

LIFE INSURANCE CHARTER OF QUALITY

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PREAMBLE

This Life Insurance Charter of Quality is largely inspired by the ICMA Private Wealth Management Charter of Quality, which lists the guiding principles of best practices adopted by the cross-border private banking industry. The Life Insurance Charter of Quality adopts the same principles, whilst adapting them to the particular characteristics of the life insurance wealth management business.

1. The Life Insurance Charter of Quality (“the Charter of Quality”) is a voluntary standard of recommended minimum good market practices, which should be applied to individual life insurance. It is designed to be consistent with all relevant regulations at an international, European Union and national level. Also, it is intended to complement anti-money laundering directives and principles such as, the Wolfsberg Principles on anti-money laundering and global terrorist financing, as well as the Global recommendations of the Financial Action Task Force on Money Laundering (GAFI).
2. In general, the Life Insurance industry provides life insurance products to private individuals and their families.
3. The Charter of Quality has been drawn up voluntarily by a group of life insurers who are also members of the Luxembourg Insurance and Reinsurance Association (ACA), or of the national associations that are part of the Insurance Companies Union. Its purpose is to set out in a single document the high standards of integrity, transparency and professionalism that the companies which have signed it meet in their dealings with clients, counterparties, supervisors and regulators.
4. The Charter of Quality sets forth the functions of life insurers and the internal policies and procedures implemented for the appropriate conduct of their relationships with all external stakeholders. It is understood that the establishment of relevant internal policies and procedures and the compliance with the Charter of Quality, fall under the responsibility of the companies’ management.
5. The Charter of Quality is a public document and is posted on the ACA website.

The Charter of Quality is expected to be reviewed from time to time to ensure consistency of the Charter with the evolving relevant regulatory developments and quality standards of life Insurers.

In addition to the laws and regulations applicable in the life insurance sector, this Charter reflects the spirit in which its signatories intend to act in the various markets in which they operate.

The purpose of this Charter is to adopt rules of conduct in order to preserve the good reputation of the professionals acting in the sector, as well as supporting their efforts, in order to develop the Luxembourg financial centre in an appropriate, sound, professional and efficient manner.

Based on five principles which take into account the specific characteristics of the sector, this Charter gives its market players and signatories guidance in regard to the following requirements:

1. Integrity in business relations with clients, as well as service providers, partners and competitors. The same integrity is expected from staff employed by the sector’s main actors.
2. Exemplary nature of the practices and loyalty of the actors in the implementation of their actions, complying with local or foreign regulatory requirements applicable to the actors.
3. Actors should refrain from conduct that facilitates mechanisms for tax evasion.
4. Dealing with clients’ complaints according to the European EIOPA guidelines.

The signatories of the Charter of Quality have adopted the following principles and requirements:



1. PRINCIPLE OF INTEGRITY AND PROBITY

1.1. INTEGRITY IN BUSINESS RELATIONS

1.1.1. Knowledge of clients

Life insurers ensure that they have a good knowledge of their clients through the following methods::

- Identification: Life insurers take all necessary actions to establish the identity of their clients, policy beneficiaries and beneficial owners before carrying out any transaction. The beneficial owner is defined as any person who ultimately owns or manages the client or for whom a transaction is executed.

This includes identifying clients and verifying their identity on the basis of documents, data or information obtained from a reliable and independent source for natural persons.

The identification of the beneficial owner is determined in accordance with the applicable regulations (the power of control may be sought first according to the criterion of voting rights/ capital participation, or, failing that, by any natural person who holds the position of chief executive) and by taking «reasonable steps» to verify the identity of the beneficial owner, so that life insurers may be certain that they have identified the beneficial owner, as well as, in the case of legal entities, trusts and similar legal arrangements, by taking “reasonable steps” to understand the client’s ownership and control structure.

- Taxation: As soon as they start a business relationship, life insurers document the file on the tax residence of their clients in order to provide them, prior to the conclusion of the contract, with general tax information relating to the existence of the contract and the operations that will be carried out under its scope.
- Diligence: Life insurers gather all the necessary information on their clients and the beneficiaries of the contracts, as well as the beneficial owners. This information may include, in particular, their domicile, their personal data, as well as, for the clients, the reason and purpose for which they take out a life insurance contract, the economic origin of their assets and an estimate of the value thereof,

the source of the funds transferred and the future destination or use of the life insurance contract..

- Types of business relations: Life insurers do not accept anonymous contracts or agree to pay capital on an anonymous account.
- Regularly updated records: Life insurers ensure that they have up-to-date information about their clients.

