

White Paper

Anti-Money Laundering: More Than a Mandate?



How Life Insurance Companies Can Capitalize on Their AML Investment

Investing in anti-money laundering (AML) programs and technology at insurance companies supports compliance obligations and reputational risk management. However, the value of those investments goes further. Many companies believe AML compliance is much more than a mandate; it's a strategic advantage. That belief is driving them to accelerate the modernization of their AML technology.

Consumers want to do business with companies that operate with integrity, and forward-thinking insurance companies want to disrupt their distribution channels with direct-to-consumer sales programs. Both initiatives require insurance companies leverage technology to ensure compliance. Consequently, investing in AML technology remains a top priority for many insurance executives.

There are many other advantages for insurance companies when they embrace creativity and adopt a comprehensive, modern approach to detecting and preventing money laundering.

It's Time to Think Differently About AML

AML programs have been a requirement for life insurers for years. But, unlike the banking sector, the insurance industry has not been subjected to sustained regulatory enforcement. Yet companies are still under pressure to meet mandates. Noncompliance can damage the reputation of a company, lead to fines or result in criminal charges.

The burden to meet AML mandates is significant. Without a comprehensive understanding of risks and obligations, some companies make the critical mistake of following a check-the-box approach toward money laundering. That may be due, in part, to the challenge insurers face in defining their AML programs. At the same time, many AML compliance departments have inadequate resources. Consequently, a prescriptive, off-the-shelf solution that meets basic compliance requirements becomes an option.

Yet that approach doesn't reflect the unique risks faced by life insurance companies, such as those created by the agency field force, product mix, market focus and corporate culture. In addition, companies miss out on an opportunity to get a deep and meaningful analysis that can help them understand the activities of customers, employees and third parties.

Why is that analysis important? The life insurance industry's size and business structure make it vulnerable to money laundering. Products can be purchased through brokers and other intermediaries as well as across borders. Beneficiaries of policies often are different from the actual policyholders. As a result, there are many opportunities for criminals.

Further, because it has been more than a decade since insurance companies were first required to meet AML compliance standards, some in the industry may still rely on the AML transaction monitoring or report systems and processes they first implemented. A 2016

[survey](#) from Dow Jones and the Association of Certified Anti-Money Laundering Specialists (ACAMS) indicated that 36 percent of AML professionals ranked their top challenge in the coming year to be insufficient/outdated technology, up from 31 percent the previous year.

New technologies and technology-based products entering the financial marketplace also contribute to evolving money laundering methods and complexity. Additionally, consumers using the internet, cell phones and other electronic means to make payments or transfer funds have created new challenges for insurance companies in how they police vast volumes of electronic events in real-time, without creating excessive customer friction.

Instead of merely satisfying a mandate, an AML solution custom-built for life insurance can analyze data and achieve a variety of goals. It also can create a sustained competitive advantage over companies focusing on merely meeting the letter of the law.

In short, a check-the-box approach to compliance and new technologies that enable criminals can put the insurance industry at risk. Today's companies understand the importance of a modern approach to AML compliance. A solution should be designed specifically for the industry and be able to import data from a traditional distribution model as well as those underlying the direct-to-consumer channel.

How to Unlock More Value From Your Solution

Detecting money laundering, or any form of financial crime, requires interrogating data to uncover the markers and patterns associated with suspicious activity. It's no surprise decision makers cite "data accuracy" and "well-structured data" as the most important factors in choosing AML data providers, according to the 2016 Dow Jones/ACAMS survey.

Insurance companies face the challenge of multiple systems and data, often due to acquisitions, that reside in silos dotted throughout the enterprise. That magnifies the need for a configurable solution that can import, store and analyze disparate data – both structured and unstructured.

To garner more value, companies can adopt an AML solution that enables compliance and unlocks critical intelligence hidden in the data. The solution becomes a strategic advantage that allows insurance companies to:

1. Analyze Data From Multiple Viewpoints

Whether examining data for outliers, specific patterns of activity or allegations of wrongdoing, comprehensive enterprise AML solutions allow for in-depth analysis, monitoring and reporting of employee and policyholder activity through multiple lenses. That perspective allows insurance companies to satisfy the compliance mandate, interrogate data and extract actionable intelligence regarding other facets of the business.

