ISLE OF MAN
FINANCIAL SERVICES AUTHORITY
Lught-Reill Shirveishyn Argidoil Ellan Vannin

Preventing Financial Crime

Analysis of firms' data

(2019, 2020, 2021)

NON-LIFE INSURERS

Published: April 2023

Contents

Glossary

"Non-Life Insurer"	means an insurer authorised, or the holder of a permit issued, under the Insurance Act 2008 to carry on non long-term business and includes insurance managers that are registered as an insurance manager under the Insurance Act 2008 to manage Non-Life Insurers carrying on non long-term business
"AML/CFT"	means Anti-Money Laundering and Countering the Financing of Terrorism

1. Introduction and Key Findings for Non-Life Insurers

1.1 The Isle of Man Financial Services Authority's ("the Authority") regulatory objectives[1] include "the reduction of financial crime". The Authority receives, and analyses, annual AML/CFT data from regulated and registered entities to help it monitor AML/CFT threats and trends in, and across sectors. Reports are prepared to help show a view across sectors[2], excluding gambling, that are subject to the Island's AML/CFT framework. The Authority also uses this information to help with its risk assessment of sectors and individual firms.

1.2 This report is focused on those firms whose primary business is that of being a **Non-Life Insurer**. Insurance managers have been included within this report, but insurance intermediaries are excluded from this report. Reports for other sectors are also produced.

1.3 Generally, Non-Life Insurers in the Isle of Man provide a range of products and services to local and international customers. The nature of the businesses varies across the sector, including captive and commercial insurers and the related insurance managers.

1.4 This report provides an analysis of three years of data and covers areas such as the geographical profile of customers and beneficial owners, Non-Life Insurer's assessment of customer risk, reporting and monitoring of financial crime and sanctions, and the use of introducers and third parties.

1.5 **Table 1** below provides information on the population of Non-Life Insurers who were required to submit the annual AML/CFT data return for December 2019, December 2020 and December 2021.

Table 1: Population of Non-Life Insurers for the purpose of this Report

	December 2019	December 2020	December 2021
Number of Non-Life Insurers	115	112	108

1.6 The analysis confirms that the client base is concentrated in jurisdictions that pose a lower risk of money laundering / terrorist financing threats. There is a significant cross border aspect to the Island's Non-Life sector. The data also confirms that a substantial portion of business is conducted on a non-face to face basis through introducers, which

[1] As set out in the Financial Services Act 2008 ("FSA08")

[2] The data does not include information from the small number of firms who are registered only for bureau de change, agency payment services, or cheque cashing. These firms currently submit different AML/CFT statistical data which is analysed separately.

can increase inherent risk. Non-Life Insurers also reported that they do undertake business with foreign PEPs.

1.7 The above profile, coupled with the nature of the products and services supplied results in a **lower inherent risk** of Non-Life Insurers being exposed to a range of money laundering, terrorist financing and sanctions threats. The importance of Non-Life Insurers having strong and effective monitoring and control frameworks is still important. The ongoing assessment ultimately feeds into the **Island's National Risk Assessment**, where the overall risk for Non-Life insurance is assessed as having Medium Low vulnerability to money laundering and terrorist financing, taking into account the threats and vulnerabilities, balanced against the controls in place in the sector.

2. Background to the AML/CFT data return

2.1 The Isle of Man Financial Services Authority's ("the Authority") regulatory objectives[3] include "*the reduction of financial crime*". In its **2018-2021 Strategic Plan** the Authority sets out its *long term goals* and *strategic objectives* which include:-

Long term goal	Strategic objective
Continue to develop our identity and culture and to operate as a forward looking integrated regulator	*Enhance the framework to protect consumers and deter financial crime*
Fully implement a risk-based supervisory approach for every entity within our remit, including vulnerability to financial crime	*Encourage innovation and continuous improvement in all that we do*
Be an International Financial Centre which is recognised as effectively deterring financial crime	

