

**GROUP SECURITY**  
HERE TO PROTECT OUR WORLD



# Managing the Risk of Economic Crime

ASIS Middle East Security Conference & Exhibition  
Dubai, February 18, 2013

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Group Head of Crime and Fraud Prevention

# Agenda



- Introduction
- Economic Crime Landscape
- Economic Crime Framework

# Introduction

## About Zurich



Zurich is one of the world's leading insurance groups, and one of the few to operate on a global basis. Our mission is to help our customers understand and protect themselves from risk.

With about 60,000 employees serving customers in more than 170 countries, we aspire to become the best global insurer as measured by our shareholders, customers and employees.

We help individuals, small- and medium-sized companies and global corporations around the world understand and protect themselves from risk by offering a wide range of insurance products, solutions and advisory services.

# Introduction

## Group Security: Vision and Mission



### VISION

Group Security is a **trusted advisor of choice**, viewed as **business partner** with security expertise, providing world-class service that can adapt at the speed of change.

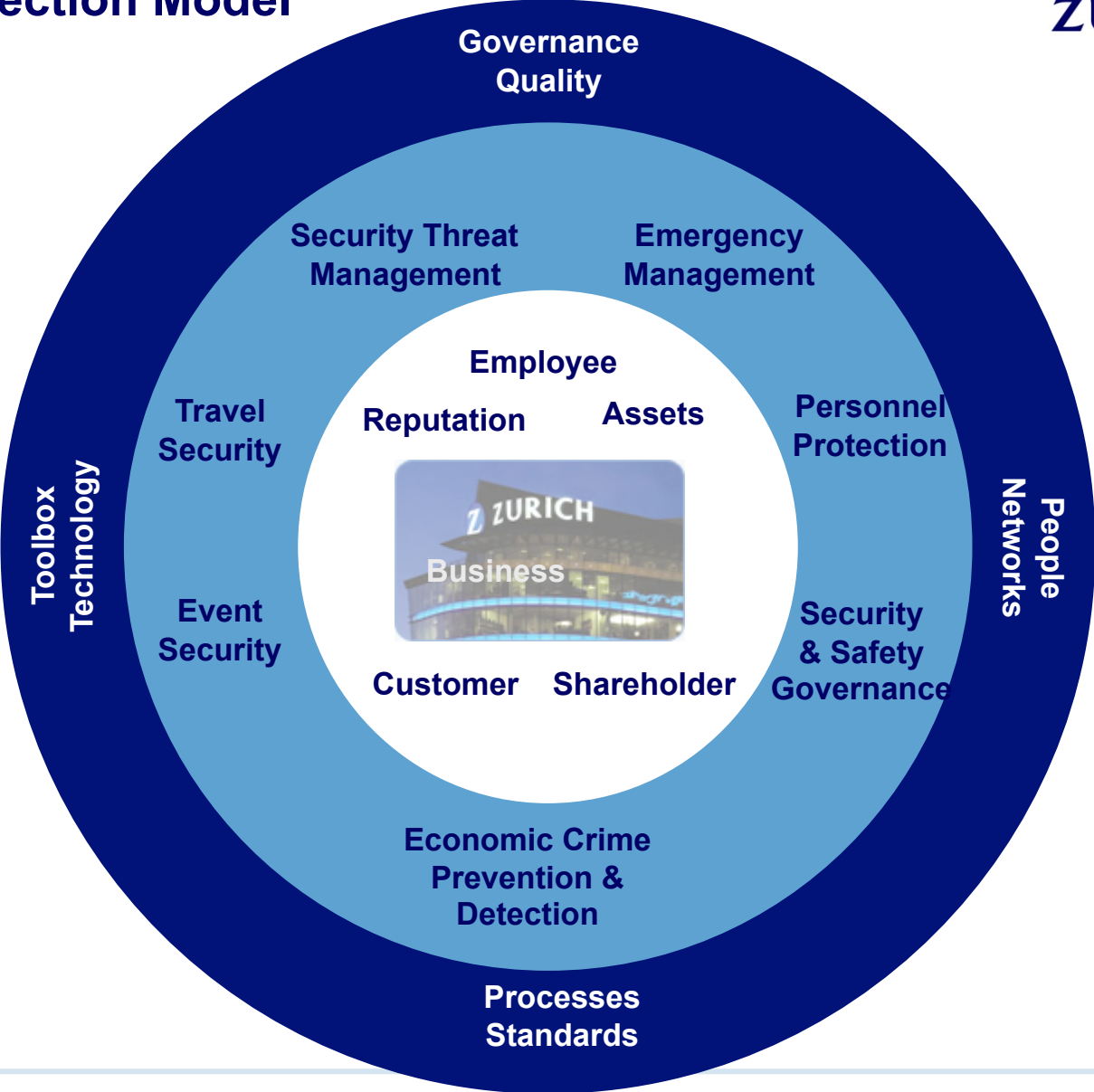
### MISSION

One Group Security acts as a **business enabler**, taking both preventive and reactive measures in order to secure Zurich's aspiration of becoming the **best global insurer**.