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Vicki Landon
President and Owner
Landon Associates

Vicki Landon, president and owner of Landon Associates, a consulting business specializing in compliance and AML in the insurance industry, says, "The technologies used to monitor transactions for money laundering and terrorist financing are also well-suited to help with unclaimed property, market conduct and fraud. This allows an insurer to leverage its AML investment to contribute to its bottom line while boosting compliance across the board."

For example, by analyzing a policyholders' website and call center activity as well as the number of times your agents access their policy information, you may determine policyholders are either dissatisfied and present a flight risk or are assessing their insurance needs and may be in the market for additional products and services.

By using monitoring technology to discover unmet needs, revenue increases and the customer experience improves. As the users of the monitoring solution become comfortable analyzing the data, an AML and financial crime management solution evolves from a compliance tool to a cross-functional, multifaceted strategic tool, which in turn increases the solution's ROI.

2. Quickly Respond to Changes in the Regulatory Environment

To uncover money laundering or fraud, it's important an AML solution provide investigators with up-to-date and relevant scenarios that reflect changes in the regulatory and threat landscape. While anticipating how the regulatory environment may change over time is almost impossible, a flexible solution allows insurance companies to respond to new threats and attack vectors quickly and efficiently.

That is particularly important because managing regulatory requirements and keeping pace with an evolving environment creates pressure for compliance professionals. A solution that maintains processes and systems that are rigid enough to meet regulatory requirements, yet flexible enough to adapt to a fluid environment, can save companies time and money. In addition, when it's time to launch a new product or service, the technology is in place to support the rollout, manage risk and ensure regulatory compliance.

3. Keep Pace With Launderers and Fraudsters

When accompanied by a detailed, up-to-date risk assessment, technology empowers users to tackle known money laundering and fraud areas while developing innovative approaches to uncover emerging threats.

AML solutions should include a library of prebuilt rules and processes specific to insurance transactions. Investigators must be able to monitor and analyze the activity of insurance agents, employees and policyholders from initial onboarding to policy termination.

However, given how quickly financial crime schemes evolve, a solution must also provide the ability to develop, test and optimize new detection scenarios as the need arises.

For example, a solution should allow investigators to analyze products from different angles, including:

- Policyholder level
- Disbursement and payment activity
- Lump-sum distributions
- Early withdrawals that trigger substantial penalties
- Changes to policyholder biographical data

Money launderers and fraudsters sometimes collude with employees, so the solution should support analysis of each employee's involvement in a transaction as well as the subsequent maintenance or manipulation of records associated with a policy or a payment.

4. Make Use of Risk-Based Analysis

Another way to uncover suspicious activity involves investigating agents with respect to market abuse, including product suitability or the theft of premium

payments. By analyzing an agent's activity in isolation as well as against peers, investigators increase the probability of uncovering company policy violations or signs of money laundering or fraud.

Insurance companies are required to file suspicious activity reports only on transactions involving "covered products," so a check-the-box approach may miss illegal activity evident in the data but not part of baseline detection scenarios. By conducting risk-based analysis of an agent or policyholder's behaviors and transactions, investigators can proactively mine data to test or validate theories, monitor transactions and their participants in real-time, and interrelate data to identify potential noncompliance or crime.

Move Beyond Just Checking the Box

While the life insurance sector continues to avoid heavy regulatory scrutiny, dirty money keeps flowing into

products. The longer a company waits to improve its AML program, the greater the potential for sophisticated financial crime to flourish and for stiff fines and penalties to attract the attention of shareholders.

In addition to facing the threat of losses and possibility of increased regulatory oversight, an insurance company without the tools to combat financial crime faces a conflict between how it wishes to appear and its ability to back up that image with action. In turn, the divergence from what an insurance company promises and what it delivers may tarnish the brand in the eyes of policyholders, employees and investors.

By taking a strategic look at a modern, comprehensive AML solution, insurance companies can take steps toward minimizing losses, position themselves to improve compliance and use data to uncover previously hidden insights. That drives time and cost savings and unlocks real value.

Connect With Us

For more information about how to unlock real value from your AML solution, call 800-872-7882, email getsolutions@fiserv.com or visit www.fiserv.com.

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