in the country context. As far as possible, all the significant products, and any new, unique or unusual products – even if their volume is not necessarily significant – should be included in the assessment.

The design of the Excel file allows the WG to change the names of the products. The file is designed to facilitate the assessment of up to 20 products.

*Complete the Entry Page (Products) tab in the Excel file*

The results of the assessments of the vulnerability of specific products need to be entered into the **Entry Page (Products)** tab of the Insurance Sector Vulnerability Excel Module. This should only be done after all the variables have been assessed. For detailed instructions on how to use the Excel file, refer to the Annex.

#### 4.2.1. Total value/size

##### Variable description

This variable assesses the total value/size of a particular product in the insurance sector. The total value/size of a particular product is indicative of the level of ML vulnerability that may be introduced into the sector if associated risks are not mitigated. The objective of this indicator is to assess the importance of a particular product within the insurance sector, in comparison to other products offered by the sector.

The higher the value of the product in the sector, the easier it is for criminals to camouflage “dirty” transactions, and the more difficult it is for companies to red flag and detect these.

##### Assessment criteria

The most appropriate indicator of the total value/size of a product in the insurance sector depends on the nature of the product being assessed. For some products, the size of the assets/liabilities associated with a product can be used to indicate total value/size. For example, for single-premium life insurance products (non-group), it would be relevant to collect data on the total amount of actuarial liabilities of insurers associated with single-premium life insurance products (non-group) on the liabilities side of the balance sheet.

The actual number of transactions and amounts involved may be very difficult to determine. What is required is a judgment as to whether or not the product is significant in the sector. Consideration may also be given to the number of providers of the product, the relative number of the specific product compared to the total number of products provided, and the total value/size of the product, compared to the contribution that the insurance sector makes to the GDP.

##### Possible sources of information and data

- Data on total assets and liabilities associated with the assessed product
- Data on the total premium income associated with the assessed product
- Interviews/consultations with supervisory authorities
- Surveys of insurance companies managements and staff
- Interviews/consultations with insurance sector representatives (including professional bodies and voluntary associations)
- Interviews with, and data compiled by, private sector research or consulting firms.

##### Additional guidance

During the assessment, supervisory agencies need to refer to the aggregate balance sheet of the insurance sector. While assessing the total value/size of a product, decide whether it is significant or not by using the aggregate balance of the sector. If it is significant, give it a high rating, if it is not significant, give it a low rating (if you think it is moderately significant, give it a medium rating).



#### 4.2.2. Use of agents

##### Variable description

This variable assesses how frequently agents or professional intermediaries are used to deliver the products within the insurance sector.

##### Assessment criteria

The objective of this assessment is to compare the use of agents in the insurance sector, compared with the use of agents in other financial institutions.

The use of agents in providing products, should be treated as if it were an extension of the activity of the principal financial institution. The greater the use of agents, the higher the ML risks.

The vulnerability of a product, in terms of money laundering abuse, may be increased due to weak AML supervisory systems of agents, or professional intermediaries (including weak systems within the countries they operate/reside in). Also, the use of agents may increase the potential for anonymous use of the product. If this is the case, this variable needs to be assessed as high.

##### Possible Sources of Information and Data

- Data on total number of agents (where agents are licensed/regulated) providing a particular product and their jurisdiction of origin (if applicable) in the insurance sector
- Lists of agents maintained by the principle insurance companies
- Data/information on the type of agents providing a particular product in the insurance sector
- Interviews/consultation with principle insurance companies, on the use of agents
- Interviews/consultations with supervisory authorities
- Surveys of insurance companies managements and staff
- Criminal data including ML cases where a product was used for ML through abuse of the agent in the insurance sector
- Statistics on STRs involving the use of agents in the insurance sector
- Interviews/consultations with insurance sector representatives (including professional bodies and voluntary associations)
- Interviews with, and data compiled by, private sector research or consulting firms.

##### Additional Guidance

To limit the vulnerability, the agents, or professional intermediaries, have to be subjected to adequate AML controls and monitoring/supervision by the principal financial institution and relevant authorities. Consider to what extent agents are supervised and monitored for the delivery of the product in the insurance sector.

The national practices for licensing, registration, or supervision of these agents can differ significantly. It is also important to be aware of the potential practical limitations faced by some type of agents. Consider their ability to carry out adequate identification and verification of customer information.

#### 4.2.3. Client base profile

##### Variable description

This variable assesses whether the type of client that generally uses the product being assessed increases the vulnerability to money laundering abuse of the product.

##### Assessment criteria

The client base profile should be assessed as carrying a higher risk if it involves:

- Domestic/international PEPs
- High-net-worth individuals
- Non-residents clients (particularly from high-risk jurisdictions)
- Clients with foreign business or personal interests
- Clients with criminal records, or past administrative and/or supervisory actions against them
- Clients with business links to known high-risk jurisdictions
- Businesses with complex and non-transparent ownership structures
- Clients gained through introduced business (particularly from unregulated professional intermediaries, or regulated intermediaries in jurisdictions with low AML controls)

##### Possible sources of information and data

- Regulatory framework for risk-based classification of customers
- Regulatory framework for identifying and monitoring PEPs
- Any product-wise statistics on PEPs, and other high-risk customers
- Insurance sector data on international transactions
- Insurance sector data on transactions with high-risk jurisdictions
- Interviews/consultations with supervisory authorities
- Surveys of insurance companies managements and staff
- Interviews/consultations with insurance sector representatives (including professional bodies and voluntary associations),
- Interviews with, and data compiled by, private sector research or consulting firm
- Data on crime, including ML cases where a product was used for ML purposes by high-risk customers
- Statistics on STRs originating from the insurance sector, with regard to high-risk customers.

##### Additional guidance

While assessing the client base profile for each product, assess whether the customers who pose a higher money laundering risk (when compared to other customers) are using the product. These high-risk customers include Politically Exposed Persons (PEPs), non-residents, high-net-worth individuals, and so on. It would be useful to look at the geographical breakdown of the policyholders and beneficiaries. Insurance companies will have usually identified high-risk jurisdictions as having high-risk for the purpose of screening/monitoring transactions, and for identifying suspicious transactions. Transactions associated with high-risk jurisdictions are likely to be more vulnerable to money laundering. This is because it is unlikely that adequate AML controls are in place, making it easier to move illicit funds to and from these jurisdictions into the global financial system. In order to assess this variable, financial institutions should be obliged to put appropriate mechanisms in place to identify and monitor high-risk individuals (including PEPs). If such monitoring/analysis mechanisms are not in place, insurance companies may not be able to provide any information.

To assess this variable, determine if a country has appropriate mechanisms to identify and monitor high-risk individuals (including PEPs) in insurance sector.

In many countries, the resident status of an insurance firm's customers is recorded during the purchase of the insurance policy. In this way, insurance firms – with the help of client data – should be able to focus on non-resident clients/beneficiaries, and see which kind of products they use. A more advanced analysis that is based on the countries that such non-resident clients originate from will provide further insight into the risk levels of various nationals.

In some cases, the nature of the product will determine the client base profile. For example, the client base of single-premium life insurance products would most likely be a high-net-worth individual in most cases. The flexibility to pay premiums in single installments makes such products more vulnerable to ML/TF abuse.

Assessment of this indicator will require judgment if the country does not have appropriate mechanisms to identify and monitor high-risk customers (including PEPs). If there is no data that can support the assessment, the WG needs to consider the worst-case scenario and be conservative in its assessment.

One of the multiple choices for this variable in the Excel file is the option Not Analyzed. Please note that, the Excel file penalizes this, since the lack of ability to analyze the client profile will pose a risk in itself.

#### 4.2.4. Availability of investment type policy

##### Variable description

This variable assesses whether a product allows for investment type policies that could increase the vulnerability of money laundering abuse.

##### Assessment criteria

A product is likely to be more vulnerable to money laundering if it allows placement/investment of money into financial systems. The extent of vulnerability will depend on whether the placement/investment features are the most prominent features of the product, or whether they are ancillary features. For some insurance products (such as life insurance plans with cash value and investment/savings components), placement/investment features are very prominent, which makes them more vulnerable to money laundering abuse than other products (such as pure protection life insurance products, which have limited placement/investment features).

The Working Group needs to analyze the availability of placement/investment features for various products. The more a product has such features, the more vulnerable it is to ML abuse.

##### Possible sources of information and data

- Interviews/consultations with supervisory authorities
- Surveys of insurance companies managements and staff
- Interviews/consultations with insurance sector representatives (including professional bodies and voluntary associations)
- Criminal data, including ML cases where a product was used for ML due to the availability of a placement/investment feature
- Interviews with, and data compiled by, private sector research or consulting firm
- Data on crime, including ML cases where a product was used for ML purposes due to the availability of investment/deposit features.

#### 4.2.5. Level of cash activity

##### Variable description

This variable assesses whether the product allows for the use of cash that could increase the risk of money laundering abuse of a particular product.

##### Assessment criteria

Assess whether a product allows for the use of cash. If so, the product being assessed will be more vulnerable to money laundering. The more the product is cash-based, the more vulnerable to ML it is likely to be. For example, use of cash as a payment method for premiums. Another example is life insurance plan with high cash surrender value.

##### Possible sources of information and data

- Criminal data, including ML cases where a product was used for ML due to the possibility of transacting in cash
- Interviews/consultations with supervisory authorities
- Surveys of insurance companies managements and staff
- Interviews/consultations with insurance sector representatives (including professional bodies and voluntary associations)
- Interviews with, and data compiled by, private sector research or consulting firms.

#### 4.2.6. Availability of cross-border use

##### Variable description

This variable assesses the extent to which cross-border use is associated with a product, which could consequently increase a particular product's risk to money laundering abuse. For example, a policyholder might be a resident of one jurisdiction, while the beneficiary resident of another.

