

GROUP SECURITY
HERE TO PROTECT OUR WORLD



A Framework for Managing Crime and Fraud

ASIS Middle East Security Conference & Exhibition
Dubai, February 17, 2014

Torsten Wolf, CPP
Head of Group Security Operations

Agenda



- Introduction
- Economic Crime Landscape
- Economic Crime Framework

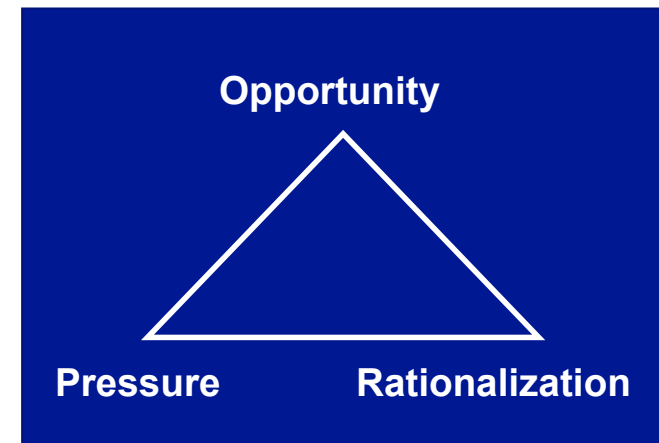
Introduction

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



Introduction

Definition



