

Consultation with the

# SHORT-TERM INSURANCE INDUSTRY

Amendments of the Schedules to the  
Financial Intelligence Centre Act, 2001 (Act 38 of 2001)



**APRIL 2017**

# TABLE OF CONTENTS

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- 1. INTRODUCTION.....3
- 2. MONEY LAUNDERING AND TERRORIST FINANCING.....4
- 3. COMBATING MONEY LAUNDERING AND TERRORIST FINANCING  
IN SOUTH AFRICA.....5
- 4. SOUTH AFRICA’S INTERNATIONAL OBLIGATIONS IN RESPECT OF  
COMBATING MONEY LAUNDERING AND TERRORIST FINANCING 7
- 5. WHY INCLUDE SHORT-TERM INSURANCE PROVIDERS IN THE FIC  
ACT SCHEDULE .....9
- 6. WHO IS A SHORT-TERM INSURANCE PROVIDER ..... 12
- 7. VULNERABILITIES OF THE SHORT-TERM INSURANCE PROVIDER  
SECTOR ..... 13
  - ▶ Case study one (national case)..... 13
  - ▶ Case study two (national case) ..... 14
  - ▶ Case study three (national case) ..... 14
  - ▶ Case study four (national case) ..... 15
  - ▶ Case study five (national case) ..... 15
  - ▶ Case study six (national case) ..... 15
  - ▶ Case study seven (national case)..... 16
  - ▶ Case study eight (national case)..... 16
  - ▶ Case study nine (national case)..... 16
  - ▶ Case study ten (international case)..... 17
- 8. INTERNATIONAL PERSPECTIVE ..... 18
- 9. WHAT ARE THE CURRENT OBLIGATIONS FOR SHORT-TERM  
INSURANCE PROVIDERS .....20
- 10. WHAT DOES IT MEAN TO BE INCLUDED IN THE SCHEDULE TO  
THE FIC ACT .....20
- 11. QUESTIONS FOR DISCUSSION .....22
- 12. HOW CONSULTATIONS WILL WORK .....22
- 13. WHAT WILL FIC DELIVER .....23
- 14. INFORMATION SOURCES .....23

# 1. INTRODUCTION

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THE FINANCIAL INTELLIGENCE CENTRE (FIC) HAS BEGUN A PROCESS OF REVIEWING THE CURRENT LEGISLATIVE FRAMEWORK AGAINST MONEY LAUNDERING (ML) AND TERRORIST FINANCING (TF) WITH THE VIEW TO IMPROVING SOUTH AFRICA'S MEASURES TO COMBAT ML AND TF. THE FINANCIAL INTELLIGENCE CENTRE AMENDMENT BILL IS ONE INITIATIVE IN THE REVIEW PROCESS.

The Bill was introduced in the National Assembly on 27 October 2015. Since then both Houses of Parliament have approved the Bill. Parliament has referred the Bill to the President for assent and signature. The Bill has been referred back to Parliament to deal with certain concerns raised by the President. The amendments to Schedules 1, 2 and 3 to the Financial Intelligence Centre Act, 2001 (Act 38 of 2001) (FIC Act) is another initiative in the review process.

The process of amending the Schedules to the FIC Act will widen the application of the Act by including additional categories of institutions and businesses under its scope. This will improve the FIC's ability to obtain information concerning the identities and financial activities of customers of a wider range of financial and other institutions. This will in turn improve the FIC's ability to produce high-quality analysis for law enforcement and security

agencies, as well as to supervisory bodies and policy formulating entities.

The widening of the scope of the FIC Act will also bring South Africa's legal framework against money laundering and terrorist financing in line with international standards set by the Financial Action Task Force (FATF).

## 2. MONEY LAUNDERING AND TERRORIST FINANCING

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WITH DOMESTIC AND TRANSNATIONAL TRANSACTIONS TRANSCENDING GEOGRAPHIC BOUNDARIES, MEASURES NEED TO BE IN PLACE TO DETECT AND INHIBIT THOSE SEEKING TO TAP INTO THE FINANCIAL SYSTEM FOR CRIMINAL PURPOSES AND THEIR OWN GAIN.

### SIDE BAR

Cash can be raised through illicit sources of money laundering activities such as drugs and human trafficking, setting up of bogus non-profit charities and so on.

Money is funnelled for the support of terrorist activities locally or abroad.