##### Assessment criteria

If the product involves cross-border use, it can be vulnerable to ML. The greater the extent of availability of a product for cross-border use, the more vulnerable it may be to ML.

Higher frequency of internal transactions in a particular product will allow criminals to better camouflage their international money laundering operations.

##### Possible sources of information and data

- Insurance sector data on international transactions (organized by product)
- STRs filed in respect to these products
- Interviews/consultations with supervisory authorities
- Surveys of insurance companies managements and staff
- Interviews/consultations with insurance sector representatives (including professional bodies and voluntary associations)
- Interviews with, and data compiled by, private sector research or consulting firms
- Data on crime, including ML cases where a product was used for ML purposes and involved international transactions.

##### Additional guidance

The objective of this indicator is to distinguish the vulnerabilities of several products based on the frequency of cross-border use of the products.

Insurance sector data on cross-border use relating to various products should be preferably on a consolidated basis (taking into account data from all insurance companies). If possible, this analysis should cover data from the last full year (to take into account seasonal fluctuations), as well as data from all insurance companies' branches. If that is not possible, analysis can be limited to one or few companies which are representative of the entire sector, or can be limited to data from a shorter period of time (e.g., one month).

#### 4.2.7. Other vulnerable factors

##### Variable description

This variable assesses whether there are any additional factors that render an insurance company vulnerable to the risk of money laundering.

##### Assessment criteria

The presence of the following typical factors may increase the ML vulnerability of the product:

- Possible anonymous use of the product
- Indicators in ML typologies of product abuse
- Significant use of the product in tax evasion or fraud schemes
- Difficulties tracing the transaction records of the product
- Significant non-face-to-face use of the product
- Other vulnerability factors (specify).

##### Possible sources of information and data

- Interviews/consultations with supervisory authorities
- Surveys of insurance companies managements and staff
- Interviews/consultations with insurance sector representatives (including professional bodies and voluntary associations)
- Interviews with, and data compiled by, private sector research or consulting firms
- Data on crime (including ML cases in which a product was used for ML purposes) indicating vulnerability due to the above mentioned factors
- Data on statistical and qualitative information from MLA and formal or informal information/intelligence sharing requests from supervisory authorities, law enforcement agencies, FIU, tax authorities, and other relevant authorities.

##### Additional guidance

Note that the existence of one or more of these factors may render a product more vulnerable to money laundering.

**Anonymous use of the product:** Assess whether anonymous use of the product is possible. Consider whether the beneficiary of the policy is always identified. Also consider if the policy is being executed for the insurance company's customer on behalf of others. In this case, the real beneficiaries are not known and hence are not subject to Customer Due Diligence.

**Existence of ML typologies on the abuse of the product:** Assess whether the product is known for ML abuse purposes. This does not need to be country-specific. Global typologies can be relevant, regardless of whether the abuse was detected in the country or not.

**Use of the product in fraud or tax evasion schemes:** Assess the use of the product in fraud or tax evasion schemes. It may be useful to refer to crime and tax data to find products that are considered the most vulnerable. The use of the product in tax evasion, or in fraud schemes, may also indicate a vulnerability to ML abuse.

**Difficulty in tracing the transaction records of the product:** Assess whether transactions executed over the course of delivery of a product are properly recorded, and whether access to those records can be readily obtained. The difficulty in tracing records depends on the quality of AML record-keeping systems in the insurance companies.

**Non-face-to-face use of the product:** Availability of non-face-to-face initiation of business relationships (with respect to a product) can raise ML vulnerability. Where non-face-to-face initiation of a product is not allowed, but non-face-to-face use of the product is, there is a possibility of ML vulnerability. But in the second case, the vulnerability of the product can be less, depending on the quality of CDD done during the face-to-face product initiation and existence of other controls that limit the use of the product by persons other than the policyholder. These controls need to be assessed under the next indicator, Specific AML Controls, of that particular product.

**Any other vulnerable factors:** Please provide information about any other factor that may render a particular product vulnerable to money laundering.

### Summary of the assessment of products:

Considering the assessment criteria and guidance, assess the inherent vulnerability variables associated with the product. For each product, check (✓) the appropriate option in the table. The list of products may be amended as needed.

		1. Single-premium life insurance products (non-group)	2. Pure protection life insurance plans – excluding single-premium (non-	3. Life insurance plans with cash value and investment/savings component – excluding single-premium (non-group)	4. Other insurance plans with cash value and investment/savings component – excluding single-premium (non-group)	5. Pension products (non-group)	6. Single-premium life insurance products (group) (optional)	7. Pure protection life insurance plans – excluding single-premium (group) (optional)	8. Life insurance plans with cash value and investment/savings component – excluding single-premium (group) (optional)	9. Other insurance plans with cash value and investment/savings component – excluding single-premium (group) (optional)	10. Non-life insurance products with no cash value or investment/saving component (optional)	11. Re-insurance products (optional)	
<b>Total value/size</b>	High												
	Medium High												
	Medium												
	Medium Low												
	Low												
	Not Analyzed												
<b>Use of agents</b>	High												
	Medium High												
	Medium												
	Medium Low												
	Low												
	Does Not Exist												
<b>Client base profile</b>	Not Analyzed												
	Very High Risk												
	High Risk												
	Medium Risk												
	Low Risk												
	Very Low Risk												
<b>Availability of investment type policy</b>	Not Analyzed												
	Available and Prominent												
	Available												
	Available but Limited												
	Not Available												

### Summary of the assessment of products:

Considering the assessment criteria and guidance, assess the inherent vulnerability variables associated with the product. For each product, check (✓) the appropriate option in the table. The list of products may be amended as needed.

			1. Single-premium life insurance products (non-group)	2. Pure protection life insurance plans – excluding single-premium (non-	3. Life insurance plans with cash value and investment/savings component – excluding single-premium (non-group)	4. Other insurance plans with cash value and investment/savings component – excluding single-premium (non-group)	5. Pension products (non-group)	6. Single-premium life insurance products (group) (optional)	7. Pure protection life insurance plans – excluding single-premium (group) (optional)	8. Life insurance plans with cash value and investment/savings component – excluding single-premium (group) (optional)	9. Other insurance plans with cash value and investment/savings component – excluding single-premium (group) (optional)	10. Non-life insurance products with no cash value or investment/saving component (optional)	11. Re-insurance products (optional)	
<b>Level of cash activity</b>	High													
	Medium High													
	Medium													
	Medium Low													
	Low													
	Does Not Exist													
	Not Analyzed													
<b>Availability of cross-border use</b>	High													
	Medium High													
	Medium													
	Medium Low													
	Low													
	Does Not Exist													
	Not Analyzed													
<b>Other vulnerable factors</b>	Anonymous use	Available												
		Not Available												
	ML typologies	Exist and Significant												
		Exist												
		Exist but Limited												
		Does Not Exist												

### Summary of the assessment of products:

Considering the assessment criteria and guidance, assess the inherent vulnerability variables associated with the product. For each product, check (✓) the appropriate option in the table. The list of products may be amended as needed.

			1. Single-premium life insurance products (non-group)	2. Pure protection life insurance plans – excluding single-premium (non-	3. Life insurance plans with cash value and investment/savings component – excluding single-premium (non-group)	4. Other insurance plans with cash value and investment/savings component – excluding single-premium (non-group)	5. Pension products (non-group)	6. Single-premium life insurance products (group) (optional)	7. Pure protection life insurance plans – excluding single-premium (group) (optional)	8. Life insurance plans with cash value and investment/savings component – excluding single-premium (group) (optional)	9. Other insurance plans with cash value and investment/savings component – excluding single-premium (group) (optional)	10. Non-life insurance products with no cash value or investment/saving component (optional)	11. Re-insurance products (optional)		
	Abuse in fraud or tax schemes	Exist and Significant													
		Exist													
		Exist but Limited													
		Does Not Exist													
	Difficulty in tracing records	Records not available													
		Difficult/Time Consuming													
		Easy to trace													
	Non-face-to-face	Available and Prominent													
		Available													
		Available but Limited													
		Not Available													
	Other (specify)	High													
		Medium High													
		Medium													
		Medium Low													
		Low													
		Not Analyzed													
		Does Not Exist													



#### **4.3. Assessment Worksheet for the *Product-Specific AML Controls***

Certain products are inherently more vulnerable to money laundering than others. Increased vulnerability may arise from the characteristics of the product, such as the availability of anonymous use, non-face-to-face interactions, frequent use of cash, or from clients – such as PEPs or high-wealth individuals, who typically use the product. To assess whether the incidence of such products affects the overall vulnerability of the sector, a separate assessment may be warranted. This assessment should consider any additional AML controls that may be in place for the product (in addition to general AML controls). This is reflected in the variable *Availability of Product-Specific AML Controls*, which refers to the controls designed for and applied to one particular product.

For example, in addition to a generic list of red-flag indicators (for suspicious activity), the insurance sector may have specific red-flag indicators, or additional customer identification/monitoring procedures, that focus on high premium products. These additional AML controls would reduce the vulnerability arising from high premium products, and help to reduce the overall vulnerability within the insurance sector.

For some products, there may be no need for specific AML controls, as the general AML controls are considered adequate. In other words, specific AML controls are needed only if there are particular risks associated with the product that cannot be addressed by the general AML controls. Therefore, not having specific AML controls is not necessarily a problem for all the products.

## Availability of Product-Specific AML Controls

### Variable description

This variable assesses whether appropriate product-specific AML controls are in place to manage any potential money laundering risks that may occur in the delivery of a particular product in the insurance sector.

Specific AML controls are controls that are applied on top of the general AML controls to all the products offered by insurance companies. Insurance companies that implement specific AML controls may reduce their vulnerability to money laundering.

### Assessment criteria

Specific AML controls for a product are in place if the following criteria are met:

- Insurance companies generally implement an effective, risk-based approach to AML.
- Insurance companies regard the product as one that poses higher ML risk, and therefore apply specific AML controls.