2.2 During 2016-2017 the Authority consulted on, and subsequently introduced, a pilot annual AML/CFT data return, designed to obtain information from regulated and registered entities to help the Authority monitor AML/CFT threats and trends in, and across, sectors. The table below shows the expected scope of returns to 2020 and thereafter, which was set out by the Authority at the time:

[3] as set out in the Insurance Act 2008 ("IA08")

Responders	Annual reporting period	Basis for the information	Submission deadline
All regulated entities[4] Sample of registered entities[5]	31 December 2016	Best endeavours[6]	29 November 2017
All regulated and registered entities (firms)	31 December 2017	Part actual data, part best endeavours	31 December 2018
All firms	31 December 2018	Part actual data, part best endeavours	31 December 2019
All firms	31 December 2019	Part actual data, part best endeavours	30 September 2020, contingency to 31 December 2020
All firms	31 December 2020 and thereafter	Actual data (unless by exception)	30 June 2021 and 30 June thereafter

It is recognised by the Authority that some of the information requested in the Return may not be in an easily extractable format from the systems of the firm. If this is the case, by exception the Authority will accept a firm providing the information on a "best endeavours" basis using its detailed understanding and knowledge of its customers and new business processing. Where this is the case, the Authority requests for supporting commentary to clarify the reasons for the use of the best endeavours basis, including whether it only applies to part of a question, or whether it only applies to a subset of the figures.

2.3 Based on the original pilot exercise (December 2016 data), high level results were presented to industry groups during 2018. The Authority has now also analysed the data collected and will use this information to help with its risk assessment of sectors and individual firms.

3. Objectives

3.1 The gathering and analysis of data from all firms about AML/CFT helps the Authority to achieve the regulatory objective of "*the reduction of financial crime*".

3.2 The data informs the Authority's understanding of the ***inherent risks*** that firms, and sectors, may pose, and supports the Authority's AML/CFT supervisory work utilising a risk based approach. Some information provided also relates to a firm's ***control environment***. The information that must be reported is dependent on the type of activity a firm undertakes, for example a life insurer must report more information when compared to a financial advisory firm. Key areas of focus include:-

[4] Regulated under the IA08, the Financial Services Act 2008 and the Retirement Benefits Schemes Act 2000
[5] Registered under the Designated Businesses (Registration and Oversight) Act 2015.
[6] Refer Annex 1: Data Quality

- The jurisdictional risk profile of the customer base and ultimate beneficial owners;
- The extent of non-face to face and introduced business undertaken by firms;
- Identification and reporting of suspicious activity for both money laundering and terrorist financing;
- Monitoring and screening processes adopted, including for sanctions;
- How firms categorise customer risk;
- The level of politically exposed persons in the system, and how these are identified;
- The compliance and internal audit mechanisms;
- Outsourcing of AML/CFT processes;
- The payment methods accepted by firms in relation to incoming and outgoing transfers; and
- The types of client or product / services provided.

3.3 The data underpins the Island's understanding of the wider financial crime environment and forms a key part of the National Risk Assessment process.

4. Customer risk profile

A. Geographical profile – customer residency

4.1 Firms are required to report their customer relationships according to the residency of the customer. This information enables the Authority to consider jurisdictional risk, and the extent to which customers are linked to higher-risk jurisdictions, when assessing sectors and firms.

4.2 The total number of customers/policyholders with in-force policies reported[7] by Non-Life Insurers as at 31 December 2021 was **270,236** (***2020: 230,420, 2019: 218,784***). At the end of 2021, **96.5%** of policyholders were <u>natural persons</u> (***2020: 96.6%, 2019: 96.5%***). As a percentage of the total customer relationships **52.4%** are <u>natural persons</u> resident in the EU (excluding EEA and Switzerland) (***2020: 54.2%, 2019 50.0%***) and **30.6%** are resident in the UK (***2020: 26.5%, 2019: 29.4%***).

