



FINANCIAL INTELLIGENCE ACT, 2012 (ACT NO.13 OF 2012) AS AMENDED

STATISTICAL FEEDBACK REPORT LONG TERM INSURANCE SERVICES SECTOR

Date: 22 February 2021

The information contained in this report is strictly confidential and may not be disseminated to third parties without the specific consent of the Financial Intelligence Centre. Any unauthorized dissemination constitutes a criminal offence as per section 49 of the Financial Intelligence Act, 2012 (Act No. 13 of 2012) as amended, and which may also attract administrative penalties as per section 56 of the Act.

Table of Contents

- 1. Introduction3
- 2. Summary of analysis and observations4
 - 2.1. STRs and SARs.....4
 - Chart 1. STRs received from reporting sectors per annum4
 - Table 1. SARs received from reporting sectors per annum.....5
 - 2.2 Level of prioritization of reports from the Long Term Insurance Firms6
 - Chart 2. Categorization of STRs received from the Long Term Insurance Sector per annum7
 - Chart 3. Categorization of STRs reported Long Term Insurance Services Sector.....8
 - Table 2. Categorization of SARs from the Long Term Insurance Services Sector per annum.....8
 - Table 3. Categorization of SARs from Long Term Insurance Services Sector8
 - 2.3 Other reports received from the Long Term Insurance Services Sector9
 - Table 4. Total AIF, CTR, EFT, IFT and CBMCRs by the Long Term Insurance Services Sector....9
 - Table 5: Summary of suspected predicate offenses, recipient agency and amounts 10
- 3. Typical Reasons for Reporting Transactions as Suspicious..... 10
 - Table 6. Typical Reasons for Reporting Transactions as Suspicious by Sectors 11
- 4. Sampled Case Study..... 11
 - Case Study 1: Potential fraud/forgery and corruption..... 11
- 5. Summary of matters worth noting..... 13
- 6. Conclusion 14

1. Introduction

The Financial Intelligence Act, 2012 (Act No.13 of 2012) as amended (FIA) classifies Long Term Insurance Services under the lists of designated services in Schedule 1. Such services are inherently vulnerable to Money Laundering, Terrorism Financing and Proliferation Financing (ML/TF/PF) risks. Therefore, the FIA requires institutions availing such services to implement control measures aimed at mitigating such risks. These controls include measures to enable timely detection of transactions/activities that may be suspicious and thus reported to the Financial Intelligence Centre (FIC). Such reports are primarily Suspicious Transaction Reports (STRs) and Suspicious Activity Reports (SARs). At times, additional Information Files (AIFs) related to reported suspicions may be shared. These reports are usually analysed by the FIC with the aim of producing value adding intelligence products, which can be shared with Law Enforcement and other relevant authorities in the ML/TF/PF combatting chain.

The FIA also requires Accountable Institutions to submit mandatory reports which may not necessarily be suspicious in nature. Such reports include Cash Transaction Reports (CTRs), International Funds Transfers (IFTs) and Electronic Funds Transfers (EFTs). These reports form part of the FIC database which are used in operational analysis and strategic activities.

In essence, all these reports are used by the FIC and various other relevant authorities to enhance ML/TF/PF combating efforts. The quality of such reports can shape the outcome of an ML/TF/PF case within the domains of the Receiver of Revenue, FIC, Law Enforcement Agencies and the Office of the Prosecutor General. The outcomes of ML/TF/PF cases¹ is the essence which demonstrates the effectiveness of a country's entire AML/CFT/CPF combating system. As such, all efforts should be made to enhance the quality of STRs/SARs reported to the FIC. Given this, it is in furtherance of the national AML/CFT/CPF effectiveness objectives that the FIC avails this feedback and strategic report to enable a reflection on areas that may need improvement.

¹ Which at most times starts with the reports from accountable and reporting institutions

The results of this analysis, as documented herein should be used by AIs within the Long Term Insurance Services Sector to guide implementation of measures necessary to enhance reporting behavior.