We **accept responsibility** for the security and safety of Zurich employees, assets and activities, protecting them from internal and external threats.

# Introduction

## Business Protection Model



# Agenda



- Introduction
- Economic Crime Landscape
- Economic Crime Framework

# Economic Crime Landscape

## Definitions



### Claims Fraud

- Exaggerated claims
- Fictitious claims

### Financial Crime

- Money Laundering/ Terrorist Financing
- Bribery/ Corruption
- Sanctions

### Economic Crime

- Internal/ employee crime and fraud
- External non-claims crime and fraud
- Theft

# Economic Crime Landscape

## Impact of Economic Crime



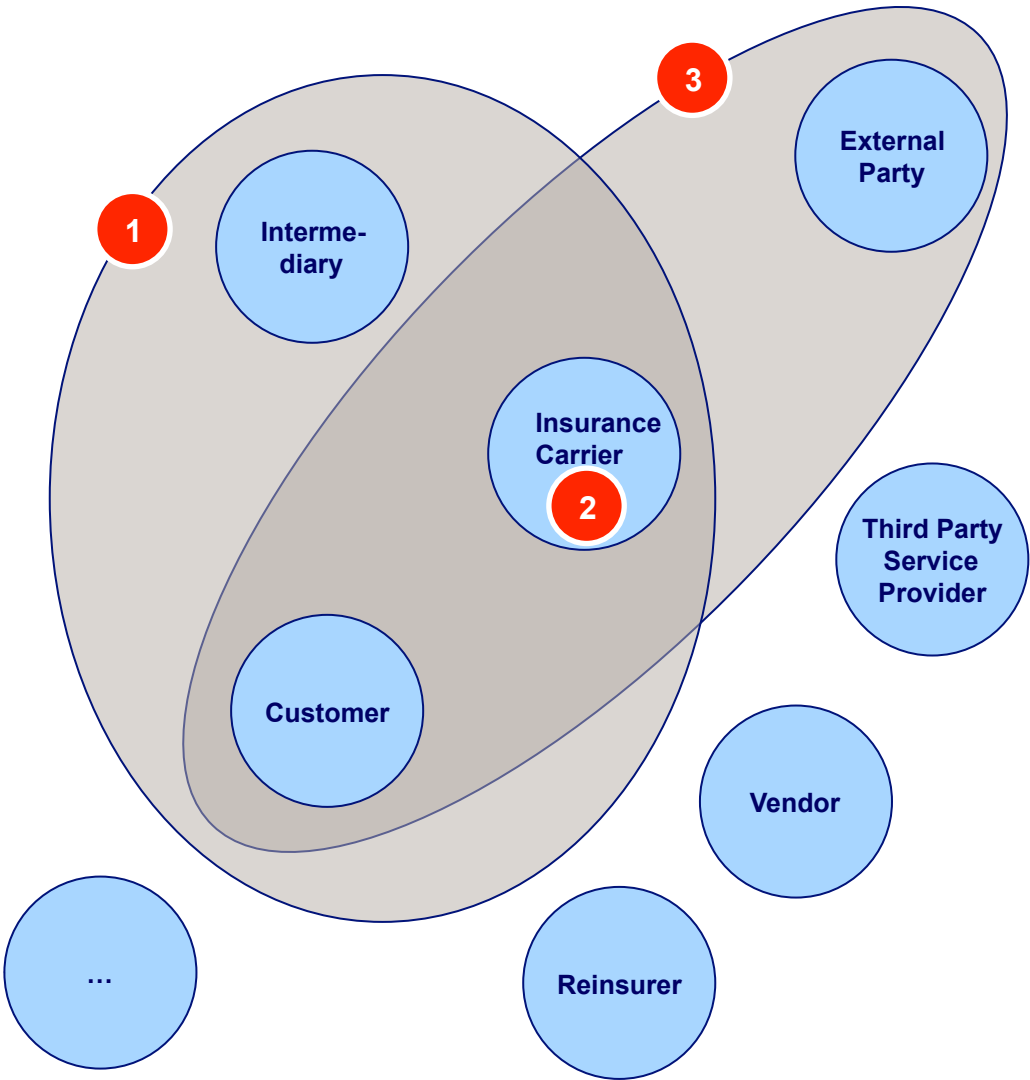
Hidden “costs” by far outweigh direct financial impact!