In South Africa and abroad, there is the ever-present potential for money laundering and the financing of terrorism in the transactional environment. The first phase in money laundering is usually where cash is acquired through criminal activity such as drug dealing, human trafficking, abalone poaching or sometimes theft. In trying to jettison stolen property or cash, criminals will opt for non-traditional payment options which will not leave a paper trail. This is why illicit goods transactions are usually conducted in cash. Criminals will then look to conceal the nature of their illicit profits, trying to introduce their proceeds into the financial system and turn it into 'clean' money.

They will also try to create much distance between themselves and the source of their proceeds, channelling it through investment instruments or perhaps wiring funds across the globe. Once cleaned through the financial system, the source and volume of the illicit monies are difficult to detect. The criminals are thus able to launder their cleaned proceeds back into the economy. One of the ways they are able to do this is through purchasing seemingly or existing legitimate businesses.

The financing of terrorism involves the solicitation, collection and providing of funds and other assets with the intention that it is used to support terrorist acts, terrorist organisations or individual terrorists. The funds and assets may stem from both legal and illicit sources. The primary goal of persons involved in the financing of terrorism is not to conceal the source of the funds and assets, as with money laundering, but to conceal both the financing and the nature of the activity being financed.

### 3. COMBATING MONEY LAUNDERING AND TERRORIST FINANCING IN SOUTH AFRICA

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THE FIC ACT, TOGETHER WITH THE PREVENTION OF ORGANISED CRIME ACT, 1998 (ACT 121 OF 1998) (POC ACT) AND THE PROTECTION OF CONSTITUTIONAL DEMOCRACY AGAINST TERRORIST AND RELATED ACTIVITIES ACT, 2004 (ACT 33 OF 2004) (POCDATARA), ESTABLISHES SOUTH AFRICA'S LEGISLATIVE REGIME FOR ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT). THE FIC ACT ESTABLISHED THE FIC TO IMPLEMENT AND ADMINISTER THE FIC ACT.

**T**he FIC is South Africa's national centre for the production of financial intelligence, responsible for identifying the proceeds of crime, combating money laundering and the financing of terrorism.

As part of the AML/CFT regime, the FIC Act identifies certain business sectors, called accountable institutions, as vulnerable to money laundering and terror financing activities.

The FIC Act contributes to making the financial system transparent by requiring financial and other institutions to apply customer due diligence measures. This includes the knowledge that an institution has about its customer, as well as that institution's understanding of the business that the

customer is conducting with it. Financial and other institutions achieve customer due diligence measures by adequately capturing customer information in their records and sharing information for the further investigation of money laundering and terrorist financing, where necessary.

**F**IC Act compliance and customer due diligence measures thus contribute to making it more difficult for criminals to hide their illicit proceeds in the formal financial sector, for them to profit from their criminal activities and for them to make available resources to terrorists.

The FIC Act, therefore, is a key component of the regulatory architecture that protects the integrity of the South African financial system and supports the administration of the criminal justice system.

Integral to FIC Act compliance, is the requirement to submit statutory reports to the FIC. All business is required to report transactions deemed to be suspicious and unusual, that is, suspicious transaction reports (STRs). Besides reporting STRs, accountable institutions (identified in Schedule 1 to the FIC Act) are

required to submit cash threshold reports (of R25000,00 and above) and terrorist property reports, while reporting institutions (identified in Schedule 3 to the FIC Act) are required to submit cash threshold reports (set out below.) These reports, together with additional data, are a valuable pipeline of information for the FIC.

The FIC uses the information submitted to develop its financial intelligence reports. The FIC shares these reports with law enforcement authorities, the South African Revenue Service (SARS) and other competent authorities. These partners of the FIC are able to use these reports for their follow up action and investigations. These competent authorities rely on the FIC as the only source of financial intelligence in the country, vital for assisting them to help mitigate, address and disrupt criminal activities.

The FIC works closely with supervisory bodies, such as the South African Reserve Bank, the Financial Services Board, the Estate Agency Affairs Board and others. Together, the FIC and the supervisory bodies help identified sectors adhere to the necessary compliance measures. Where no supervisory body exists for any sector, the FIC is the default supervisor of the sector.

The institutions identified in Schedule 1 to the FIC Act (such as lawyers, estate agents and banks) and Schedule 3 (motor vehicle dealers and dealers in Kruger rands) are at the coalface. They have access to data on their customers, their customers' transactional information and other valuable client financial information. In addition, because of the nature of their work, some of these businesses are high-risk for ML/TF activities, bearing in mind their exposure to various products and services, together with their customer base.

## 4. SOUTH AFRICA'S INTERNATIONAL OBLIGATIONS IN RESPECT OF COMBATING MONEY LAUNDERING AND TERRORIST FINANCING

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SOUTH AFRICA, AS A MATTER OF POLICY, HAS TAKEN A STANCE TO COMBAT ML AND TF WITH THE ADOPTION OF LEGISLATION SUCH AS THE POC ACT, POCDATARA ACT AND THE FIC ACT.

This is reinforced by South Africa's ratification of international legal instruments containing international obligations to introduce measures to combat ML and TF such as the United Nations Convention against Transnational Organised Crime, the United Nations Convention against Corruption and the International Convention for the Suppression of the Financing of Terrorism.

International standards set the benchmark for effective measures to combat ML and TF. As mentioned above, South Africa is a member of the FATF, which is an intergovernmental standard setting body on combating ML and TF. The international standards developed by the FATF are referred to as the FATF Recommendations. These

Recommendations contain the measures that member countries should have in place to combat ML and TF. These international standards are used as benchmarks when in formal peer review and evaluation processes to test the robustness of a country's measures against these illicit activities and the integrity of its financial systems.

These international standards are also one of the key measurements by which institutions such as the International Monetary Fund measures and reports on the stability of a country's financial system. As a member of the FATF and other international bodies, as well as a party to the abovementioned Conventions, government has expressed its commitment to ensure that its measures to combat ML and TF are sufficiently robust to meet the international standards.

A regulatory framework to combat ML and TF that meets international standards is a crucial component of the architecture to maintain stability in the financial system. Deficiencies in our law are highly likely to result in isolation of South Africa's financial institutions and exclusion from the global financial system. Hence, South Africa must ensure that its institutions are protected and positioned as such to be able to fully participate in the transnational environment, by maintaining a regulatory framework in line with global standards.

## 5. WHY INCLUDE SHORT-TERM INSURANCE PROVIDERS IN THE FIC ACT SCHEDULE

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ALTHOUGH THE FOCUS IS GENERALLY ON LONG TERM INSURANCE BEING VULNERABLE TO ML AND TF, GENERAL INSURANCE POLICIES CAN ALSO BE ATTRACTIVE TO MONEY LAUNDERERS BECAUSE OF THE OPPORTUNITIES THAT THEY PRESENT TO BREAK THE MONEY TRAIL AND TO PROVIDE THE LAUNDERERS WITH APPARENTLY LEGITIMATE SOURCES OF FUNDS.

Overpayment of premiums on insurance policies with the expectation that the insurance company will refund the overpayment is one of the ways that money launderers use insurance products. With no regulatory requirement for customer identification and

verification applied to short-term insurance providers prior to them undertaking the first business transaction, they are also vulnerable to their businesses being exploited by launderers posing as clients.

More importantly, the information held by the short-term insurance sector is invaluable as explained below:

- High-value assets insured should attract high levels of scrutiny and the information gleaned from this could be useful in the fight against money laundering and the financing of terrorism. The FIC will be able to verify and compare intelligence held against financial institutions and insurance companies' databases. An example will be payments on bank statements that reflect the insurance company as a reference. The FIC will be able to verify these payments with the insurance company, obtain reasons for the payment, as well as details of the insured item and ultimate insureds.

- Know Your Client (KYC) documents will be more up-to-date since clients are more likely to shift insurance policies than bank accounts.
- Short-term insurers will be able to provide a list of short-term insurance policies held locally as well as offshore. The offshore details could be used to initiate requests for further information and joint projects with foreign financial intelligence units.
- Insurance documents, such as contracts, policy schedules, claims histories and the names and bank details of insureds or beneficiaries could provide intelligence on unknown individuals linked to subjects of interest.
- Intelligence from the short-term insurance sector (documents provided) could generate leads which may result in **section 34** FIC Act directives (freezing orders) and **section 35** applications (monitoring orders). The FIC could also use **section 27** of the FIC Act to ascertain further information.
- The FIC can use a **section 34** directive to instruct an institution not to proceed with a transaction, a proposed transaction or any other transaction related to that proposed transaction for a period of not more than five days. This is to allow the FIC to make the necessary inquiries concerning the transactions and where necessary to inform and advise an investigating authority or the National Director of Public Prosecutions.
- **Section 35** of the FIC Act allows the FIC to approach a judge in chambers to obtain permission (by means of a monitoring order) to order an accountable institution to report to the FIC on transactions of clients suspected of money laundering or terrorist financing.
- **Section 27** authorises representatives of the FIC to request from an accountable institute whether a specified person is or has been a client of the accountable institute; whether a specified person is acting or has acted on behalf of any client of the accountable institute or

whether a client of the accountable institution is acting or has acted for a specified person.

- Suspicious Transaction Reports (STRs) filed by the short-term insurance sector will enable tracking of criminal trends within the insurance industry thereby assisting the FIC and the industry in its fight against fraud, corruption and money laundering.
- Abnormalities in individual profiles such as sudden purchases and insurance of high-value goods such as jewellery, boats, real estate, artwork, antiques, precious metals and stones, should result in STRs being filed with the FIC. This would also assist the FIC in following up with the suppliers of such goods on the spending patterns of their clients.
- Intelligence from the short-term insurance sector will support domestic and international efforts to combat organised crime, corruption and terrorism.
- Short-term insurers are a rich source of information on beneficial ownership for South African law enforcement. This is particularly so in instances where assets are registered in the names of friends or relatives to conceal their origin and real ownership.
- Regulating the short-term insurance sector will ensure greater transparency on a wider range of high risk financial products/transactions.
- This sector is significant in instances where a third party has been designated as a beneficiary of a policy and additional information on individuals associated with the subject/policyholder can be provided.
- Employment or business details will assist in conducting lifestyle audits by providing clarity on the source of income, funds and/or wealth.

- Past transactions or insurance history will assist in identifying abnormal behaviour in such instances where numerous policies are taken out in a short period of time.
- Information relating to aircraft insurance premiums taken out by air cargo companies in respect of goods transported for clients could be very useful in linking subjects of investigations to the transport of high value items.
- Information relating to cross-border transportation insurance could be useful in detecting trade based money laundering and the illicit flow of funds.

## 6. WHO IS A SHORT-TERM INSURANCE PROVIDER

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A PERSON WHO CARRIES ON THE BUSINESS OF A SHORT-TERM INSURER, REQUIRING AUTHORISATION IN TERMS OF THE SHORT-TERM INSURANCE ACT, 1998 (ACT NO. 53 OF 1998), AS WELL AS A PERSON WHO PROVIDES ADVISORY AND INTERMEDIARY SERVICES IN RESPECT OF SHORT-TERM INSURANCE, REQUIRING AUTHORISATION IN TERMS OF THE FINANCIAL ADVISORY AND INTERMEDIARY SERVICES ACT, 2002 (ACT NO. 37 OF 2002).

Currently in terms of item 12 of Schedule 1 to the FIC Act, short-term insurance providers are specifically excluded.

Item 12 reads as follows:

“A person who carries on the business of a financial services provider requiring authorisation in terms of the Financial Advisory and Intermediary Services Act, 2002 (Act 37 of 2002), to provide advice and intermediary services in respect of the investment of any financial product (but excluding a short-term insurance contract or policy referred to in the Short-term Insurance Act, 1998 (Act 53 of 1998) and a health service benefit provided by a medical scheme as defined in section 1(1) of the Medical Schemes Act, 1998 (Act 131 of 1998).”

## 7. VULNERABILITIES OF THE SHORT-TERM INSURANCE PROVIDER SECTOR

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Below are some examples of money laundering and terrorist financing methods featuring the use of the short-term insurance provider sector.

The examples have been derived from actual international and local scenarios.

### CASE STUDIES

#### ► Case study one (national case)

##### **Corruption Matter**

A high ranking government official was implicated in a corruption matter. His personal account that received the proceeds of the corrupt relationship also made payments to three short-term insurance companies.

The individual owned three vehicles to the value of approximately R2.3 million. Payments of R24,878.44 were identified as being made to at least three short-term insurance companies. The reason and purpose of these payments were not identified due to the fact that the insurance companies are not accountable institutions and the FIC was therefore not in a position to request information relating to the insurance contracts from these short-term insurers. (Refer below to the obligations in terms of the FIC Act for accountable institutions.)

This made the tracing of the high value insured assets (bought with the proceeds of crime) linked to these insurance payments impossible.

► Case study two (national case)

**Prepaid Insurance**

Information received reflected that a short-term insurer received an initial amount of R968,429.26 from an embassy's foreign bank account. According to a report the premium due was invoiced for an amount totalling R149,870.53.

The short-term insurer was instructed to reimburse the difference of R818,558.73. However, the refund was to be made to a South African bank account. It was established that the account given for the refund was an account held in the name of a high ranking official who was residing in South Africa and employed at the embassy. The transaction was deemed suspicious due to the fact that the funds were paid in Euros from the embassy foreign account and the instructions given to refund the difference was to a personal account held in South Africa.

The fact that an embassy could transfer funds into South Africa through a short-term insurance company left a blind spot in the monitoring of foreign funds coming into South Africa.

► Case study three (national case)

**Illicit tobacco**

A high priority target under investigation by the Illicit Tobacco Task Team, was known to be driving high value exotic sports vehicles. No links to these vehicles were found under official vehicle ownership records or financing records queried with financial institutions.

Assistance was sought from the South African Insurance Crime Bureau (SAICB) to determine if any short-term insurance policies linked to the individual under investigation could be found and for which assets. The policy result positively linked the credentials of the subject under investigation indicating insurance cover for two Ferraris – matching the intelligence received that this individual enjoyed the profits from his criminal activities.

This information led to the discovery of assets which were actively concealed from ownership records. This information could have been ascertained

considerably sooner had the option for a section 27 FIC Act enquiry for client relationship of a short-term insurer been available to the FIC. (Section 27 of the FIC Act is explained above.)

► Case study four (national case)

**SARS fraud matter**

In a SARS fraud matter the subjects diverted VAT refunds to a business account and from the business account they styled the payments as salary to their personal accounts.

The funds were then used to pay their monthly expenses, including debit order payments for their short-term insurance on their vehicles which were registered in their personal names.

► Case study five (national case)

**Cell phone service provider the victim of fraud**

Mr P was employed by a cell phone service provider and engaged in a fraudulent scheme which benefited his private company, BT (Pty) Ltd, to the value of R16 million at the expense and prejudice of his employer. He was diverting cell phones to his personal company and selling them to wholesalers/online sellers (Inventory theft – purchasing and receiving scheme).

The proceeds were deposited / transferred to the bank account of his private company, BT (Pty) Ltd, and thereafter he transferred the funds to his personal account. From his personal account he then used the funds for various purchases as well as the purchase of high value vehicles which was insured through short-term insurance companies. The insurance premiums were paid with the proceeds of the crime.

► Case study six (national case)

**Fraud by school principal**

The principal of a government school diverted government funding to his personal bank accounts and to that of his family members. The subject suddenly purchased high value vehicles and paid the insurance on these vehicles via debit order using the proceeds of the fraud.

► Case study seven (national case)

**A bank the victim of a fraud**

The subject defrauded his employer (a bank) by diverting R6,5 million from a dormant account to his personal account.

The funds were co-mingled with his salary and then subsequently some of the funds were used to pay debit orders for short-term insurance to insure high-value items bought with the proceeds of the crime.

► Case study eight (national case)

**Cell phone franchise - fraud**

The subject was an accountant at a cellular franchise shop and stole funds from her employer by transferring it to her personal account. The subject purchased vehicles with the proceeds and then insured these vehicles.

The subject paid the premiums for the insurance on these vehicles with the proceeds of crime.

► Case study nine (national case)

**Ponzi / investment scheme**

The FIC assisted the Asset Forfeiture Unit in uncovering the details of a Ponzi/Investment scheme with an exposure of R42 million. Various victims paid money into a bank account linked to the scheme. The company was not registered with the Financial Services Board and therefore could not act as a financial service provider. The subject behind the scheme created another company with the proceeds of crime in an attempt to create a cover of legitimacy for the proceeds. The subject then bought assets and used the proceeds of crime to pay insurance premiums for assets linked to a newly created company.

The assets that were insured were not registered in the name of the entity but the newly created company and the original scheme funds were used to pay the premiums. Some assets were also registered in a trust and the subject was the only trustee of the trust.

## South African Insurance Crime Bureau (SAICB)

SAICB is a non-profit company dedicated to fighting organised insurance crimes and fraud.