Economic crime

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

Introduction

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

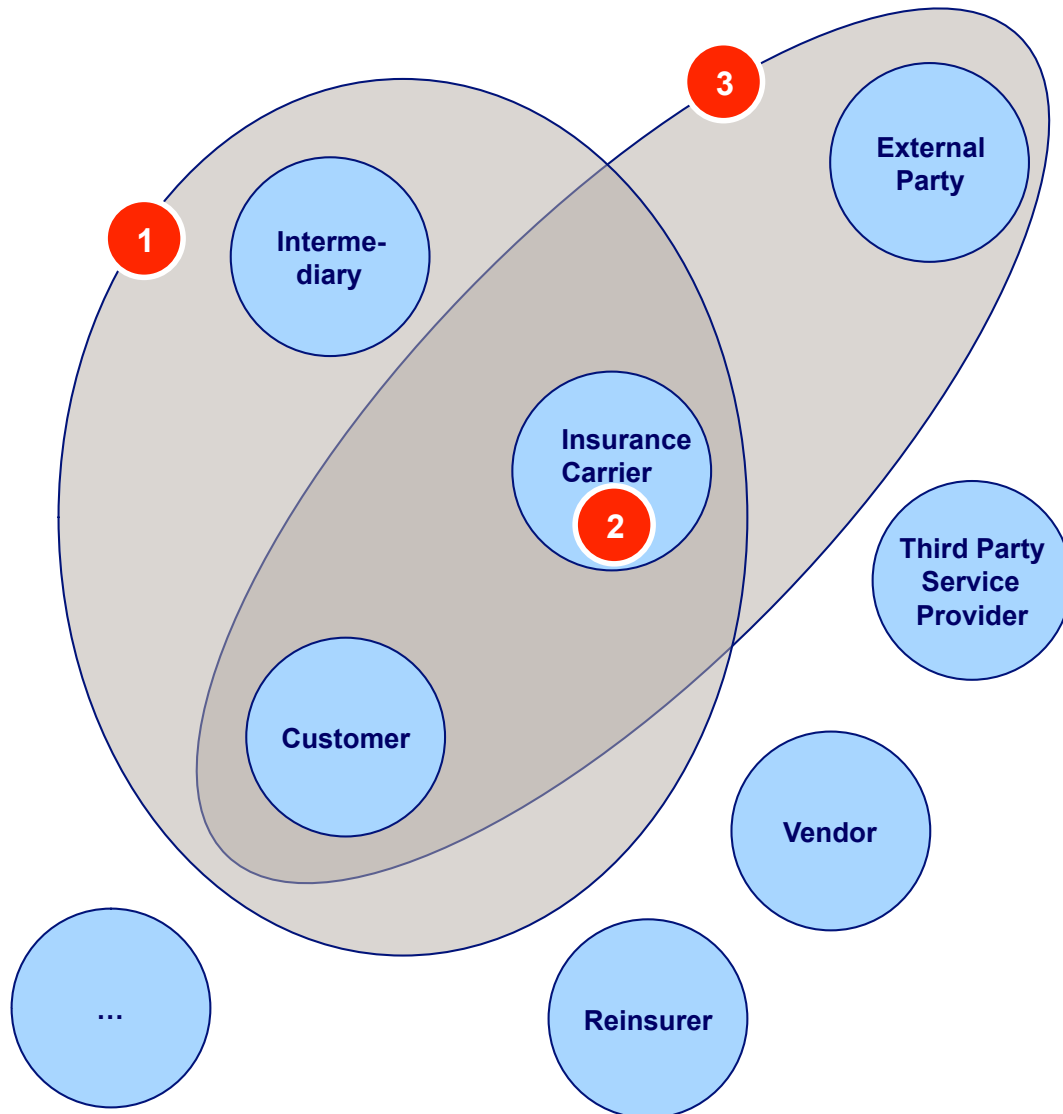
Agenda



- Introduction
- Economic Crime Landscape
- Economic Crime Framework

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

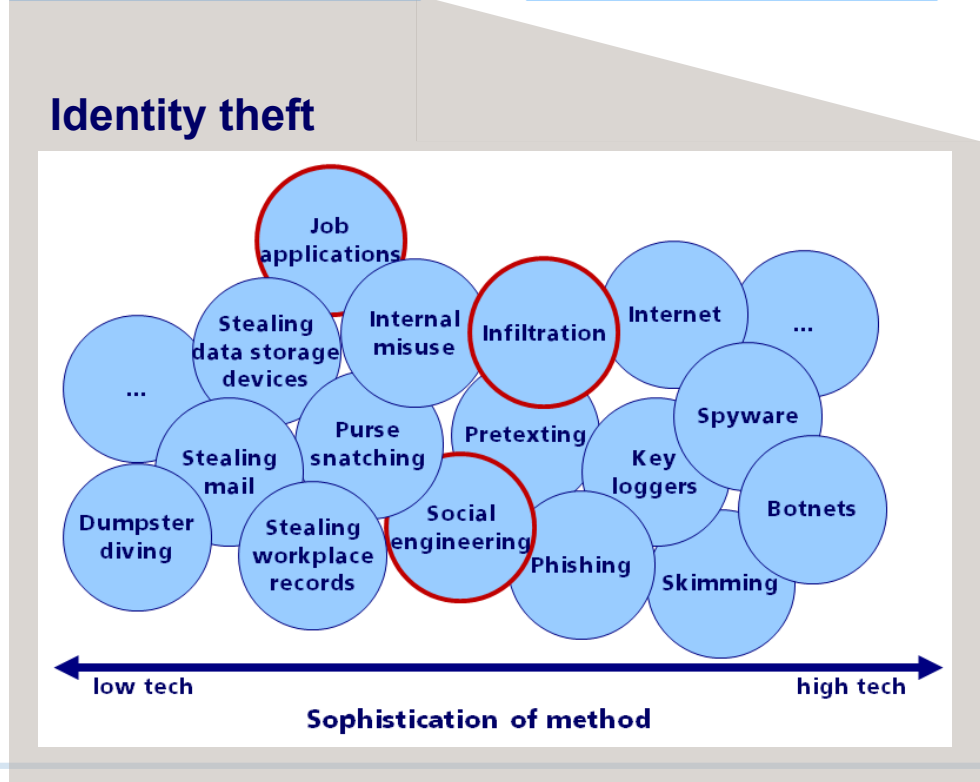
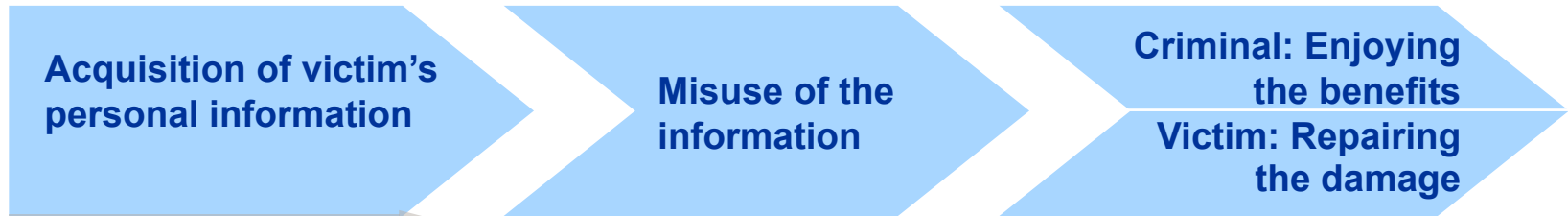
3

Economic Crime Landscape

Identity crime (1/2)



