



FINANCIAL INTELLIGENCE CENTRE

SUMMARY OF OBSERVATIONS FROM THE STAKEHOLDERS' SATISFACTION SURVEY: THE INSURANCE SECTOR, JANUARY 2019

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1. Introduction

The Financial Intelligence Centre (FIC), as Namibia's Financial Intelligence unit is entrusted with the compliance monitoring and supervision mandate to help combat Money Laundering, Terrorist and Proliferation Financing (ML/TF/PF) activities in terms of the Financial Intelligence Act 2012, (Act No. 13 of 2012) (FIA). Such mandate includes:

- a) monitoring various sectors to understand the level of FIA compliance and thus ML/TF/PF risk mitigation;
- b) to the extent possible, taking reasonable measures to enhance FIA compliance and relevant ML/TF/PF risk mitigation; and
- c) availing the Anti-Money Laundering and Combating the Financing of Terrorism and Proliferation (AML/CFTP) Council with reasonable assurance on the level of FIA compliance and thus ML/TF/PF risk mitigation in sectors under its supervision.

In fulfilling its supervisory mandate as per above, the FIC values the importance of an open exchange with relevant stakeholders and therefore encourages stakeholder inputs aimed at improving overall AML/CFTP effectiveness. In furtherance of this, the FIC embarked on this exercise to assess the level of satisfaction amongst Accountable and Reporting Institutions (AIs and RIs) with the FIC's performance as the AML/CFTP supervisor. A significant aspect of this entailed gaining an insight on FIC stakeholder expectations and how the FIC is performing in terms of fulfilling same.

A survey was carried out to gauge such expectations and perceptions of FIC's performance. The purpose of this report is to reflect on the outcomes of such survey and if required, avail guidance on issues raised by stakeholders. Importantly, the outcomes of this exercise enables the FIC to consider mechanisms for addressing concerns raised.

2. Objective

The FIC aims to provide the highest possible standards and quality of service to all stakeholders. The key objectives of the project were to determine whether the FIC's:

- a) supervisory activities have assisted in enhancing ML/TF/PF risk mitigation, and the extend of such supervisory assistance. Compliance and monitoring methods should ultimately result in effective compliance with the FIA;
- b) supervisory activities have not unduly impeded the efficient operation of regulated entities;
- c) communication with the regulated entities is clear, targeted, timely, concise and effective (or helpful);
- d) interventions or remedial actions are proportionate to identified risk exposure;
- e) compliance and monitoring methods are streamlined and coordinated;
- f) monitoring and supervision actively contributes to the continuous improvement of Namibia's AML/CFT/CPF regulatory and complementing frameworks; and

Additionally, the outcomes of the study, could be used to recommend policy and legislative reforms to effectively address and mitigate identified risks, if need be.

3. Executive Summary

The Namibia Financial Institutions Supervisory Authority (NAMFISA) supervises and regulates the long term and short term insurance service providers in Namibia, for both prudential requirements under applicable laws as well as compliance with the FIA. Long term insurance service providers are seventeen while short term insurance service providers are fifteen in number. The Namibian Financial Institutions Supervisory Authority's (NAMFISA) records indicate that long and short term insurance service providers collectively employ about 1 100 insurance Agents and Brokers. The Agents and Brokers primarily act as intermediaries between relevant insurance service providers and clients.

Similar to other sectors, the insurance services sector is inherently susceptible to ML/TF/PF risks. Certain products such as Life Cover and other insurance policies etc., can be abused to launder funds. Equally, criminals can make lump sum payments on insurance policies as a way to launder their proceeds of crime. Early redemption or investment products or other long-term insurance services, which may result in refunds are potential indications of ML risk. The insurance sector is thus at the forefront of risk mitigation and plays a crucial role in safeguarding the integrity of our financial system. The need to ensure supervisory and monitoring controls are effective within the sector is therefore paramount.

Feedback provided by the insurance sector indicates that the institutions have a good understanding of the FIC and NAMFISA's functions as well as their FIA obligations. From this study, respondents also indicated that the FIC's supervisory and monitoring activities including registration, interaction with FIC staff, FIC's publication and industry specific guidelines are generally satisfactory. Despite such observations, the study equally revealed that there is room for improvements especially with awareness raising, reporting of transactions, FIC website accessibility and activities related to FIA compliance assessments.

It is important to note that FIA compliance assessments are a major compliance monitoring and supervision tool which the FIC uses to gain reasonable assurance on the level of AML/CFT/CPF control effectiveness. The majority of institutions in the insurance sector have been subjected to these assessments.

4. Methodology

A qualitative method was used to conduct the study. A survey questionnaire was sent out to all Thirty-two (32) short and long term insurance service providers, of which fourteen (14) responded to the questionnaire. Eighteen (18) insurance service providers did not respond to the survey. The FIC therefore recorded a response rate of 44%. The analysis herein therefore needs to be considered with this limitation in mind. Reasons for failure to respond to the questionnaire are unknown.

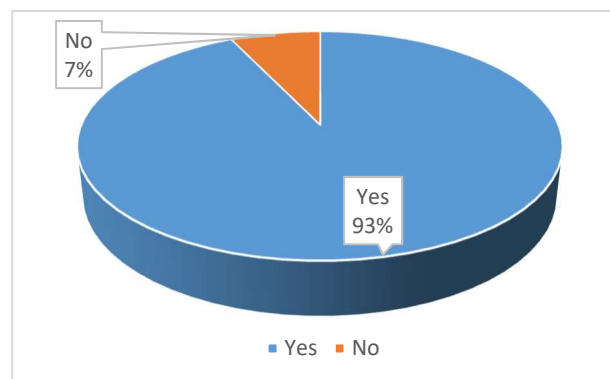
The questionnaire mainly centered on the following major aspects: Institutions' general understanding of the FIC and FIA; FIC publications and industry specific guidelines; and FIA Compliance assessments.

