



## Economic crime in the insurance sector

The insurance sector is particularly vulnerable to the threats of economic crime given the broad range of ever evolving products and services they offer clients, which are often sold through complex and international distribution channels. Unsurprisingly, Insurance companies recently reported an increase in experience of internal and external fraud, and exposure to economic crime. Fake insurance claims continue to rise across every type of insurance, with perpetrators ranging from opportunists to serious organised crime gangs.

These trends have prompted heightened interest from domestic and international regulators in the sector, and how it is managing these risks. Insurance companies and their Boards are therefore being driven to transform the way they protect their organisation against the threat of economic crime, and increasingly require sophisticated risk management frameworks, underpinned by data and technology, to help ensure they are managing such risks effectively.

### Why the sector is at particular risk of economic crime



Global reach with complex distribution channels involving third parties



Relatively immature risk control frameworks in economic crime prevention compared to the banking sector



A wide and diverse range of product types which present different economic crime risks and vulnerabilities



Insurers are diversifying into new sectors, creating both opportunity and risk

### Specific economic crime challenges



#### Fraud

Insurers are increasingly the subject of sophisticated payment frauds and are being targeted by cyber-criminals, through techniques such as phishing.



#### Sanctions

Insurers are exposed to a range of sanctions risks that result from policyholders, the insured, or counterparties located in a jurisdiction subject to sanctions, or designated on a sanctions list.



#### Money laundering

Given the diverse products being offered by insurers through a range of delivery channels, money laundering risks are evolving and becoming more complex.



#### Bribery and corruption

Global companies and use of public infrastructure increase the risks of bribery and corruption e.g. for TV rights, for tax evasion, to secure permits or resolve local issues and leaking sensitive information.

## Spotlight on: Building a pro-active monitoring

In light of increased economic crime threats, complex regulator activity and heightened public scrutiny, firms are increasingly looking to understand how they can use data held across their organisation to proactively identify red flags and address economic crime and misconduct risks at an early stage. By bringing together internal data sets and external sources of risk information and applying advanced data analytical techniques, organisations can gain powerful insights and intelligence to monitor such threats.

Building a successful monitoring capability will ultimately act as a key deterrent to deliberate wrongdoing, and will enable senior management to focus their controls more effectively on the areas of the business where potential economic crime risks may be at their greatest.

## Helping our clients take action

### Economic crime risk assessment

We were engaged by Lloyd's of London to perform an economic crime risk assessment to enable the Corporation to assess the economic crime risk profile of the Market across six pillars, including money laundering, sanctions, bribery and corruption, market abuse, fraud, tax evasion facilitation. We worked closely with Lloyd's to perform a risk analysis of Market data, and issued and analysed a Market-wide risk and controls questionnaire. Our work helped Lloyd's identify areas of risk in the Market; to enhance its risk management framework and its risk-approach to supervising over 50 market participants.

### Economic crime framework review

We worked with a leading insurance firm to provide an independent economic crime framework review. The engagement involved the review of their AML, ABC and sanctions framework and an effectiveness review of the compliance function, governance and culture. Following our work, the client had a clear plan of prioritised actions to address both specific areas of vulnerability and to enhance their overall risk management framework.

### Skilled persons review

Deloitte was engaged to provide a S166 Skilled Person's Report at the request of the FCA. Our work involved reviewing the economic crime control and oversight framework of the managing agent, and its oversight of coverholders and third party administrators. We identified a number of shortcomings, and provided our client with a series of recommendations to enhance the framework and meet the FCA's expectations.



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