

Pursuant to the Article 8 paragraph 3 of the Law on the Prevention of Money Laundering and Terrorist Financing (“Official Gazette of Montenegro”, no 14/07 and 4/08, hereinafter referred to as the Law) and the Article 2, paragraph 1 of the Rulebook on Developing the Guidelines for Risk Analysis for the Purpose of Preventing Money Laundering and Terrorist Financing (“Official Gazette of Montenegro”, no 20/09), the Council of the Insurance Supervision Agency at its 61st session held on 7 March 2011, adopted

THE GUIDELINES

on the Risk Analysis of the Money Laundering and Terrorism Financing in the Insurance Companies

Article 1

These Guidelines shall determine in detail the content of business policy acts of insurance companies dealing with life insurance and branches of foreign insurance companies without legal entity status licensed to perform life insurance business in Montenegro (hereinafter referred as the Obligors), that the Obligors use in order to regulate management of money laundering and terrorism financing risk, related risk analysis, procedures with clients depending on the risk category the Obligor has classified it to, as well as other procedures in the area of preventing money laundering and terrorism financing, which are required for reducing this risk to the minimum.

Obligor’s Duties

Article 2

The Obligor shall adopt an internal act on business policy which is to regulate the following activities:

- development of a risk analysis in relation to the money laundering and terrorism financing, with the purpose of defining areas of business which are, given the possibilities of money laundering or terrorism financing, more or less critical, i.e. of self-determining other risks in business operation,
- definition of measures and manner for their implementation for the purpose of preventing the risk of money laundering and terrorism financing,
- appointment of person authorized for implementation of measures aimed at preventing the risk of money laundering and terrorism financing and undisturbed performance of activities by this person,
- training program for employees, especially for authorized person, for the purpose of adequate fulfillment of activities prescribed by the Law and these Guidelines,

- collection of data in a manner prescribed by the Law and these Guidelines,
- reporting to the authorities in a manner prescribed by the Law,
- assessment of procedures on prevention of money laundering and terrorism financing implemented by the insurance brokers or agents that the Obligor cooperates with,
- treatment of client's data in the procedure of establishing identity, reviews of and monitoring the basis for establishing client's identity and risk factor,
- treatment of data on transactions performed under the business relationship with the client, especially of those that cause doubt whether they are appropriate for the type of business and in line with the client's risk and information on the respective client,
- keeping records in a manner prescribed by the Law.

The Obligor shall deliver the act set forth under the paragraph 1 of this Article to the Insurance Supervision Agency (hereinafter referred to as the Agency), together with the accompanying decision of the Board of Directors within 15 day upon its adoption.

Appointment of the Authorized Person Article3

The Obligor shall upon the adoption of internal procedures from the Article 2 of these Guidelines, without any delay appoint a person (hereinafter referred to as the Authorized Person) for performance of work prescribed by the Law and these Guidelines.

The Obligor shall under the internal act from the Article 2 of these Guidelines appoint a person as the deputy of the authorized person, which is to deal with affairs from the paragraph 1 of this Article in the event the authorized person is prevented from duly performance of these affairs. The Authorized Person and its deputy shall be persons that meet requirements under the Article 36 of the Law.

Data on the Authorized Person and its deputy, as well as on replacement of such persons, shall be delivered to the Agency within 15 days upon adoption of the respective decision.

The Obligor shall provide persons from the paragraph 1 and 2 of this Article with regular training and professional development for affairs and tasks they perform, as well as with adequate offices and technical capacities for the work.

Internal audit shall quarterly assess qualifications of the Obligor for performance of activities aimed at prevention of money laundering and terrorism financing and those findings shall comprise a part of the quarterly report of the internal audit, which is to be adopted by the Board of Directors.

Identification, Review and Monitoring Measures

Article 4

Measures of identification, review and monitoring of clients, respectively of transactions performed during a business relationship with a client, shall be performed in a manner prescribed by the Law and these Guidelines and shall be performed especially in the following situations:

- 1) when establishing a business relationship with a client;
- 2) in the event of one or more related transactions having the value of 15.000€;
- 3) when there is a doubt concerning the accuracy or validity of obtained data on identification of a client;
- 4) when there are doubts that a transaction or a client is related to money laundering or terrorism financing.