Since SAICB's inception in 2008, it has made a significant impact on both the short-term insurance industry and society as a whole. It does this by bringing together the collective resources of insurance companies, law enforcement agencies and other stakeholders to facilitate the detection, prevention and mitigation of insurance crimes as well as to assist in the prosecution of repeat offenders and fraudsters through ongoing insurance fraud investigation.

In the past the FIC liaised on an informal basis with SAICB to trace whether subjects under investigation are insuring their high value items with short-term insurers. It was found that criminals registered high value items (such as vehicles) in the name of their relatives or friends and insured the items under their personal insurance profile. Having access to such information held by short-term insurers would enable the FIC to determine instances where criminals insure assets in the names of relatives and friends.

### ► Case study ten (international case)

#### **Cheque(ing) in on insurance claim**

Ms Sandra Lawrence, Director of Cogent Group Singapore, writes on money laundering being on the rise in the insurance industry, which includes the general insurance sector

[https://www.world-check.com/media/d/content\\_pressarticle\\_reference/aisaninsurance\\_08.pdf](https://www.world-check.com/media/d/content_pressarticle_reference/aisaninsurance_08.pdf).

She highlights a case involving general insurance where the criminals used the proceeds of crime to purchase a general insurance policy to insure high-value goods. These goods had also been purchased with criminal proceeds. A fraudulent claim was subsequently made against the policy. Effectively, the proceeds of crime was laundered several times - buying furniture, then buying a policy, then receiving a "clean" cheque from their insurance company when they made a claim.

## 8. INTERNATIONAL PERSPECTIVE

FROM AS FAR BACK AS 2004 THIS MATTER HAS BEEN UNDER SCRUTINY BY THE FATF.

In 1996 the FATF Recommendations were revised for the first time to, broaden the scope drug-money laundering, among other areas of focus. In October 2001 the FATF expanded its mandate to deal with the issue

of terrorist financing. The Recommendations were again revised in 2003 and most recently in 2012 to deal with the evolving threats of money laundering and the financing of terrorism trends and techniques.

A FATF Typologies Report (2004-2005) ([http://www.fatf-gafi.org/media/fatf/documents/reports/2004\\_2005\\_ML\\_Typologies\\_ENG.pdf](http://www.fatf-gafi.org/media/fatf/documents/reports/2004_2005_ML_Typologies_ENG.pdf)) covers money laundering vulnerabilities in the insurance sector. Some of this information, which speaks of both long-term and general insurance, is still useful today. The report indicates that the insurance sector could be attractive to money launderers seeking to place funds into a financial product that will provide them with a reliable, clean return of funds invested. It further states that if a money launderer is able to move funds into an insurance product and receive a payment made by an insurance company then the funds appear legitimate. This is evident from some of the domestic cases mentioned above.

On the point of a lack of AML regulation in the general insurance and reinsurance sectors, the report states that most jurisdictions, unsurprisingly taking their lead from FATF Recommendations, extend the scope of application of their AML regulation only to life and investment type insurance. The report further points out that the collection of typologies illustrated in the report under the insurance sector demonstrates that criminals may have an interest in seeking general insurance cover for their assets. Regardless of whether the funds used to purchase those policies are proceeds from illegal activities or not, general insurance is clearly a potentially invaluable source of information from a customer due diligence perspective, as mentioned above.

The Report concludes that the overall picture of the insurance sector is that of a rapidly expanding and substantial market, with insurers offering sophisticated products and competing with other parts of the financial services industry. Further, on general insurance and reinsurance, the report states that far from being completely immune from criminal infiltration, there are various instances of crimes related to general insurance and reinsurance, which may not be confined to mere instances of fraud, but possess all the features of money laundering.

It is further concluded that the focus by the general insurance industry on claims fraud may underplay the extent of money laundering from two different perspectives:

- Where goods are purchased with illegal money, the subsequent taking out of a policy and payment of a claim by the insurer results in funds of illegal origin being laundered, regardless of whether the underlying claim is fraudulent, or not.
- Where law enforcement agencies, when investigating the misuse of general insurance products, may direct their main effort towards establishing proof of fraud, without tracing the origin of the funds further.