2. Summary of analysis and observations

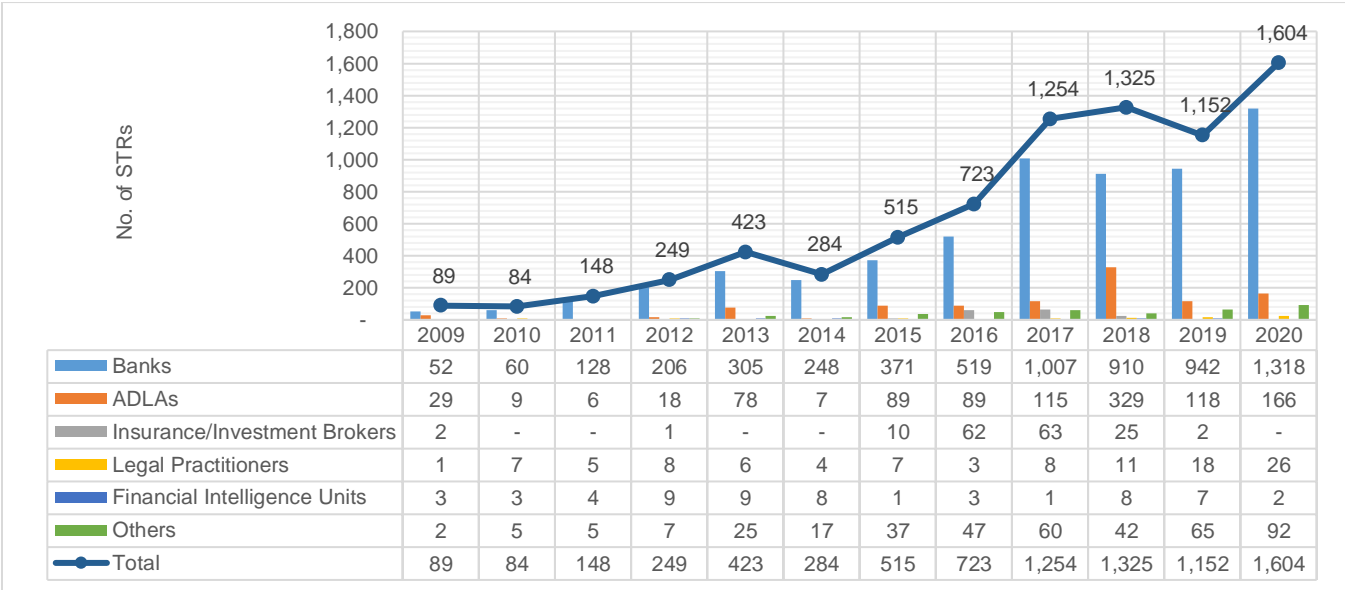
2.1. STRs and SARs

An institution that has knowledge of any suspicious transactions concluded by it, or suspects that it has received or is about to receive the proceeds of unlawful activities or has been used or is about to be used in any other way for ML, TF or PF purposes, must report such transaction to the FIC within 15 working days after it has noticed such suspicion or belief.

A suspicious activity report (SAR) is different from a suspicious transaction report (STR) described above in that a suspicious activity is not a transaction *per se* but activities that may escalate to a future transaction or activities that give rise to reportable/suspicious matters.

The chart below presents a record of STRs received by the FIC from various reporting sectors since the FIA came into operation up to 31 December 2020.

Chart 1. STRs received from reporting sectors per annum



The banking sector submitted the most reports in the period under review, filing 76% (or 1,318 reports) followed by the ADLAs filing 14% (or 166 reports). The reports filed by banking sector could be attributed to various factors including the fact that the banks appear to have the most matured AML/CFT/CPF control systems. It can also be argued that banking services are generally exposed to a higher risk of abuse for corruption as almost all other sectors make use of the banking systems.

Annually, the highest number of STRs were received in the year 2020, a record high of 1,604 STRs. The Long Term Insurance Services Sector filed a collective total of 42 STRs during the period under review. Overall, a total of 7,850 STRs were received by the FIC since the reporting obligation commenced until 31 December 2020.

