KBZMS General Insurance of Know Your Customer

Management Policy

1. Introduction and Objective

1.1 The adoption of effective know-your-customer (KYC) standards is an essential part of risk management practices in complying with AML/CFT regulatory requirements. Inadequate know-your-customer (KYC) standards is a significant risk, resulting in legal and reputational risk.

1.2 The purpose of this document is to provide a proper prevention framework on the acceptance, management and monitoring of clients who are likely to carry out money laundering, terrorist financing and other unlawful activities. This is done in order to comply with the Anti-money laundering rules and regulations enacted by the government of the Republic of the Union of Myanmar.

1.3 The objective of this framework is to prevent KBZMS being used, intentionally or unintentionally by criminal elements for money laundering activities. This framework does not limit to the compliance aspect alone and extends out to mitigate reputational risk, operational risks, and legal risk.

2. Definitions

2.1 Know Your Customer (KYC) is the method of performing to identify customers and to acquire the necessary information for doing business. It involves attempting to determine identity, address, beneficial ownership, source of funds and the nature of customer's business etc.

3. Policy

3.1 This policy ensures that there are preventative measures put in place in respect of establishing business relationship with customers and that there are also procedures to prevent the misuse of the financial systems.

3.2 The intent of the policy is not to deny financial services to public, especially to those, who are financially or socially disadvantaged. While carrying out due diligence, KBZMS will ensure that the process adopted does not result in denial of services to any genuine customers unless they are involved in money laundering, terrorist financing, other unlawful activities and blacklisted or sanctioned.

3.3 This policy ensures that existing and new customers of insurance transactions will be subject to a due diligence, based on the products, services and their risk categorization as follows:

- Conduct enhanced due diligence measures consistent with the identified risk, and determine whether or not the transactions or other activities are unusual or suspicious when the risk of money laundering and terrorist financing is identified as high as result of the risk assessment;

- Conduct simplified due diligence measures consistent with the level of risk if policyholder is identified as low risk according to the risk assessment of money laundering or terrorist financing;
- Conduct enhanced due diligence measures on identified low risk policyholder if he/she is suspected of money laundering or terrorist financing, or new record of identified as high risk;
- Enhance due diligence and simplified due diligence measures on the policyholder will be conducted in accordance with the directives of the competent authority.

3.4 This policy is aligned with KBZMS of Anti-Money Laundering policy, Threshold Transaction Report and Suspicious Transaction Report policy, Sanction Monitoring policy, Political Exposed Person policy, and other related policy of AML/CFT.

4. Customer Acceptance Process

4.1 KBZMS will follow the following standards while accepting and dealing with customers:

- Customer must be a major (i.e. 18 years or above)
- Customer must disclose his/her ID card no. (i.e. NRC, Passport, etc.) including any other relevant information
- Name of the customer should not appear on the local blacklists, exclusion lists, UN Sanction list, EU Sanction list, UK Sanction list, Swiss Sanction list and US (OFAC) Sanction list
- Customer name should not have been included in the list of Suspicious Transaction Report (STR)
- In case of customers being PEP or becoming PEP subsequently, it is necessary to comply with KBZMS of PEPs Policy.

5. Customer Identification Process

5.1 Customer identification is identifying the customer and verifying his/her identity by using reliable and independent source of documents, data, or information to ensure that the customer is not a fictitious person. KBZMS will obtain sufficient information necessary to establish, to its satisfaction, the identity of each customer and the purpose of the intended nature of business relationship.

5.2 KBZMS of Customer Identification Process is integrated into Anti-Money Laundering and Combating the Financing of Terrorism in terms of Anti-Money Laundering Law (Pyi Htaung Su Hluttaw Law No 11/2014), Insurance Business Law (State Law and Order Restoration Council, No 6/ 96) and the relevant rules notified there under (IBRB and FRD), which contains provisions requiring the business processes to:

- Verify the identity of any person who is transacting with KBZMS to the extent reasonable and practical;
- Maintain records of the information that is used to verify a customer’s identity, including name, address and other identifying information;

- Consult lists of known or suspected terrorists or terrorist organization and sanction that is provided to KBZMS by any applicable government authorities to determine whether a person is opening a policyholder, or an existing customer appears on any such list.

