

Master Circular of Guidelines on Anti-Money Laundering (AML)/Countering the Financing of Terrorism (CFT) for Postal Life Insurance (PLI) and Rural Postal Life Insurance (RPLI)

Purpose of the Document:

Money Laundering is a process or activity of moving illegally acquired money through financial systems so that it appears to be legally acquired.

The objective of the Master Circular of guidelines on Anti Money Laundering (AML) Measures/ Combating the Financing of Terrorism (CFT), including Know Your Customer (KYC) / Customer Due Diligence (CDD) requirements, under the obligations of the Prevention of Money Laundering Act (PMLA) 2002, is to prevent money laundering or terrorism financing activities by use of Postal Life Insurance (PLI) or Rural Postal Life Insurance (RPLI) intentionally or unintentionally by criminal elements. KYC procedures also enable PLI/RPLI to know/understand customers better and manage their risks prudently.

It is also meant to serve as a guide and ready reference on matters relating to AML/CFT for field personnel of the Post Office, including staff deployed at PO counters and PLI CPCs, supervisors engaged in PLI/RPLI related work, as well as PLI/RPLI sales force.

Definition of Customer:

Any proponent for a PLI/RPLI policy or Holder of a PLI/RPLI policy is a customer of PLI/RPLI.

GUIDELINES:

1. General

All persons for/on behalf of Post Office Life Insurance Fund (POLIF) and Rural Post Office Life Insurance Fund (RPOLIF) should keep in mind that the information collected from a customer for the purpose of issuing a policy or towards servicing of a policy is to be treated as confidential and details thereof are not to be divulged for cross selling or for any other purpose.

2. Know Your Customer (KYC) Policy

The KYC policy is declared on the following four elements based on PMLA provisions viz.

- A] Customer Acceptance Policy
- B] Risk Management
- C] Customer identification Procedure
- D] Monitoring of transaction, Records Keeping and Reporting.

A]. Customer Acceptance Policy

The provisions of the PMLA/PML Act, 2002 and the Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (PML Rules), prescribe Customer Identification Procedures to be carried out at the time of establishing a client-based relationship and while undertaking an insurance transaction, and recommend monitoring the transactions on an on-going basis. These are as follows:

- (i) No proposal is to be procured/policy to be issued, without name / pseudonymously. Each new customer is to be identified by obtaining prescribed documents as detailed in **Annexure-I**.
- (ii) The approving authorities designated for accepting the proposal are as follows:

Approving Authority	Amount Limit (Single or aggregate sum assured)
Postmaster (HSG-I/HSG-II), Sr. Postmaster (Gr. B), Dy. Chief Postmaster (Gr. B), AD of HO (Gr B) headed by Director	Upto Rs. 20 lakhs
Head of Division (Gr A/ Gr B), Chief Postmaster (Gr A), Dy. Director of HO (Gr A) headed by Director	More than Rs. 20 lakhs & upto Rs. 50 lakhs

- (iii) **It must be ensured before acceptance of a policy that the insurance premium is not disproportionate to income/source of funds/assets. Maximum sum assured under PLI is ₹ 50 lakhs for all policies, existing and proposed, subject to 10 times annual income till the age of entry of 40 years and 7 times the annual income for age of entry exceeding 40 years. Refer to the instructions issued vide PLI Directorate letter no. 25-**

03/2003-LI/Vol-II dated 12.01.2015. Similarly in case of RPLI, maximum sum assured of all policies put together, existing and proposed is ₹ 10 lakhs, subject to 10 times annual income till the age of entry of 40 years and 7 times the annual income for age of entry exceeding 40 years.

- (iv) Copy of PAN card shall be collected and updated in system/records for all PLI/RPLI policies where a single or aggregate premium during a FY exceeds ₹ 50,000/-. This applies for all existing as well as new PLI/RPLI customers. Refer to the instructions issued vide PLI Directorate letter no. 29-24/2020-LI dated 31.08.2021.

B]. Risk Management (Assessment/Categorisation):

Risk can be categorized as Low and High.

(i) Low Risk Customers:

Low Risk Customers are: -

- a. Individuals whose identities and sources of wealth have been identified.
- b. Transactions in whose accounts conform to known profile. For example, employees of government departments, regulatory and statutory bodies, permanent residents of locality etc.

(ii) High Risk Customers:

High Risk Customers are: -

- a. Politically Exposed Persons (PEP)
- b. Persons with dubious reputation

(iii) For Politically Exposed Persons (PEPs)

- a. **Definition of PEPs (Politically Exposed Persons):** PEPs are individuals who are or have been entrusted with prominent public functions by a foreign country, including the Heads of States/Governments, senior politicians, senior government or judicial or military officers, senior executives of state-owned corporations and important political party officials.
- b. Enhanced Customer Due Diligence measures shall be applied to PEPs and customers who are close relatives of PEPs. On the basis of information given, Post Offices or PLI/RPLI sales force when obtaining and ascertaining personal, occupational as well as financial details of a proponent, shall identify whether such proponent belongs to PEP category. Explicit mention shall be made on the proposal form in case proponent is a PEP.