The “Others” category in the chart above comprises of the following sectors:

- | | |
|---|---|
| 1. Foreign Financial Intelligence Units | 13. Casinos |
| 2. Supervisory and Regulatory Bodies | 14. Dealers in precious metals and stones |
| 3. Unit Trust Scheme Companies | 15. FIU |
| 4. Asset Management Companies | 16. Law Enforcement Agencies |
| 5. Auctioneers | 17. Life Insurance Broker or Agent |
| 6. Lending Institutions | 18. Motor Vehicle Dealers |
| 7. Individual Reporting Entities | 19. Non-Profit Organizations |
| 8. Local Authorities | 20. Pension Fund Administrators |
| 9. Long Term Insurance Firms | 21. Real Estate Agencies/Agent |
| 10. Public Prosecutors | 22. Regional Governments |
| 11. Accountants | 23. Money and Value Transfers Service Providers |
| 12. Short Term Insurance Firms | 24. Trust and Loan Companies |

Table 1. SARs received from reporting sectors per annum

	2014	2015	2016	2017	2018	2019	2020	Total
Banks	20	42	103	123	159	169	105	721
Real Estate Agencies	-	-	1	7	41	12	3	64
ADLAs	-	11	5	3	11	8	7	45
Financial Intelligence Units	-	2	7	3	7	13	-	32
Asset Management Companies	1	-	-	-	14	13	2	30
Supervisory and Regulatory Bodies	-	1	2	8	4	1	5	21

Individual Persons	1	2	2	1	1	2	16	25
Legal Practitioners	-	1	1	1	3	2	6	14
Law Enforcement Agencies	-	3	-	-	-	4	1	8
Money and Value Transfer Companies	-	3	3	1	-	-	-	7
Others	2	3	3	4	15	9	30	66
Total	24	68	127	151	255	233	175	1,033

The table above shows the number of SARs filed by the reporting entities since the reporting obligation commenced totaled 1,033 reports at the end of the 2020 calendar year. It further shows that the banking sector collectively submitted a significant total of 721 SARs which represents 71% of the total reports, followed by real estate agencies and ADLAs in third. Long Term Insurance Services Sector filed a total of 9 SARs as at 31 December 2020.

The “Others” category in the table above comprises of the following sectors:

- | | |
|---|--|
| 1. Trust and Loan Service Providers | 12. Public Prosecutors |
| 2. Life Insurance Brokers or Agents | 13. Accountants and Auditors |
| 3. Auctioneers | 14. Casinos |
| 4. Motor Vehicle Dealers | 15. Dealers in precious metals and stones |
| 5. Insurance/Investment Brokers | 16. Foreign Financial Intelligence Units |
| 6. Stock Brokers | 17. Courier and Customs Clearing Agents |
| 7. Short Term Insurance Firms | 18. Micro Lenders |
| 8. Unit Trust Scheme Companies | 19. Money and Value Transfer Service Providers |
| 9. Public Prosecutors | |
| 10. Long Term Insurance Firms | |
| 11. Courier and Customs Clearing Agents | |