5.3 **Identification**

5.3.1 In order to identify customers, all the customers will be scrutinized by KBZMS such as track the facilities availed, monitor financial transactions in a holistic manner, and to have a better approach to risk categorization of customers.

5.3.2 Prior to transacting, the following information will be collected from customers and clients for each insurance policy:

i. **Name** - as described in NRC/Passport No
ii. **Identification Number** – NRC/Passport No
iii. **For individuals** – age/ date of birth; **For Company** – Number of registration
iv. **Address** including the documentary proof thereof
    - For an individual, a residential or business street address;
    - For Company, the principal place of business, local office, or other physical location
v. Telephone/Fax number/ E-mail address.

5.3.3 The list of identification of documents that can be accepted as proof of identity and address from customers across various products offered by KBZMS.

5.4 **Verification**

5.4.1 In order to avoid interrupting the normal conduct of business, KBZMS will verify the identity of the policyholder or beneficial owner as soon as possible after the establishment of a relationship.

5.4.2 Special care will be exercised to verify that customers are not listed on the local blacklists, exclusion lists, UN Sanction list, EU Sanction list, US (OFAC) Sanction list, UK Sanction list and Swiss Sanction List.

5.4.3 Verification for each insurance policy will be processed by acceptable methods of verification of customers' identity, which may include verification through documents or non-documentary verification methods that are appropriate given the nature of the business process, the products and services provided and the associated risks.

i. Verification through documents:
These documents can include, but are not limited to the list of documents that can be accepted as proof of identity and address from customers across various products offered by KBZMS as provided in Annexure A and Annexure B.

ii. Verification through non-documentary methods:
These methods can include, but are not limited to:
    - Contacting or visiting a customer;

- Independently verifying the customer's identity through the comparison of information provided by the customer with information obtained from Agents, brokers, or another source;
- Checking references with other financial institutions (e.g. Fire Insurance from bank loans).
- In addition, checking whether company is legitimate or not by exploring in directorate of investment and company administration (DICA) if a policyholder is registered as a company.

6. Simplified Customer Due Diligence

6.1 Customer due diligence is a key source of information for the purpose of determining whether a person is a potential high risk of money laundering, terrorist financing or political corruption.

6.2 To identify and know your customer better by conducting a CDD. CDD must be conducted under the following times and situations:

i. Before carrying out transactions for policyholder, or establishing a beneficiary relationship;
ii. Before carrying out a transaction for a policyholder who has no established beneficiary relationship with the insurer, agent and broker, if the transaction is equal to or above the threshold amount as defined by the Central Body, whether conducted as a single transaction or several connected transactions;
iii. Before carrying out a domestic and international wire or electronic transfer for a policyholder;
iv. KYC conducted during establishment of a business relationship with a customer is deemed insufficient;
v. Doubtful in the authenticity or adequacy of documents, data or other information which were previously obtained in the KYC process;
vi. Existing customers and/or new customers purchase insurance policies more than his/her stated salary;
vii. When there is suspicion that it is linked to money laundering or terrorist financing.

6.3 According to the customer due diligence of directives from IBRB, Customer due diligence measures will be conduct as follows:

i. Identifying and verifying the policyholder's identity using independent and reliable independent sources, documents, data or information;
ii. Collecting information on and understanding the purpose and intended nature of the business relationship;
iii. Identifying and verifying the beneficial owner, and understanding the ownership and control structure of the KBZMS formation or legal person or legal arrangement, and take all proper reasonable actions to examine the identification details of the said beneficial owner; through the following information:

a) For legal person:

- The identity of the natural persons if any as ownership interests can be so diversified that there are no natural persons whether acting alone or together exercising control of the legal person or arrangement through ownership who ultimately have a controlling ownership interest in a legal person; and
- To the extent that there is doubt as to whether the person(s) with controlling ownership interest are the beneficial owner(s) or where no natural person exerts control through ownership interests, the identity of the natural persons (if any) exercising control of the legal person or arrangement through other means.
- Where no natural person is identified as above, KBZMS, our agent and broker will identify and take reasonable measures to verify the identity of the relevant natural person who holds the position of senior managing official.