- c. If proponent is identified as a PEP, additional information viz source of income with proof, mode of payment of premia and details of other insurance policies, if any shall be obtained.
- d. On receipt of proposals by PEPs or their close relatives at a PLI-CPC, blacklist (if any) issued by different regulatory authorities shall be checked. Details of previously taken PLI/RPLI policies (if any) by such persons or their relatives shall be searched in the PLI/RPLI database through different details/parameters furnished in the proposal form.
- e. On verifying the details, approving authority shall accept himself/herself before acceptance of such proposals and shall mention this fact on the case file cover in Red Ink.
- f. If it comes to notice of post office or PLI/RPLI sales force that a policyholder has subsequently become a PEP, the concerned authorities (PLI-CPC or Divisional Head, as the case may be) should be informed on this and enhanced due diligence measures as prescribed above should be applied by obtaining additional requisite documents/information and be marked PEP in records.

C] Customer Identification Procedure:

(i) Each new customer shall be identified by obtaining any of the documents mentioned in Annexure I for identity, address, age and income proof:

- a. All such documents shall be self-attested by proponent and authenticated by the PLI/RPLI Salesforce.
- b. In case of Yugal Suraksha Policy, the documents are required from both the proponent and spouse.
- c. In case of Children Policy, the documents are required to be obtained from the parent who signs the proposal form.

D]. Monitoring of transactions, Record Keeping and Reporting:

- (i). The following further precautions need to be taken:
 - a. In respect of high premium proposals (wherein annual premium is ₹ 50,000 or above), copy of PAN card and/or a copy of latest IT return to be obtained to assess financial suitability.

- b. Insurable interest of the proponent is to be seen & got satisfied in cases where the proponent is not the insured person, then the prescribed check should be followed.
- c. It is to be checked whether the proponent is applying for insurance from an address with that provided as document of address of proof.
- d. If KYC documents are not available, they shall be obtained at the time of settlement of claim.

(ii). Following transactions are to be reported to PCO/PMLA Section of Dak Bhawan through Proper Channel.

- a. Cancellation of policy during free look period, where 3 or more free look cancellation requests are received from a single policyholder in a calendar month, under which the amount refunded put together exceeds Rs.1 lakh.
- b. Assignment of policies to person other than Class I heir under IT Act or Financial Institution.
- c. Receipt of request for change of addresses 3 or more times from the same policyholder in a Financial Year, excluding correction in addresses without change.
- d. Requests for policies beyond his/her capacity.
- e. Premium payments for more than 5 Lacs a month in one or more transactions.
- f. Payments of premiums in cash with subsequent request for refund the amount over paid.
- g. Any transaction involving documents found to be forged or using counterfeit currency.

(iii) Reporting Schedules

Method of Reporting of CTR and STR
<p>Cash Transaction Report (CTR)</p> <ul style="list-style-type: none"> a. PLI-CEPT Team shall be responsible for generation/preparation of CTR report in the prescribed format in FINnet 2.0 of Financial Intelligence Unit-India (FIU-IND). The PLI-CEPT Team shall send monthly report to DDG (PCO), Postal Directorate by 6th working day of the subsequent month.

Suspicious Transaction Report (STR)

- a. SPM/PM of every departmental post office shall be personally responsible for preparation of STR related to PLI/RPLI mentioning nature of transaction, amount, name and address of insurant and nature/reason of suspicion in detail and shall be responsible for sending this list to the Head of Division concerned (by Name) on day of transaction. The format of STR is attached as **Annexure-II**.
- b. Head of Division shall send office wise list of STR to Head of Circle (by name) on the very same day of the receipt of STR from PO.

Note: *Suspicious Transaction means a transaction defined in clause (a) to (d) below, including an attempted transaction, whether or not made in cash which, to a person acting in good faith: -*

- a. *gives rise to a reasonable ground of suspicion that it may involve proceeds of an offence specified in the schedule to the Act, regardless of the value involved; or*
- b. *appears to be made in circumstances of unusual or unjustified complexity; or*
- c. *appears to have no economic rationale or bonafide purpose; or*
- d. *gives rise to a reasonable ground of suspicion that involves financing of the activities relating to terrorism.*

iv. Record Keeping

(For Circles and PLI-CPCs)

The data/documents related to insurance services (PLI/RPLI) shall be preserved for a minimum period of 5 years from the exit of the policy or final disposal of claim, as per the instructions issued vide PLI Directorate letter no. 24-01/2021-LI dated 30.04.2021 and 11.05.2021. The 'Record Retention Policy' for PLI/RPLI Policy Documents' is as under: -

Sno.	Type of Policy	Schedule
1.	Policies where less than 3 years of premia paid, and policy is lapsed	5 years after date of maturity
2.	Policies where at least 3 years of premia paid, and policy is surrendered	5 years after payment of surrender value
3.	Policies where at least 3 years of premia paid, and policy is Forced surrendered	5 years after date of 'Forced Surrender'
4.	Policies where at least 3 years of premia paid, and insurance contract is	5 years after payment of Maturity/Death

	discharged due to Maturity or Death	Claim amount
5.	Policies cancelled at the option of insurant during 'Free Look' period	5 years after cancellation of the policy
6	Policies which are subject of any case filed in any court of law	3 years after final clearance from arbitration, litigation, enquiry or audit as the case may be or till the prescribed retention period, whichever is later