### Possible sources of information and data

- Regulatory framework for specific AML controls (specify references to particular products)
- Data/information on the use of specific AML controls for a specific product within the sector
- Findings from AML on-site/off-site examinations
- Interviews/consultations with supervisory authorities
- Surveys of insurance companies managements and staff
- Interviews/consultations with insurance sector representatives (including professional bodies and voluntary associations)
- Interviews with, and data compiled by, private sector research or consulting firms.

### Additional guidance

If the product is not subject to any specific AML controls, then select the option **Only General AML Controls Exist**. For many products, General AML Controls may be adequate for risk mitigation. Not having specific controls does not necessarily constitute a problem for a product, particularly for one with low or medium ML vulnerability. The existence of specific AML controls for all products may indicate a high level of ML vulnerability for the sector, because it is unlikely that all the products should require specific AML controls. Some products only require general AML controls and do not need specific AML controls because of a low/medium ML vulnerability.

One of the objectives of the product risk assessment is to identify whether the product needs specific AML controls or not.

While assessing whether a product needs specific AML controls, the WG should initially assess the ML vulnerability of the product, in order to understand the main cause for the product's vulnerability. For example, if a product has high vulnerability to ML due to the use of agents, then specific AML controls should be introduced for the use of agents only. Consequently, specific AML controls for agents will help to reduce the vulnerability of the product.

Specific AML controls may be required by law/regulations, or insurance companies may apply them voluntarily without an obligation to do so. During the assessment, the WG needs to take into account the situation for the entire insurance sector as much as possible. In the cases where specific AML controls are required by law/regulations, the assessment needs to consider the effectiveness of the implementation of those specific AML controls.

Note that specific AML controls do not refer to other controls aimed at the elimination of credit risk, fraud risk, risk arising from liquidity or treasury, or other operational risks. As their objective is different, these types of controls may not always contribute to the elimination of ML risks. For example, credit controls for loans may focus on wealth and income of the client, and may pay less attention to the source of funds. The WG can take these types of controls into account in limited conditions only, namely when they contribute to reducing ML risks.

Specific AML controls may include the following:

- Risk-based categorization of the clients
- Risk-based categorization of policies
- Risk-based ongoing monitoring
- Enhanced CDD
- Additional guidance and training given to relevant staff on red-flag indicators specific to the insurance sector
- Additional internal AML controls
- Additional off-site/on-site AML examination procedures.

**Summary of the assessment of products:**

Considering the assessment criteria and guidance, assess the availability of specific AML controls associated with the product. For each product, check (✓) the appropriate option in the table. The list of products may be amended as needed.

<b>Availability of Specific AML Controls</b>		1. Single-premium life insurance products (non-group)	2. Pure protection life insurance plans – excluding single-premium	3. Life insurance plans with cash value and investment/savings component – excluding single-premium (non-group)	4. Other insurance plans with cash value and investment/savings component – excluding single-premium (non-group)	5. Pension products (non-group)	6. Single-premium life insurance products (group) (optional)	7. Pure protection life insurance plans – excluding single-premium	8. Life insurance plans with cash value and investment/savings component – excluding single-premium (group) (optional)	9. Other insurance plans with cash value and investment/savings component – excluding single-premium (group) (optional)	10. Non-life insurance products with no cash value or investment/saving component (optional)	11. Re-insurance products (optional)	12.
	Exist and Comprehensive												
	Exist but Limited												
	Only General AML Controls												

## 5. DESCRIPTION OF THE INTERMEDIATE VARIABLES

(Ranging from low-level intermediate variables to high-level variables – Cf. Figure 3.a)

VARIABLE	DESCRIPTION
<b>Quality of AML Supervision</b>	<p>This variable assesses whether the insurance sector has a comprehensive AML supervision regime supported by appropriate powers, staff, and other resources. This variable depends on the:</p> <ul style="list-style-type: none"> <li>• <i>Effectiveness of Supervision Procedures and Practices</i></li> <li>• <i>Availability and Enforcement of Administrative Sanctions.</i></li> </ul>
<b>Commitment and Leadership of Insurance Companies' Managements</b>	<p>This variable assesses the commitment and leadership of insurance companies' managements regarding AML, and how managements are influenced by the following variables:</p> <ul style="list-style-type: none"> <li>• <i>Availability and Effectiveness of Entry Controls</i></li> <li>• <i>Quality of AML Supervision</i> (intermediate variable)</li> <li>• <i>Availability and Enforcement of Criminal Sanctions</i></li> <li>• <i>(Level of Market Pressure to Meet AML Standards (optional)).</i></li> </ul>
<b>Quality of Internal AML Policies and Procedures</b>	<p>This variable assesses the quality of internal AML policies and compliance procedures at insurance companies, which depends on the:</p> <ul style="list-style-type: none"> <li>• <i>Comprehensiveness of AML Legal Framework</i></li> <li>• <i>Commitment and Leadership of Insurance Companies' Managements</i> (intermediate variable)</li> <li>• <i>Effectiveness of Compliance Function.</i></li> </ul>
<b>Compliance of Insurance Companies' Staff</b>	<p>This variable assesses the compliance level of insurance companies' staff with the AML legal framework and their institutional obligations. This variable considers how this is influenced by factors such as the:</p> <ul style="list-style-type: none"> <li>• <i>Quality of AML Supervision</i> (intermediate variable)</li> <li>• <i>Availability and Enforcement of Criminal Sanctions</i></li> <li>• <i>Effectiveness of Compliance Function</i></li> <li>• <i>Integrity of Staff in Insurance Companies</i></li> <li>• <i>AML Knowledge of Staff in Insurance Companies.</i></li> </ul>
<b>Quality of CDD Framework</b>	<p>This variable assesses whether the country has the legal, institutional, and technical framework to identify and verify the identities of natural and legal persons, as well as the capacity to store the identification records and to facilitate the use of this information by authorized parties for AML purposes. This variable depends on the:</p> <ul style="list-style-type: none"> <li>• <i>Availability of Reliable Identification Infrastructure</i></li> <li>• <i>Availability of Independent Information Sources</i></li> <li>• <i>Availability and Access to Beneficial Ownership Information.</i></li> </ul>
<b>Quality of Insurance Companies' Operations</b>	<p>This variable assesses the quality of insurance companies' operations in preventing the abuse of insurance products for money laundering. This variable depends on the:</p> <ul style="list-style-type: none"> <li>• <i>Commitment and Leadership of Insurance Companies' Managements</i> (intermediate variable)</li> <li>• <i>Compliance of Insurance Companies' Staff</i> (intermediate variable)</li> <li>• <i>Effectiveness of Suspicious Activity Monitoring and Reporting</i> (intermediate variable)</li> <li>• <i>Quality of CDD Framework</i> (intermediate variable).</li> </ul>

VARIABLE	DESCRIPTION
<b>Quality of General AML Controls</b>	<p>This variable assesses the quality of general AML controls within the sector, which are the standard AML controls applied to all products. This variable depends on the:</p> <ul style="list-style-type: none"> <li>• <i>Quality of Internal AML Policies and Procedures</i> (intermediate variable)</li> <li>• <i>Quality of Insurance Companies' Operations</i> (intermediate variable).</li> </ul>
<b>Quality of Specific AML Controls (for a product)</b>	<p>This variable assesses the effectiveness of specific AML controls (which are the enhanced controls designed specifically for a product), and whether they are effective in preventing and detecting money-laundering activities related to a specific product. This variable depends on the:</p> <ul style="list-style-type: none"> <li>• <i>Availability of Product-Specific AML Controls</i></li> <li>• <i>Quality of Insurance Companies' Operations</i> (intermediate variable)</li> <li>• <i>Quality of General AML Controls</i> (intermediate variable).</li> </ul>
<b>Product AML Controls</b>	<p>This variable assesses the overall effectiveness of all the AML controls together for a product in preventing and detecting money-laundering activities. This variable is affected by:</p> <ul style="list-style-type: none"> <li>• <i>Quality of Specific AML Controls</i> (for a product) (intermediate variable)</li> <li>• <i>Quality of General AML Controls</i> (intermediate variable).</li> </ul>
<b>Product Inherent Vulnerability</b>	<p>This variable assesses the susceptibility of a particular insurance product to money laundering, solely based on the inherent factors of the product, without taking into account its AML controls. An insurance product is inherently vulnerable when its characteristics render it open to abuse for money laundering purposes. This variable relies on inherent vulnerability variables, namely:</p> <ul style="list-style-type: none"> <li>• <i>Total value/size</i></li> <li>• <i>Use of agents</i></li> <li>• <i>Client base profile</i></li> <li>• <i>Availability of investment type policy</i></li> <li>• <i>Level of cash activity</i></li> <li>• <i>Availability of cross-border use</i></li> <li>• <i>Other vulnerable factors.</i></li> </ul>
<b>Product Vulnerability</b>	<p>This variable assesses the overall susceptibility of a particular insurance product to money laundering, given its inherent vulnerability and the AML control mechanisms put in place to address that vulnerability. The more susceptible the product, the more undetected money laundering transactions can occur. This variable depends on the:</p> <ul style="list-style-type: none"> <li>• <i>Product Inherent Vulnerability</i> (intermediate variable)</li> <li>• <i>Product AML Controls</i> (intermediate variable).</li> </ul> <p><b>The ratings of all the product vulnerability assessments determine the vulnerability of the insurance sector.</b></p>

## ANNEX – INSTRUCTIONS FOR USING THE EXCEL FILE (MODULE 5)

At this stage, the input variables have been assessed, and assigned a rating. These ratings now need to be entered into the Excel file. This Annex provides step-by-step instructions for using the Excel file to assess the vulnerability of the insurance sector. While reading these instructions, open and try to use the Excel file in parallel for a better understanding.