b) For legal arrangements on trusts the identity of the settlor, the trustee(s), the protector (if any), the beneficiaries or class of beneficiaries, and any other natural person exercising ultimate effective control over the trust (including through a chain of control/ownership);

c) Other types of legal arrangements the identity of persons in equivalent or similar positions verify if a person acting on behalf of a person, company, organization or legal person or legal arrangements is so authorized, the authenticity of his/her identity and the legal status of the company, organization or legal arrangement;

iv. Verifying if a person acting on behalf of a person, company, organization or legal person or legal arrangement is so authorized, the authenticity of his identity and the legal status of the company, organization or legal arrangement; obtain information on the customer's name, legal structure, address, details of the directors; and specify rules that will have binding on the company or legal person or legal arrangements.

6.4 KBZMS will conduct the following actions before entering into business relationship with cross border correspondent insurance transaction, in addition to customer due diligence measures on the policyholder:

i. Collecting sufficient information and in order to understand the business nature of the foreign organization with which it has business relationship, to determine its reputation if it has been investigated or sanctioned with respect of money laundering and terrorist financing, and the information on the quality of supervision.

ii. Obtaining approval from the senior management;

iii. Conducting an assessment on the quality of money laundering and terrorist financing controls of the respondent bank;

iv. Ensure to clearly understand the responsibilities of each organization;

v. With regard to payable through accounts, ensuring that KBZMS, our agent and broker are satisfied that the customer of the respondent bank have direct access to the respondent bank's account, and the respondent bank has performed customer due diligence on its customer and is able to provide customer due diligence records upon request.

7. Enhanced Customer Due Diligence

7.1 Enhanced Customer due diligence is to obtain the additional information which are not covered at the CDD process. Enhanced Customer due diligence will be involved conducting appropriate additional due diligence or investigation actions beyond what is required by standard KYC due diligence.

7.2 KBZMS will examine the background and purpose of all transaction as far as possible, and keep written records of the findings in particular to the following transactions:

- All complex, unusually large transactions, and transactions of irregular patterns that have no visible commercial or legal purpose;
- Customers requesting for frequent change of address/contact details;
- All business relationships or transactions from a person or an organization from a country that does not sufficiently comply with anti-money laundering or countering of terrorist financing measures.

7.3 KBZMS will conduct enhanced due diligence measures on the policyholder if the risk of money laundering or terrorist financing is identified to be high, and enhance due diligence measures will be proportionated with international standard of anti-money laundering and financing of terrorism.

7.4 In addition to performing policyholder due diligence measures specified according to CDD directives, KBZMS will conduct as follows:

i. With respect to foreign politically exposed persons-
   - Seeking prior consent from senior management before establishing or continuing a business relationship;
   - Taking all reasonable measures to identify the wealth and source of funds;
   - Applying enhanced on-going due diligence measures on the policyholder and monitoring such business relationships.

ii. Applying measures as above if the domestic and international politically exposed persons are determined to be high risk.

iii. Applying the requirements for all types of politically exposed persons must be applied to family members and close associates.

iv. Enhanced customer due diligence will be conducted for the domestic and international high-risk PEPs, its family members, close associates and will report the suspicious transaction report to MFIU by stopping CDD process.

8. Risk Categorization

8.1 Risk Categorization is also stated and in line with KBZMS of Anti-Money Laundering Policy. The categorization of a customer is based on risk perceptions associated with customer profile and level of risk associated with the product and channels used by customer. The categorization of customers under risk perception is only illustrative and not exhaustive. The risk of a customer will be assigned as below:

(a) **Low Risk Customers**

Individuals (other than high net worth) and entities whose identities and sources of income can be easily identified and transactions in policies by and large conform to the known profile will be categorized as low risk customers, such as:

- Salaried employees
- Individuals belonging to lower economic strata of the society
- Government Departments and Government owned companies
- (Reinsurance Perspective, they may be High Risk)
- Regulatory and Statutory bodies, etc. (Reinsurance Perspective, they may be High Risk)