3.5% of policyholders at the end of 2021 were reported to be <u>non-natural persons</u> (***2020: 3.4%, 2019: 3.5%***). The most common residency for the <u>non-natural persons</u> (of

[7] The residency data is collected differently for fully-managed insurers and self-managed insurers. Self-managed insurers report this data for their underlying customers and fully-managed insurers report this data via the insurance manager, whose customers are the fully-managed insurers themselves. This data will be collected consistently from 2022.

the legal arrangement) was the Isle of Man at **2.2%** (as a percentage of total customer relationships) (***2020: 2.0%, 2019: 2.2%***) and **0.9%** are resident in the Channel Islands (***2020: 1.1%, 2019: 1.2%***).

The data reported on the residency of natural persons and non-natural persons (legal arrangements) is not unexpected due to the nature of the Non-Life insurance industry on the Isle of Man.

Table 2 below provides a more detailed breakdown.

Table 2 Total percentage of relationships based on residency of the customer

Region of residence	Total customer relationships (% of total)			Customer relationships: natural persons (% of total customers)			Customer relationships: non-natural persons (% of total customers)		
	2021	**2020**	**2019**	**2021**	**2020**	**2019**	**2021**	**2020**	**2019**
EU (exc. EEA & Switzerland)	52.5%	54.2%	50.0%	52.4%	54.2%	50.0%	0.0%	0.0%	0.0%
UK	31.0%	26.7%	29.5%	30.6%	26.5%	29.4%	0.5%	0.2%	0.1%
Isle of Man	12.5%	14.0%	14.8%	10.3%	11.9%	12.6%	2.2%	2.0%	2.2%
Channel Islands	4.0%	5.1%	5.7%	3.1%	4.0%	4.5%	0.9%	1.2%	1.2%
TOTAL	**100%**	**100%**	**100%**	**96.4%**	**96.6%**	**96.5%**	**3.6%**	**3.4%**	**3.5%**

4.3 In summary, the jurisdictional profile of the customer base for Non-Life Insurers is concentrated in jurisdictions that pose a lower risk of money laundering / terrorist financing threats.

B. Geographical profile – residency of ultimate beneficial owners

4.4 Non-Life Insurers provide services to non-natural persons and must understand who the beneficial owners of such entities are.

Of the non-natural customer book, **60.9%** of beneficial owners of non-natural persons are resident in the Isle of Man (***2020: 59.7%, 2018: 63.4%***), followed by the Channel Islands at **25.4%** (***2020: 33.2%, 2019: 34.9%***) and then the UK at **13.5%** (***2020: 6.6%, 2019: 1.3%***).

The jurisdictional profile of the beneficial owners of non-natural persons for Non-Life Insurers has a particular concentration of UBOs being resident in the Isle of Man and the Channel Islands, which pose a lower risk of money laundering / terrorist financing threats.

4.5 Non-Life Insurers need to be cognisant of the potential increased inherent risk exposure of money laundering / terrorist financing threats, through more complex structures especially where there are connections to jurisdictions with weaker AML/CFT frameworks.

C. Politically exposed persons and other high risk customers

4.6 **Table 3** shows customer relationships, as assessed by Non-Life Insurers, deemed to pose a higher risk of money laundering, and the level of politically exposed persons ("PEPs") among the customer base. A PEP is a natural person who is or has been entrusted with prominent public functions[8]. PEPs include people with a high political profile or prominent public jobs who may misuse their position for private gain. Family members and close associates of PEPs may also pose a higher risk as the PEPs may use them to hide any misappropriated funds or assets gained through abuse of power, bribery or corruption.

Firms are required to identify PEPs at the start of a business relationship and, through effective monitoring, if any persons subsequently become PEPs. Firms are required by law to undertake enhanced checks and monitoring of all customers who are, or are associated with, foreign PEPs and any domestic PEPs who the Firm assesses as posing a higher risk.

4.7 At the end of 2021 Non-Life Insurers reported **71** customers who are, or are associated with, a PEP (***2020: 60, 2019: 46***), including **22** related to foreign PEPs (***2020: 22, 2019: 15***).

Table 3: PEP relationships

	Number of PEP relationships (and as a % share of all customer relationships)		
	2021	**2020**	**2019**
Total number of customers reported	270,236	230,420	218,784
Customers who are, or are associated with, politically exposed persons (PEPs)	**71 (0.03%)**	**60 (0.03%)**	**46 (0.02%)**
Of which are foreign PEPs	***22***	***22***	***15***
Of which are domestic PEPs	*49*	*38*	*31*

[8] Anti-Money Laundering and Countering the Financing of Terrorism Code 2019 ("the Code"), paragraph 3(1)

4.8 At the end of 2021, **the majority** of Non-Life Insurers, for which this information is collected, confirmed that they screen for PEPs at the commencement of a business relationship, and screen their customer records on a periodic basis to determine if a customer has become a PEP. For the latter, the frequency of screening varied from daily to annually or ad hoc, with daily and annual screening being most prevalent.

4.9 At the end of 2021 Non-Life Insurers reported they had **no** higher risk customers (***2020: nil, 2019: nil***); or **39** higher risk policies (***2020: 30, 2019: 37***). The number of higher risk policies represents **0.1%** of total policies (***2020: 0.1%, 2019: 0.1%***). These figures also include customers who are categorised as being higher risk for reasons other than being a PEP.

Where firms identify that customers pose a higher risk, either at the outset of a business relationship, or through an event that occurs during the business relationship, they are legally required to conduct Enhanced Customer Due Diligence ('ECDD').

The return allows the Non-Life Insurer to provide this data on either a policy or policyholder. For 2021 the majority of Non-Life Insurers reported this data on a customer basis.

4.10 The number of high risk customer relationships reported on a policy basis is a small percentage of the total number of policyholders reported and is not out of line with the data provided for PEP relationships.

4.11 There have been no new high risk customer relationships reported for 2019 to 2021.

4.12 Overall, PEPs and other high risk customers represent a **small proportion** of the total customer base of Non-Life Insurers.

4.13 Where a customer has been identified as posing a higher risk for money laundering or terrorist financing during the on-boarding and customer risk assessment process, then a firm must conduct enhanced customer due diligence.[9] Non-Life Insurers were requested to report if they undertake any ECDD in respect of the new business customer relationships established within the reporting periods. As there were no new higher risk customer relationships, no ECDD was reported as performed.

[9] Anti-Money Laundering and Countering the Financing of Terrorism Code 2019 ("the Code"), paragraph 15(3) and paragraph 9(5)

5. Tackling Financial Crime

A. Resourcing the fight against financial crime

5.1 To effectively monitor and address the risk that persons abuse the financial system for money laundering and terrorist financing requires a significant amount of firms' time and resources. As at 31 December 2021 Non-Life Insurers reported[10] that they collectively employ a total of **231** individual members of staff (***2020: 211; 2019: 241***) in the Isle of Man and other jurisdictions either directly or through a service contract. **78.4%** of the total employees (***2020: 77.2%, 2019: 82.2%***) were reported as Isle of Man staff (direct or through a service contract).

5.2 **29 individuals (12.6%)** were reported as being in compliance and prevention of financial crime roles as at 31 December 2021 (***2020: 25 / 11.8%, 2019: 34 / 14.1%***). It should be noted that compliance roles are not solely focused on financial crime. Non-Life Insurers have not reported any full time equivalent compliance / financial crime vacancies for all years.

5.3 Relevant staff require ongoing training to ensure they have the effective knowledge to help detect and prevent their firm from being misused by criminals. In the year ended 31 December 2021, Non-Life companies reported that **200** general refresher and induction/detailed training places were filled (***2020: 178, 2019: 213***).

In addition, Non-Life Insurers reported that **16** staff received specialist training (***2020: 12, 2019: 10***).

B. Outsourcing of processes to group entities or third parties

5.4 Information is obtained on the outsourcing of certain activities or functions to group entities or third parties. Where outsourcing occurs firms should have robust monitoring and control processes in place, as responsibility remains with the firm. Information is requested in respect of the following:-

- Customer on-boarding (including for risk assessments, collection of due diligence, screening, and business acceptance);
- Ongoing monitoring;
- MLRO and Compliance activity (for AML/CFT); and
- Staff screening and take-on.

[10] The staffing numbers do not include those reported by the Non-Life Insurers that are fully managed as the same staff (including directors) may work on a number of different firms and so the reported data may be significantly overstated and would distort the analysis performed.

5.5 It was evident from the reporting by Non-Life Insurers that the majority outsource a range of activity relating to the above to the Insurance Managers. The most extensive use of outsourcing outside of this arrangement was for the screening of staff at take-on, and the least used was, the collection of CDD when client on-boarding.

Table 4 below provides more information in respect of 2021 only. The data reported has remained consistent over the 3 year period from 2019, with only minor differences in relative numbers.

Table 4: Outsourcing of AML/CFT activity in 2021

Description	Undertaken by the Non-Life Insurer	Outsourced to Group	Outsourced to Third Parties
Client on-boarding[11]			
Customer risk assessments	Yes - 12	Yes - 1	Yes - 1
Collection of customer due diligence	Yes - 11	No	Yes - 1
Customer screening	Yes – 10	Yes – 2	Yes – 4
Customer acceptance	Yes – 13	Yes - 1	Yes - 1
Ongoing monitoring	Yes – 11	Yes - 1	Yes – 2
MLRO & Compliance activity			
MLRO activity	Yes -11	Yes - 1	Yes – 2
Compliance activity	Yes -10	Yes – 2	Yes – 3
Staff screening and take-on	Yes - 10	Yes - 6	Yes - 2

C. Monitoring for, and reporting of, financial crime

5.6 The law requires employees of firms to report knowledge or suspicion of money laundering within their firm, to their MLRO. In the year ended 31 December 2021, **8** cases of concern, suspicion or knowledge of money laundering were reported to the firms' MLROs (***2020: 12, 2019: 5***). There were no terrorism related internal reports made to the MLRO in 2019 to 2021.

5.7 MLROs must consider these reports, and decide whether a formal submission to the **Isle of Man Financial Intelligence Unit**[12] ("FIU") is justified, and must be registered with the FIU's "Themis" system to be able to make reports.

5.8 In 2020, after investigation by MLROs, **3** cases of knowledge or suspicion of money

[11] Outsourcing may be for only customer segment or part of a process
[12] See https://www.fiu.im/

laundering were reported to the FIU (***2020: nil, 2019: 1***). There were no external reports made to the FIU relating to terrorism in 2019 to 2021. Further, Non-Life Insurers reported **no** cases to the FIU regarding general intelligence in 2021 (***2020: 1, 2019: nil***).

5.9 In 2021 Non-Life Insurers did not handle any requests from law enforcement and other competent authorities (***2020: 9, 2019: 18***). The **9** requests in 2020 related explicitly to money laundering and the **18** requests in 2019 did not explicitly relate to either money laundering or terrorist financing.

5.10 A summary of this data is presented in **Table 5.** Engagement between the FIU, other law enforcement agencies and financial firms is a crucial component that supports investigations and prosecutions, not only in the Isle of Man but as part of international cooperation.

Table 5: Liaising with the authorities

Description	**2021**	**2020**	**2019**
Number of internal Money Laundering disclosures to the MLRO	8	12	5
Number of external Money Laundering disclosures to the FIU	3	0	1
Number of internal Terrorist Financing disclosures to the MLRO	0	0	0
Number of external Terrorist Financing disclosures to the FIU	0	0	0
Section 24 disclosures to the FIU	0	1	0
Enquiries received from law enforcement authorities	**0**	**0**	**0**
Of which were Money Laundering related	*0*	*0*	*0*
Of which were Terrorism related	*0*	*0*	*0*
Other enquiries or reason not known	*0*	*0*	*0*
Enquiries received from other competent authorities	**18**	**9**	**0**
Of which were Money Laundering related	*0*	*9*	*0*
Of which were Terrorism related	*0*	*0*	*0*
Other enquiries or reason not known	*18*	*0*	*0*

D. Refusing and blocking services because of financial crime risk

5.11 Concerns relating to financial crime may lead to firms turning away a prospective customer. No customers were declined because of financial crime, terrorism or sanctions related concerns in 2019 to 2021.

5.12 Firms are required to monitor ongoing business relationships and may cease to provide services because of their own financial crime risk appetite, or may terminate relationships under certain circumstances, including liaising with the FIU if a matter is subject to "consent"[13]. No existing relationships with principals were terminated because of financial crime, terrorism or sanctions related concerns in 2019 to 2021.

5.13 In addition to terminating relationships, firms may be requested by law enforcement agencies to block or freeze policies, or may themselves put additional controls around policies if information is required from a customer. No accounts were blocked or frozen for money laundering or terrorist financing in 2019 to 2021.

E. The Isle of Man banking system as gatekeeper

5.14 When it comes to the material flow of funds into and out of the Island, the Non-Life Insurance sector plays an important gatekeeper role. Non-Life Insurers reported the extent to which they use (themselves or for their clients) the Island's banking system. In addition to using the Island's banking sector, firms may also hold bank accounts for themselves, or their clients, outside the Island. Firms are also requested to explain the types of payment method they accept (for inward and outward remittance, where relevant) and the extent to which they are utilised.

5.15 In 2021, **88** Non-Life Insurers confirmed they only maintained bank accounts within the Island's banking sector for their own funds (***2020: 77, 2019: 83***).

5.16 Firms were requested to estimate the percentage of the value of transactions of their own funds that are transacted through banks in the Isle of Man. Of those firms who reported that they transact some of their own funds through Isle of Man banks, the median proportion of transaction value in the Isle of Man is **72.5%** in 2021 (***2020: 90%, 2019: 76%***). Note that the mean has not been used due to the data not allowing for weightings, and to avoid distortion by those firms who wholly use Isle of Man based banks.

[13] Section 154 of the Proceeds of Crime Act provides a reporting mechanism called "an authorised disclosure", which is a means by which a defence against money laundering can be obtained by a firm. Making an authorised disclosure can be used as the vehicle to seek consent to commit a prohibited act (i.e. possessing, acquiring, moving known or suspected criminal property).

5.17 In 2019 to 2021, the predominant (usual) payment method utilised by Non-Life Insurers was bank transfers for incoming and outgoing payments. Approximately half of the companies also reported occasional use of cheques for incoming and outgoing payments. A small minority of Non-Life Insurers reported using debit/credit cards as a usual or occasional methods for incoming and outgoing payments. Exceptional use of banker's drafts and occasional use of in-specie transfers were reported by two Non-Life Insurers. The majority of firms stated they never used or accepted cash, traveller's cheques, prepaid cards, PayPal or crypto/virtual currency.

5.18 The above shows that Non-Life Insurers mostly use Isle of Man based banks. It is important that Non-Life Insurers have high standards in place to prevent structures being used to facilitate money laundering or terrorist financing, as a key gatekeeper and introducer of business to other sectors.

Non-Life Insurers mainly utilise very standard methods of payment, with **no** cash activity.

6. Managing and reporting of sanctions

6.1 It is important that firms have robust controls in place to ensure they comply with local and international sanctions. In order to help achieve this firms must have appropriate monitoring and screening tools to identify whether any of their customers (existing or prospective) are sanctioned individuals or organisations, and also to make sure funds paid / received are not made to / from sanctioned individuals or organisations.

6.2 In 2019 to 2021, the majority of Non-Life Insurers which are required to report on this matter, confirmed that they screen for sanctions at the commencement of a business relationship, and screen their customer records on a periodic basis to determine if a customer has become subject to sanctions. For the latter the frequency of screening was a mixture from daily to annually and ad hoc.

6.3 There is always potential that firms hold the funds of sanctioned individuals or organisations, mainly because such individuals /organisations will not have been subject to sanctions when they were originally accepted as a customer. In such cases, firms may be required to block or freeze assets for financial sanctions purposes. In 2019 to 2021, no accounts were blocked or frozen for financial sanctions purposes.

6.4 The law requires firms to identify and report any suspected breach of sanctions[14] to the

[14] With reference to the "Sanctions List", which means the list of persons who are currently subject to international sanctions which apply in the Isle of Man: this list is maintained by the Customs and Excise Division of the Treasury of the Isle of Man

Financial Intelligence Unit. In practice, these reports will be made by a firm's MLRO, or Deputy MLRO, using Themis (with processes in place internally for employeesto report to the MLRO / Deputy MLRO). There were no disclosures made for suspected breaches of sanctions in 2019 to 2021.

7. Delivery of services: face to face, use of introducers and third parties

7.1 How a firm delivers its products and services to customers can range from direct relationships with face to face interaction before a business relationship is established, or an occasional transaction conducted, to situations where relationshipsare established remotely directly by the customer, or through introducers / third parties (and sometimes through more than one layer of introducer / third party).

In 2021, Non-Life Insurers reported **83,731** new policies issued (***2020: 68,444; 2019: 61,451***) in the year with **83,520** new customer relationships (***2020: 66,049; 2019: 60,185***). Only **0.8%** of new customers where derived from introduced business in 2021 (***2020: 1.2%, 2019: 1.7%***). The majority of new customers were derived from direct business in 2019 to 2021.

7.2 **Table 6** provides a detailed analysis of the basis of the interaction with new customers and demonstrates that the majority of new business in 2019 to 2022 is not conducted on face-to-face basis.

Table 6: Basis of interaction with new customers

Description	2021	2020	2019
Face-to-face meeting by the firm	0.5%	0.4%	1.6%
Face-to-face meeting by a related party	1.2%	1.3%	3.0%
Non face-to-face meeting	98.3%	98.3%	95.4%

The non face-to-face basis for the majority of new business may indicate that there are increased AML/CFT risks due to potential difficulties in verifying the identity of the customer.

Non-Life Insurers may take advantage of the insurance concession when the contract entered into meets certain criteria set out in the Code[15]. The insurance concession was applied for **99.2%** of the new customer relationships entered into in 2021 (***2020: 98.8%, 2019: 98.3%***). The contracts that meet the criteria are lower risk for AML/CFT purposes as they are low value and do not have any high risk AML/CFT characteristics.

7.3 7.11 Non-Life Insurers were requested to provide information on the extent of introductions from other Isle of Man entities indicating the number of entities by type which have introduced customers to the firm and the number of accounts controlled by the Isle of Man entities.

In 2021 a total of **17** Isle of Man institutions were used to introduce clients (***2020: 20; 2019: 14***) and **32,895** policies were controlled by the Isle of Man entities (***2020: 31,326; 2019: 31,833***). The Non-Life Insurers reported that the introductions were mainly through other entities regulated by the Authority.

[15] The Code paragraph 20

Annex 1 – Data Quality

The following matters should be noted in relation to the data provided in this report:-

- The report is based on data provided by firms; the Authority does not check the accuracy of data for every firm but may raise questions with firms.
- Parts of some firms' data is provided on a "best endeavours basis" and therefore cannot be considered as 100% accurate.
- The figures for customer numbers, including PEPs, is based on a simple sum of individual firms' data as submitted to the Authority. The residency data is collected differently for fully-managed insurers and self-managed insurers. Self-managed insurers report this data for their underlying customers and fully-managed insurers report this data via the insurance manager, whose customers are the fully-managed insurers themselves. This data will be collected consistently from 2022.
- The staffing numbers do not include those reported by the Non-Life Insurers that are fully managed as the same staff (including directors) may work on a number of different firms and so the reported data may be significantly overstated and would distort the analysis performed.
- There were some significant inconsistencies with reporting the same data within the same return. Material inconsistencies were corrected for the purposes of analysis within this report.
- Frequent incidences were identified of Non-Life Insurers reporting figures within tabs that should not be completed for their type of business. These errors were often repeated year on year.