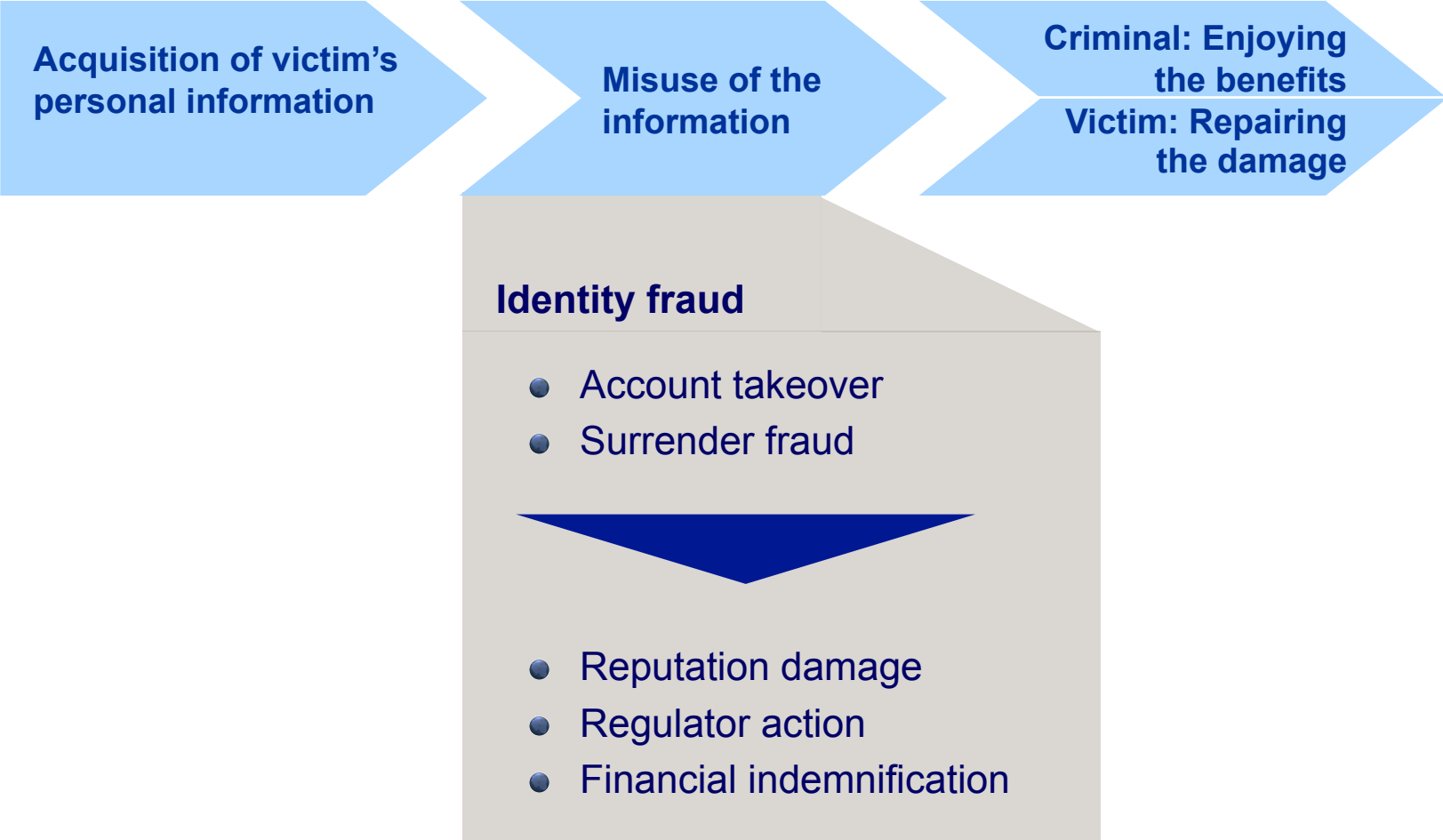
Misuse of another individual's personal information to commit fraud



3

Economic Crime Landscape

Identity crime (2/2)

