

**GROUP SECURITY**

HERE TO PROTECT OUR WORLD



# Does Fraud Matter?

ASIS Middle East Security Conference and Exhibition  
Dubai, February 16, 2015

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Head of Group Security Operations

# Agenda



- Introduction
- Economic Crime Landscape
- Economic Crime Framework

# Introduction

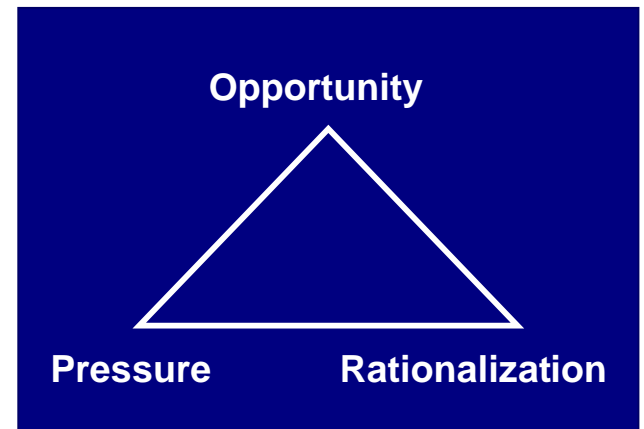
## Mandate



### **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

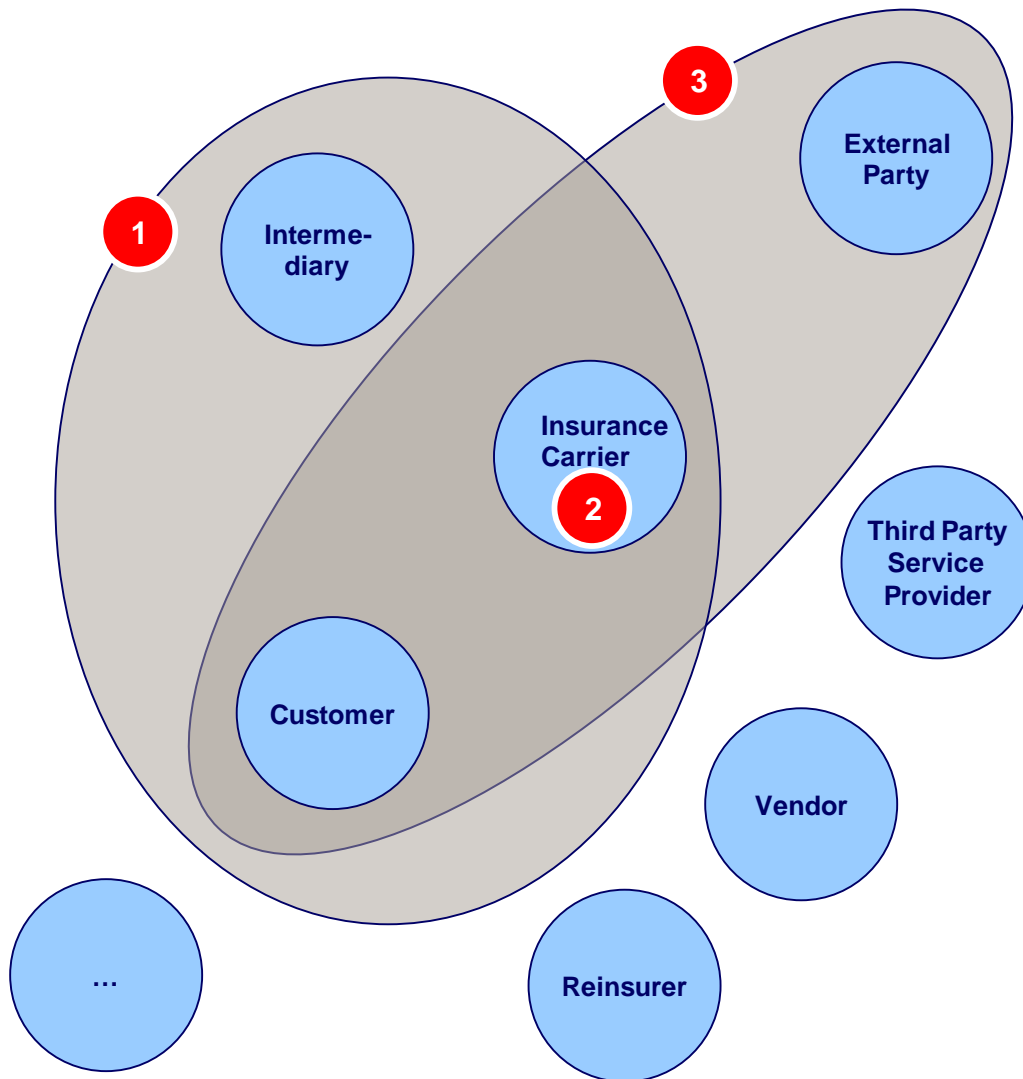
# Agenda



- Introduction
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# Economic Crime Landscape