2.2 Level of prioritization of reports from the Long Term Insurance Firms

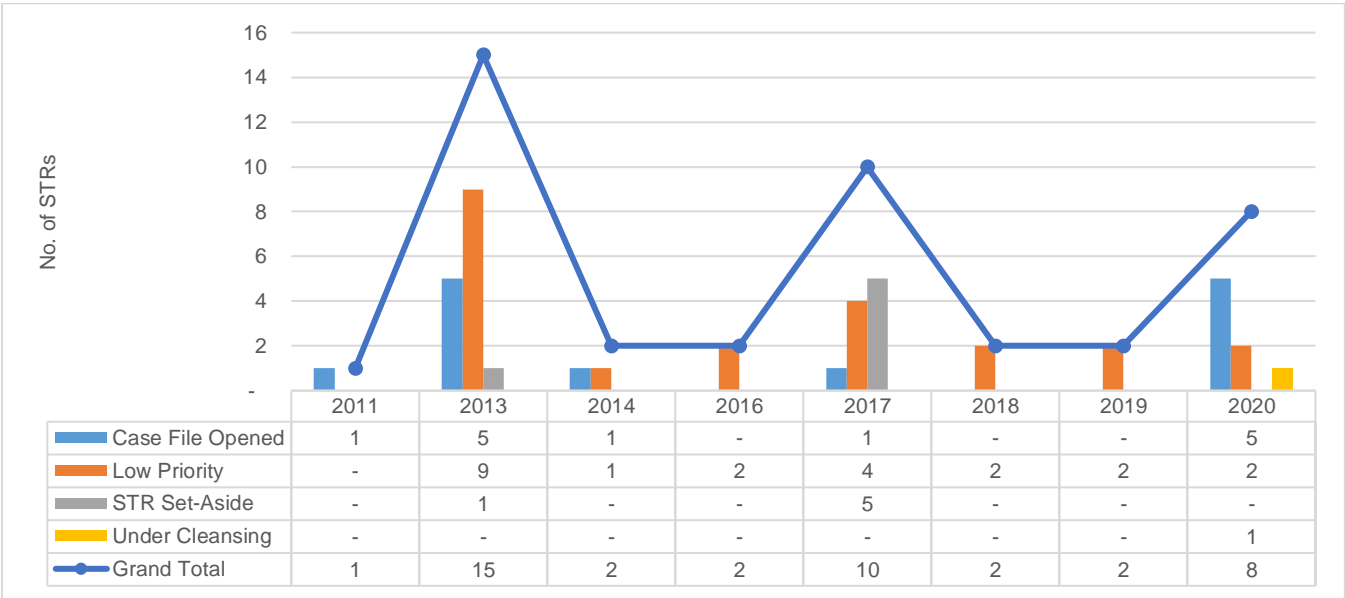
The FIC applies a risk-based approach in determining the prioritization level to assign to reports received from all sectors. Reports are assessed and assigned priority levels. Reports which are accorded a ‘low priority status’ are not attended to immediately. Mainly, due to resource constraints, only reports which are regarded ‘high priority’ are investigated and analysed (case files opened). Amongst other factors, a report could be classified as low priority when the

observed suspicion does not fall within law enforcement’s priority areas of investigation. At times, the amounts involved could be negligible (or insignificant) in comparison to amounts in other reports. On the other hand, a report which meets certain requirements could eventually result in a case file being opened and escalated for further analysis within the FIC. Usually, reports subjected to further analysis are those that are accorded a ‘high priority status’.

In summary, factors which collectively inform prioritization levels include, but are not limited to:

- ✚ Known ML, TF and/or PF indicators;
- ✚ Watch lists [Politically Exposed Persons (PEP) and various sanctions lists];
- ✚ Prior reports on same subject/entity;
- ✚ Geographic risk areas involved;
- ✚ Duplicate/erroneous filing (which could result in the STR/SAR being set-aside);
- ✚ Risk of funds being placed out of the reach of law enforcement; and
- ✚ Human Resource constraints within FIC’s Financial Investigations and Analyses Division.

Chart 2. Categorization of STRs received from the Long Term Insurance Sector per annum