Responses from the questionnaire were collated, analyzed and this report presents a summary of observations from such analysis.

4.1 General understanding of the FIC and FIA

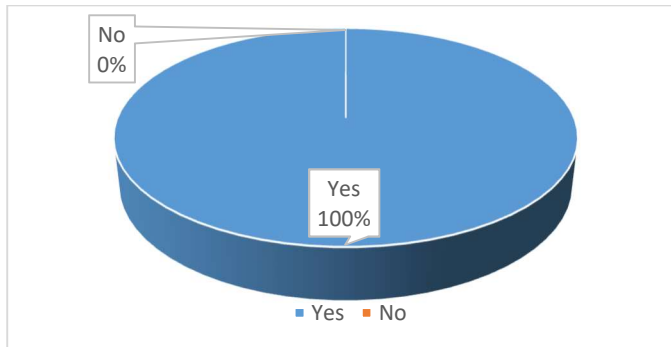
This section deals with the sector's general understanding of the FIA, the FIC and its mandate. It also focuses on identifying entities that have accessed the FIC website, have taken part in any of the FIC's training opportunities and those that have reported Suspicious Transactions/Activities (STRs) and Cash Threshold Reports (CTRs). The table below summarizes responses from the sector. It is worth noting that no comments were shared by the sector to help advance reasons for most of the responses availed below.

4.1.1 Awareness of the existence of the FIC or FIA



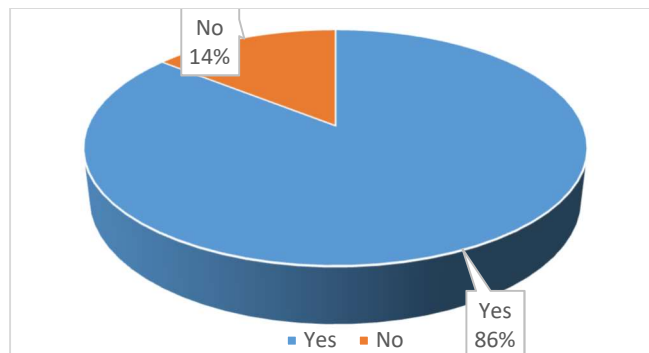
Seven percent (7%) of the respondents indicated that they are not aware of the existence of the FIA. However, 93% of respondents indicated that they are aware of the existence of the FIC.

4.1.2 Awareness of the functions and or mandate of the FIC



Contrary to responses availed by the sector in 4.1.1 above, all the respondents indicated that they are aware of the functions and the mandate of the FIC.

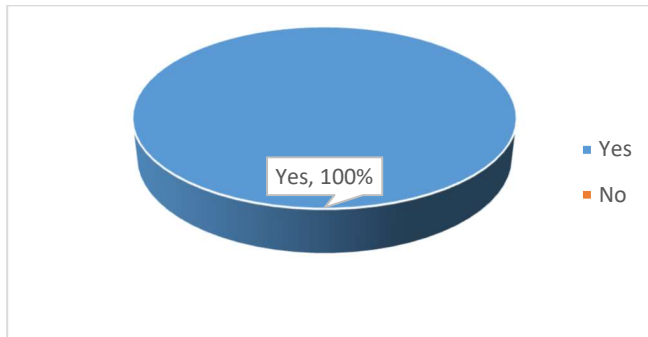
4.1.3 Exposure to some form of AML/CFT/CPF training (E-training, telephonic guidance, internal or external AML training session(s))



According to the sector's, 14% of the respondents have never received or attended any electronic, telephonic, internal or external AML Training. However, 86% of the respondents indicated that they have attended AML training.

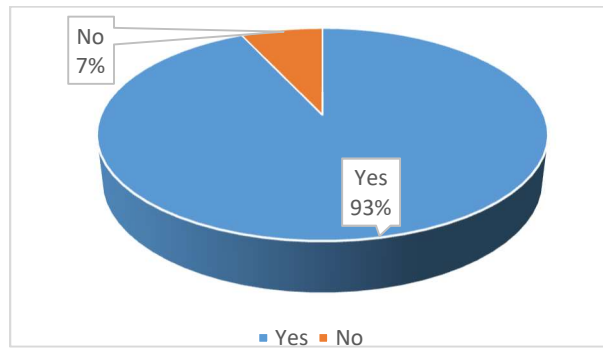
Apart from private agencies, the FIC avails training and is involved in awareness creating initiatives to enhance sectoral understanding of ML/TF/PF risks and FIA obligations.

4.1.4 Accessed the FIC website



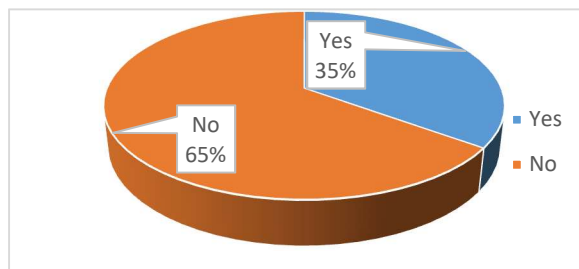
100% of the respondents further indicated that they have accessed the FIC website.

4.1.5 Awareness of all your FIA obligations pertinent to an AI/RI



93% of the respondents indicated that they are aware of all their FIA obligations as Accountable Institutions.

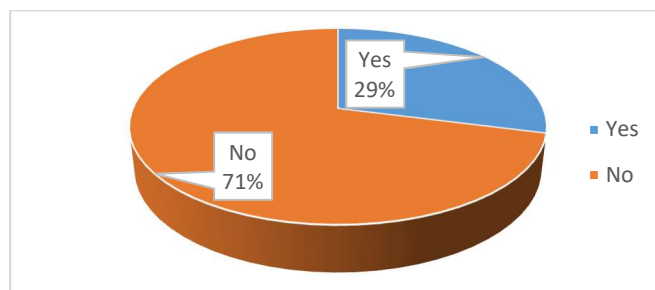
4.1.6 Reporting Suspicious Transaction Reports (STRs) or Suspicious Activity Reports (SARs)



A major objective of complying with the FIA is to enable implementation of controls that will ensure suspicious transactions or activities are detected and reported to the FIC. It can thus be said that to a certain extent, the level of effectiveness of implemented controls in an institutions reflected in the control system's ability to detect and ensure timely reporting of STR's and SAR's to the FIC.

In the Insurance Sector, 65% of the respondents indicated that they have reported STRs and SARs to the FIC.

4.1.7 Reporting Cash Threshold Reports (CTRs) on cash transaction above N\$99 999.99



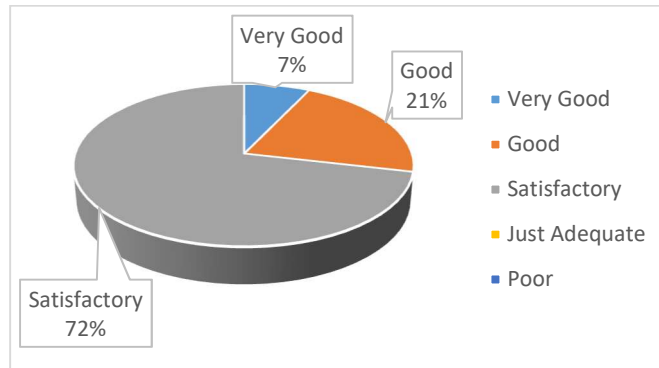
Since January 2015, relevant institutions are expected to report cash transactions that exceed NAD 99 999.99. Such reports are not necessarily suspicious in nature and are mainly reported to form part of the database used in ML/TF/PF combatting activities.

More than 71% of the respondents have never reported an STR, SAR or CTR to the FIC.

4.2 FIC Publication and industry specific guidelines

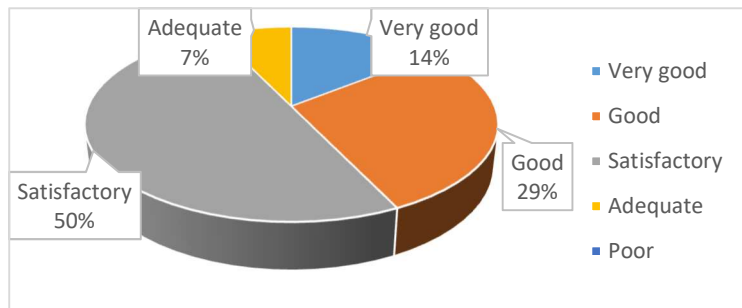
This section deals with the FIC publications and guidance provided to Accountable and Reporting Institutions. On average, the respondents appeared satisfied with the usefulness of the FIC publications and guidance provided. Below is an analysis of the responses:

4.2.1 Helpfulness of the FIC website



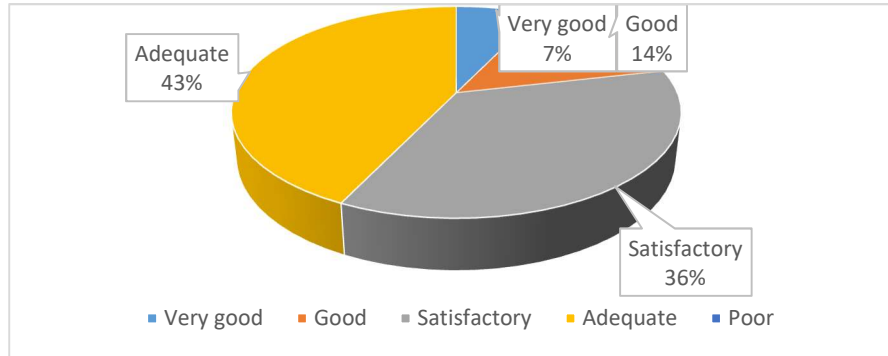
Seventy-two percent (72%) of the respondents rated the helpfulness of the FIC website as satisfactory. The FIC extensively uses the website to communicate with regulated sectors and other stakeholders. Important documents such as Circulars, Directives and Guidance Notes are published on the website.

4.2.2 Helpfulness (clarity and conciseness) of the publications and industry specific guidance issued by the FIC



Other than the 7% who rated the helpfulness of FIC publications as adequate, the above suggests that many respondents are either satisfied with same or find it to be “Good”.

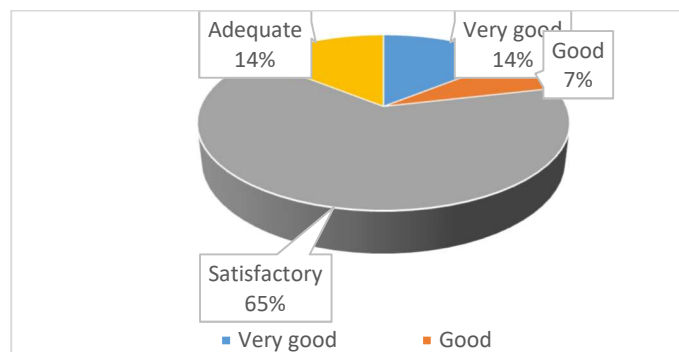
4.2.3 The level of consultations by the FIC before issuing a circular, guide or typologies



The FIC often consults as widely as possible and seek inputs on relevant matters before issuing formal Directives, Circulars, Guidance Notes or similar documents with the aim of enhancing compliance. Such is needed to enhance the buy-in of stakeholders, enable publishing of practically viable Guidance etc.

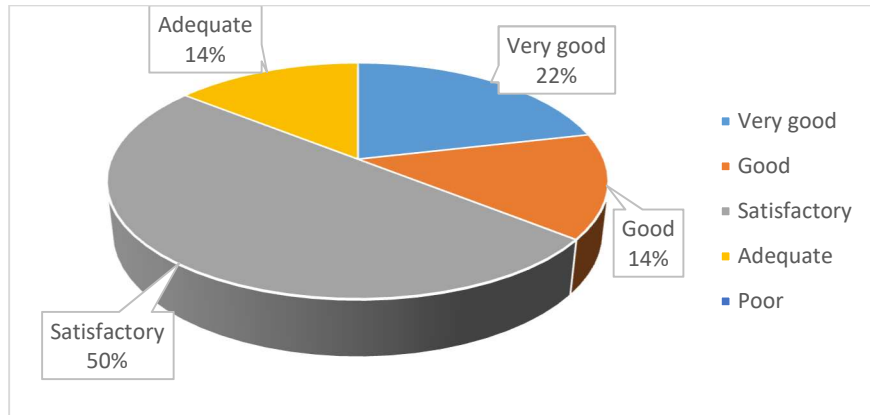
Generally, all the respondents felt that the FIC’s level of consultations before issuing such documents is reasonable.

4.2.4 The FIC publishes up-to-date guidance and technical reference material on its website and in a format which is user friendly



Majority of the respondents indicated that the FIC’s guidance and technical reference material published on its website is ‘satisfactory’ (user friendly). However, 14% rated it as just ‘adequate’.

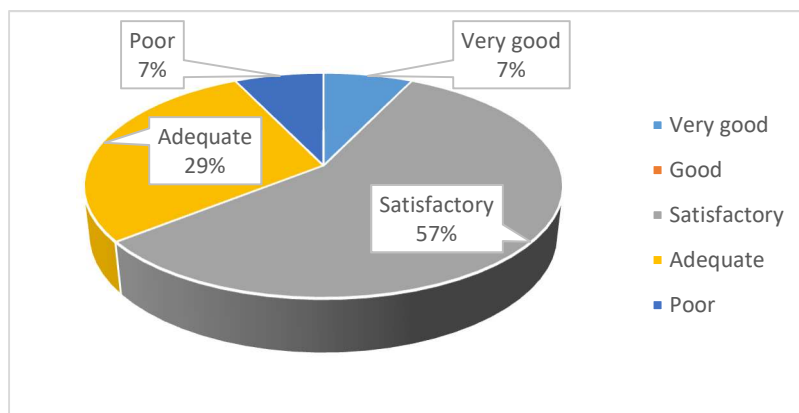
4.2.5 The ease with which users find the FIC’s web registration process



In order to effectively supervise sectors, it is essential that institutions in such sectors first register their relevant particulars with the FIC. This enables direct and easier access by the FIC to the respective institution. It equally enables the ease with which to communicate and file various reports in terms of the FIA.

Upon registration completion, the FIC avails registration confirmation letters which may be required by other stakeholders who need confirmation that certain institutions are registered with the FIC.

4.2.6 The ease with which AIs/RIs report STRs or SARs to the FIC?



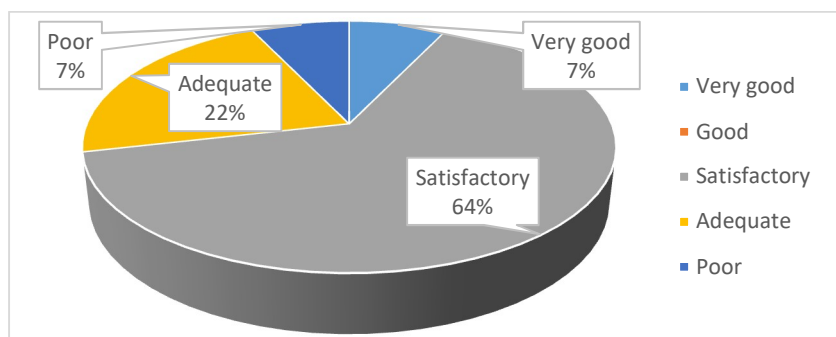
Other than the 7% who rated the ease with which they report STRs/SARs as 'Poor', most of the other responses overwhelmingly appear to show that the sector is either satisfied with the process or such process is adequate. It should be noted that reasons for such 'Poor' rating were not availed despite various interventions in the contact sessions.

The ease with which AIs and RIs find the process of reporting STRs and SARs is essential in advancing quality of reports and encouraging further reporting. This has a bearing on overall combatting efforts.

Having said that, the FIC recognizes that there is no standard used to determine the volume of STRs that an entity should be reporting. The nature of behavior which may lead to eventual flagging and further reporting of a particular transaction or in an Accountable Institution may be different in others. ML/TF/PF activities in different institutions or transactions are thus not easily comparable. Despite this, most Financial Intelligence Units (FIUs), the FIC included, rely on comparing sectoral reporting behavior to make assessments on areas which may need improvement.

The essence of complying with various sections under the FIA is to enable the detection of reportable transactions. It is thus the FIC's position that in the absence of any other reasonable standard, the quantity and quality of reporting behavior gives an indication of the level of AML/CFT/CPF control effectiveness.

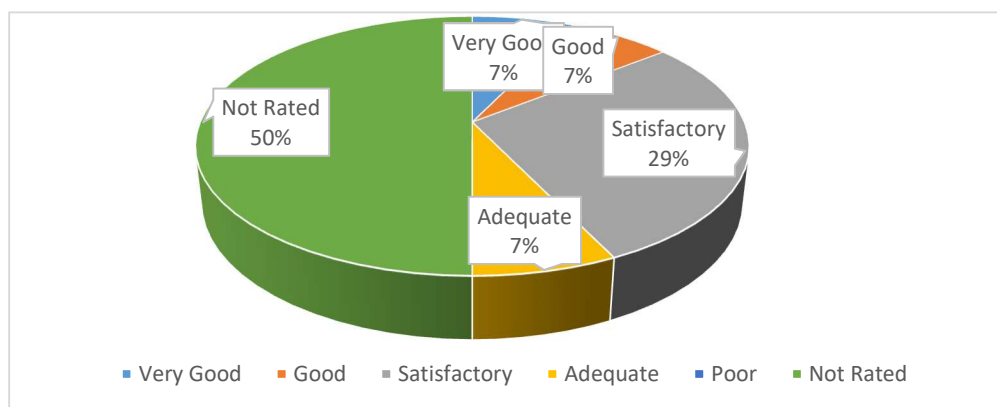
4.2.7 The ease of reporting a CTR to the FIC?



Similarly, the ease with which AIs and RIs report STRs and SARs, the majority of respondents indicated that the ease of reporting CTRs is satisfactory or good. 7% rated same as “Poor”. Some of the respondents indicated that they do not have any CTR obligations because:

- a) their business operates in Medical Insurance and thus do not deal much with cash;
- b) their business operates in the Micro Insurance services which are below the NAD 99 999.99 reporting threshold; and
- c) the Short term insurance business model is deemed low risk with the likelihood of suspicious transactions occurring very low.

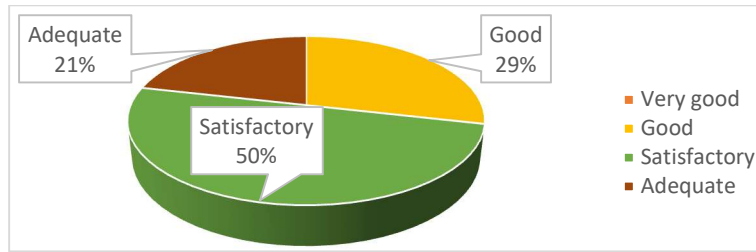
4.2.8 Helpfulness of training you had with the FIC



In its efforts to enhance FIA compliance, the FIC avails capacity building activities in various formats including training. This section presents an assessment of how beneficiaries of such training activities rate the FIC’s performance in this regard.

Half of the respondents have received training from the FIC and have mainly rated the helpfulness of such training as Satisfactory. On the other hand, 50% of respondents have not received training from the FIC yet and opted not to rate such.

4.2.9 The feedback and recommendations given by the FIC are transparent, consistent and timely



Overall, all respondents are satisfied with the transparency, consistency and timeliness of the advice and recommendations provided by the FIC.

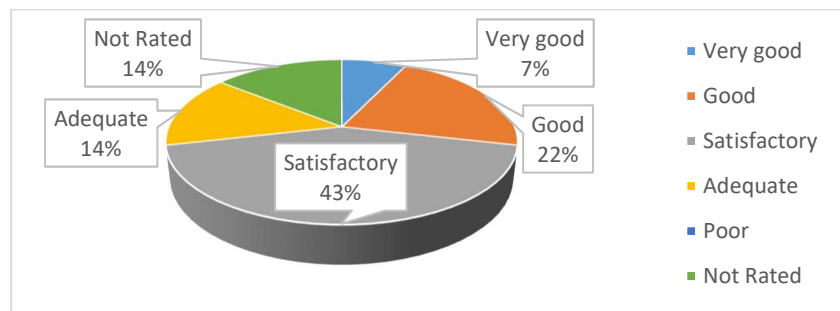
Comments from the Sector on the above:

One of the respondent indicated that sometimes it takes very long to get feedback from the FIC on queries or issues raised. This is frustrating as business depends on Compliance to provide it with a timeous response and proper assistance, which is unfortunately not possible unless the FIC provides feedback on the specific issue.

4.3 FIC Compliance Assessments

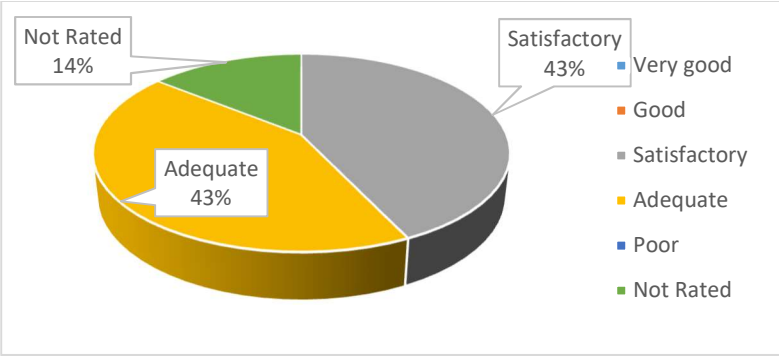
FIA compliance assessments are an important tool used by the FIC to gauge the level of operational control effectiveness in mitigating ML/TF/PF risks. This section of the report deals with the FIA compliance assessments conducted by the FIC on controls of Accountable and Reporting Institutions. On average, the respondents appear happy with the way the FIA compliance assessments are conducted. Below is an analysis of the responses:

4.3.1 The period of notice given to arrange the FIA Compliance assessment



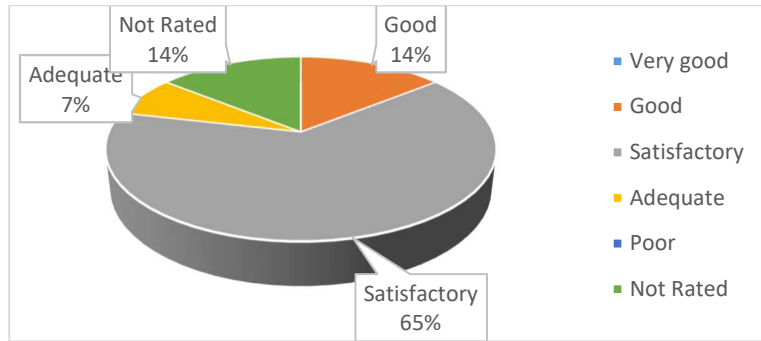
Overall, many of the respondents indicated that the period of notice given to prepare for FIA compliance assessments is generally sufficient. The remaining 14% have opted not to rate same. This may be because the FIC has not assessed such institutions. It is worth noting that NAMFISA has assumed the duty to directly supervise the sector and conduct such FIA compliance assessment activities.

4.3.2 The compliance analysts’ understanding of an AI/RI’s systems and operational activities



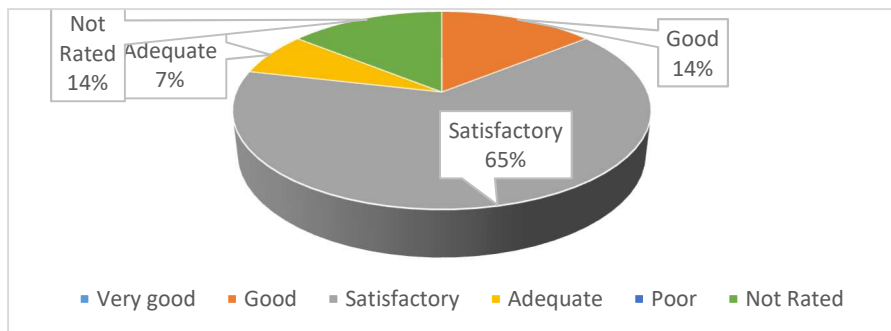
It is essential that FIC staff members (Compliance Analysts) assigned to carry out FIA compliance assessments understand the relevant nature of products/services within relevant business units. This enables value addition as FIA compliance engagements, observations, guidance through recommendations can be informed by such an understanding. 43% rated such FIC understanding as ‘adequate’ while another 43% said they are generally satisfied with the FIC’s understanding of their operations as far as such has a bearing on FIA compliance assessments.

4.3.3 Efficient execution of the assessment with minimum disruptions



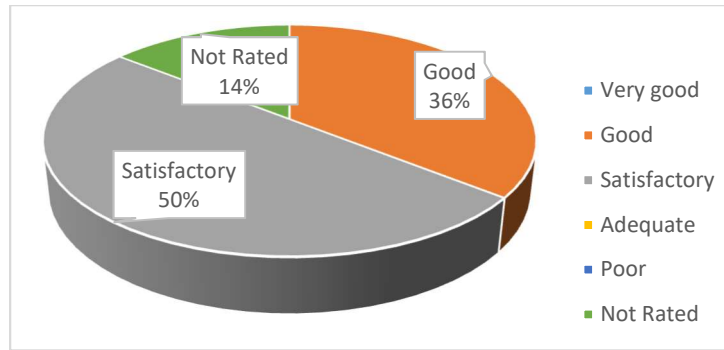
It is essential that compliance assessments are conducted with minimum disruptions to business operations. Apart from the 14% that did not rate this aspect, the general view is that FIA compliance assessments are executed effectively and do not impede business operations.

4.3.4 The level of consultation during the assessment



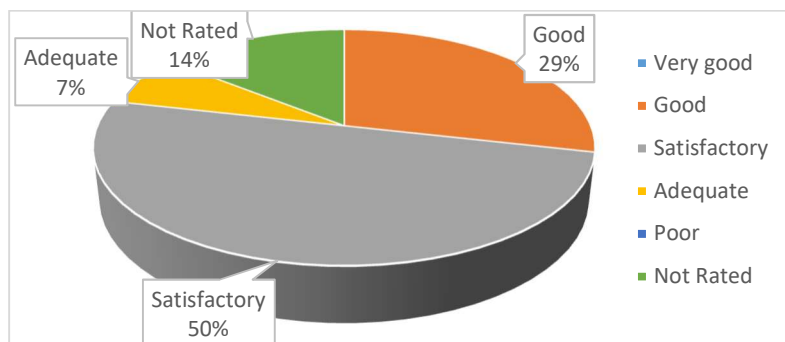
Engagements and consultations are a key aspect of FIA compliance assessments. Such ensure that the assessor and the assessed entities are on the same page. 86% of the sector rated the level of consultation between the FIC and the sector as satisfactory. 7% of the respondents rated same as 'Just adequate'.

4.3.5 The assessment is carried out professionally and objectively



Overall, a significant number of insurance service providers that have been exposed to FIA compliance assessments appear satisfied with the professionalism and objectivity with which the assessments are conducted, as per above.

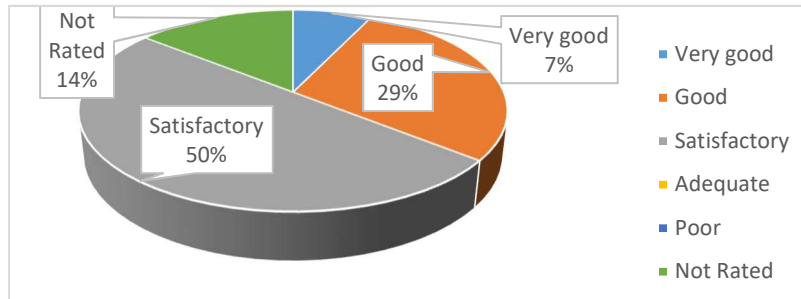
4.3.6 The draft report and/or exit interview addressed the key issues and was relevant



Exit meetings conducted after assessments are used to discuss assessment observations before the assessment reports are finalized. Importantly, the exit meetings enable the parties to establish if key assessment issues and relevant matters were duly attended to or addressed. This is to ensure the assessed institutions have a platform to avail inputs for consideration before reports are finalized.