## Key players in the insurance industry



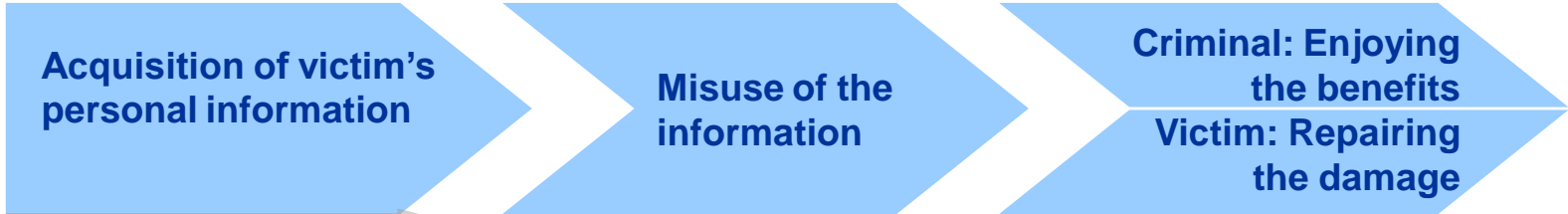
## Selected fraud schemes

- 1 Distribution crime**
  - Commission fraud
  - Policy fraud
  - Premium fraud
- 2 Internal crime**
  - Claims fraud (committed by employee)
  - Salvage
  - Sales incentives
- 3 Identity crime**