When conducting identification, review and monitoring measures, the Obligor shall take into consideration the following criteria:

1. general criteria on the basis of which a client, a business relationship, a product or a transaction are classified as more or less risky for money laundering or terrorism financing,
2. criteria for assessing the client's risk, respectively of his/her key business activities in the sense of money laundering or terrorism financing, including the assessment of probabilities for its business to be misused for money laundering or terrorism financing,
3. criteria for managing the risk of money laundering and terrorism financing that the Obligor possesses.

Within the conduct of these criteria the Obligor shall comply with the following instructions:

1. the client shall be classified into the risk category on the basis of determined risk factors specified in the Article 5 of these Guidelines,
2. in the event that upon collection of required data, the Obligor assesses that there is a high risk of money laundering and terrorism financing, the Obligor may also classify a client, a transaction, a product or a business relationship into the high risk category, even though according to the factors from the Article 6 of these Guidelines they belong to the low risk category,
3. when determining the risk grade category, a client, a business relationship, a product or a transaction, which according to the factors from the Article 6 herein would be classified as a high risk, cannot be classified as a medium risk or a low risk,
4. in the event that a transaction is performed via an intermediary, the Obligor shall undertake measures prescribed by the Article 28 of the Law.

Risk Factors

Article 5

The Obligor shall consider the following cases as the risk factors for the purpose of determining the client's acceptability and establishing its risk grade profile:

- a. home country of the client, home country of the majority owner or beneficiary owner of the client is listed as a country where FATF (Financial Action Task Force) recommendations are not sufficiently applied or is deemed as risky according to the assessment of local authorities,
- b. home country of the person that conducts transactions with the client, regardless the position of such a country on the list referred to in the item a) of this paragraph,
- c. a client, a majority owner or a beneficiary owner of the client, or persons that perform transactions with the client, are persons that the corrective measures have been instituted against in order to establish institutional peace and safety, all in accordance with the United Nations Security Council Resolutions,
- d. unknown or unclear source of client's funds or funds whose source the client cannot prove,
- e. cases that cause suspicion that the client is not acting on his own account or is acting upon orders or instructions of third parties,
- f. unusual way of executing transactions, especially taking into consideration its ground, amount and manner of execution, purpose of account opening, as well as activities of client if the client performs economic activities,
- g. cases that causes indices that the client performs suspicious transactions,
- h. client is politically exposed person in the manner prescribed by the Law,
- i. risk grade of other persons related to the client,
- j. specificity of affairs performed by a client,
- k. client's presence at the conclusion of business relationships,
- l. problems with identification documents or other documentation.

In conjunction with the risk factors from the item 1 of this Article, the Obligor may use the internal act from the Article 2 in order to expand the list with other factors or to define it in more details or to clarify situations stated in the previous paragraph of this Article pursuant to own risk assessments on certain segments of its business.

Risk Categories

Article 6

The Obligor shall classify a client into one of the following categories:

- a) high-risk grade;
- b) average –risk grade;

c) low-risk grade.

The high-risk grade clients are deemed to be persons that fulfill:

- condition from the Article 5, paragraph 1, item a, b, c and h of these Guidelines or
- two or more conditions from the Article 5, paragraph 1, item d, e, f, g, i, j, k or l.

The average-risk grade clients are deemed to be clients that according to the provisions from the paragraph 2 of this Article cannot be classified as the high-risk grade clients and the Obligor shall undertake regular review and monitoring measures for them as prescribed by the Law.

Notwithstanding the previous paragraph of this Article, the Obligor may also deem the persons that have entered into the insurance contract via a representative as the average risk clients, subject to the fulfillment of the following conditions:

- that the insurance company has requested copies of the documents collected by the representative,
- that the first premium payment or the first installment of the premium was paid from the client's account to the representative's account.

Low risk clients are deemed to be:

- the state authorities, local self-government authorities and other persons entrusted with public authorizations,
- persons that according to the rules of the Ministry of Finance represent a low risk for money laundering and terrorism financing,
- companies whose securities are admitted to trading with EU Member Countries or other countries where EU standards apply on stock exchanges,
- persons from the Article 4, paragraph 1, item 1, 2, 4, 5, 6, 8, 9 of the Law with their registered office in EU or a country from the list determined by the Ministry of Finance.