Finally, the report concludes that regardless of the AML focus of the industry on "pure" money laundering (rather than that arising from illicit claims), it is in the interest of insurers to control the risk of being involved in illegal activities, whatever their nature, because of the reputation of the company or the industry, together with the increased operational risks and legal risks involved.

## 9. WHAT ARE THE CURRENT OBLIGATIONS FOR SHORT-TERM INSURANCE PROVIDERS

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The only legal obligation in terms of the FIC Act for short-term insurance providers, as for all other categories of business, is that they must submit suspicious transaction reports to the FIC in terms of section 29 of the FIC Act.

## 10. WHAT DOES IT MEAN TO BE INCLUDED IN THE SCHEDULE TO THE FIC ACT

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SCHEDULE 1 AND 3 REQUIREMENTS AND OBLIGATIONS IN TERMS OF THE FIC ACT ARE PROVIDED IN SUMMARY BELOW:

Schedule 1 ACCOUNTABLE INSTITUTIONS	Schedule 3 REPORTING INSTITUTIONS
Identify and verify clients	Register with the FIC
Keep records of clients identity and transactions	File statutory reports – cash threshold and suspicious and unusual transaction reports
File statutory reports – cash threshold, suspicious and unusual transaction and terror property reports	
Appoint compliance officers	
Train employees on how to comply	
Register with the FIC	
Formulate and implement internal rules	

Institutions included in the Schedule 1 to the FIC Act are required to fulfil compliance obligations. Among these are:

- Registration
- Identification and verification of clients
- Keeping record of clients
- Appointment of a compliance officer
- Setting of internal rules related to compliance
- Training staff on company compliance rules
- Submitting reports to the FIC.

It is important for institutions to know that being included in the Schedule of the FIC Act means that they have a significant role in supporting the integrity of the financial system and the fight against crime. It is in the interest of included institutions to ensure that they are aware of updates in regulations and legislation related to the FIC Act at all times.

Once registered, reporting stands at the crux of effective compliance. Among the statutory reports required of institutions are:

- Suspicious transaction reports
- Cash threshold reports – on transactions of R25,000 and above
- Terror property reports (only applicable to accountable institutions).

For its part, the FIC issues guidance from time to time in these matters in the form of Public Compliance Communication Notices, Guidance Notices and Directives. The latter are legally binding.

## 11. QUESTIONS FOR DISCUSSION

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1. Views of the industry – arguments for and against the inclusion of the short-term insurance sector under Schedule 1 to the FIC Act.
2. What are the views of the FSB?
3. What are the views of the SAICB?
4. What will be the implications when the Insurance Bill is passed?
5. What may be the impact of having the short-term insurance sector included as an accountable institution under the FIC Act?

## 12. HOW CONSULTATIONS WILL WORK

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- Following initial consultation with the FIC, attendees to consult with their members
- Following initial consultation between the FIC, FSB and the short-term insurance industry bodies, attendees to consult with their members
- FIC will request written input from the short-term insurance industry bodies in respect of the proposed inclusion of the short-term insurance providers in Schedule 1 to the FIC Act
- Supervisory body input, if any
- Formal representation by industry bodies to FIC, where necessary
- Follow up meetings, where necessary.

## 13. WHAT WILL FIC DELIVER

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FEEDBACK AFTER THE MEETING – MINUTE OF MEETING/S, COPY OF PRESENTATION

## 14. INFORMATION SOURCES

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- FATF Recommendations (2012); <http://www.fatf-gafi.org/>
- Financial Intelligence Centre Act, 2001 (Act 38 of 2001)
- FATF Recommendations (2012) [http://www.fatf-gafi.org/publications/fatfrecommendations/?hf=10&b=0&s=desc\(fatf\\_releasedate\)](http://www.fatf-gafi.org/publications/fatfrecommendations/?hf=10&b=0&s=desc(fatf_releasedate))
- FATF Typologies Report (2004-2005) ([http://www.fatf-gafi.org/media/fatf/documents/reports/2004\\_2005\\_ML\\_Typologies\\_ENG.pdf](http://www.fatf-gafi.org/media/fatf/documents/reports/2004_2005_ML_Typologies_ENG.pdf))
- Money Laundering in the Insurance Industry, Air Insights; ([https://www.world-check.com/media/d/content\\_pressarticle\\_reference/aisaninsurance\\_08.pdf](https://www.world-check.com/media/d/content_pressarticle_reference/aisaninsurance_08.pdf))

# NOTES

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