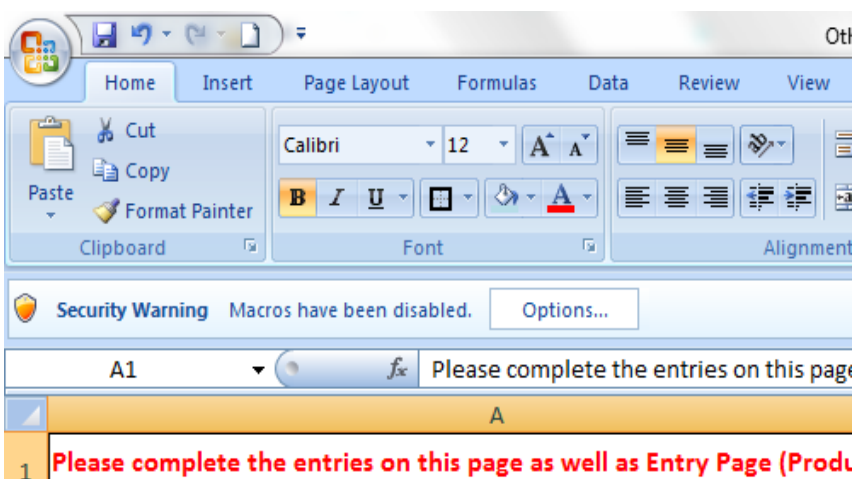


- While reading these instructions, open and try to use the Excel file in parallel to aid your understanding. .
- Please make sure that you have a recent and full version of Windows Office Excel installed. The Excel file works only with Office Professional 2007 and later versions. Earlier versions or home/student versions of Excel, which have limited functions, do not support the file.
- Do not work in the original Excel file. Always create a copy of it and work in the copied (working) version. This way, if the macros in the working version become corrupted, you will still have an intact version of the file.
- Do not add or delete any rows/columns in the Excel file, as this can corrupt the macros or formulas in it.

### Step 1: Before you start

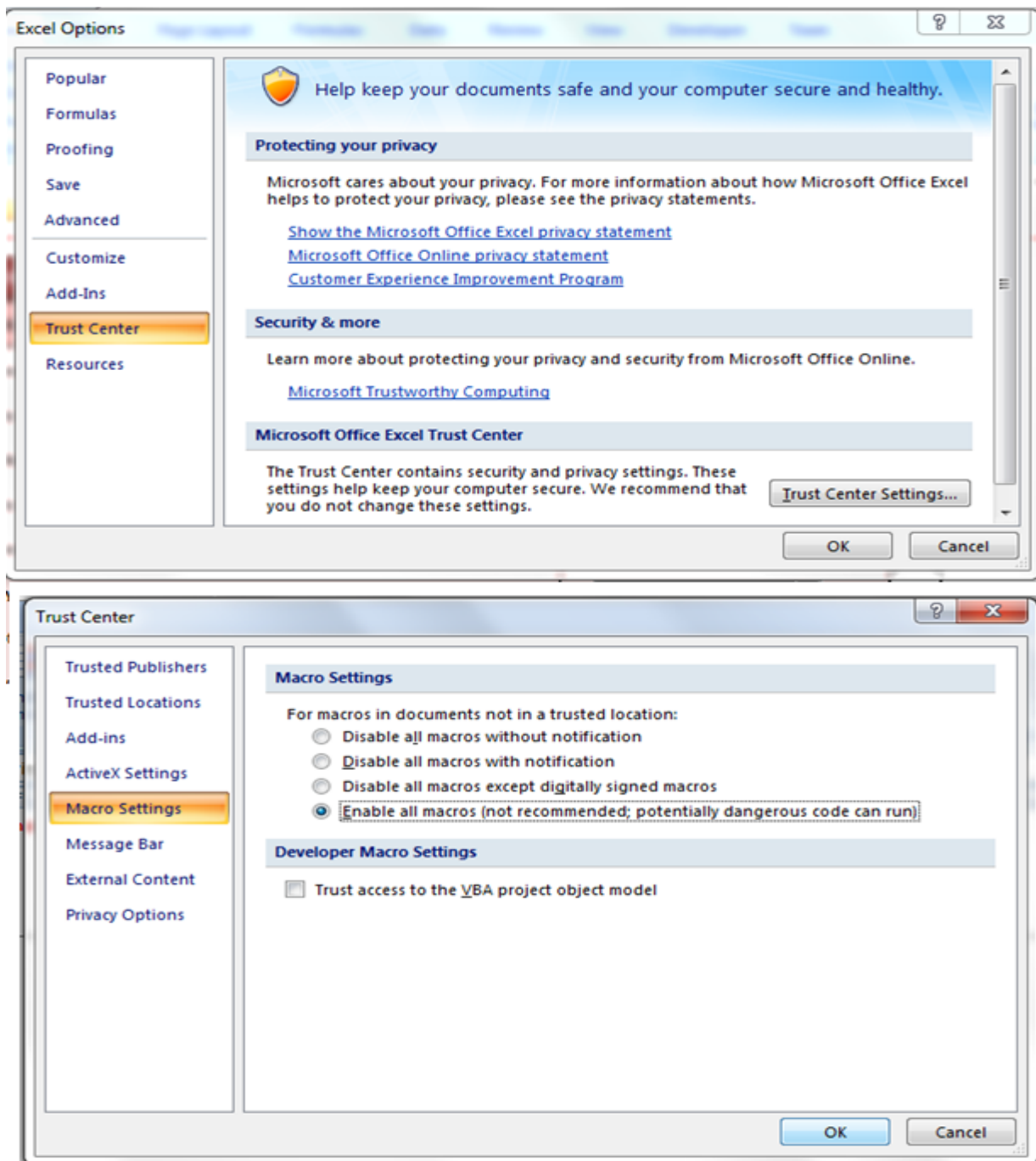
After opening the Excel file, first enable macros. A security warning will appear in the top left-hand corner of the first tab (Entry Page), warning you that macros are disabled – as shown in Figure 4.a. Click on the **Options** icon and select the **Enable this Content** option. Click **OK**, or (depending on which version of Excel is being used) click on the **Enable Content** icon in the toolbar. This is an important step, because without it the Excel file will not function properly.

Figure 4.a: Macro security warning



If the macro security warning (Figure 4.a) does not appear, change the macro settings. To change the macro settings, click the **Microsoft Office Button** (in the top left corner) and select **Excel Options**. In the Excel Options window, select the **Trust Center** option and click on **Trust Center Settings** (see Figure 4.b). When the Trust Center window opens, select the **Macro Settings** option (Figure 4.b). In this list, select the option **Enable all Macros** and click **OK**.

**Figure 4.b: Macro settings**



## Step 2: Entries for general input variables (in the Entry Page tab)

For each general input variable, select your chosen rating in the drop-down list. The options range from **(1.0) Excellent** to **(0.0) Does Not Exist**. Notice that higher assessment ratings for general input variables implies that the country has better AML controls in place, which will lead to lower insurance sector vulnerability. The Excel file automatically colors the entries according to their level of desirability (i.e., green=desirable, red=undesirable, etc.) – as shown in Figure 5.

Figure 5: Entries for general input variables (in the Entry Page tab)

A		B	D
Please complete the entries on this page as well as Entry Page (Products) , before saving the scenario/case. Butt			
		ASSESSMENT RATING	
A. GENERAL INPUT VARIABLES			
Comprehensiveness of AML Legal Framework	(0.8) Very High	0.8	
Effectiveness of Supervision Procedures and Practices	(0.5) Medium	0.5	
Availability and Enforcement of Administrative Sanctions	(0.9) Close to Excellent	0.9	
Availability and Enforcement of Criminal Sanctions	(0.7) High	0.7	
Availability and Effectiveness of Entry Controls	(0.6) Medium High	0.6	
Integrity of Staff in Insurance Companies	(1.0) Excellent (0.9) Close to Excellent (0.8) Very High (0.7) High (0.6) Medium High (0.5) Medium (0.4) Medium Low (0.3) Low (0.2) Very Low (0.1) Close to Nothing (0.0) Does Not exist	0.2	
AML Knowledge of Staff in Insurance Companies		1	
Effectiveness of Compliance Function (Organization)		0.4	
Effectiveness of Suspicious Activity Monitoring and Reporting		0	
Level of Market Pressure to Meet AML Standards	(0.5) Medium	0.5	
Availability and Access to Beneficial Ownership Information	(0.1) Close to Nothing	0.1	
Availability of Reliable Identification Infrastructure	(0.3) Low	0.3	
Availability of Independent Information Sources	(0.8) Very High	0.8	

To complete the assessment, assessment ratings need to be entered for all thirteen general input variables. *Level of Market Pressure to Meet AML Standards* is an optional variable, and if you choose not to assess it, select the option **Does Not Apply** (do not choose the option **Does Not Exist**). If the rating for any general input variables has not been entered, a warning that the file is incomplete will appear in row 18 of the Entry Page tab.

Bear in mind that the assessment of the general input variables is applicable to the entire insurance sector, and will influence the vulnerabilities of all the products.



### Step 3: Entries for inherent vulnerability variables and specific AML controls (in the Entry Page (Products) tab)

Once all the general input variables assessment ratings have been entered into the Entry Page tab, move to the next tab, which is Entry Page (Products). This is where the entries for product-specific input variables are entered. During the assessment, you will decide which products to include. The design of the Excel file allows you to change the names of the products. The names of the products that are to be assessed should be inserted in row 2. Click on the cells that read Product/Service/Channel #, and enter the name of the product to be assessed.

Enter the assessment ratings for each of the specific input variables by clicking on the drop-down list in Column B/Column C, respectively for each of the products. In this tab, the specific input variables (Column A) will be assessed for each of the selected products (see Figure 6).

The Excel file is designed to facilitate the assessment of up to 20 products. However, if needed, you can use a second file to assess additional products. In this case, to assess sector vulnerability, the Working Group should use a third file as the master file. This master file should include only the 20 products with the highest vulnerability in two working files.