- Impact on customer including increased premiums
- Loss of confidence in organization
- **Damage to reputation and brand**
- Damage to stock value
- **Possible loss of market share**
- Closer regulatory focus and possible fines (Regulator)
- Cost of investigations and new internal controls
- Accountability of company senior executives and possible legal action against them
- **Decline in staff morale**
- Impaired business relations



# Economic Crime Landscape

## Key players in the insurance industry



### Selected fraud schemes

#### 1 Distribution crime

- Commission fraud
- Policy fraud
- Premium fraud

#### 2 Internal crime

- Claims fraud (committed by employee)
- Salvage
- Sales incentives

#### 3 Identity crime

- Surrender fraud

# Agenda



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- Economic Crime Framework

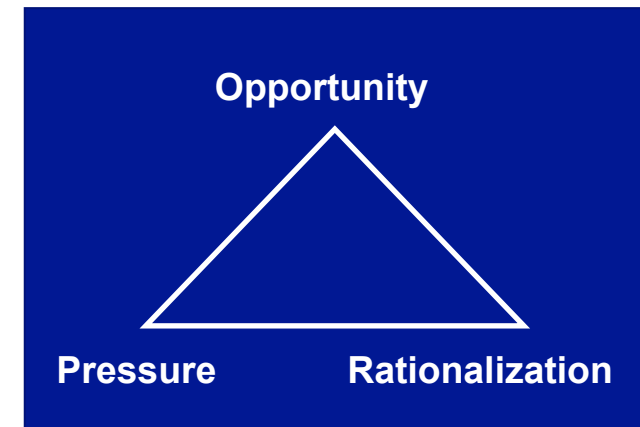
# Economic Crime Framework

## Mandate

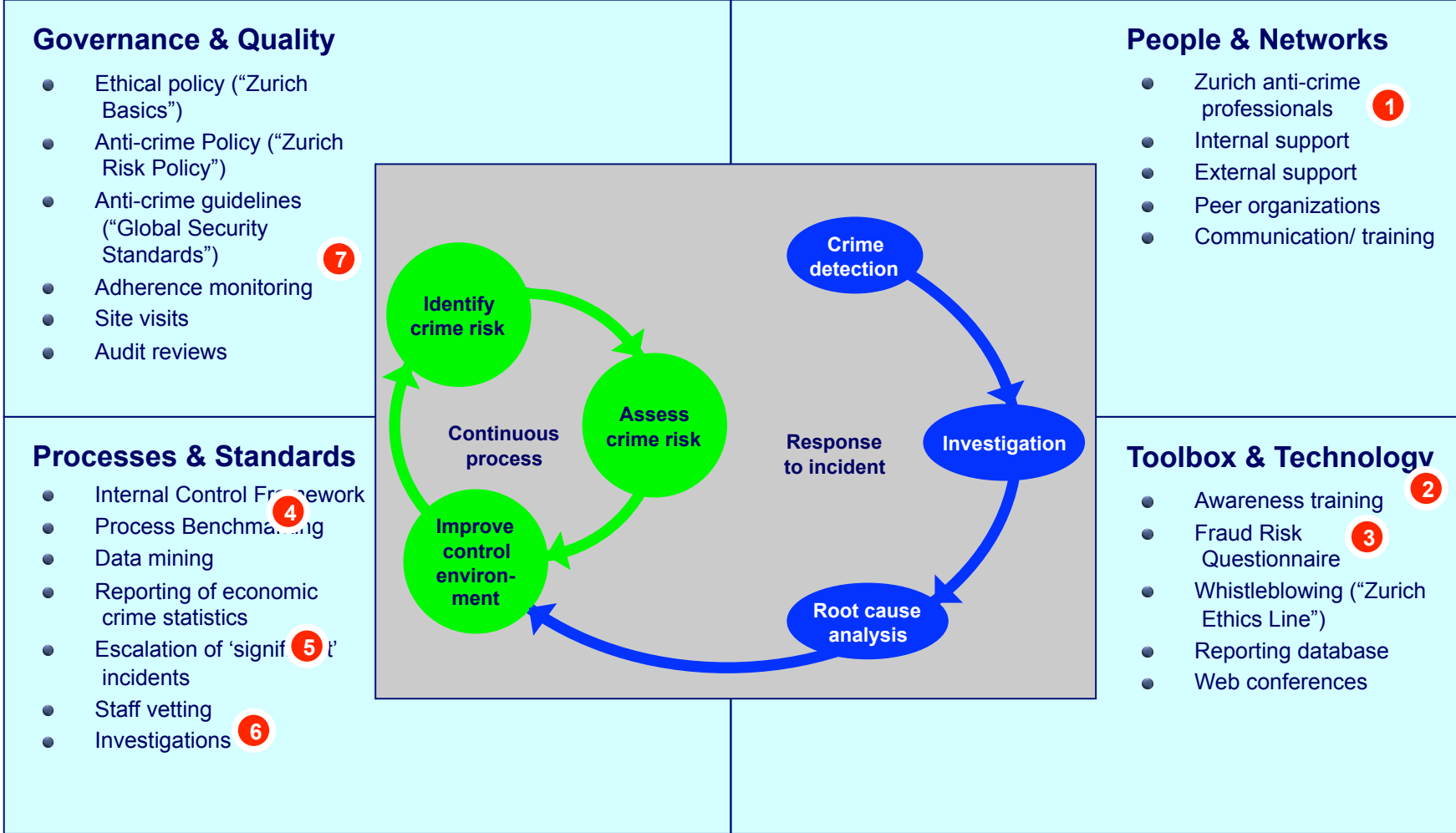


**Economic Crime Prevention and Detection,**  
prevent and detect criminal activities and security incidents to mitigate business damage from crime. Investigate fraud and security incidents.