In addition to conditions for classification into the risk grade categories from the paragraph 1 of this Article, the Obligor may in the internal act prescribe more strict conditions for classification of clients into the category of average or high risk grade.

Determination of Risk Grade Category

Article 7

The Obligor shall classify a client, a business relationship, a product or a transaction into a risk grade after performing the following procedures:

1. identification of identity or correspondence of a client with the data collected for preparation of a risk grade assessment,
2. assessment of delivered data in the sense of the risk grade criteria on money laundering and terrorism financing,
3. assessment of additional documents and their analysis if it was assessed that their delivery is required.

When determining the risk category, the Obligor shall also use the lists of indicators prescribed by the authorities for the purpose of recognizing suspicious clients and transactions, particularly paying attention to the following situations:

1. payment of insurance premiums in large amounts,
2. request of the insurance beneficiary for the insurance payment or return of insurance premium to be paid in cash in case of large amounts,
3. large insurance payments with more insurance policies concluded in a short period of time are paid in cash,
4. there is a suspicion that the insurance policies, which were concluded in a short period of time, are paid in cash,
5. there is a suspicion that the insurance policies were concluded under false names, under the names of other people or with false addresses,
6. one person is the holder of a large number of policies issued by different insurance companies, especially if the insurance contracts were concluded in a short period of time,
7. policy owner performs amendments to the insurance contract requesting the insurance policy with higher premium or demands to change monthly payment of premiums to the annual or lump sum payment, which is not in correspondence with its financial standing,
8. canceling the insurance policy shortly after the insurance contract is concluded, especially when the policies with large premiums are involved,
9. a client requests for compensations from insurance and payments demanded on the basis of compensation in the event of canceling the policy or overpaid insurance premiums to be paid to a third party or transferred to the account of a physical or legal entity from a country that does not apply strict standards on prevention of money laundering or where strict regulations on confidentiality and secrecy of banking and business data are in force,
10. client accepts unfavorable terms of the insurance contract regarding to his health condition or age,

11. companies that hold insurance policies on behalf of their employees pay unusually high insurance premiums or cancel policies in a very short time after the date of entering into the insurance contracts,

12. companies purchase life insurance policies for employees, but number of employees is lower than the number of purchased policies,

13. insurance contract is concluded by a person that was involved in illegal activities in the past or insurance contract is concluded by a person that in some manner can be associated with the aforementioned person,

14. insurer or insurance holder insists on transaction secrecy, i.e. not to report the amount of the insurance premium or the insurance sum to the Administration, despite the legal obligation of the insurer to do so,

15. a client attempts by a plea or a bribe to persuade employees of the insurance company to act in his/her interests contrary to the Law,

16. large or unusual indemnity claims or claims whose grounds cannot be determined with certainty,

17. duration of life insurance policy is shorter than three years.

Procedure from the paragraph 1 of this Article is conducted through a form that contains prescribed data which is to be filled in by the client, as well as through collection of other documents, originals or duly certified copies, and by the analysis of data collected in previously described manner which is to be performed by the Obligor's employee.

After conducting the procedure from the paragraph 1 of this Article, the client shall be classified into a certain risk category and the decision on possibilities to enter into business relationship shall be issued thereupon.

In the event that the client is assessed as a high risk client, the Obligor shall determine the client's acceptability and may refuse to enter into agreement with the client with whom the existence of any of the above mentioned risks have been determined.

The Obligor may also condition entering into a contract or extension of already concluded contract with fulfillment of specific additional conditions determined by the internal act of the Obligor.

The Obligor shall in its internal act prescribe conditions under which the authorized personnel are obliged to refuse entering into a business relationship or conduct of transaction with a client or cases that require written consent of the authorized person.

Monitoring Business Activities

Article 8

In the process of monitoring business relationship with a client, the Obligor shall reexamine grounds of the initial assessment of client's or business relationship risk and if needed shall determine a new risk assessment (subsequent determination of risk grade).

Monitoring from the paragraph 1 of this Article shall be performed:

- in case of average-risk clients – once a year or if the beneficiary is changed or after any amendments to the contract,
- in case of high-risk clients – at least once a year , but it is possible even more often depending on the assessment of the Obligor,
- in case of low-risk clients – examination whether the data used for classifying the client into this category have remained the same.