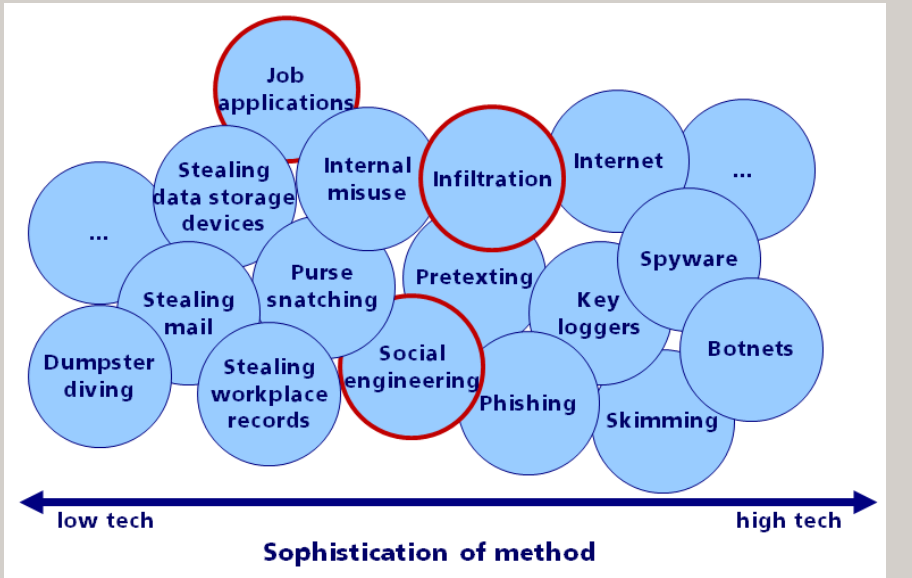
# Economic Crime Landscape

## Identity crime (1/2)

Misuse of another individual's personal information to commit fraud



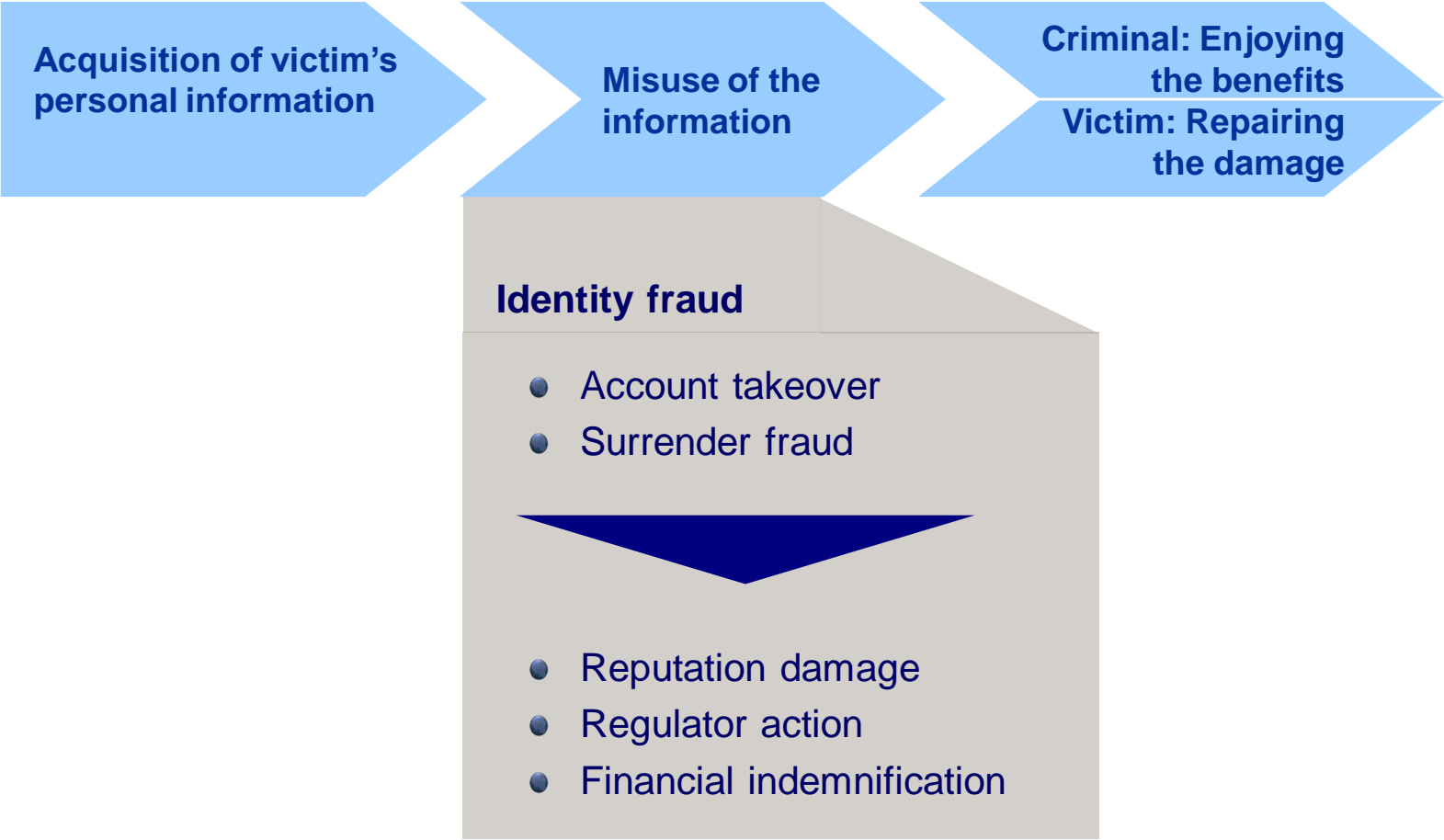
### Identity theft





# Economic Crime Landscape