### Fraud Triangle

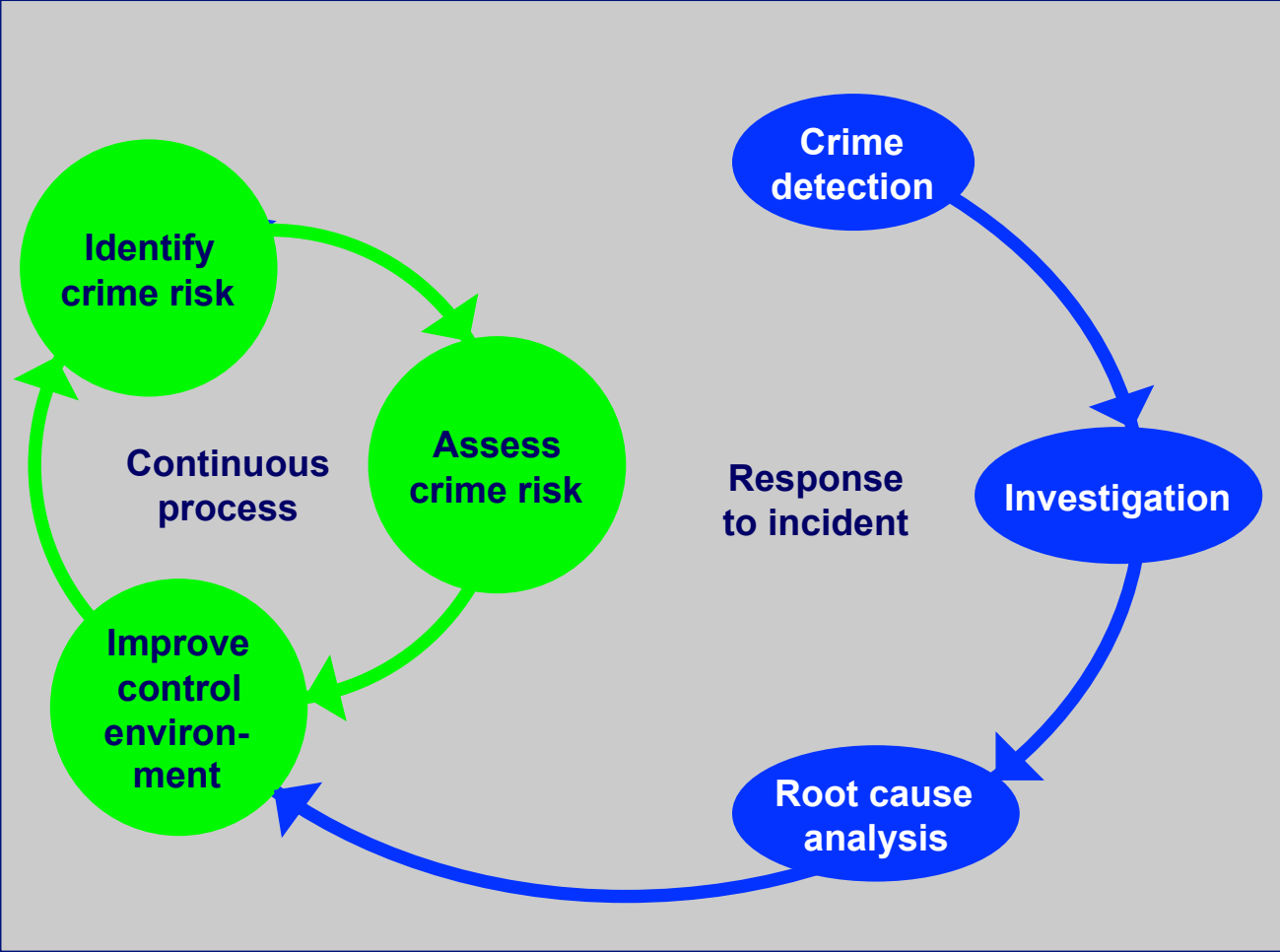
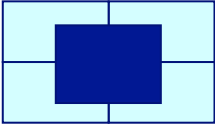