1.1.2. Prevention of money laundering, financing of terrorism and external fraud

- Appropriate organisation: In order to prevent money laundering, terrorist financing and other criminal activities, life insurers shall set up an efficient and appropriate organisation. This internal control system includes an assessment of the risks of money laundering and terrorism financing procedures and a system for the monitoring of transactions.

Each organisation appoints a member of the management who will be responsible for leading the fight against money laundering and terrorist financing. Under the principle of proportionality, this managerial function is generally kept separate from the operational and commercial departments.

- Cooperation with the authorities: Life insurers shall cooperate with the authorities and make all necessary reports and disclosures if they suspect any criminal activity, or have reasonable grounds to suspect that money laundering or terrorist financing is taking place, has taken place or has been attempted, regardless of the amount involved.
- Diligence: Life insurers shall constantly validate their business relationships, in particular to identify the origin and destination of assets, and to ensure that transactions are consistent with the purpose of the business relationship and the information they hold about their customers, the beneficiaries of the contracts and the beneficial owners of the contracts. The exercise of this constant vigilance requires regular updating of all information.

1.1.3. Withdrawal of mechanisms that encourage tax evasion

- Traceability of transactions: Any payment of bonuses in the form of cash, shares or valuables must comply with the applicable reporting requirements. In the event of a request from their clients to obtain payment of benefits (takeover, death benefit) in cash, shares or valuables, the insurers will inform these clients of the reporting obligations they are subject to.
- Tax Compliance: Each life insurance company is expected to adopt a procedure to obtain reasonable assurance that its clients comply with the applicable tax obligations. A good practice is to obtain a tax compliance statement from the client, which may be duly documented depending on the circumstances of the case.

In accordance with the provisions taken by each life insurance company to reasonably ensure that their clients comply with their tax obligations, clients must be informed that the life insurance company will not engage in any transactions or offer services that are designed to enable them to avoid or evade their tax obligations.

In any event, life insurance companies must take care to avoid any situation in which they could be used for illicit tax purposes.

1.2. PROBITY OF DISTRIBUTION CHANNELS AND MARKETS, AS WELL AS CONTRACT LAW

Life insurers ensure that their first priority is that life insurance contracts and services provided are compliant with the local regulations applied in the freedom of services business or on the local market. They establish rules for this purpose:

- satisfy clients' needs and requirements,,
- appoint the fiscal representative in specific countries where applicable,
- comply with laws and regulations which form part of the "General Goods" rules in the country of residence of the policyholders applicable to the contract sold,
- comply with distribution and intermediation rules.

Any life insurer must avoid actively, systematically or knowingly contributing to tax evasion or any action contrary to the laws and regulations of the jurisdictions under which services are provided. Prior to any new product or service distribution, companies will set up an internal process formalising the conformity of their products and services based on various opinions (internal and/or external). Life insurers undertake to make available to their clients the data that enables them to complete their tax declaration.

1.3. INTEGRITY OF STAFF

1.3.1. Recruitment criteria

Life insurers undertake to recruit staff who demonstrate high standards of integrity and ethics.

1.3.2. Prevention of internal fraud

Life insurers take measures to prevent the risk of internal fraud: such measures may include, in particular, inter alia, security rules relating to fund transfers, signature-process rules, monitoring of transactions and proper training.

1.3.3. Internal control

Life insurers ensure that an effective control environment is in place. External and internal audits and other independent control functions assist the life insurer in validating the relevance of its system. For this purpose, independent inspection bodies or the life insurers' own internal audit and control structures may be necessary to regularly verify the proper application of the principles of integrity.

2. PRINCIPLES OF COMPLIANCE

2.1. TOWARDS CLIENTS

From the very beginning of the business relationship, life insurers provide their clients with correct, clear and non-misleading information about the product or service offered. This information may include in particular:

- an annual report
- tax calculation details if required
- any document necessary to complete the client's tax declaration

Generally speaking, life insurers make available to their clients:

- key information documents in accordance with the regulations on bundled retail and insurance-based investment products,
- all the information necessary to justify the content of their contract and to fulfil their tax obligations, in particular by providing them with the statements of their situation which will enable them to make the tax declaration required by the applicable legislation.

In order to achieve this objective, life insurers shall adopt procedures to ensure that their customers are able to personally understand, in writing or on an enduring support, the information relating to the proper fulfilment of their reporting obligations within the legal deadlines.

Life insurers must ensure that all the documents that they issue to their clients give a true picture of the situation of the contract as recorded in their books.

In order to enable their clients to comply with their tax obligations throughout the duration of the contract, life insurers will recommend to their clients that they seek advice from their own legal or tax advisor, according to their personal situation with regard to possible tax changes that may apply to their contract.