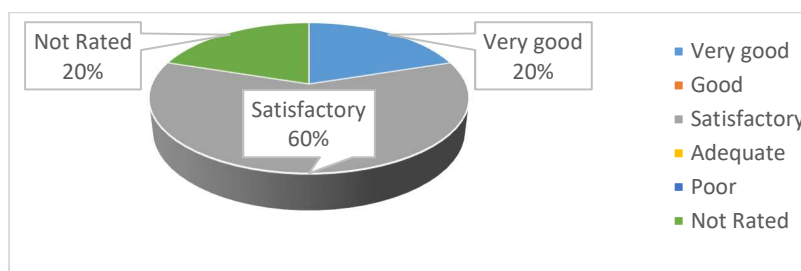
Similar to responses from 4.3.1 to 4.3.5, the majority of respondents indicated that the draft reports and the exit meetings always addresses the key issues and such meetings are relevant.

4.3.7 Assessed entities have an opportunity to comment on the preliminary findings made



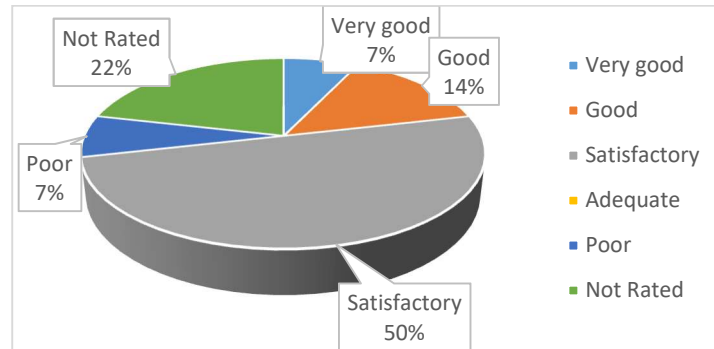
Apart from exceptional circumstances as may be determined by the FIC, before assessment reports are finalized, FIC compliance assessment procedures dictate that assessed institutions be afforded an opportunity to avail inputs, correct inconsistencies and avail relevant comments or guidance. Apart from the 14% that did not respond to this section of the survey, respondents generally felt that the FIC provides adequate opportunities for institutions to comment on FIA compliance assessment findings, as per above.

4.3.8 The contents of the final report in terms of its clarity and conciseness



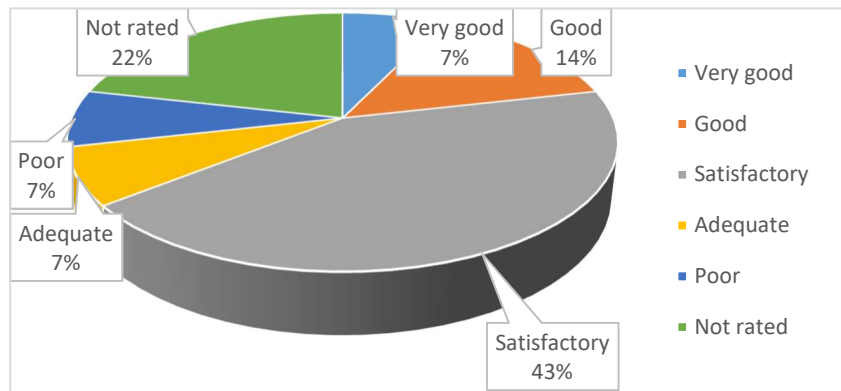
Overall, all the respondents are comfortable with clarity and conciseness of the FIA compliance assessment reports issued. Such is supported by the ratings in the above chart. The FIC assumes that the 20% who did not rate same could be institutions not subjected to FIA compliance assessment reports.

4.3.9 The timeliness with which the final report is issued



50% of the respondents appeared satisfied with the timeliness with which the FIA Compliance assessment reports are issued. However, 7% of the respondents have rated same as poor. No reasons or factors were advanced to support such poor rating. 22% opted not to rate this aspect.

4.3.10 The recommendations in the final report will/have improved AI/RI controls and/or effectiveness

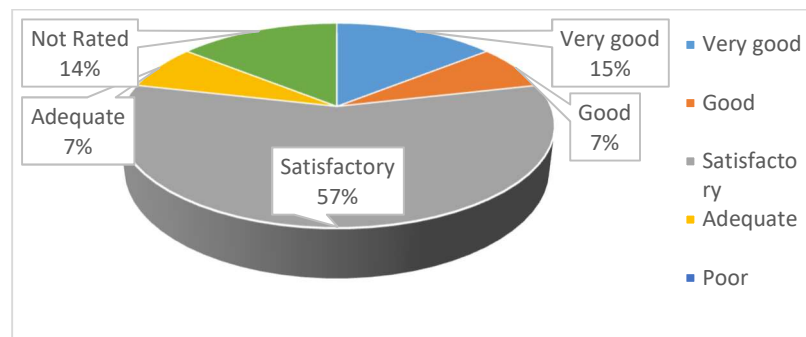


The objective of availing recommendations in FIA compliance assessment reports is to avail a platform for assessed entities to relook and reconsider current controls in light of FIC observations.

From the graph above, it can be concluded that the majority of respondents felt that recommendations provided by the FIC have improved controls and effectiveness.

However, 7% of the respondents rated the recommendations as poor. No reasons were advanced for such rating.

4.3.11 The period of time granted within which to respond to the assessment findings and to supply periodical progress reports



After a FIA compliance assessment activity, it is usually expected that AIs assessed present periodic progress reports highlighting measures implemented to enhance controls, if such was requested in the FIA compliance assessment report. This enables the FIC to track progress and if need be, consider other interventions to ensure compliance. With an exception of insurance service providers that are yet to be assessed by the FIC, most respondents were pleased with the timeliness of submitting progress reports.