# Economic Crime Framework Overview



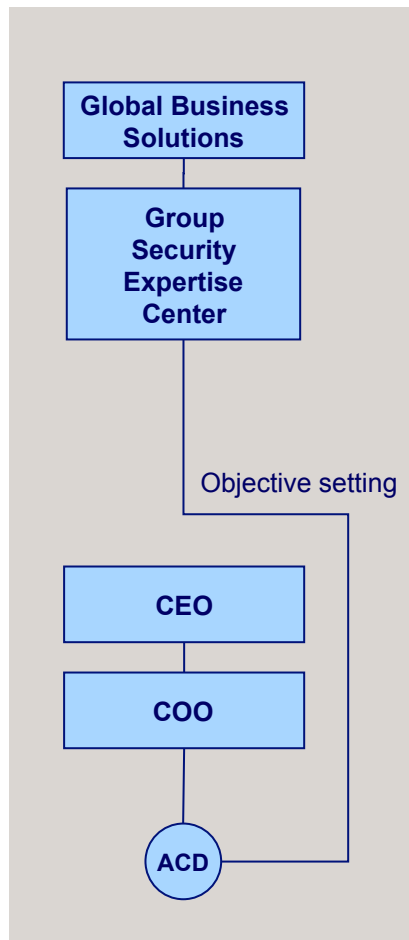
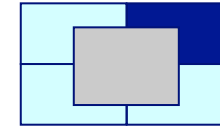
# Economic Crime Framework

Improving the control environment



# 1 Economic Crime Framework

## Organizational set-up



### Group Security

Governance and leadership

- Strategy, policy, framework, and methodology
- Driving execution
- Interfacing with other functions

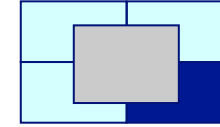
### Countries

- Execution of strategy
- Implement policy requirements
- Development support
- Collaboration across entities
- Subject matter expertise
- Country support

ACD = Anti Crime Delegate

## 2 Economic Crime Framework

### Employee crime awareness training



#### Ethics training

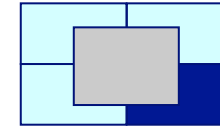
- Global training (Zurich Basics)
- Anti-crime module
- Close collaboration with Compliance
- Participation mandatory

#### Crime awareness training

- Execution of local training mandatory
- Generic all employee training developed
- Minimal local adaptation necessary (language)
- Deployed via HR system (tracking of participation)
- Option to continue with own solutions

3

# Economic Crime Framework Fraud Risk Questionnaire (1/2)



- All / None
- Marketing and Communications
- Product (and services) Development and Management
- Sales and Distribution
- Underwriting
- Actuarial
- Policy Administration and Customer Services
- Claims
- Reinsurance
- Investments
- Banking Operations
- Lending Operations
- Financial Reporting and Accounting
- Information Technology
- Human Resources
- Procurement, Facility Management and Logistics
- Legal
- Corporate, Management & Strategy
- Change and Project Management
- Financing and Asset Management
- Risk Management
- Compliance

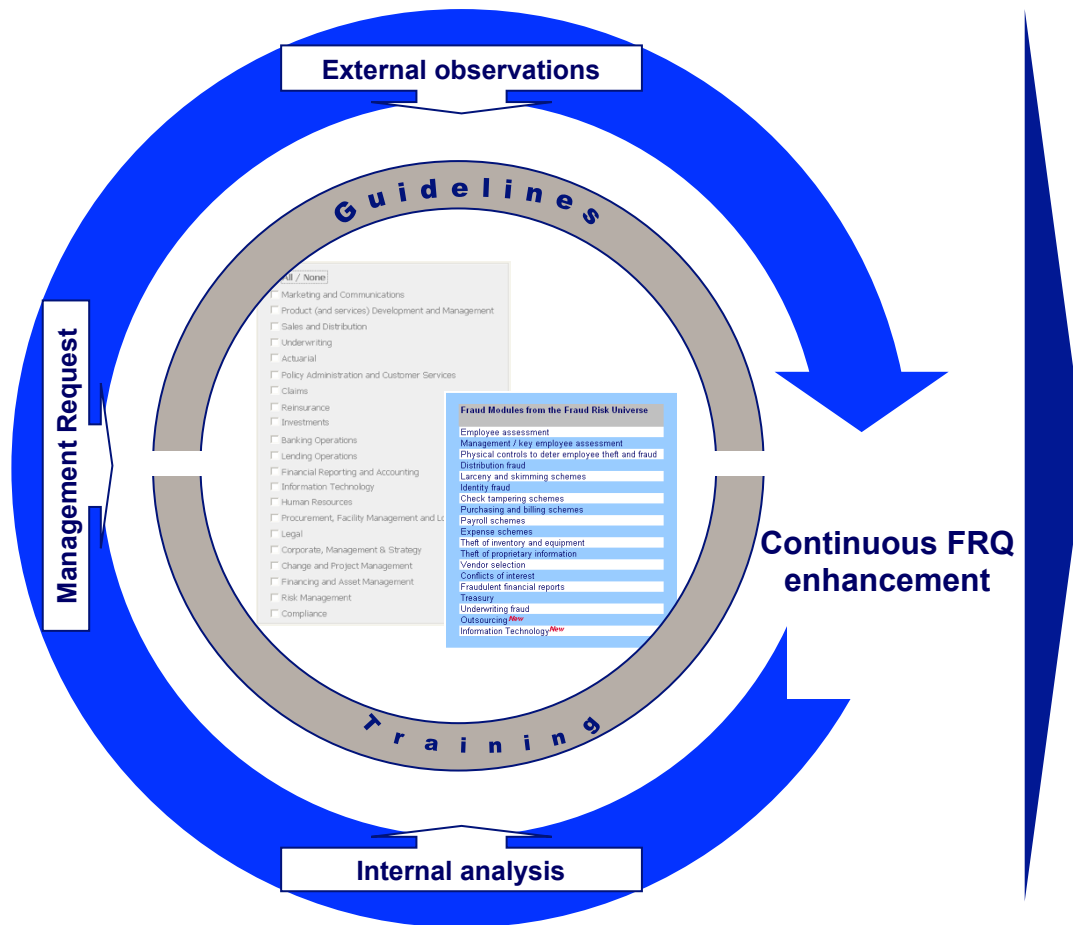
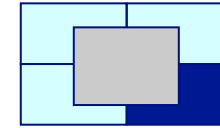
- Fraud Modules from the Fraud Risk Universe**
- Employee assessment
  - Management / key employee assessment
  - Physical controls to deter employee theft and fraud
  - Distribution fraud
  - Larceny and skimming schemes
  - Identity fraud
  - Check tampering schemes
  - Purchasing and billing schemes
  - Payroll schemes
  - Expense schemes
  - Theft of inventory and equipment
  - Theft of proprietary information
  - Vendor selection
  - Conflicts of interest
  - Fraudulent financial reports
  - Treasury
  - Underwriting fraud
  - Outsourcing *New*
  - Information Technology *New*