In the event that life insurers are informed by their clients of a change of tax residence, they will invite them to contact a tax advisor to examine the consequences of this transfer for their existing contract.

2.2. REGARDING THE REGULATORY ENVIRONMENT

2.2.1. Guaranteed access to information

Life insurers provide the control authorities and the other authorities of the jurisdictions where they are established with access to any information that they may require under the framework of currently applicable data protection legislation, to the extent permitted by the relevant laws and regulations governing disclosures to be made to the authorities. This guarantee covers any information given in accordance with the relevant laws and regulations in the jurisdictions where customers' contracts are held. The information issued is strictly limited to the request made and must not jeopardise the rules of confidentiality.

2.2.2. Collection of taxes

Life insurers undertake to ensure the collection of taxes that they have an obligation to collect.

3. PROFESSIONNALISM

3.1. PRIMACY OF CLIENTS' INTERESTS

Life insurers apply this principle to all the transactions that they conduct for their clients, in particular in the following fields.

3.1.1. Respect for privacy and professional discretion

Life insurers comply with the regulations relating to the protection of personal data and professional secrecy in the insurance sector. They establish rules to protect the confidentiality of client information in any form. They put in place policies and procedures designed to safeguard this information, in particular:

- measures to protect confidential and sensitive personal data;
- restrictions on the disclosure of information limited to those who "need to know";
- rules governing the access of staff to buildings, systems and IT tasks;
- rules governing the access of outsiders to buildings.

In addition, regular training on data management and data security is available to staff for the purpose of continuous professional development; this training also addresses the issue of the necessary discretion to be displayed by staff in the performance of their work.

3.1.2. Management of conflicts of interest

Life insurers adopt a policy to prevent and manage conflicts of interest that may arise between themselves, including their managers and staff, and their clients.

This includes the management of financial incentives to remunerate the quality of the service provided to the client and respecting the best interests of the client.

This policy is available and accessible to clients upon written request.

3.1.3. Management of client's complaints

Life insurers set up a system for the proper handling of claims. This includes the information given to the client on the procedure to be followed in making a complaint. The complaint may be addressed to the Commissariat aux Assurances (CAA) or to the ACA mediator, without prejudice to the right to pursue other legal action within the applicable judicial system.

3.1.4. Management of Insurance Claims

Life insurers adopt a principle of transparency in the handling of claims relating to the documents to be received for the payment of benefits, thus ensuring the observance of reasonable deadlines for the examination of files, the monitoring of inactive contracts and the search for beneficiaries.

3.2. PROFESSIONALISM OF SERVICE PROVIDERS

3.2.1. Preliminary verifications

When life insurers decide to outsource essential services relating either to the distribution or the administrative and/or financial management of their contracts, they undertake to check the professionalism of the service providers beforehand through a formal and documented authorisation procedure that includes criteria relating in particular to their approval and reputation.

3.2.2. Documentation commitments

The commitments of the service providers will be set out in a written agreement that includes at least compliance with the quality standards relating to the performance of their functions both in terms of the provision of advice and their controls in the fight against money laundering and terrorist financing.

With regard to the commitments linked to the distribution of their products, particular attention will be paid to the tax compliance of clients and the assets used to pay the premium.

3.3. PROFESSIONALISM OF PARTNERS

The notion of partners is meant to cover third parties, in the broadest sense, who are active in the life insurance sector, including business introducers, business intermediaries, reinsurers, asset managers and custodian banks.

Life insurers rigorously select their partners. They check, as far as possible, that whenever they start a new business relationship with a partner, the latter complies with the professional requirements laid down by the applicable legislation. More particularly, life insurance companies carry out due diligence in the choice of their partners.

Life insurers formalise the collaboration with each partner by means of contractual clauses specifying the rights and obligations of each party, as well as the operational and financial aspects of the collaboration.

3.4. EFFICIENCY

3.4.1. Efficiency of the provision of information to clients

Life insurers ensure the quality of the information sent to clients and the services they render. This applies in particular to:

- the complete and up-to-date nature of any reports made;
- time-efficient processes for settling any transactions they carry out;
- data provided on time for tax reporting purposes;
- the accuracy and fairness of any calculations;
- clarity of information.

The professionals shall ensure that customer information is correct and is provided with the use of clear and non-misleading terminology.

3.4.2. Efficiency of staff

Life insurers permanently ensure that their staff act in the clients' best interests:

- with responsibility;
- with competence;
- in compliance with professional rules.

For this purpose, life insurers ensure, in particular, that their staff undergo appropriate training in order to update and enrich their professional practice in the light of regulatory developments and the good practices adopted by this Charter.

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