In subsequent determination of risk grade the Obligor shall especially take into consideration the following circumstances:

1. significant changes in circumstances that the assessment of client's or business relationship risk is based upon or change in circumstances that significantly affected classification of a certain party or a business relationship into a certain risk category,
2. reasons to doubt the authenticity of data that the assessment of client's or business relationship risk is based upon,
3. discrepancy between the data obtained in a repeated control and the initial data.

In case of existence of one or more circumstances from the previous paragraph of this Article the Obligor may classify the client into a higher risk category.

Exception from the Obligation to Review and Monitor the Client

Article 9

Exceptionally from the Article 4 of these Guidelines, the control of a client does not necessarily have to be performed when entering into a life insurance contract:

- if an individual installment of premium or multiple installments of insurance premium payable in one calendar year, in total do not exceed the amount of 1,000.00 €,
- if payment of a single premium does not exceed the amount of 2,500.00 € per year,
- with a low risk client according to these Guidelines.

Identification of Clients

Article 10

The Obligor shall establish identity of a client and collect data on the client and transaction (hereinafter referred to as the identification) in the manner prescribed by the Law before establishing a business relationship and exceptionally upon it, but not later than the moment when the insured could exercise its rights arising from the policy.

Documents that the data necessary for identification are determined upon shall not be older than three months.

In the event of serious doubts regarding the beneficiary's identity or in the event when a beneficiary could be assessed as a high risk client, the Obligor shall examine the identity by obtaining a duly certified client's written statement.

In case that despite the measures undertaken for identification of a client or the beneficiary owner of a client, which is a legal entity, the identification can not be determined with certainty, the Obligor may refuse to enter into such transaction.

Identity of Physical Entity and Transaction Data

Article 11

The Obligor shall verify identity of a client –physical entity by examining personal documents of a client issued by the relevant state authorities (identity card, travel document or another public document that the identity of a physical entity can undoubtedly be determined upon) in his presence and the following data shall be collected on such occasion:

- name and surname, date and place of birth, place of residence or place of temporary residence of such person,
- personal ID number and place of issuance, name of the authority issuing the identity document,
- unique citizen's civil registry number of physical entity that is opening an account or is performing a transaction, respectively on whose behalf an account is to be opened, a business relationship is to be established or a transaction is to be performed,
- name and surname, number of personal document, date and place of birth and place of issuance, as well as the unique citizen's civil registry number of the proxy if the business relationship is established in such a manner,
- type and purpose of the transaction,
- date that the business cooperation was established on,
- date and time the transaction was executed on,

In case of entering into a contract through an intermediary or a representative, the insurance company shall get in possession of documents that the

intermediary/representative has collected and shall request for the first premium payment or the first premium installment to be paid through the client's account.

Identity of Legal Entity and Transaction Data

Article 12

The Obligor shall verify identity of a client – legal entity by examining the original or certified copy of document from the Commercial Court Central Registry (hereinafter referred to as the CCCR) or other adequate public registry, submitted by a representative on behalf of the legal entity and shall particularly define the following data:

- 1) name, address of the registered office and unique identification number of the legal entity establishing a business relationship or on whose behalf a business relationship is being established or a transaction is performed,
- 2) name of the person, place of residence or temporary place of residence, date and place of birth and unique identification civil registry number of the representative or authorized person, which is entering into a business relationship or performing a transaction on behalf of a legal entity or any other person entitled to civil rights, as well as the number and title of the authority issuing such personal document,
- 3) purpose and forecasted nature of business relationship, including information on the client's business activity,
- 4) date and time the transaction was executed on,
- 5) transaction sum and the transaction currency,
- 6) purpose of the transaction and name of the person, and place of residence or temporary place of residence or company and registered office of the person that the transaction is intended to,
- 7) manner of performing a transaction,
- 8) data on the source of assets and finances that were or are to be subject of a business relationship or a transaction,
- 9) existence of reasons that cause doubts regarding money laundering or terrorism financing.

In addition to data from the paragraph 1 of this Article the Obligor shall also in situations from the Article 4 paragraph 1 of these Guidelines obtain the following data on the beneficiary owner of the legal entity:

- name, residence address or temporary place of residence of the beneficiary owner,
- date and place of birth of the beneficiary owner of the legal entity,
- data on the category of person whose interest is the establishing and actions of legal entity or similar legal entity of foreign laws, in the case from the Article 19 paragraph 3 item 2 of the Law.