- Comprehensive coverage
- Modular approach
- Crime risk scenarios and anti-crime controls
- Entity and/ or Business Area level
- Fully integrated into risk assessment processes
- Leveraging existing risk tools and methodologies



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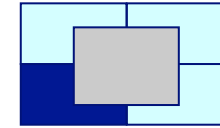
# Economic Crime Framework Fraud Risk Questionnaire (2/2)



- Execution facilitated through guidelines, training and individual consulting
- Continuous enhancement (external/ internal trends, management requests)
- Development of new modules
- Refinement of existing modules

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# Economic Crime Framework Internal Control Framework




Internal Control Framework

ZURICH

## 1.22 Anti-Crime

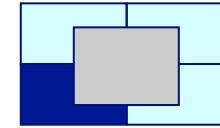
Reporting Unit Number and Name	Group
Legal Entity	Zurich Group
KCF Region	Local BU
Process Owner (Name & Function)	Local COO, LRO, etc. (must be member of the Executive Committee)
Process Responsible (Name & Function)	Designated Anti-Crime Delegate



INTERNAL CONTROL FRAMEWORK

- Goal: Strengthen the internal control environment
- Consistent view of crime risks and associated controls
- Set of minimum controls to address crime and fraud
  - Governance, roles and responsibilities
  - Risk assessment and response
  - Collection and reporting of incidents
  - Investigations
- Mandatory for all Business Units
- Process owner: Member of local executive management
- Quarterly sign-off evidences adherence

# 5 Economic Crime Framework Reporting



## Economic Crime Report

Please select your region

Please select your sub-region

Please select your country / BU

Please select your currency

Quarter - Year

Date of reporting

Sign-Off from Senior Management received  
 Yes  No

Report presented to governance body  
 Yes  No

Please select segment(s) in your area of responsibility  
 Life  G  Global Corporat  
 Central Functions incl. Operations

Please list all unit(s) if they are not Zurich Global / or Life Partners

Your name

Your function - title

Your phone number

Date of Sign Off (dd.mm.yyyy)

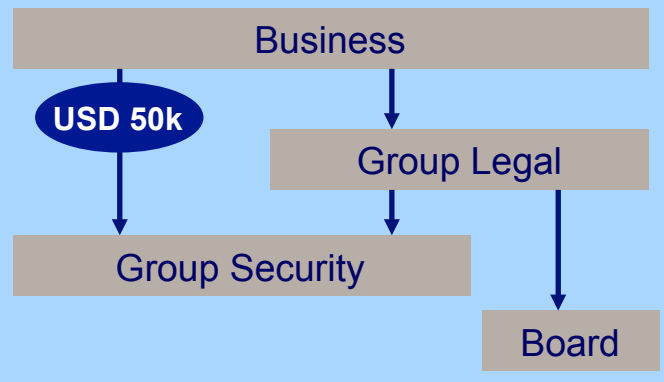
Date of committee meeting (dd.mm.yyyy)

If sign off received and report presented to a governance body, please state by whom and which governance body. If sign off is not received or the report is not presented to any governance body, please state why not.