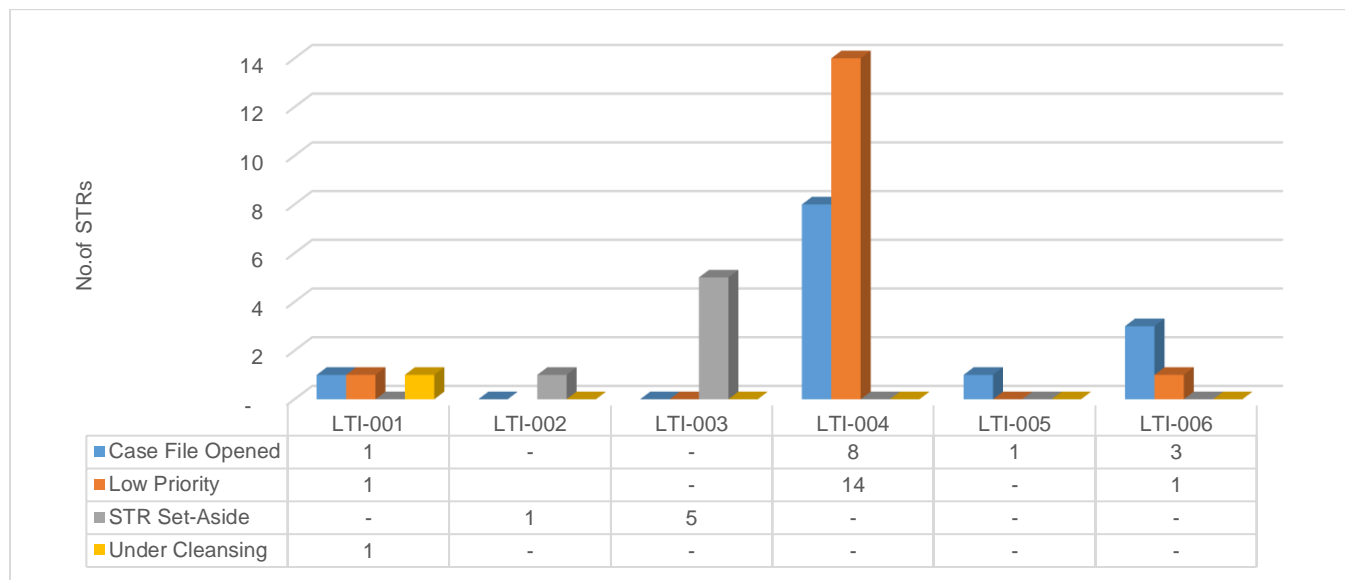


Overall, 31% of STRs received from the Long Term Insurance Services Sector were accorded a ‘high priority’ status and escalated for further analysis. These STRs resulted in actionable

intelligence which was forwarded to relevant Law Enforcement Agencies and Investigating Authorities for further investigation. It is notable from the above that the volume of case files opened increased in the years 2013 and 2020 with 33.3 and 62.5% respectively.

On the other hand, most of the STRs accorded a 'low priority' status was primarily because of the insignificant amounts of money involved, amongst other factors.

Chart 3. Categorization of STRs reported Long Term Insurance Services Sector



During the period under review, entity LTI-004 filed the majority of STRs (a total of 22 STRs) from the sector. This was followed by LTI-003 and LTI-006 with 5 and 4 STRs respectively. Most of the STRs accorded 'high priority' status also emanated from LTI-004 (a total of 8 STRs).

Table 2. Categorization of SARs from the Long Term Insurance Services Sector per annum

Categorization	2019	2020	Total
Case Files opened	1	2	3
Under Cleansing	-	1	1
Low Priority	-	5	5
Total	1	8	9

Table 3. Categorization of SARs from Long Term Insurance Services Sector

Entity	Case File opened	Under Cleansing	Low Priority	Total
LTI-001	-	-	2	2
LTI-007	-	-	1	1
LTI-004	2	1	1	4

LTI-008	1	-	1	2
Total	3	1	5	9

The Sector has submitted a relatively low number of SARs, totaling 9 reports only. The majority of these reports were filed during the year 2020.

Subsequently, 33% of the SARs filed from the Sector were escalated for further analysis. The SARs escalated resulted in actionable intelligence which were forwarded to relevant Law Enforcement Agencies for further investigation. Amongst other factors, the further escalation to Law Enforcement is indicative of the quality level of such reports.

2.3 Other reports received from the Long Term Insurance Services Sector

- a. **Additional Information File (AIF):** Refers to the filing of new additional information related to a STR or SAR previously filed with the FIC;
- b. **Cash Transaction Report (CTR):** These are mandatory reports submitted to the FIC on all cash transactions above the threshold/limit of NAD 99,999.99, within five (5) working days of their occurrence;
- c. **Electronic Funds Transfers (EFT):** Refers to the movement of money from one account to another electronically;
- d. **International Funds Transfers (IFT):** Refers to the inward and outward remittance of funds electronically from one jurisdiction to another; and
- e. **Cross Border Movement of Cash Report (CBMCR):** Refers to any in-bound or out-bound physical transportation of currency or bearer negotiable instruments (BNIs) from one country to another.

