

A Study of the Risk of Money Laundering and Terrorism Financing Faced by Life Insurance Companies and Mitigating Measures Thereof

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Abstract

According to Taiwan's 2021 National ML/TF/PF Risk Assessment Report, life insurance companies are regarded as particularly vulnerable to the aforesaid risk. Indeed, life insurance products are of a unique category that allows for the accumulation and transaction of large amounts of cash or policy termination thereof. This provides offenders with great value for parking capital and thus makes an excellent channel for hiding illicit funds. After going over the common types of suspicious money laundering and terrorism financing transactions seen in the sectors, this study concludes that "bolstering the information exchange between life insurance companies and other financial institutions with regard to anti-money laundering and countering the financing of terrorism," "imposing the mandatory obligation of

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indirect identification of beneficial owners on life insurance companies,” and “defining the negligent breach of duty in accordance with the principle of proportionality by the personnel of life insurance companies who fail to follow the protocol for verifying client identities” will prove effective in mitigating the risk of money laundering and terrorism financing faced by life insurance companies.

Keywords: Risk Assessment, Life Insurance Industry, Information Exchange, Beneficial Owner, Anti-Money Laundering