## Statistics of all incidents

- Goal: Transparency of economic crime and crime attempts
- Database: Local data entry – central analysis to identify trends
- Number of cases, potential loss, actual loss
- Report shared with governance functions and external auditor
- Key findings shared with the members of anti-crime network

## Escalation of single economic crime incidents



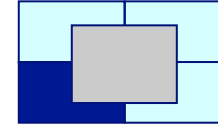
## Escalation criteria

- Potential financial impact above USD 250,000
- Potential reputational exposure for the Group
- A CEO or a direct report to a CEO
- Employee in a control function/ fraud role
- Alleged/ actual accounting or financial statement improprieties (regardless of amount)
- Systemic occurrence of particular fraud incidents

6

# Economic Crime Framework

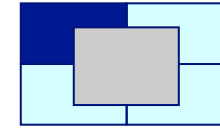
## Pre-employment screening



- Key component of effective anti-crime governance framework
- Obvious benefits
  - best hiring decision
  - safe working environment
  - avoiding cost of bad hiring decision
- Investigations of incidents revealed perpetrators had criminal records
- Various practices across the organization; impacted by local laws and regulations

# 7 Economic Crime Framework

## Monitoring adherence



Group Risk Management  
For internal use only

Zurich Risk Policy

ZURICH

Global Security Standards  
Minimum Standards for providing Security & Safety combating Crime & Fraud

