

Insurance Typologies & Red Flag Indicators

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AML challenges in insurance

Typologies in insurance

Common red flag indicators

Recommendations

Structure

AML Challenges in the Insurance Sector

- Highly sales-driven industry
- Reliance on third parties for due diligence and compliance
- Non-availability of customer data
- Legacy businesses

The use of life insurance
single premium
policies

Early policy redemption,
especially when
uneconomic or unusually
early

Cash payments to
purchase insurance

General insurance **claim fraud** in insurance
involving high value goods
which were purchased
with illicit funds

Free look periods,
allowing for refunds of
premiums with clean
money within the contract
cancellation period

Collusion of customer
intermediary and / or
insurance company
employees

Third party payments of premiums

International transactions - both
where source of business
or a destination of policy
payout is abroad

Fraudulent customers,
insurance companies and
reinsurance companies

Typologies in Insurance

Common red flag indicators

- Customer wants to pay premium of an insurance policy involving **large amount of cash**
- Customer proposes to purchase an insurance product using a cheque drawn on an account **other than his or her personal account**
- Customer who has other small policies based on a regular payment pattern makes a sudden request to purchase a substantial policy with a **lump sum payment**
- Cancellations in the **free look period**
- Scale of investment in insurance products is **inconsistent with the customer's economic profile**
- **Unforeseen deposit** of funds or **abrupt withdrawal** of funds
- Involvement of **one or more third parties** in paying the premiums or in any other matters involving the policy

Common red flag indicators

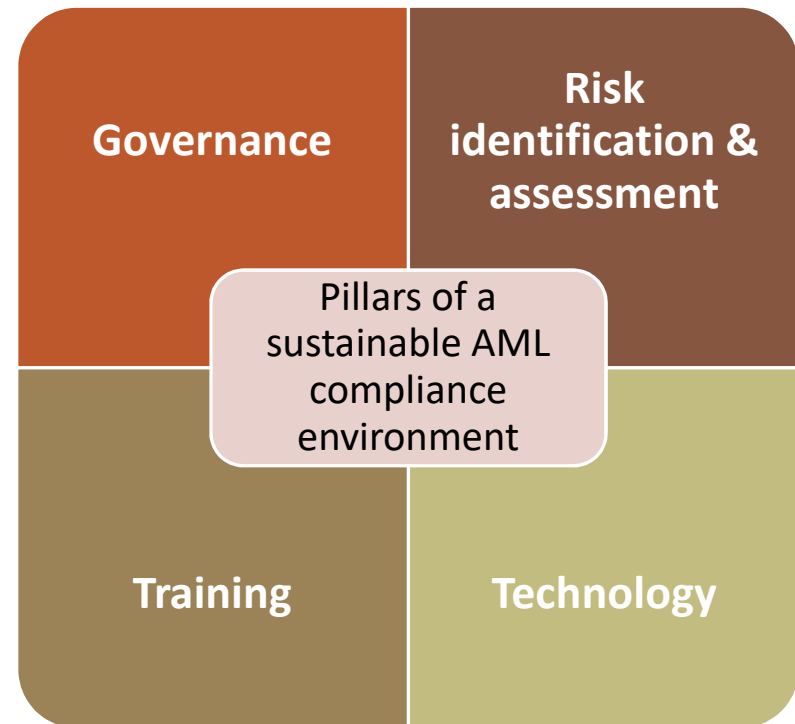
- **Overpayment** of a policy premium with a subsequent request to refund the surplus to a third party
- Use of life insurance product in a way that resembles use of a bank account, namely making **additional premium payments and frequent partial redemptions**
- Customer accepts very **unfavourable terms** unrelated to his or her health conditions or age
- Repeated and unexplained **changes in beneficiary**
- **Relationship** between the policy holder and the beneficiary is not **clearly established**

Recommendations

Developing a robust AML compliance framework

Independent testing to monitor ongoing compliance

Industry level collaboration



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Thank you

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