(b) **Medium Risk Customers**

Customers are likely to expose a higher than average low risk to the insurance will be categorized as Medium Risk Customers depending on customer's profile, country of origin, sources of funds, product and channels used by customer etc. such as:

- Individuals in business industry of trading activity where the area of their residence or place of business has a history of unlawful trading activity
- According to the judgment and discretion of the underwriters and operation staffs

(c) **High Risk Customers**

For this category, Enhanced Due Diligence and Enhanced Monitoring will be conduct on customer's background, nature and location of activity, country of origin, source of funds and profile, etc. Categorized as High-Risk Customers are as below, such as:

- Non-Resident Customers
- High net worth individuals (Parameters for defining high net worth individuals will be as instructed by regulatory bodies or as per related regulators' definition)
- Trusts, charities, NGOs, and organizations receiving donations
- Customers or Companies who are close relatives of Politically Exposed Persons (PEPs) or beneficial ownership or shareholders
- Politically Exposed Persons (PEPs) of foreign origin or domestic, etc.

9. Monitoring of Policyholders

9.1 Monitoring is an essential element of effective KYC procedures by identifying transactions that fall outside the regular pattern of activity. High-risk customers will be subjected to intensify monitoring.

9.2 The different business divisions including underwriting, claims and compliance will pay special monitoring to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose.

9.3 Compliance Team will carry on the necessary quality checks and file audits to ensure that the KYC policies and procedures are adhered to from time to time.

10. Retention of documents

10.1 KBZMS will retain all necessary information and documents in electronic or any other form through the duration of the business relationship and for a period of at least 5 years after the severance of the business relationship with customers or such other period as may be prescribed for the retention of documents under the relevant Money Laundering laws in Myanmar.

11. Training and awareness

11.1 Legal & Compliance Department and senior management will ensure that training of employees is conducted at regular intervals and awareness campaigns will be conducted regarding the policy to ensure that employees have a better understanding of KYC, the risks associated with KYC, how KBZMS is dealing with the customers and for all around compliance with the effected laws, rules and regulations.

12. Continuous Improvements

12.1 This framework, plans and procedures etc. will be reviewed and updated annually or earlier in line with any changes to business, market, and regulatory requirements.

As part of the review and monitoring of the framework, in addition to the reviews undertaken by the company's appointed Head of Legal and Compliance has an important role in ensuring that this framework achieves its objectives as agreed and set up.

ANNEXURE A – Customer Information Checklist – Individual

[A] IDENTIFICATION DETAILS

Full name (as described in NRC or Passport): ……

Gender: ……

Father Name: ……

Date of Birth: ……

ID Number (NRC/Passport): ……

Citizen: ……..

Occupation: ……

Address: ……

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Contact Phone Number: ……..

Entity or Individual acting on Policyholder's Behalf (Broker, Agents or Bank): ……

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Government Official:

Yes	No

Close Family relations or association:

Yes	No

If ''Yes'' to either response above, state affiliation: ……

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[B] VERIFICATION DOCUMENTATION

Copy of Identification Card obtained/on file:

Yes	No

Type of Insurance: (e.g. comprehensive motor, fire, etc.): …….

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Insurance policy number: ……

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Payment Method: ……

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Underwriter's Name & Assigned Date: …….

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ANNEXURE B – Customer Information Checklist – Company

[A] IDENTIFICATION DETAILS

Company Name: ……..

Company Registration Number: ……

Company Registration Country: ……..

Business Type: ……

Company Address: ……

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Company Phone Number: ……..

Entity or Individual acting on Policyholder's Behalf (Broker, Agents or Bank): ……

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One or more owners/ shareholders are Government Official:

Yes	No

One or more owners/ shareholders are Close Family relations or association:

Yes	No

If ''Yes'' to either response above, state affiliation: ……

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[B] VERIFICATION DOCUMENTATION

Copy of Identification Card obtained/on file:

Yes	No

Verified for legitimate company:

Yes	No

Type of Insurance: (e.g. comprehensive motor, fire, etc.): …….

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Insurance policy number: ……

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Payment Method: ……

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Underwriter's Name & Assigned Date: …….

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