

Best Practice Guideline for the P&C Insurance Industry to Anti-Money Laundering and Financing Counter-terrorism

(Subject: Preventing of the practicing money laundering, terrorist financing and financing of Proliferation through the cargo and marine hull insurance)

[If there is a difference between Chinese and English versions, the Chinese version shall prevail]

Handling of marine hull insurance and cargo insurance practices

1. Control the characteristic of risk

In recent years, international terrorist activities or sanctioned regions or countries often use ships to transport materials, and those involved in P&C insurance companies especially for marine hull insurance and cargo insurance.

However, the insurance company's underwriting behavior itself has no capital flow or fear of expansion. The sanctioning entity must initiate the claim under the agreed insurance accident, and because the property insurance is a concept of reimbursement against financial loss or damage to the insured property, it is very difficult to obtain money through insurance policy, unless it is morale hazard or fraudulent. The risk of money laundering for transport cargo insurance is very low, and insurance companies can conduct risk management based on the Risk-Based Approach (RBA). However, the insured may have the act of financing terrorism or subsidizing the expansion of goods by ship.

Marine insurance is mainly involved in two or more countries because of its underwriting, or for ships, or for import and export of goods for international trade. Compared with other types of insurance, the majorities of marine insurance are international in the worldwide. Therefore, it may be supplemented by reference to guidelines issued by foreign governments or international organizations, such as the relevant US Government's "Updated Guidance on Addressing North Korea's Illicit Shipping Practices". The unscrupulous actor disguises the identity of the ship's identity and cargo and the source of the information, and confirm whether the insured vessel has any means of

prohibiting the import and export of goods from North Korea.

2. Preventive Measures for Anti-money laundering / Anti-terrorist financing and financing of Proliferation

(1) Practical advice on the selling insurance stage

1. Cargo transportation insurance

At the earlier of selling insurance, the sales staff shall not disclose the risk level information of the customer to the customer or the person who is not involved in the implementation of the anti-money laundering obligation. Under the principle of confidentiality, we suggest to the following methods shall be used to identify and verify the customer's identity and record it in the documents to be protected, including KYC (Know Your Customer) Form or Customer Risk Assessment Report:

- (1) Understand the purpose and nature of business relationships.
- (2) Provide relevant information according to the characteristics and actual conditions. Cargo insurance provides a copy of the documents such as Invoice or letter of credit (L/C).
- (3) For the legal entity above the high risk, use the reliable source of information or information to identify the actual beneficiary and record it.

2. Marine hull insurance

At the earlier of selling insurance, the sales staff shall not disclose the risk level information of the customer to the customer or the person who is not involved in the implementation of the anti-money laundering obligation. Under the principle of confidentiality, we suggest to the following methods shall be used to identify and verify the customer's identity and record it in the documents to be protected, KYC (Know Your Customer) Form or Customer Risk Assessment Report:

- (1) Understand the purpose and background of business relationships.
- (2) Provide relevant information according to the characteristics and actual conditions. Marine hull insurance provides a copy of the ship's nationality certificate or ship registration certificate and other documents for judgment.
- (3) For the legal entity above the high risk, use the reliable source of information or information to identify the actual beneficiary and record it.

(2) Practice recommendations for the underwriting phase

In risk assessment, the underwriter shall adopt the following enhanced underwriting procedures for marine hull insurance and cargo insurance:

1. Cargo transportation insurance

- (1) The website of the Money Laundering Prevention Office of the Bureau of Investigation according to the Ministry of Justice (<https://www.mjib.gov.tw/mlpc>) publishes the information.
- (2) The insurer of the cargo insurance, the country where the port of departure is located and the country where the port of destination is located can be inquired and checked through the existing database. If the country where the port of departure is located and the country where the port of destination is located, it is not followed or not. Fully follow the list of countries or regions of the International Money Laundering Organization, the underwriting personnel must check the consignee (the invoice or letter of credit of both parties) before the quotation or underwriting to understand the name and address of the consignee, trade Conditions, item name and quantity and weight, unit price and total price, etc., and keep the inspection record.
- (3) In the case of terrorists or military expansion of negative news or information, the member company shall check, after acknowledge, compare the relevant persons and legal entities involved in the case with the existing insured or customers of the company, and if there is a

matching customer who meets the above requirements, it shall be included in the high-risk list for enhanced supervise. If the cargo has been classified as a sanction object when the business relationship is not established, the business relationship or transaction should be declined. If it is already an existing policyholder, it should be immediately freezing of their policy to notify report to the Financial Intelligence Unit (FIU) and the Money Laundering Prevention Office of the Investigation Bureau of the Ministry of Justice.

2. Marine hull insurance

- (1) The website of the Money Laundering Prevention Office of the Bureau of Investigation according to the Ministry of Justice (<https://www.mjib.gov.tw/mlpc>) publishes the information.
- (2) The name of the ship may be checked by the following means:
 - 2.1. Database system, "for example, the International Maritime Organization (IMO) ship identification number."
 - 2.2. Foreign reinsurance brokers assist, for example, the UK reinsurance market resources provide relevant checks.
 - 2.3. UN. Security Council's Sanctions List Searchable webpage: <https://scsanctions.un.org/search/>
 - 2.4. Office of Foreign Assets Control (OFAC) Sanctions List Search <https://sanctionssearch.ofac.treas.gov/>
 - 2.5. List of ships banned by the UN Security Council.
 - 2.6. The Airports Bureau of the Ministry of Communications cooperates with the United Nations North Korea sanctions resolution to prohibit vessels entering the port.
- (3) In the case of terrorists or military expansion of negative news or information, the member company shall check, after acknowledge, compare the relevant persons and legal entities involved in the case with the existing insured or customers of the company, and if there is a matching customer who meets the above requirements, it shall be included in the high-risk list for enhanced supervise. If it is classified as a sanction when the business relationship is not established, the business relationship or transaction should be declined. If it is already

an existing policyholder, it should be immediately freezing of their policy to notify report to the Financial Intelligence Unit (FIU) and the Money Laundering Prevention Office of the Investigation Bureau of the Ministry of Justice.

(iii) Practice recommendations in the claims phase

1. Cargo transportation insurance

- (1) When dealing with import and export cargo damage, if it is found that it is suspected of having the development of nuclear weapons, biochemistry, missiles and other military weapons, the insurance company shall investigate whether it is required to obtain China's issuing international import certificate or other relevant guarantee documents in accordance with the regulations of the exporting country. To do whether to conduct terrorist or military expansion as part of the due diligence process.
- (2) In the case of claim settlement, the name of the payee shall be checked with ISID system and keep them in records accordingly.

2. Marine hull insurance

- (1) When an oil transportation vessel incurred accident and make a claim, the insurance company shall investigate whether the insured vessel's operating voyage has the customary Automatic Identification System (AIS) to distinguish whether the vessel is involved in illegal activities as part of the due diligence process.
- (2) In the case of claim settlement, the name of the payee will be checked with ISID system and keep them in records accordingly.