## Identity crime (2/2)

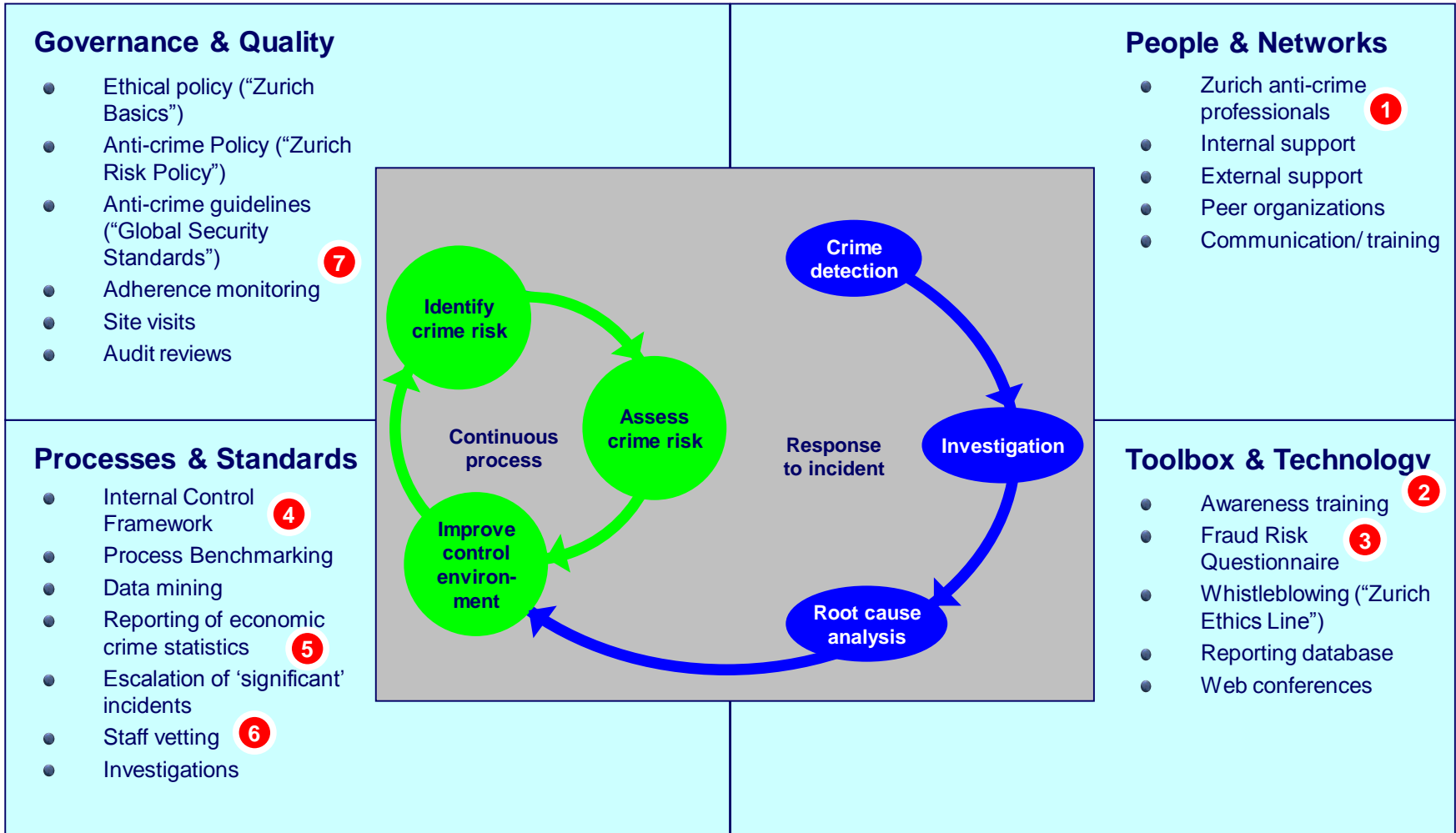


# Agenda



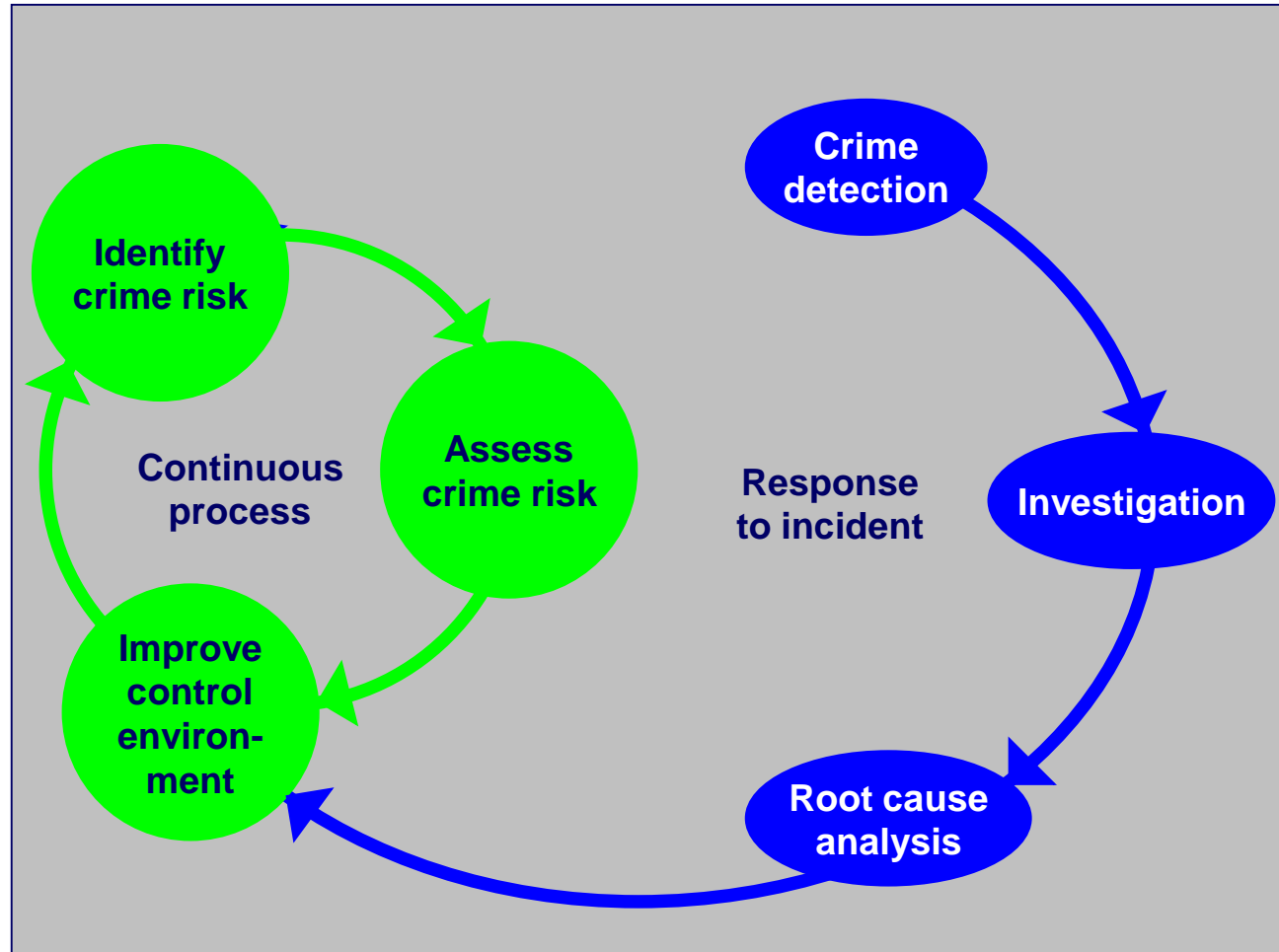
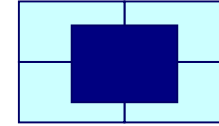
- Introduction
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- Economic Crime Framework