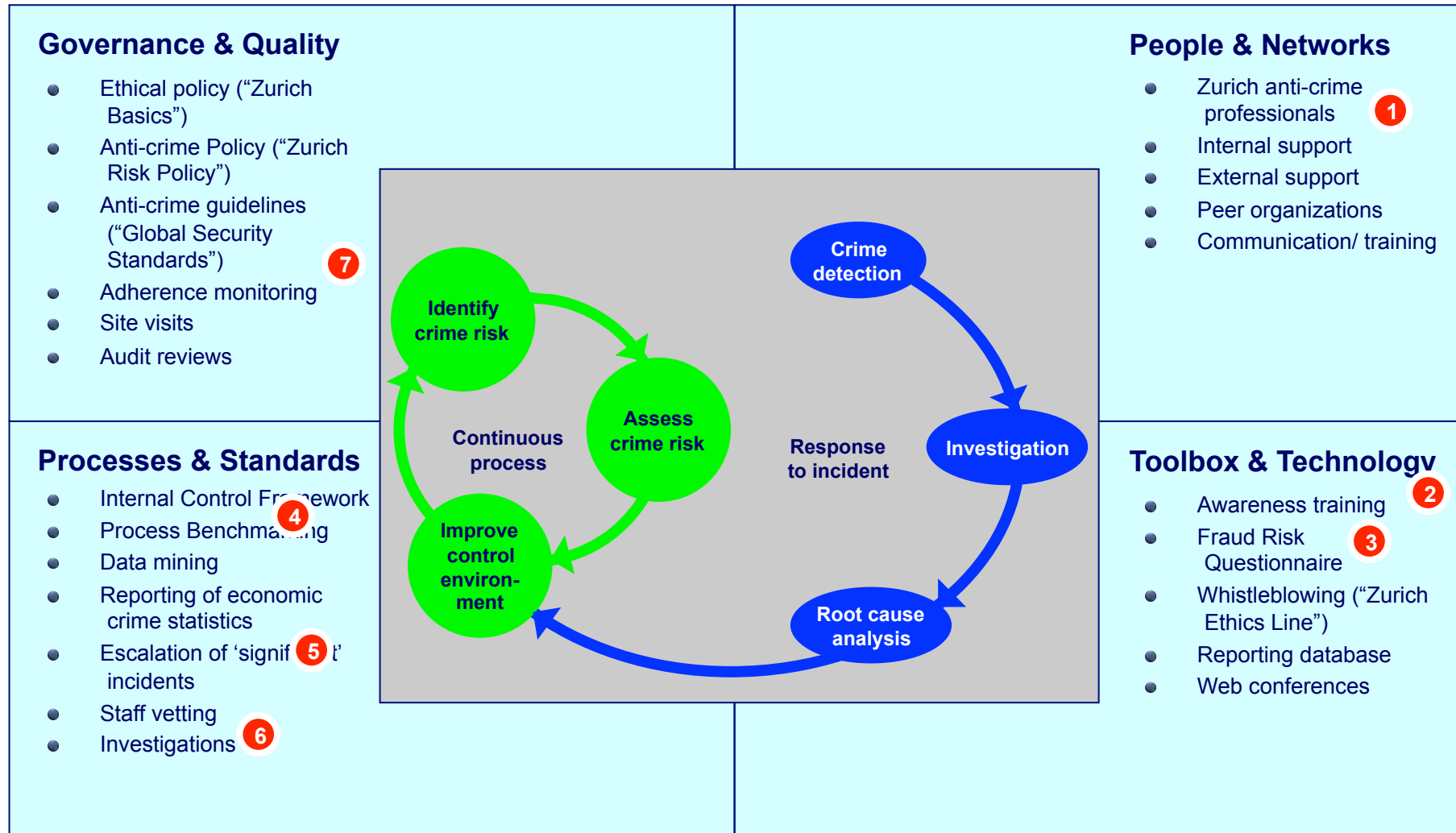


Agenda



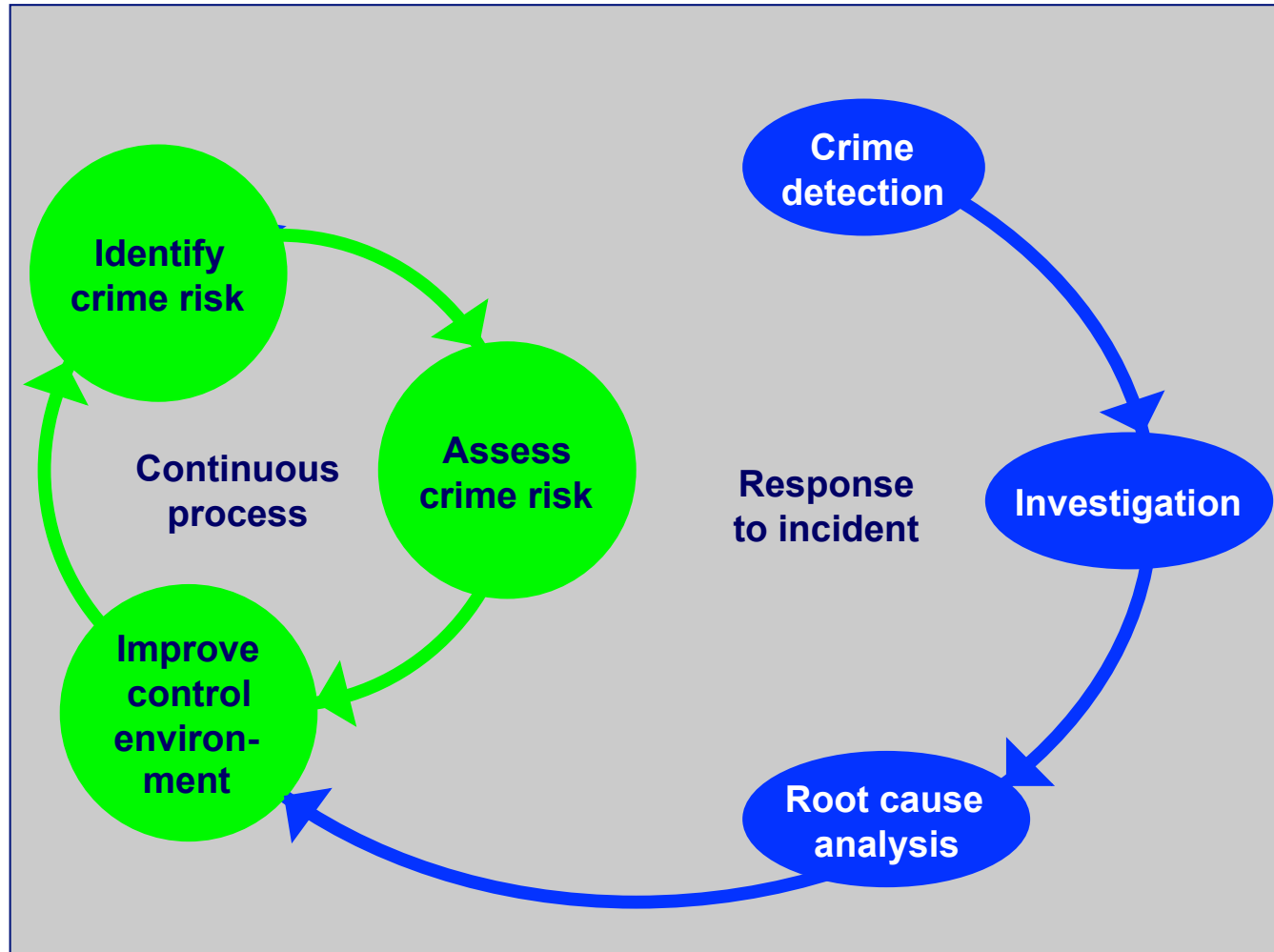
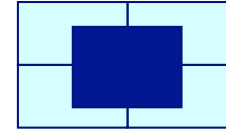
- Introduction
- Economic Crime Landscape
- Economic Crime Framework

Economic Crime Framework Overview



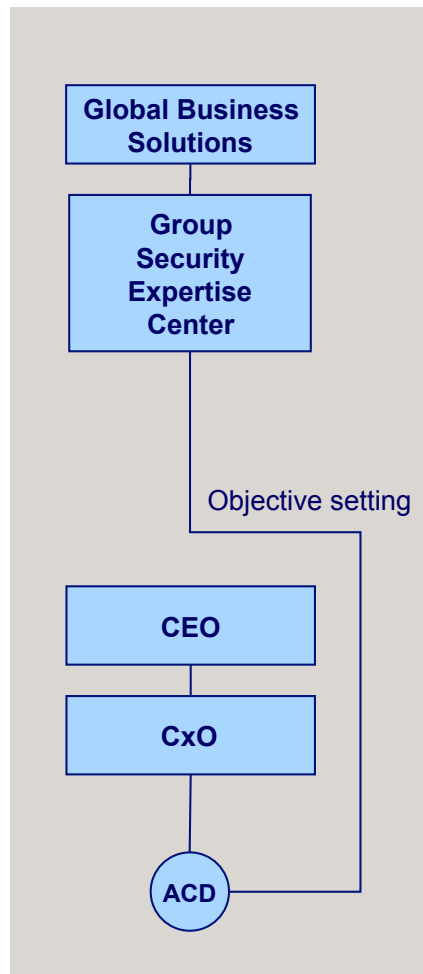
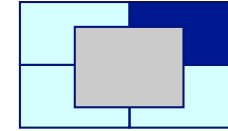
Economic Crime Framework

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

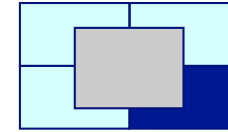
Countries

- 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

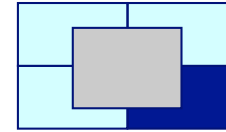
- Global training (Zurich Basics)
- Anti-crime module
- Close collaboration with Compliance
- Participation mandatory

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 Logistic

Legal

Corporate, Management & Strategy

Change and Project Management

Financing and Asset Management

Risk Management

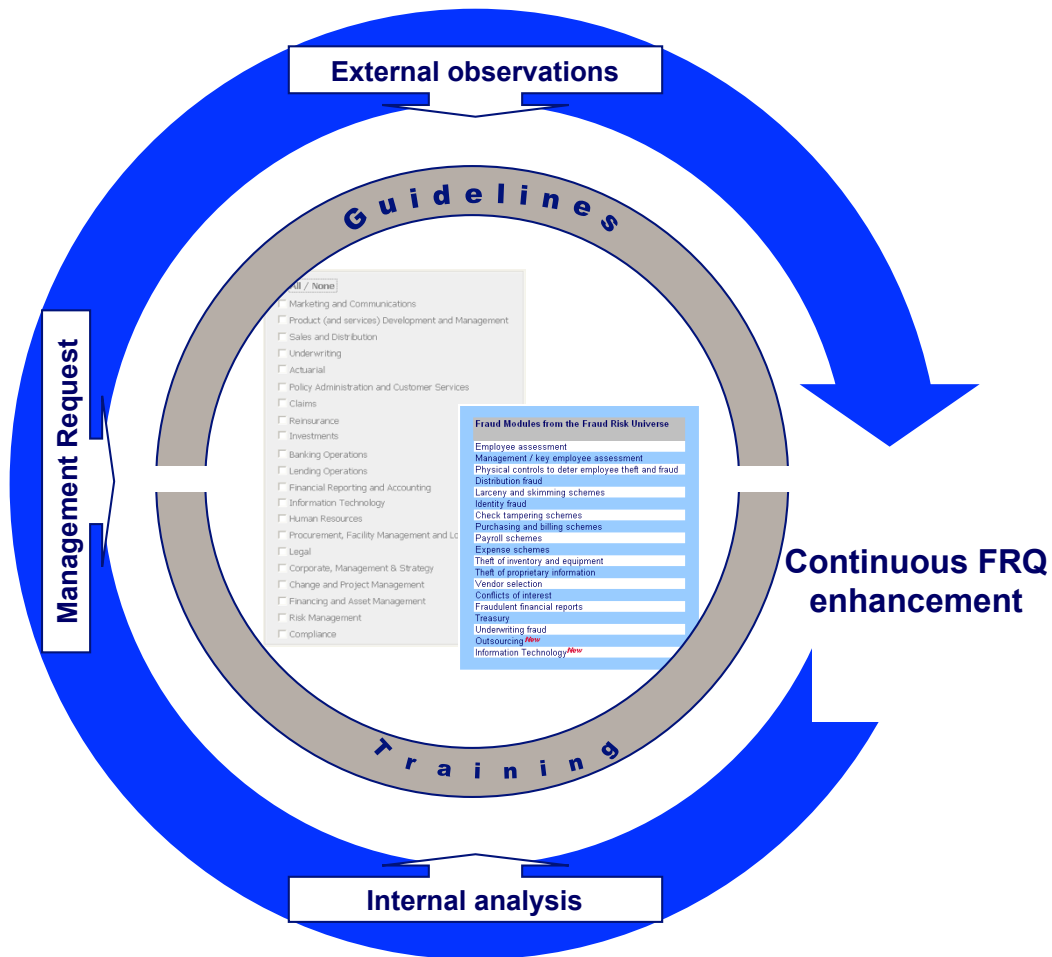
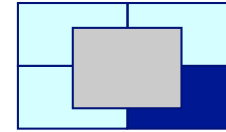
Compliance

- 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

3

Economic Crime Framework Fraud Risk Questionnaire (2/2)

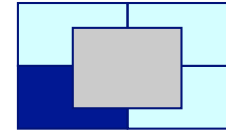


- Execution facilitated through guidelines, training and individual consulting
- Continuous enhancement (external/ internal trends, management requests)
- Development of new modules
- Refinement of existing modules


4

Economic Crime Framework

Internal Control Framework




Internal Control Framework


ZURICH

1.22 Anti-Crime

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

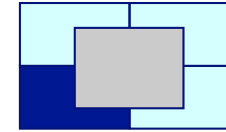


INTERNAL CONTROL FRAMEWORK
Document Code: [redacted] | Page 1 of 1



- 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



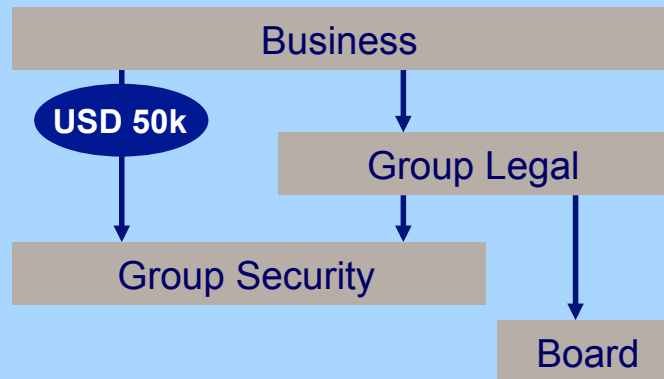
Economic Crime Report

Please select your region <input type="text" value="Europe & Africa"/>	Please select segment(s) in your area of responsibility <input checked="" type="checkbox"/> Life <input checked="" type="checkbox"/> G <input type="checkbox"/> Global Corporat	Please list all unit(s) if they are not Zurich, EA and / or Life Branches <input type="text"/>
Please select your sub-region <input type="text" value="Europe"/>	<input checked="" type="checkbox"/> Central Functions incl. Operations	Your name <input type="text"/>
Please select your country / BU <input type="text" value="Corporate Center"/>		Your function - title <input type="text"/>
Please select your currency <input type="text" value="CHF"/>		Your phone number <input type="text"/>
Quarter - Year <input type="text" value="Q1 - 2012"/>		Date of Sign Off (dd.mm.yyyy) <input type="text" value="19.01.2012"/>
Date of reporting <input type="text"/>	Sign-Off from Senior Management received <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Date of committee meeting (dd.mm.yyyy) <input type="text" value="20.02.2012"/>
	Report presented to governance body <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
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 <input type="text"/>		

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



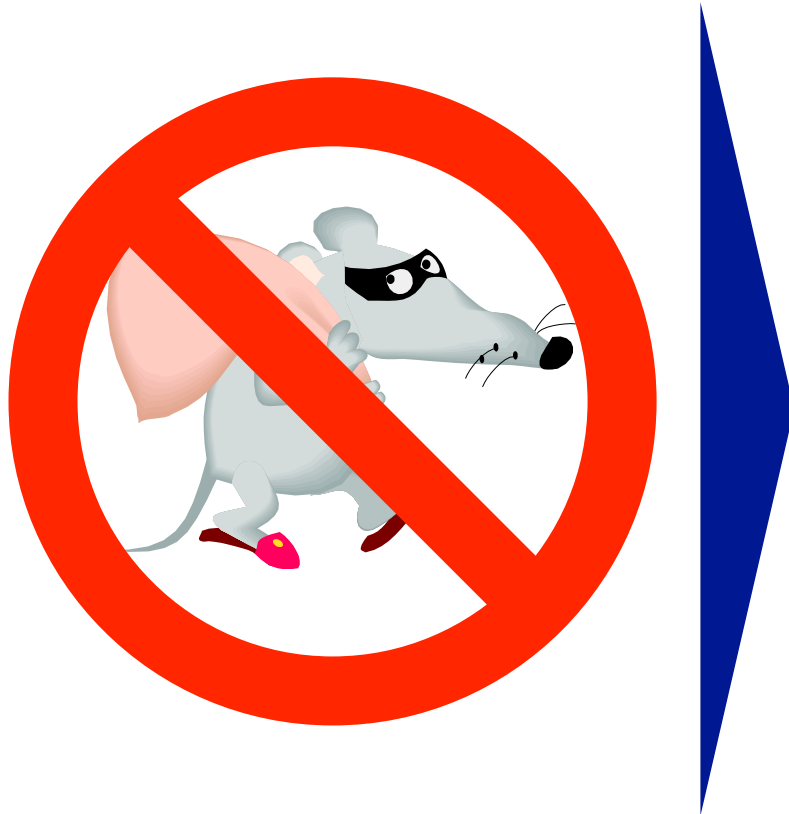
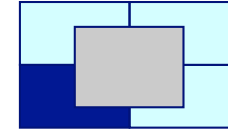
Escalation criteria

- 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

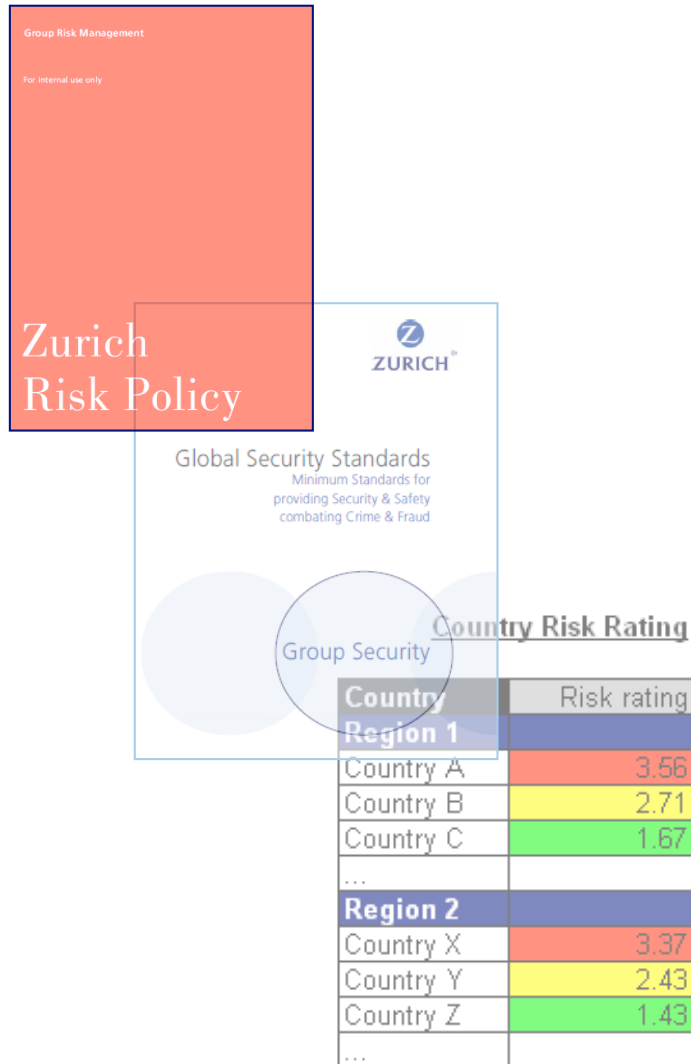
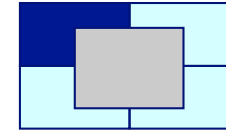
Pre-employment screening



- 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

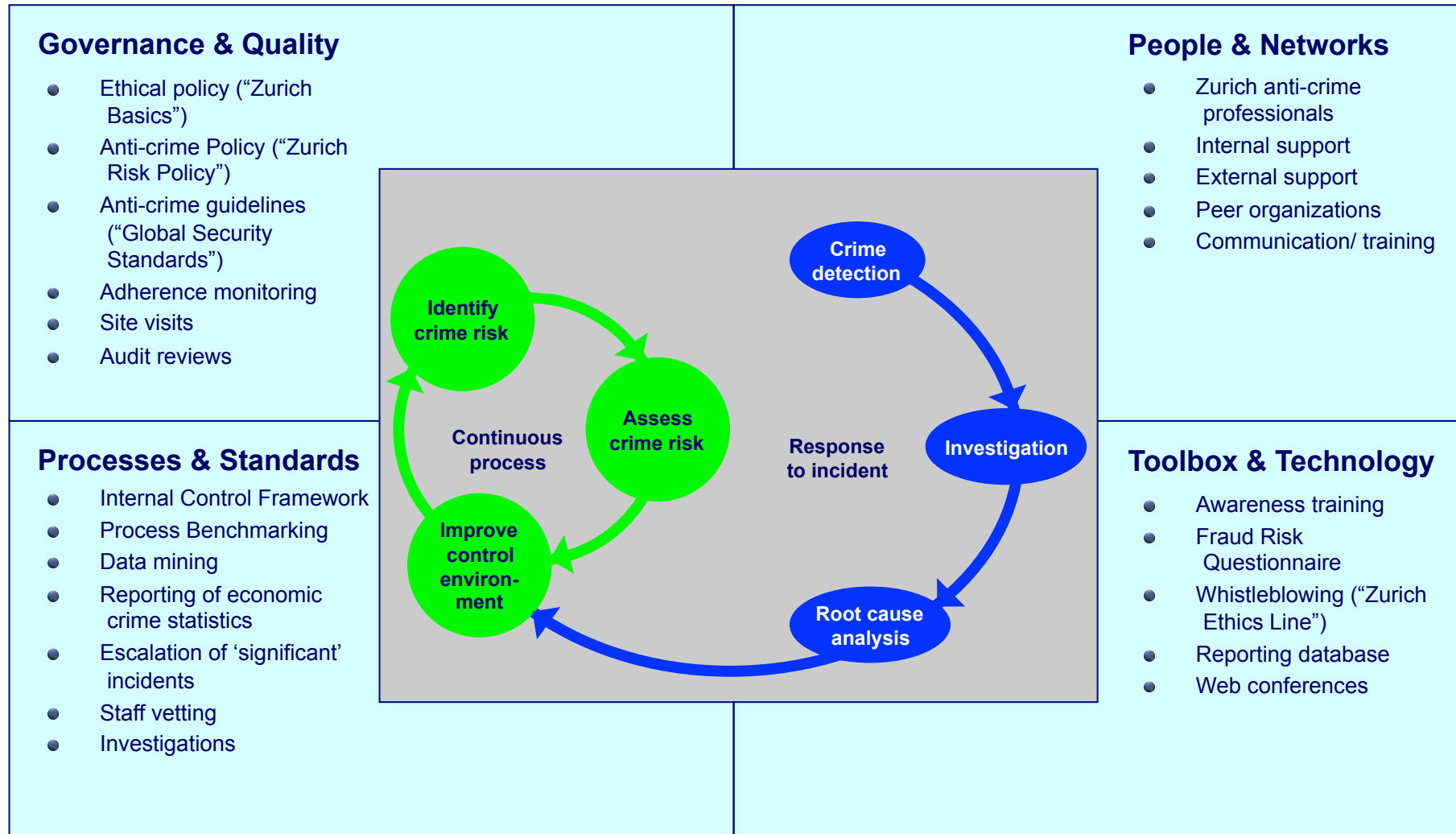
Monitoring adherence



- 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



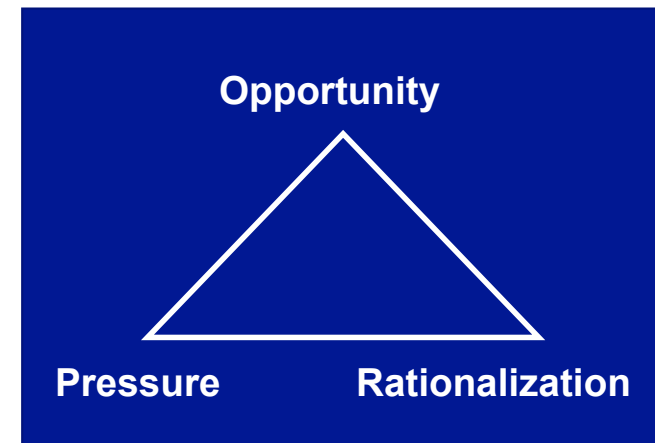
Economic Crime Prevention and Detection,

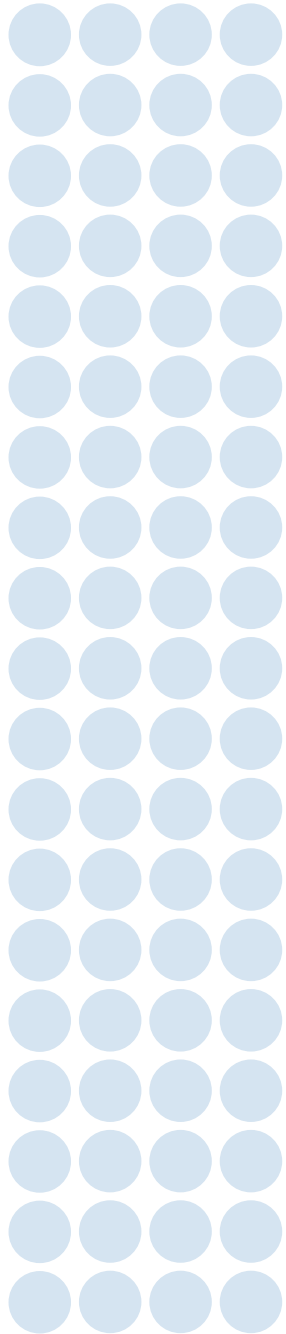
prevent and detect criminal activities and security incidents to mitigate business damage from crime. Investigate fraud and security incidents.

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

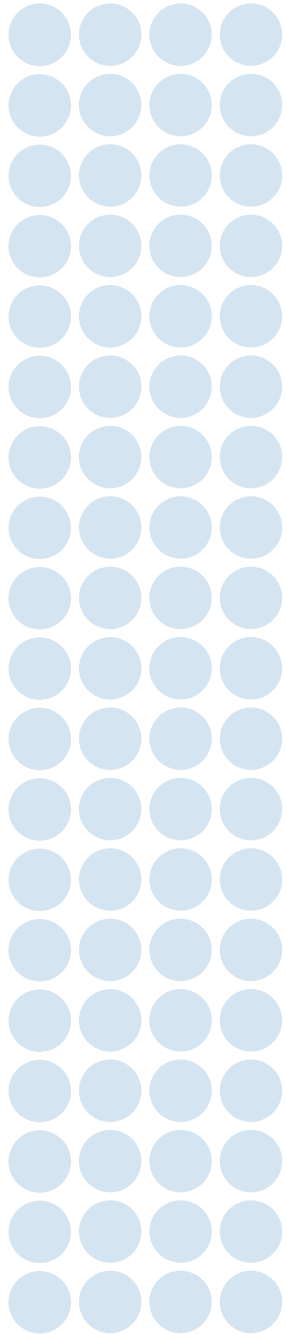




GROUP SECURITY
HERE TO PROTECT OUR WORLD



Questions



GROUP SECURITY
HERE TO PROTECT OUR WORLD



Thank you!

Contact details
torsten.wolf@zurich.com
+41 44 625 26 53