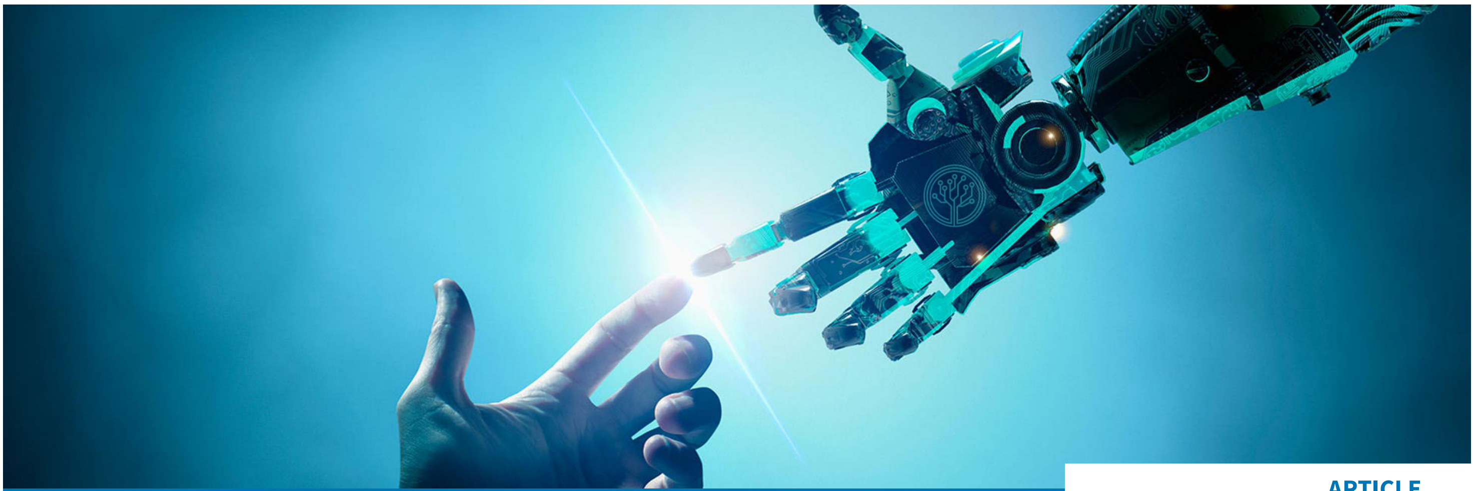

ARTICLE

Recent Financial Crime Compliance trends among insurers

In the last few years, both regulators and insurers have placed significant emphasis on developing a robust Financial Crime Compliance (FCC) framework. This has naturally led to an increased focus on FCC initiatives among insurers not only to ensure compliance, but also in adopting proactive FCC strategies that are based on good risk management practices.

We work with institutions with diverse global footprints, and in this article, we capture the recent trends in the FCC space in insurance companies:

Focus on ‘compliance culture’ and governance

Regulatory bodies globally are emphasising the need to build a strong compliance culture and are pushing organisations towards creating a sense of accountability across all lines of defence.

There is, therefore, an increased focus on strengthening the tone at the top and ensuring that compliance is an organisation-wide accountability, and not restricted to the second/third lines of defence. Organisations are also increasingly focusing on improving their overall governance framework to ensure adequate procedures are defined from an oversight perspective.

Robust customer identification procedures

The Customer Due Diligence (CDD) framework is being enhanced to make it more inclusive i.e., focused expansion of CDD procedures to include related parties and ultimate beneficial owners (UBOs) within the definition of ‘customer’.

To that extent, organisations are updating their CDD framework to include procedures around identification, verification, screening and ongoing monitoring of UBO information.

Customer Risk Rating (CRR) framework

One of the key challenges faced by insurers across the board is the accurate assessment of customer risk. Given that this is one of the key components of an effective FCC programme, organisations are adopting a risk based approach to develop a holistic CRR framework that allows them to obtain a fair measure of the financial crime risk associated with each customer along with corresponding due diligence measures.

Ongoing monitoring mechanism

The relevance of ongoing customer monitoring is more pervasive among insurers than before. Organisations are acknowledging that while initial due diligence addresses a part of the problem statement, Ongoing Due Diligence (ODD) of customers is necessary to ensure overall compliance.

There is significant impetus within insurance companies to develop and implement ODD procedures, particularly for high and medium risk customers.

Development of data lakes and centralised data repositories

Data availability and quality are of paramount importance in supporting digital initiatives. With the banking sector taking significant leaps towards digitisation, the insurance companies are also starting to recognise the need to move towards building centralised data ecosystems to ensure a smooth transition to digital initiatives and a more efficient leverage of technology enablers.

Statistical monitoring methods

Insurers are increasingly leveraging statistical parameters to monitor FCC operations, and building key performance indicators (KPIs) and key risk indictors (KRIs) to measure and monitor operational performance from an FCC perspective.

With the recent surge in the quantum of penalties and reputational damage emanating from FCC violations, it is unsurprising that insurers are investing diligently to enhance their FCC programme.

Against this background, we certainly expect to see enhancements in the insurance space in addressing FCC risks. While many insurers have already started working towards developing data lakes to facilitate larger digital initiatives, they are rapidly picking speed in terms of upgrading the overall governance framework.

It will be exciting to witness and support insurers as they gear towards proactively investing in developing robust FCC practices.

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