**Figure 6: Entries for product-specific input variables (in the Entry Page (Products) tab)**

	A	B
1	Please press the scenario buttons below to save the cases.	
2	B. PRODUCTS SPECIFIC INPUT VARIABLES	PRODUCT/SERVICE/CHANNEL 1
3	Total Value/Size	High
4	Use of Agents	Medium High
5	Client Base Profile	High Risk
6	Availability of Investment Type Policy	Very High Risk High Risk Medium Risk Low Risk Very Low Risk Not Analyzed Medium Low
7	Level of Cash Activity	
10	Availability of Cross Border Use	
12	Other Vulnerable Factors - Anonymous/Omnibus use of the product	Available
13	Other Vulnerable Factors - Existence of ML typologies on the abuse of the product	Exist but Limited
14	Other Vulnerable Factors - Use of the product in insurance fraud or tax evasion schemes	Exist but Limited
15	Other Vulnerable Factors - Difficulty in tracing the transaction records of the product	Easy to trace
16	Other Vulnerable Factors - Non face to face use of the product	Available
17	Other Vulnerable Factors - Others (Specify)	Medium High
18	Availability of Product Specific AML Controls	Exist & Comprehensive
19		
21	Open Door Approach (OD) vs. Weighted Approach (W) *	OD

ENTRY PAGE ENTRY PAGE (PRODUCTS) OUTPUT CHARTS VULN. MAP PRIORITIZATION SCENARIO ANALYSIS SCENA

The chosen specific input variable ratings for each of the assessed products needs to be entered to complete the assessment. If the rating for any specific input variable has not been entered for a product, a warning that the file is incomplete will appear in row 19 of the Entry Page (Products) tab.

The Working Group (WG) may choose one of two approaches in assessing the impact of a given product's vulnerability to money laundering:

- (1) **The Weighted Average Approach.** This straightforward approach calculates the overall vulnerability of the insurance sector on the basis of the weighted averages of all the products assessed. Weights are determined by the total value/size entries of each of the assessed products.
- (2) **The Open Door Approach.** This approach calculates the overall insurance sector vulnerability score, not by focusing on weighted averages of products but rather on those products that are most vulnerable. It can perhaps best be illustrated by using the metaphor of a house. Suppose a building has ten doors (products), one of which is open. Using the Weighted Average Approach, the overall vulnerability of the building would end up as relatively low (10 percent). However, in practice, we know that one open door may make the building highly vulnerable. To take account of this, therefore, in determining sector vulnerability, the Open Door Approach focuses on the products with higher vulnerability.

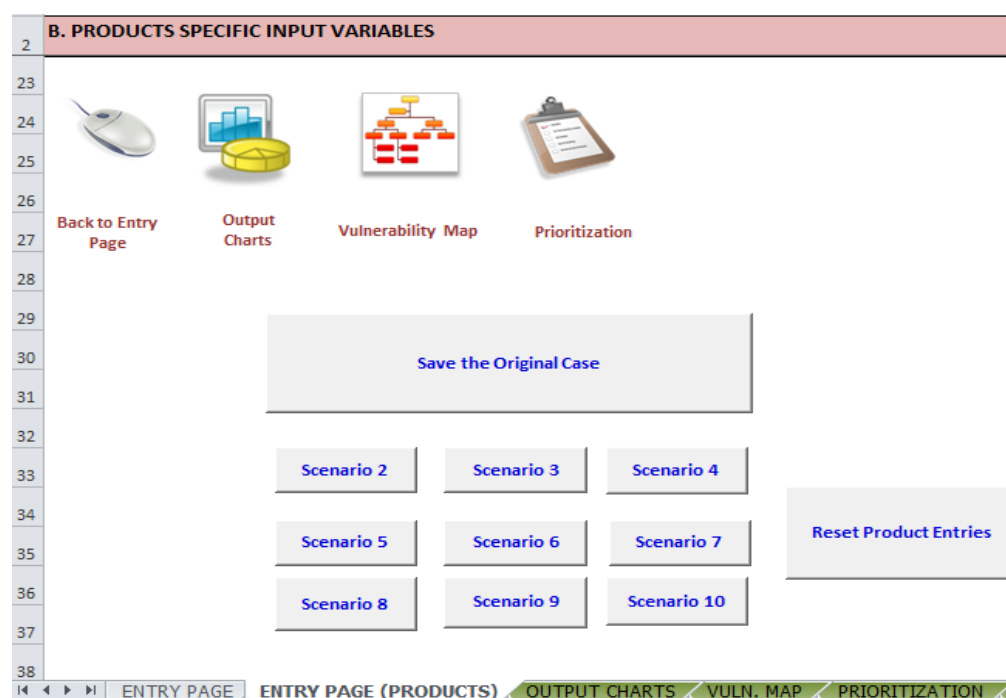
The Open Door Approach has been chosen as the default option in the Excel file. Thus, the entry in cell B 21 is "OD" (see Figure 6). If you prefer the Weighted Average Approach, switch to the weighted average option by entering "W" in this cell.

In order to compare the outcomes of the two approaches, it is suggested that the WG try the Open Door Approach first and then try the Weighted Average Approach, working as follows. First, make the assessment using the Open Door Approach and save the file. Then create a copy of this file and change the option from "OD" to "W" in cell B 21, as discussed above. Save this file under another name. Compare the overall sectoral money laundering vulnerability using each option and decide which results make more sense. Whichever approach and result is finally chosen, the outcome must be supported with documentation of the underlying argument.

#### **Step 4: Saving the entries**

After the results for the inherent vulnerability variables and the specific AML control variables for all products have been entered, save the entries by clicking the **Save the Original Case** icon on the Entry Page (Products) tab – as shown in Figure 7. This is an important step as the case needs to be saved before you can proceed. Otherwise, the output charts will not show the results of the assessment. (Bear in mind that this saves only your entries, not the file. You still have to save the Excel file to not lose your data.)

**Figure 7: Icons on the Entry Page (Products) tab**



## **Step 5: The outputs of the assessment**

After the case has been saved, the Excel file automatically generates the outputs of the assessment. There are three outputs, which are captured in three separate tabs:

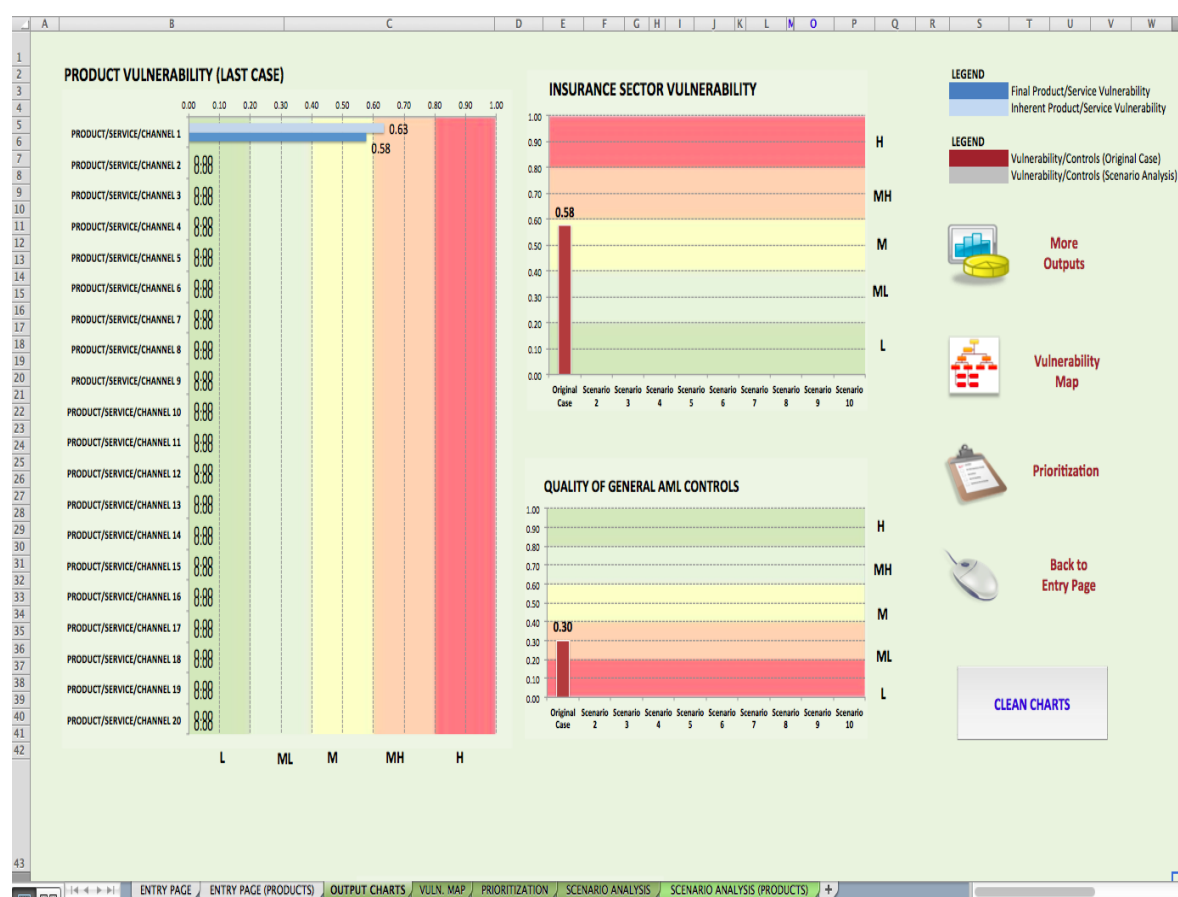
1. Output Charts
2. Vulnerability Map (Network Diagram)
3. Prioritization.

