

The insured's attention is also to be invited to the statutory provision that no risk can be assumed unless the premium is paid in advance.

Anti-Money Laundering and Know Your Customer Guidelines

Criminals obtain funds through their illegal activities but seek to pass it on as legal money by a process called money laundering.

Money Laundering is the process by which criminals transfer funds to conceal the true origin and ownership of the proceeds of criminal activities. By this process, money can lose its criminal identity and appear valid.

Criminals attempt to use financial services, including banks and insurance, to launder their money. They make transactions by using false identities, for example, by purchasing some form of insurance and then managing to withdraw that money and then disappearing once their purpose is served.

Steps to prevent such attempts at money laundering have been receiving efforts at government levels world-wide, including India.

The legislation of Prevention of Money Laundering Act was enacted by the government in 2002. The Anti-Money Laundering guidelines issued by IRDAI soon after have indicated suitable measures to determine the true identity of customers requesting for insurance services, reporting of suspicious transactions and proper record keeping of cases involving or suspected of involving money laundering.

According to the Know Your Customer guidelines, every customer needs to be properly identified by collection of the following documents:

1. Address verification
2. Recent photograph
3. Financial status
4. Purpose of insurance contract

The agent is therefore required to collect documents at the time of bringing in business to establish the identity of customers:

1. In case of Individuals - Collect full name, address, contact numbers of insured with ID and address proof, PAN number and full bank details for NEFT purposes
2. In case of corporates - collect Certificate of Incorporation, Memorandum and Articles of Association, Power of Attorney to transact the business, copy of PAN card
3. In case of Partnership firms - Collect Registration certificate (if registered), Partnership deed, Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf, Proof of identity of such person
4. In case of Trusts and foundations - similar to that of partnership