

GFIA comments on IAIS Draft Issues Paper on Anti-Bribery and Corruption (ABC)

The Global Federation of Insurance Associations (GFIA) through its 38 member associations represents insurers that account for around 87% or more than \$4.0 trillion in total insurance premiums worldwide. We appreciate the opportunity to comment on this document

Section 2—Corruption Issues and the Insurance Sector

--**Para. 9:** GFIA supports the IAIS objective to prevent unethical, irresponsible, and illegal business activities such as bribery and corruption. However, we disagree that there is a greater risk in the insurance industry for these activities when compared with other economic sectors. Para. 9 states that “measures to combat corruption generally apply to the insurance industry in the same way as to any other area of activity.” It further states that, to date, “the insurance industry has not been involved in any significant prosecutions, but it has been the subject of some high-profile regulatory proceedings.” Four examples are provided in the draft Issues Paper, and three of these scenarios apply to brokerages, not insurers. This suggests that there is not widespread abuse that requires the introduction of additional measures.

Insurers must, of course, have compliance systems to mitigate the various risks their operations face. The draft paper commendably draws the attention of supervisors and insurers to the issue of bribery and corruption in an insurance context, but we do not believe additional guidance would yield cost-effective improvements in the mitigation of insurance crime given that insurers and their products are more vulnerable to fraud and AML/CFT which are addressed in ICPs 21 and 22.

Section 3—Relationship to AML/CFT Frameworks

--**Para. 15:** AML/CFT and ABC have many similarities, but ABC also goes wider than AML requirements. AML/CFT measures can be useful in the prevention, detection, and mitigation of bribery and corruption (note the example of the screening of PEPs). On the other hand, the implementation strategies may vary due to differing systems, internal controls, and an individual insurer’s assessment of the risk of bribery and corruption. Bribery and corruption are criminal offences and should remain within the remit of law enforcement agencies.

Section 4—Insurance Supervision in Combating Bribery and Corruption

--**Para. 27:** As noted, the responsibility for combating bribery and corruption in many nations falls within the authority and competency of regulatory and enforcement agencies which define and determine the degree of detail appropriate in ABC legislation and regulation. Unlike AML/ATF, where each country has a financial intelligence unit, there may be no specifically dedicated enforcement unit for bribery and corruption offences. In the case of AML/ATF, the financial regulator can work with the financial intelligence unit to ensure consistent interpretation and application of legislative and



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regulatory standards. No such capacity to formally coordinate may exist between law enforcement and financial regulators in respect of ABC, with the result that there could be two separate regimes governing insurers-criminal legislation of general application and specific rules developed by the FATF and financial regulators. Moreover, since many jurisdictions utilize ABC requirements of general application to all industries (including regulated financial institutions), specifying or expanding the requirements for insurers but not other economic sectors would result in a patchwork of regulations, inconsistent compliance expectations, and ultimately unintended consequences. For example, those countries that do not criminalize “facilitation payments” could see a situation where an individual traveling on business on behalf an insurer is treated differently from that same individual traveling as a tourist or on behalf of some other industry.

If changes to existing supervisory norms for ABC are warranted to address perceived deficiencies, the changes should be coordinated through the offices of the OECD or UN, so that all sectors adhere to the same standards.

--**Para. 47:** GFIA believes that a key management responsibility of the Board of Directors and senior management is the creation of an ethical corporate culture

Section 5—Approaches that Supervisors Use in Combating Bribery and Corruption

--**Para. 72:** GFIA supports the risk-based approach to mitigating bribery and corruption. This approach relies on an understanding by supervisors and insurers of risks and controls companies can implement as well as on an ability to apply assessment methodologies and procedures across the firm. In this manner, consistent with the purpose of the risk-based approach, more resources are directed to the highest risks. It also includes, consistent with the purpose of the risk-based approach, the concept of proportionality: development of policies and procedures by supervisors and companies that reflect the nature, scope, likelihood, complexity, and company specificities of bribery and corruption risks. Given the heightened focus on bribery and corruption globally and the attendant reputational risk to companies engaged in this behavior, many insurers will already consider bribery and corruption to be a major reputational risk (despite being a low probability outcome).

Section 6—Conclusions

--**Para. 95:** GFIA’s concerns regarding the draft paper’s conclusions are described in detail in prior sections of these comments, including those at para. 9 showing that bribery and corruption is not a significant concern for the insurance industry. GFIA concurs with the statement at para. 102 that the paper demonstrates that the application of relevant (IAIS) governance and other ICPs can contribute significantly towards mitigating bribery and corruption risks.

Section 7—Additional Questions for Consultation

--**Para. 103:** The draft Issues Paper directs the attention of supervisors and insurers to concerns about bribery and corruption so that insurers can manage these risks appropriately.



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However, GFIA does not support at this time adding guidance by expanding current ICPs or creating a new ICP. ICPs 21 and 22 currently address the two financial crimes to which insurers and their products may be vulnerable: fraud and AML/CTF. As these ICPs demonstrate, supervisory guidance is of greatest value in regard to these crimes that more directly affect insurers and their products.

--Para. 104: GFIA believes that the draft Issues Paper already presents significant information on approaches that supervisors can use in combating bribery and corruption. However, we would not support expanding the Issues Paper into an Application Paper. As para. 27 states in pertinent part:

The large majority of survey respondents indicated that the insurance supervisor is not directly responsible for combating bribery and corruption, but rather such matters fall within the competence of judicial authorities, notably the police, criminal prosecutor and criminal courts. The criminal prosecutor and the police generally have responsibility for legal prosecution. Based on the survey responses, most supervisors require insurers to comply with fit and proper provisions (during the licensing process) and that they have appropriate risk management and internal controls to identify and manage potential risks including AML/CFT and corruption and/or bribery risks.

It is our impression that other issues may presently be higher priorities for IAIS and that supervisory and insurer resources may be more effectively directed toward those at this time.

About the GFIA

Through its 38 member associations, the Global Federation of Insurance Associations (GFIA) represents the interests of insurers and reinsurers in 58 countries. These companies account for around 87% of total insurance premiums worldwide. The GFIA is incorporated in Switzerland and its secretariat is based in Brussels.