### *(1) Output Charts tab*

The Output Charts tab shows the insurance sector's vulnerability, the vulnerability of each assessed product, and the assessment results for intermediate variables such as *Quality of General AML Controls*, in a visual format (see Figure 8). For output charts, click on the **Output Charts** icon in the Entry Page (Products) tab to view the assessment results (as shown in Figure 7).

The product vulnerability chart shows both the inherent vulnerability scores (light blue bar) and the final vulnerability scores (dark blue bar) of each product assessed. The inherent vulnerability score does not take into account the impact of AML controls on the vulnerability of a product. On the other hand, the final vulnerability score is calculated after taking into account the impact of AML controls. The more effective and comprehensive the AML controls, the lower the final vulnerability of the product.

**Figure 8: Output charts**



For both the product vulnerability chart and the insurance sector vulnerability chart, a higher score implies a higher vulnerability to ML. Similarly, a higher product vulnerability score increases the vulnerability score of the insurance sector.

On the other hand, for intermediate variables that relate to controls (*Quality of General AML Controls*, *Quality of CDD Framework*, and *Compliance of Insurance Companies' Staff*) a higher score indicates a higher combating ability, which lowers the vulnerability of the insurance sector to ML.

For vulnerability related charts, a lower score is indicated by shades of green, which imply lower ML vulnerability. On the other hand, for intermediate variables related to AML controls, a lower score is indicated by shades of red implying a lower combating ability, and hence higher ML vulnerability.



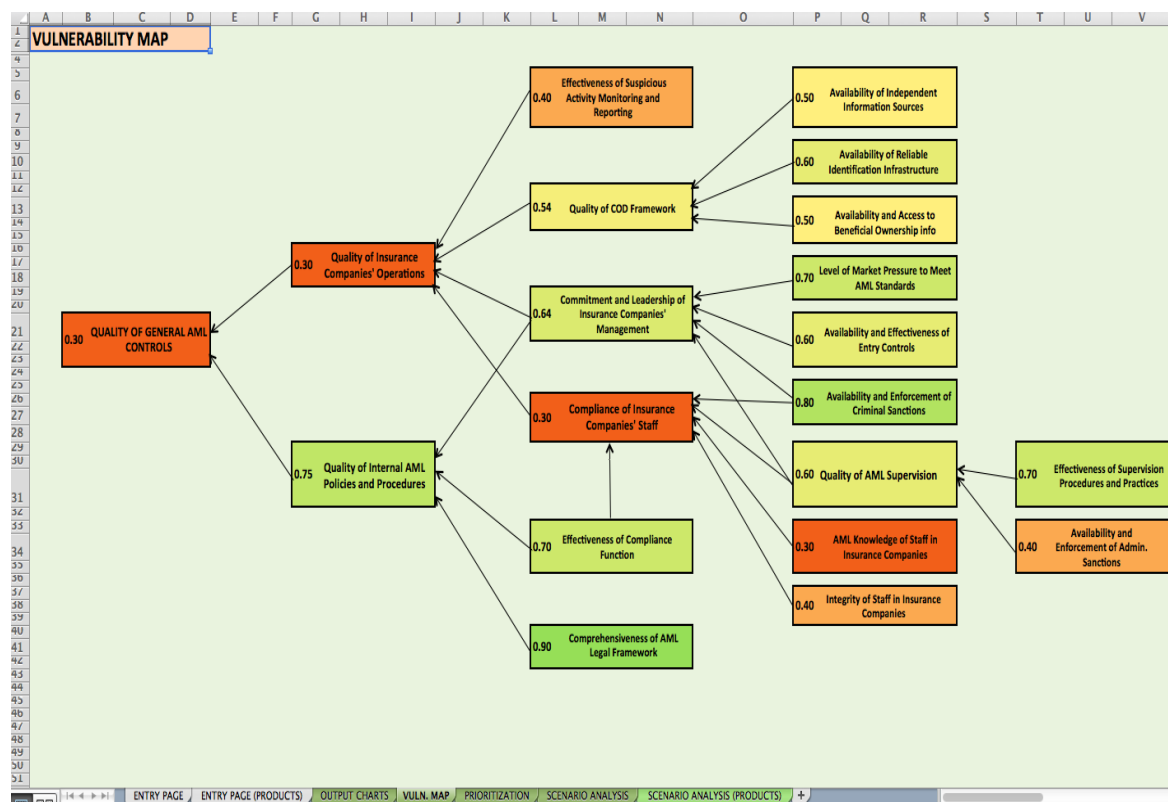
Please pay attention to the names and the colors of the inputs and outputs while interpreting the scores.

- When the reference is to “vulnerability” a low score is desired, therefore low corresponds to green and high corresponds to red.
- When the reference is to “controls” or related inputs; a high score, which means better controls, is desired. Therefore, for control related inputs and outputs, high corresponds to green and low corresponds to red.

## (2) Vulnerability Map tab

Vulnerability Map is a visual summary of the assessment, which shows how the assessment inputs cause impact on the outputs. To view the vulnerability map of the insurance sector, click on the **Vulnerability Map** icon on the Entry Page (Products) tab (as shown in Figure 7). This tab provides a visual summary of the assessment ratings of all the variables (see Figure 9). Note that the vulnerability map only shows the network diagram for the assigned assessment ratings of general input variables, and the corresponding assessment results of the intermediate variables, which affect the degree to which the insurance sector is able to combat ML. This diagram does not show the effect of general input variables on product vulnerability, or the impact of product vulnerabilities on the final vulnerability of the insurance sector.

**Figure 9: Vulnerability Map**



The assessment results in Figure 9 show that the quality of general AML controls is weak. This can be seen in the low score and the red color of the box, both of which indicate weak AML controls. Although the *Quality of Internal AML Policies and Procedures* is good (this type of green indicates a medium-high score), the *Quality of Insurance Companies' Operations* is weak (the low score and the color red indicating weak operations). The problem area is therefore *Quality of Insurance Companies' Operations*. Low *Compliance of Insurance Companies' Staff* and weak *Effectiveness of Suspicious Activity Monitoring and Reporting Systems* in the insurance companies underlie the deficiencies in insurance companies' operations. Furthermore, low *Integrity of Staff in Insurance Companies* and *AML Knowledge of Staff in Insurance Companies* are the factors underlying low *Compliance of Insurance Companies' Staff*.

### (3) Prioritization tab

A priority ranking can be generated to help guide relevant authorities to prioritize actions to strengthen AML controls within the insurance sector. Click on the **Prioritization** icon in the Entry Page (Products) tab (Figure 7) or in the Output Charts tab (Figure 8) to go to the Prioritization tab. The table in the Prioritization tab ranks the general input variables with respect to their impact on the AML controls and consequently the sector vulnerability (see Figure 10).

**Figure 10: Prioritization table**

	PRIORITY RANKING - LAST CASE/SCENARIO	PRIORITY RANKING**
32		
33	Comprehensiveness of AML Legal Framework	
34	Effectiveness of Supervision Procedures and Practices	
35	Availability and Enforcement of Administrative Sanctions	2
36	Availability and Enforcement of Criminal Sanctions	
37	Availability and Effectiveness of Entry Controls	5
38	Integrity of Staff in Insurance Companies	4
39	AML Knowledge of Staff in Insurance Companies	1
40	Effectiveness of Compliance Function (Organization)	
41	Effectiveness of Suspicious Activity Monitoring and Reporting	3
42	Level of Market Pressure to Meet AML Standards	
43	Availability and Access to Beneficial Ownership Information	7
44	Availability of Reliable Identification Infrastructure	6
45	Availability of Independent Information Sources	8



- A low number, highlighted in a darker color/dark red, signifies that the general input variable merits a high priority in the action plan.
- A high number, highlighted in a lighter red (or pink), means that the corresponding input variable still has severe deficiencies and is in the priority list, although it has less priority than the ones with darker colors.
- Blank cell (in light blue) indicates that the corresponding input variable does not have priority. There may still be deficiencies related to variable, but these are not severe and do not require urgent action.

For example, in Figure 10, the input variable *AML Knowledge of Staff in Insurance Companies* has a priority ranking of one, implying that mitigating the deficiency related to this variable is the first item at the top of the priority list. The prioritization table results should be used as a starting point for developing action plans.

Please note that the variable that has the lowest rating in the Entry Page tab may not have the highest priority rating in most cases. Priority rankings do not necessarily run parallel with the ratings in the Entry Page tab. Sometimes an item that is rated as medium may turn out to have the highest priority. Such results are fully consistent with the logic of the tool, as the assessment rating is just one of the four factors that have an impact on priority ranking. As previously explained, the other three factors are:

- The network structure of the module
- The weights of the input and intermediate variables
- The defined conditions (prerequisites) for intermediate variables.

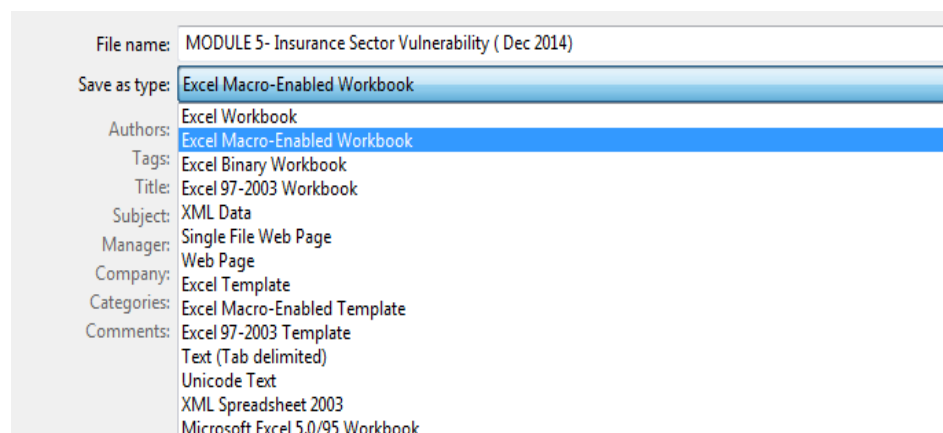
Whether an Open Door Approach or a Weighted Average Approach (or a combination of both) is used to assess the final vulnerability of the insurance sector, all the outputs and assessment results discussed in Step 5 will be the same for all three approaches. Only the vulnerability of the insurance sector, which is also a component of national vulnerability, will vary for the three different approaches.