If the Obligor when establishing and verifying identity of a legal entity doubts the authenticity of obtained data or credibility of documents or other business documentation the data were obtained from, it shall also be obliged to procure a written statement from a representative or authorized person before establishing a business relationship or executing a transaction.

Representative's Identity

Article 13

If establishing a business relationship or undertaking a transaction by a representative or authorized person (proxy), the obligors shall verify identity of authorized person (representative, proxy) and the client on whose behalf and for whose account an account is to be opened or a transaction is to be executed and all of it solely on the basis of personal or other public documents, such as:

- a document issued in a prescribed form by a state authority within its competence or an institution and other legal entity having public authorizations entrusted by the Law, and
- a written authorization – power of attorney, certified by a notary, consulate, court or a state administration authority.

When establishing and verifying identity of a representative, the Obligor shall provide a written statement if doubting the authenticity of obtained data and especially in cases when:

- a written authorization (power of attorney) was given to a person who obviously is not closely related to the client (for example, family connections, business connections and similar) in order to execute transactions using the client's account;
- a client's financial status is known and the intended transaction does not correspond to his/her financial status;
- during business relationships with a client, some unusual transactions are noticed.

Politically Exposed Persons

Article 14

The Obligor shall establish an adequate procedure in order to ascertain whether a potential client or a beneficiary owner of the client is a politically exposed person under the meaning of the Article 27 of the Law.

The Obligor shall use the following sources in order to identify politically exposed persons:

- a) a form that is to be filled in by the client,
- b) information collected from public sources,
- c) information obtained from accessing databases that include lists of politically exposed persons (*World Check PEP List*, Internet, etc.).

Procedure for identification of close associates of politically exposed persons shall apply if the relationship with the associate is publicly known or if the Obligor has reasons to believe that such relationship exists.

Before establishing a business relationship with a politically exposed person, person that is entering into a business relationship shall:

- obtain data on source of funds and assets that are subject to the business relationship or transaction from personal and other documents presented by the client and if prescribed data cannot be obtained from submitted documents the data shall be obtained directly by the client's written statement;
- obtain written consent of the direct supervisor before establishing business relationship with a client.

The consent from the paragraph 3 indent 2 shall be made in written form, printed or electronic, and it will not be necessary to obtain it for execution of each separate transaction on behalf and for the account of the client.

After establishing a business relationship with a politically exposed person, with members of his/her immediate family and with close associates, the Obligor shall keep special records on these persons and transactions which are to be undertaken on behalf and for the account of these persons.

Authorized person of the Obligor shall monitor with due care all business activities he/she performs with a politically exposed persons and if notices that circumstances related to usual business activities of the client have changed, he/she shall notify the authorized person on such transactions in the shortest possible time.

Obligors shall regularly update their lists of politically exposed persons and may expand them also to those clients that at the time when the business relationship was established had not been politically exposed persons within the meaning of the Law.

From the list of politically exposed persons the Obligor may delete only persons for whom at least one year has passed since the date when their term or the status that made them classified into this list had expired.

Obligors shall keep data on politically exposed persons in electronic form.

Record Keeping and Submission of Data

Article 15

Obligor or the Obligor's authorized person shall keep records and collect data and documents on all clients, other persons and transactions in relation to the activities undertaken pursuant to the Law and these Guidelines in written and electronic form and keep them at least ten years from the date of transaction execution or closing of business cooperation.

The Obligor shall promptly submit to the Administration the transaction data suspicious for money laundering and terrorism financing, which were collected in the process of establishing and monitoring business relationship with clients.

The Obligor shall provide the Insurance Supervisory Agency with access to all data, information and documentation collected in the process of establishing and monitoring business relationships with clients.

Data Protection

Article 16

The Obligor shall in its internal act define a procedure for protection of data in accordance with the Article 80 of the Law, as well as the obligation of all employees to treat all data they get in possession during their work in accordance with the Law.

Article 17

These Guidelines shall enter into force on the eight day upon their delivery to the Obligors.

FOR THE COUNCIL OF THE AGENCY

Veselin Popović