Group Security

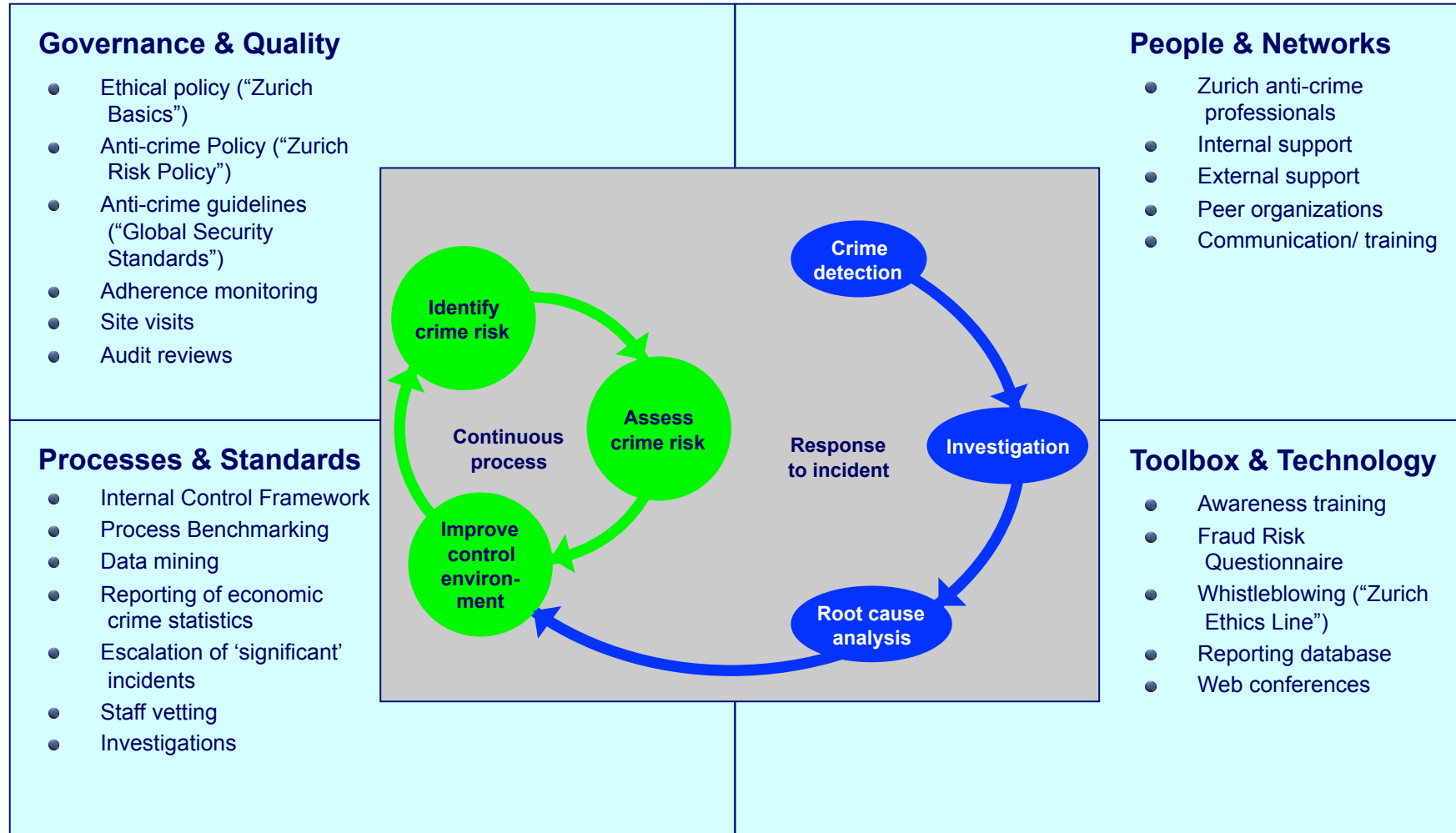
**Country Risk Rating**

Country	Risk rating
<b>Region 1</b>	
Country A	3.56
Country B	2.71
Country C	1.67
...	
<b>Region 2</b>	
Country X	3.37
Country Y	2.43
Country Z	1.43
...	

- Self assessments
- Review of work products
  - operational risk assessments
  - economic crime statistics
  - investigation reports
- Visits to selected countries
- Policy adherence review
- Regular sign-off of Internal Control Framework
- Internal audit reviews

# Economic Crime Framework

## Wrap-up



# Economic Crime Framework

## Added value



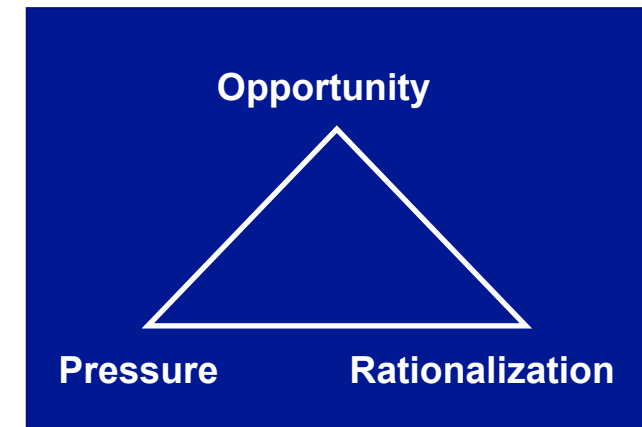
### **Economic Crime Prevention and Detection,**

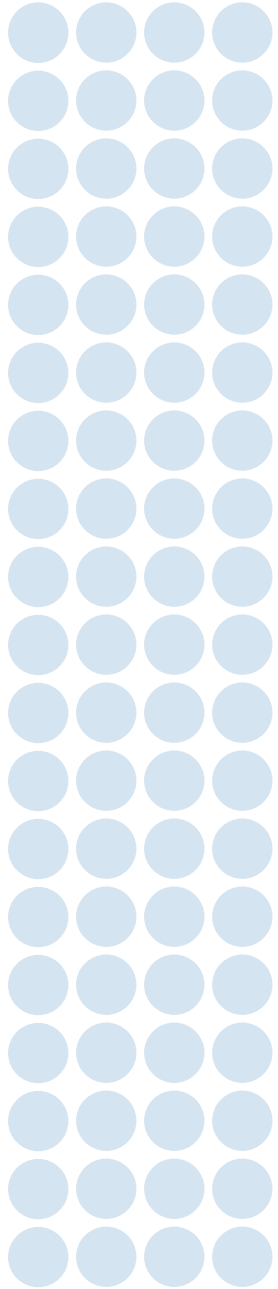
prevent and detect criminal activities and security incidents to mitigate business damage from crime. Investigate fraud and security incidents.

#### Business added value

- Reduced cash outflows
- Recovery of damages
- No bad press hurting reputation
- Increased confidence of investment community
- Lesser attention by regulators
- Reduced likelihood of fines
- Deterrence of crime attempts
- Positive staff morale

#### Fraud Triangle



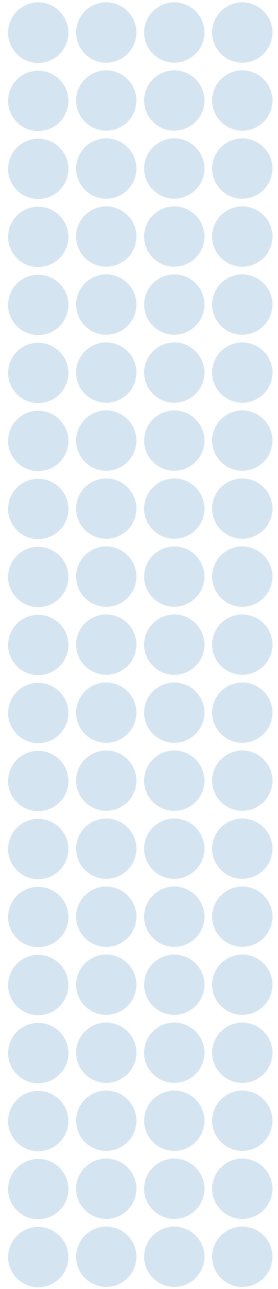


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# Questions





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# Thank you!

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