Table 4. Total AIF, CTR, EFT, IFT and CBMCRs by the Long Term Insurance Services Sector

	AIFs	CTRs	EFTs	IFTs	CBMCRs
Number of Reports	0	10	6	0	0
Number of Transactions	0	10	6	0	0
Amount Involved	0	6,419,751	2,088,606	0	0

The table above indicates that the Sector filed a total of 10 and 6, CTRs and EFTs respectively. However, the Sector did not file any AIF, IFT or CBMCR during the period under review. Given the sector’s volume of clients and transactions, the FIC is convinced that the sector could do more, specifically with EFT. Reasons for such low reporting are unknown at this stage.

Table 5: Summary of suspected predicate offenses, recipient agency and amounts

Recipient	Total Disclosures	Potential Predicate Offense	Amount Involved (N\$)
Anti-Corruption Commission of Namibia (ACC)	7	Corruption	85,000,000.00
		Corruption	5,000.00
		Corruption	5,000.00
		Fraud/Corruption	118,520.00
		Fraud/Corruption	400,000.00
		Fraud/Corruption	3,500,000.00
		Corruption	5,979.00
NamPol: Criminal Investigation Division	5	Fraud	230,000.00
		Fraud	238,000.00
		Fraud	586,313
		Murder	1,300,00.00
		Fraud	260,373.00
Total	12		90,349,185.00

In the period under review, a total of 12 spontaneous disclosures were disseminated to Law Enforcement Agencies as a result of STRs and SARs received from the Long Term Insurance Sector. The Anti-Corruption Commission of Namibia (ACC) received the highest number of disclosures. Fraud and Corruption featured as the leading potential offenses recorded within this Sector. It is worth noting that the high number of spontaneous disclosures to ACC and Nampol can be attributed to the *Fishrot* case, pending in court at the time of reporting.

3. Typical Reasons for Reporting Transactions as Suspicious

The web application for submitting STRs contains a pull-down list of 59 indicators from which the reporting entities should choose one or more grounds for suspicion when submitting an STR. Amongst others, indicators such as tax evasion, fraud, corruption, theft, human trafficking etc, are availed. The purpose of the list is to assist reporting entities to indicate their reason(s) for submitting such STRs and to assist the FIC during analysis of such STRs.

In the process of establishing a suspicious activity or transaction relating to ML/TF/PF, an Accountable/Reporting Institution takes into consideration various elements (red flags, other

indicators etc.) that are present and that collectively inform the formulation of a suspicious transaction or activity to be reported accordingly.

Below are the typical indicators and a list of the prominent methods employed by perpetrators discovered during the analysis of STRs filed by the Long Term Insurance Service Sector during the period under review:

Table 6. Typical Reasons for Reporting Transactions as Suspicious by Sectors

Sector	Predicate offence	Prominent methods
Long Term Insurance Firm	Tax Evasion/Unknown	<ul style="list-style-type: none"> Alleged money laundering through the placement of funds into insurance policy account with no proof of the source of funds.
	Murder/Fraud	<ul style="list-style-type: none"> The subject is said to have murdered the victim and claimed on the life cover policy of such victim.
	Fraud/Corruption/Theft	<ul style="list-style-type: none"> Fraudulent pension claims; A subject defrauding an insurance company; Subject opened policy account with significant funds and surrendered such account within a short period of time; Directors who are considered to be a Politically Exposed Persons (PEPs) provided inadequate identification information and would want to claim funds; A subject refused to provide their source of funds; An unemployed client made a significant single investment; and A client who is a Politically Exposed Person reluctant to complete and enhance the due diligence form.

4. Sampled Case Study

The FIC observed that in Money Laundering activities, perpetrators continue to explore and find new methods of hiding or concealing the illicit origins of the funds they launder. It is therefore crucial that accountable and reporting institutions constantly conduct risk assessments on their products, services, and customers in order to enable a proactive approach to combatting ML/TF/PF threats. The below is a sampled case study to help understand certain common or notable trends from reports analyzed.

Case Study 1: Potential fraud/forgery and corruption

*An STR was reported relating to a suspicious number of payouts from a **Retirement Fund (Company-X)**. The retirement fund was administered by a **Long-Term Insurance Company-G**. It appeared that a senior employee (**Person-X**) employed at **Company-X** has been*

defrauding the company. Preliminary investigations reveal that she defrauded the company by completing fraudulent claim forms and forging signatures of members of the **Retirement Fund**.

This came to light when **Person-Y**, one of the members of the Retirement Fund called to inquire about the benefit available to him under the pension fund. He was told that the payout (all his benefits) had already been affected, however, he denied having submitted claims in that respect. Subsequently, other members of the fund also made similar inquiries. It was then discovered that several other claims had been made and their benefits had been paid out unknowingly. These individuals’ beneficiaries denied having submitted any claims. It was reported that **Person-X** had transferred **a significant amount** into his insurance policy account. Further, it is suspected that funds transferred into his account could be from retirement fund fraudulent activities.








Analysis further revealed that these claims were processed by the **Long-Term Insurance service provider** and several payments were made as authorized by the **Retirement Fund**. It appears that the claim forms and authorizations were improperly completed and/or forged. A consequent reconciliation between the names on the claim forms submitted and the bank accounts to which payments were affected revealed that the names on the claim forms did not match the names of the account holders.

There is therefore a suspicion of fraud, forgery, corruption, and irregular authorization of claims in the approval of pension benefit payouts by the **Retirement Fund**. A report was disseminated to relevant Law Enforcement and investigations are ongoing to prove potential fraud, forgery, corruption, and ML.

Report source type	STR
Key	Senior employee defrauded employer
Perpetrators/Involved	Individuals/Namibian
Involved sector	Long Term Insurance, banking services
Key risk controls	Amongst others, poor claim authorization and verification controls; failure to reconcile claimant’s names and bank beneficiary accounts etc.
Designated services	Pension benefit





Instruments used	Retirement fund products, Bank transfers
Offence	Fraud/forgery and Money laundering

Red flags

-  *Subject transferred significant funds into his insurance policy account;*
-  *Funds transferred into account from retirement fund fraudulent activities;*
-  *Subject completed claim forms and forged signatures of the beneficiaries;*
-  *The beneficiary's pay-out (benefits) has been affected unknowingly;*
-  *No claim forms were given to the beneficiaries for their signatures and submission;*
-  *The claim forms and authorizations were improperly completed and/or forged; and*
-  *The names on the claim forms did not match the names of the account holders.*

5. Summary of matters worth noting

FIC observations is that reporting low volumes of STRs, SARs and CTRs in the entire sector is generally an area of concern . Equally, the quality of such reports requires further intervention to enhance its usefulness. Major irregularities observed in the quality of such reports from include:

-  lack of ML/TF and/or PF indicators in the reports;
-  poorly articulated “Reasons for Suspicion” in STRs;
-  duplicate and erroneous filing of reports; and
-  filing of incomplete STRs.

Long Term Insurance Sectors is urged to consider the said shortcomings and device means to enhance internal controls accordingly.

6. Conclusion

The FIC appreciates the Long Term Insurance Services Sector's continuous efforts geared towards ML/TF/PF combatting. Such helps to safeguard Namibia's financial integrity. Whilst encouraging the volumes of reports, it is important to enhance an appreciation for reporting quality or value adding STRs/SARs which can lead to effective investigations, prosecutions, asset forfeitures, and asset/tax recoveries.

A handwritten signature in black ink, appearing to read "P.P. K. [unclear]". The signature is stylized and somewhat illegible.

L. DUNN

DIRECTOR: FINANCIAL INTELLIGENCE CENTRE