## Step 6: Saving the file

### SAVE THE FILE!

It is important to save the file as a macro-enabled workbook (as shown in Figure 11). If it is not saved as a macro-enabled workbook, the macros will be disabled and the Excel file will not function properly.

**Figure 11: Save Excel file as a macro-enabled workbook**



### *Changing entries after the original case has been saved*





If any changes have been made to the original case entries, remember to save those entries by clicking on the **Save the Original Case** icon on the Entry Page (Products) tab (see Figure 7). The assessment outputs will not reflect the changes unless the entries have been saved.

### *Erase all the entries and restart the process*

Click the **Reset Product Entries** icon on the Entry Page (Products) tab (Figure 7), and click the **Reset General Input Variables** icon on the Entry Page tab (Figure 12) to erase all the previous entries. Also click the **Clean Charts** icon on the Output Charts tab (Figure 8) to erase the previous entries on the Output Charts tab.



Figure 12: Icons on the Entry Page tab

A		B	D	E
1	Please complete the entries on this page as well as Entry Page (Products) , before saving the scenario/case. Buttons to save the case			
2			ASSESSMENT RATING	
3	A. GENERAL INPUT VARIABLES			
12	Effectiveness of Suspicious Activity Monitoring and Reporting	{0.7} High		0.7
13	Level of Market Pressure to Meet AML Standards	{0.5} Medium		0.5
14	Availability and Access to Beneficial Ownership Information	{0.2} Very Low		0.2
15	Availability of Reliable Identification Infrastructure	{0.9} Close to Excellent		0.9
16	Availability of Independent Information Sources	{0.4} Medium Low		0.4
18	Incomplete			
19	   			
20	Proceed (Products)	Output Charts	Vulnerability Map	Prioritization
21	Reset General Input Variables			
22				
23				
24				
25				

## Step 7: Using the Excel file for scenario analysis (optional)

The Excel file can also be used for scenario analysis. It can be used either for comparing the vulnerability of the insurance sector over a period of time, or for observing and analyzing the effects of various policy options, based on scenarios. For example, it is possible to see what impact policy actions (individually or collectively) may have on reducing vulnerability.

Similarly, the assessment ratings for general input variables, insurance sector vulnerability, assessment results for intermediate variables, inherent variables, final product vulnerability, and priority ranking for the general input variables for different years or scenarios can all be compared using the scenario analysis option.

It is also possible to use the scenario analysis function for comparing the results of Open Door and Weighted Average Approaches.

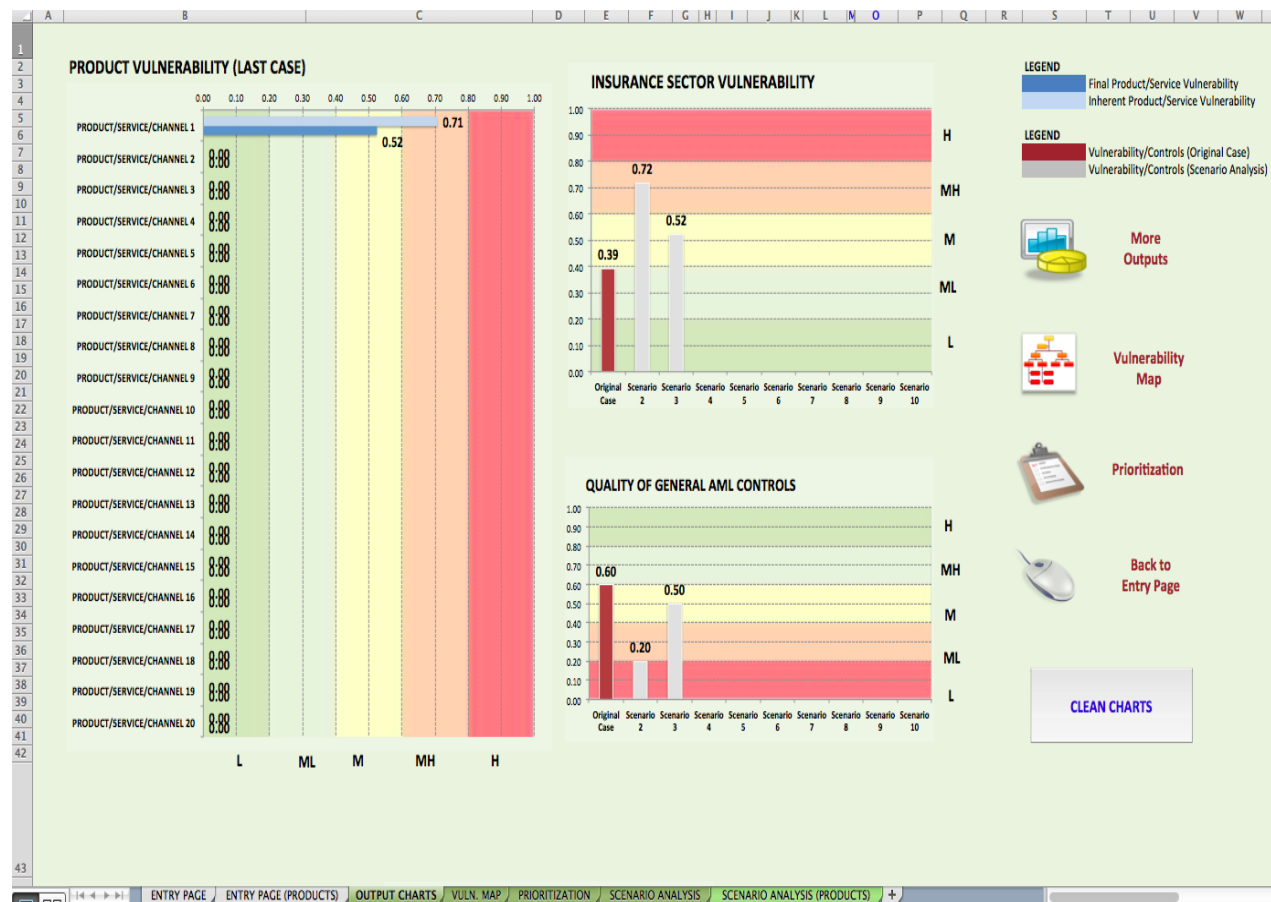
### Instructions for using the scenario analysis option

To use the scenario analysis option, first be sure to save the Excel file with the original entries, and then create a new copy of the file for scenario analysis. Then go to the Entry Page tab, and make sure you do not reset the entries. Insert the new assessment ratings for the general input variables/product-specific input variables for the second year, or for Scenario 2, in the Entry Page tab/Entry Page (Products) tab and save the entries as Scenario 2.

As in Step 5, assessment results are generated in the Output Charts tab (as shown in Figure 13). Note that in a scenario analysis, the original case results are shown in brown while all Scenario 2/second year results are shown in gray (see Figure 13). Scenario analysis can be performed for 10 years, or for 10 different scenarios. In Figure 13, the vulnerability assessment results of the products are produced only for the last case (i.e., the third year/Scenario 3). The assessment results for the insurance sector vulnerability and the intermediate variables (such as *Quality of AML Controls* and *Quality of Insurance Companies' Operations*) are available for all the previous cases, as well as the last case (as shown in Figure 13).



**Figure 13: Output charts – Scenario Analysis**



### Scenario Analysis results – screen display

The Scenario Analysis tab and Scenario Analysis (Products) tab provide the assessment results for the different years or scenarios (Figures 14 and 15). The Scenario Analysis tab shows the assigned assessment ratings for the general input variables, the assessment results for intermediate variables, the final insurance sector vulnerability score, and the priority rankings of the general input variables for the various years/scenarios. The Scenario Analysis (Products) tab shows the inherent and final vulnerability for the products assessed for the various years/scenarios. These tables are helpful in understanding where changes in the vulnerability of the insurance sector originate, as well as the impact of policy actions on vulnerability, the combating ability/AML controls, the product vulnerability, and the priority ranking of general input variables. The tables show how policy actions have an impact on the various components of vulnerability over a period of time, or in different scenarios.

Figure 14: Scenario Analysis tab

	A	C	D	E	F	G
1		Original Case	Scenario 2	Scenario 3	Scenario 4	Scenario 5
2	INPUTS/GENERAL INPUT VARIABLES					
3	Comprehensiveness of AML Legal Framework	0.7	0.4	0.4		
4	Effectiveness of Supervision Procedures and Practices	0.6	0.2	0.6		
5	Availability and Enforcement of Administrative Sanctions	0.7	0.4	0.4		
6	Availability and Enforcement of Criminal Sanctions	0.7	0.5	0.7		
7	Availability and Effectiveness of Entry Controls	0.8	0.3	0.4		
8	Integrity of Staff in Insurance Companies	0.6	0.1	0.6		
9	AML Knowledge of Staff in Insurance Companies	0.9	0.5	0.5		
10	Effectiveness of Compliance Function (Organization)	0.8	0.4	0.8		
11	Effectiveness of Suspicious Activity Monitoring and Reporting	0.8	0.3	0.5		
12	Level of Market Pressure to Meet AML Standards	0.7	0.4	0.5		
13	Availability and Access to Beneficial Ownership Information	0.9	0.2	0.7		
14	Availability of Reliable Identification Infrastructure	0.8	0.5	0.6		
15	Availability of Independent Information Sources	0.8	0.4	0.8		
16						
17	OUTPUTS/ASSESSMENT RESULTS FOR INTERMEDIATE VARIABLES					
18	INSURANCE SECTOR VULNERABILITY	0.39	0.72	0.52		
19	QUALITY OF GENERAL AML CONTROLS	0.60	0.20	0.50		
20	Quality of Insurance Companies' Operations	0.60	0.20	0.50		
21	Quality of Internal AML Policies and Procedures	0.73	0.37	0.57		
22	Quality of CDD Framework	0.80	0.36	0.60		
23	Compliance of Insurance Companies' Staff	0.60	0.20	0.50		
24	Quality of AML Supervision	0.60	0.20	0.53		
25	Commitment and Leadership of Insurance Companies' Management	0.68	0.30	0.51		
26						
27	PRIORITY RANKING FOR GENERAL INPUT VARIABLES					
28	Comprehensiveness of AML Legal Framework		4	2		
29	Effectiveness of Supervision Procedures and Practices	1	1	2		
30	Availability and Enforcement of Administrative Sanctions		4	2		
31	Availability and Enforcement of Criminal Sanctions		11			
32	Availability and Effectiveness of Entry Controls		7	5		
33	Integrity of Staff in Insurance Companies	2	3	8		
34	AML Knowledge of Staff in Insurance Companies		2	1		
35	Effectiveness of Compliance Function (Organization)		4			
36	Effectiveness of Suspicious Activity Monitoring and Reporting		7	6		
37	Level of Market Pressure to Meet AML Standards		9	6		
38	Availability and Access to Beneficial Ownership Information		10			
39	Availability of Reliable Identification Infrastructure		11	9		
40	Availability of Independent Information Sources		13			

Figure 15: Scenario Analysis (Products) tab

	B	E	F	G	H	I	J
2	PRODUCT VULNERABILITY	Original Case		Scenario 2		Scenario 3	
3		Inherent Vulnerability	Final Vulnerability	Inherent Vulnerability	Final Vulnerability	Inherent Vulnerability	Final Vulnerability
5	PRODUCT/SERVICE/CHANNEL 1	0.71	0.52	0.71	0.52	0.71	0.52
6	PRODUCT/SERVICE/CHANNEL 2	0.66	0.50	0.97	0.74	0.61	0.57
7	PRODUCT/SERVICE/CHANNEL 3	0.00	0.00	0.00	0.00	0.00	0.00
8	PRODUCT/SERVICE/CHANNEL 4	0.00	0.00	0.00	0.00	0.00	0.00
9	PRODUCT/SERVICE/CHANNEL 5	0.00	0.00	0.00	0.00	0.00	0.00
10	PRODUCT/SERVICE/CHANNEL 6	0.00	0.00	0.00	0.00	0.00	0.00
11	PRODUCT/SERVICE/CHANNEL 7	0.00	0.00	0.00	0.00	0.00	0.00
12	PRODUCT/SERVICE/CHANNEL 8	0.00	0.00	0.00	0.00	0.00	0.00
13	PRODUCT/SERVICE/CHANNEL 9	0.00	0.00	0.00	0.00	0.00	0.00
14	PRODUCT/SERVICE/CHANNEL 10	0.00	0.00	0.00	0.00	0.00	0.00
15	PRODUCT/SERVICE/CHANNEL 11	0.00	0.00	0.00	0.00	0.00	0.00
16	PRODUCT/SERVICE/CHANNEL 12	0.00	0.00	0.00	0.00	0.00	0.00
17	PRODUCT/SERVICE/CHANNEL 13	0.00	0.00	0.00	0.00	0.00	0.00
18	PRODUCT/SERVICE/CHANNEL 14	0.00	0.00	0.00	0.00	0.00	0.00
19	PRODUCT/SERVICE/CHANNEL 15	0.00	0.00	0.00	0.00	0.00	0.00
20	PRODUCT/SERVICE/CHANNEL 16	0.00	0.00	0.00	0.00	0.00	0.00
21	PRODUCT/SERVICE/CHANNEL 17	0.00	0.00	0.00	0.00	0.00	0.00
22	PRODUCT/SERVICE/CHANNEL 18	0.00	0.00	0.00	0.00	0.00	0.00
23	PRODUCT/SERVICE/CHANNEL 19	0.00	0.00	0.00	0.00	0.00	0.00
24	PRODUCT/SERVICE/CHANNEL 20	0.00	0.00	0.00	0.00	0.00	0.00
25							
26							
27							
28							
29							
30							

### How to “unhide” the Weights tab

The default weights of the variables and pre-requisites of the intermediate variables reflect the assumptions that underlie the module. In the default version of the Excel file, the weights, the defined pre-requisites cannot be changed by users, but can be viewed. These weights can be revealed by clicking on the Weights tab. To reveal the Weights tab, select any tab, right click on the name of the tab, and click the **Unhide option**. When the Unhide window opens, click on the **Weights option** and press **OK**. Note that the Weights tab is protected and no changes can be made to this sheet. Contact the World Bank NRA Team if changes to the weights and pre-requisites are required.

Figure 16: Weights tab

	A	B	C
2	<b>VULNERABILITY DUE TO A CERTAIN PRODUCT</b>	<b>WEIGHTS</b>	<b>PREREQUISITES</b>
3	<b>1. AML CONTROLS OF A CERTAIN PRODUCT</b>	<b>2</b>	<b>0</b>
4	<b>1.1. QUALITY OF GENERAL AML CONTROLS</b>		
5	<b>1.1.1. Quality of Insurance Companies' Operations</b>	<b>1</b>	<b>1</b>
6	<b>1.1.1.1. Quality of CDD Framework</b>	<b>1</b>	<b>0</b>
7	1.1.1.1.1. Availability of Reliable Identification Infrastructure	3	1
8	1.1.1.1.2. Availability and Access to Beneficial Ownership information	3	0
9	1.1.1.1.3. Availability of Independent Information Sources	1	0
10	<b>1.1.1.2. Effectiveness of Suspicious Activity Monitoring and Reporting</b>	<b>2</b>	<b>0</b>
11	<b>1.1.1.3. Compliance of Insurance Companies' Staff</b>	<b>3</b>	<b>1</b>
12	1.1.1.3.1. Integrity of Staff in Insurance Companies	2	0
13	1.1.1.3.2. AML Knowledge of Staff in Insurance Companies	3	1
14	1.1.1.3.3. Effectiveness of Compliance Function	2	0
15	1.1.1.3.4. Quality of AML Supervision	2	1
16	1.1.1.3.4.1. Effectiveness of Supervision Procedures and Practices	2	1
17	1.1.1.3.4.2. Availability and Enforcement of Administrative Sanctions	1	0
18	1.1.1.3.5. Availability and Enforcement of Criminal Sanctions	1	0
19	<b>1.1.1.4. Commitment and Leadership of Insurance Companies' Management</b>	<b>3</b>	<b>1</b>
20	1.1.1.4.1. Quality of AML Supervision	4	0
21	1.1.1.4.2. Level of Market Pressure to Meet AML Standards	2	0
22	1.1.1.4.3. Availability and Effectiveness of Entry Controls	2	0
23	1.1.1.4.4. Availability and Enforcement of Criminal Sanctions	1	0
24	<b>1.1.2. Quality of Internal AML Policies and Procedures</b>	<b>1</b>	<b>1</b>
25	<b>1.1.2.1. Comprehensiveness of AML Legal Framework</b>	<b>1</b>	<b>0</b>
26	<b>1.1.2.2. Commitment and Leadership of Insurance Companies' Management</b>	<b>1</b>	<b>0</b>
27	<b>1.1.2.3. Effectiveness of Compliance Function</b>	<b>1</b>	<b>0</b>
28	<b>1.2. QUALITY OF PRODUCT'S SPECIFIC AML CONTROLS</b>		
32	<b>2. INHERENT VULNERABILITY OF A CERTAIN PRODUCT</b>	<b>3</b>	<b>1</b>
33	<b>2.1. Total Value/Size</b>	<b>3</b>	
34	<b>2.2. Use of Agents</b>	<b>2</b>	
35	<b>2.3. Client Base Profile</b>	<b>3</b>	
36	<b>2.4. Availability of Investment Type Policy</b>	<b>2</b>	
37	<b>2.5. Level of Cash Activity</b>	<b>2</b>	
40	<b>2.6. Availability of Cross Border Use</b>	<b>3</b>	
41	<b>2.7. Other Vulnerable Features</b>	<b>3</b>	
ENTRY PAGE ENTRY PAGE (PRODUCTS) <b>WEIGHTS</b> OUTPUT CHARTS VULN. MAP PRIORITIZATION SCENARIO ANALYSIS			

In Figure 16, Column B shows the weights for the variables in the Excel file. The weights assigned to the variables are relative. For example, the variable *Quality of Insurance Companies' Operations* (line 5) is determined by four variables:

- *Quality of CDD Framework* (line 6)
- *Effectiveness of Suspicious Activity Monitoring and Reporting* (line 10)
- *Compliance of Insurance Companies' Staff* (line 11)
- *Commitment and Leadership of Insurance Companies' Management* (line 19).

The weights on these four variables in determining the *Quality of Insurance Companies' Operations* (line 5) are relative to one another, as follows. The weight of the variable *Compliance of Insurance Companies' Staff* (line 11) is three times that of the variable *Quality of CDD Framework* (line 6), while the variable *Quality of General AML Controls* (line 4) is determined equally by the variables *Quality of Insurance Companies' Operations* (line 5) and *Quality of Internal AML Policies and Procedures* (line 24) (both have an assigned weight of 1).

The defined pre-requisites for the intermediate variables are shown in Column C (see Figure 16). If a variable has a weight of 1 assigned to it in Column C, then it is a pre-requisite. For example, for the variable *Quality of CDD Framework* (line 6), the variable *Availability of Reliable Identification Infrastructure* (line 7) is a pre-requisite. This means that the variable *Quality of CDD Framework* cannot be better than the variable *Availability of Reliable Identification Infrastructure*. In other words, the score of the lower-level variable defines a cap on the score of the higher-level variable.