# Economic Crime Framework Overview



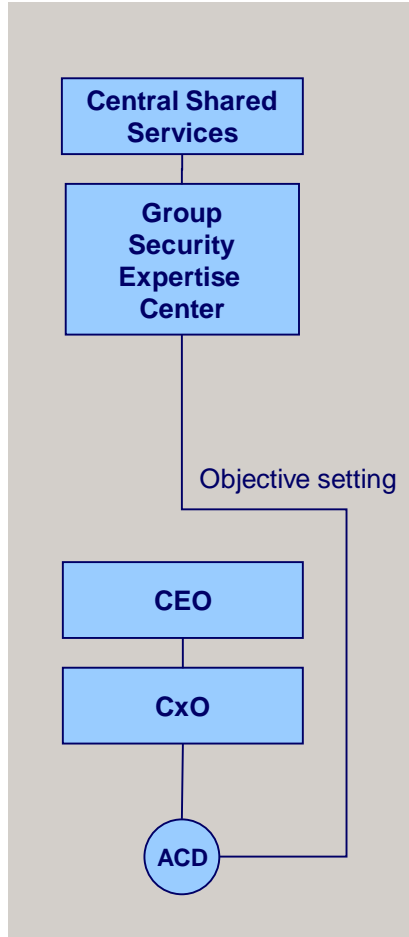
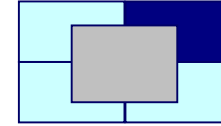
# Economic Crime Framework

## 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

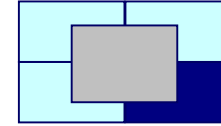
### