

# AML – FRONT LINE AWARENESS

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# CHALLENGES IN INSURANCE SECTOR

- 62% Insurance firms globally have reported exposure to financial crime
- Money laundering in the insurance sector is a growing global problem
- There is a massive flow of funds into and out of the business
- Most life insurance firms offer highly flexible policies and investment products that offer opportunities to customers to deposit and subsequently withdraw large sums of cash, with a relatively minor reduction in value
- The inherent risks are mainly in three areas:
  - Products and Services
  - Customers and entities
  - Geographic locations

# FRONTLINE SALES FORCE - VULNERABILITIES



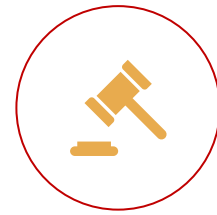
Insurance is normally 'push' sales especially savings products



The commission / incentive pay outs are significant



Steep sales target etc. leads to very high turnover in this industry



Certain unscrupulous elements keep moving between distributors / insurance companies and carry on such practises



Tele sales / non face to face sales have increased during the pandemic, leading to greater risks



Money launderers can use the above vulnerabilities with a promise of substantial new business

# BEST PRACTICES FOR GATE KEEPING

- The tone has to be set at the top:
  - At sales head/ channel head level in the Insurance Company
  - At top management level in an intermediary
  - It is not treated as a tick box approach
- Equal focus on volume and quality
  - Retention programmes and incentives to be based on both parameters
  - Disincentive and clawback of commission for intermediaries and agents
- Training – both at the point of joining and at regular intervals
- Create Champions within the sales force
- Maker – Checker controls at various levels
- Continuous communication from Compliance function to empower frontline as first line of defence

# BEST PRACTISES FOR MONITORING

- Risk assessment covering customers, products and geography of operation
- Set parameters relating to quality of business
- Tools to monitor the parameters on a real time basis
- Upgrade process controls
- Empower checker at the acceptance level, to ensure proper compliance
- Training of all staff especially those involved in frontline and operations
- Strong Whistle blowing mechanism

# CHALLENGES ..



TRAINING CAPACITY V/S  
FRONTLINE STAFF TURNOVER



LICENSING OF  
INTERMEDIARIES' STAFF



ENSURING PROTECTION OF  
WHISTLEBLOWERS AND  
ENSURING IMPARTIAL  
INVESTIGATIONS

## CASE STUDY

A person (later arrested for drug trafficking) made a financial investment (life insurance) of USD 250,000 by means of an insurance broker.

He contacted an insurance broker and delivered a total amount of USD 250,000 in three cash instalments.

The insurance broker did not report the delivery of that amount and deposited the three instalments in the bank.

These actions raised no suspicion at the bank, since the insurance broker was known to them as being connected to the insurance branch.

The insurance broker delivered, afterwards, to the insurance company responsible for making the financial investment, three cheques from a bank account under his name, totalling USD 250,000, thus avoiding raising suspicions with the insurance company.

*(Source: Comsure)*



Thank you