Comments from sector on the above section and FIC views:

The below were cited as factors which may support certain negative ratings in the last section of the report:

- i. the sector is of the view that there should be more interactions between the industry and the FIC, as the industry often experiences frustrations or issues that needs to be resolved on a common forum, not only with NAMFISA but also with the FIC. It was further said that this will contribute towards an understanding of the industry and where real issues and problems are, given

that current government structures do not support the sector for purposes of complying with the FIA (the Ministry of Trade, Companies/Close Corporations office as well as the Ministry of Home Affairs being the most prevalent examples - with no electronic access to their databases to enable verification and thus effectively comply with FIA).

The FIC notes the above and will, going forward, ensure that there are more sectoral engagements. These concerns will be shared with NAMFISA for their consideration;

ii. publish an assessment methodology to assist institutions to know what to expect and prepare for assessments. At the time of publishing this report, the assessment methodology employed by the FIC is undergoing revision and the updated version will be published on the FIC website before 31 January 2019;

iii. The insurance service operations were said to be unique it was stated that the industry standards used to assess compliance do not consider the uniqueness of the business. This further results in poor assessment outcomes as assessments are premised on industry standards rather than being tailored for their businesses and products;

The FIC notes this concern and such will be shared with NAMFISA. AIs and RIs are always encouraged to engage NAMFISA if they feel that the assessments are not duly considerate of unique business operations. If such engagements are not fruitful, the option of engaging the FIC remains open;

iv. the notice given for inspections are barely adequate and not all persons within the FIC understand relevant business operations. This affects the reports and findings. The FIC notes this concern and such will be shared with NAMFISA; and,

- v. technical guidance in terms of risk assessments and following a risk based approach. Given NAMFISA's role in this regard, this will be shared with NAMFISA.

5. Summary of major observations from survey outcomes:

Additionally, the following general observations from survey outcomes were noted as areas that need improvement:

- a) the average response rate indicates inefficiencies in the way that the FIC communicates with the regulated populace and the way the regulated populace views and prioritizes communications from the FIC. Contact details of all Money Laundering Compliance Officers (MLCO) will need to be timely updated to ensure all communications are received when required;
- b) awareness needs to be raised about NAMFISA's role as a supervisory body and that of the FIC as the AML/CFT/CPF national regulating agency. The general understanding of the FIA and the FIC's mandate amongst the sector equally requires improvement;
- c) The amount of time it takes the FIC to provide feedback on issues raised by the sector requires improvement;
- d) The process of reporting suspicious transactions and cash transactions was rated poor by some of the respondents;
- e) Some respondents indicated that the period accorded to AIs/RIs to prepare for compliance assessments is not adequate. Equally, it was said that some Analysts within the FIC do not understand insurance business operations, which ultimately affects the output within assessment reports and findings;
- f) one respondent also indicated that recommendations provided by the FIC have not improved their controls and effectiveness;

- g) some of the respondents requested for more training, technical guidance in terms of developing risk assessments and adopting a Risk Based Approach;
- h) there was again a request to publish an assessment methodology to assist institutions to know what to expect and prepare for assessments.

6. Summary of discussions with the Sector

The FIC organized a feedback session with the insurance service providers on the 23rd of October 2018. The aim of such engagement was to enhance both the FIC's and the sector's understanding of the survey outcomes, particularly areas rated poorly by the sector. This session was also used by the FIC to provide clarity on certain grey areas highlighted. NAMFISA also took part in such engagement and provided the meeting with clarity on certain queries from the sector. The major issues that came to the fore are as follows:

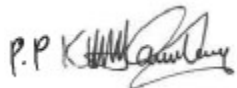
- a) institutions that have indicated to have never received training and are not aware of the FIC mandate were advised to engage the FIC or NAMFISA to request for training. Such is freely offered upon request or when the supervising authorities identify a need;
- b) NAMFISA to utilize the stakeholder engagement sessions and the quarterly AMLCO meetings to train and create awareness in the sector. FIC should become actively involved in helping NAMFISA resolve industry issues and challenges;
- c) participants indicated that the institutions that have never reported CTRs/STRs/SARs etc. were possibly only short term insurance service providers as they offer lower risk products and services;
- d) it appears that short-term insurance service providers believe that section 32 of the FIA (CTR obligation) does not apply to them because the sector deems its AML risk exposure to be insignificant;

- e) the sector further suggested that, going forward, in terms of satisfaction surveys and sectoral related engagements, NAMFISA and the FIC should consider assessing the short term insurance service providers separate from the long term insurance service providers. The different levels of risk exposure are said to be the reasons for this;
- f) NAMFISA to develop a Compliance Assessment Methodology which will be shared with the sector to assist with FIA compliance assessment preparations;
- g) the FIC was requested to improve turnaround time it takes to provide feedback to its stakeholders;
- h) the insurance sector to set up a meeting with the FIC and NAMFISA to further discuss the issue of Brokers and Agents. The sector recommends that Brokers and Agents should be regulated for FIA purposes;
- i) NAMFISA and the FIC to assist the sector with Beneficial Ownership guidance. The sector requested to enquire (through the Namibia Insurance Association) on the possibility of acquiring access to the Business and Intellectual Property Authority (BIPA) and Ministry of Home Affairs databases for identification verification purposes; and
- j) NAMFISA to add the points discussed herein as agenda points for the next AMLCO/stakeholder engagement session.

7. Conclusion

The FIC would like to thank all insurance service providers for the time taken to respond to the survey and attend the October 2018 sectoral engagement sessions in which survey outcomes were discussed.

It is worth stating that despite the majority of respondents appearing to cite relative satisfaction with the FIC's supervisory activities, it is clear that there is room for improvements. The concerns raised in sections 5 – 7 present the FIC with a list of considerations to commence working on, in an effort to enhance supervisory activities and thus positively impact the AML/CFTP framework in the sector.

A handwritten signature in black ink, appearing to read 'P.P. K. [unclear]'. The signature is written in a cursive style.

L. DUNN
DIRECTOR: FIC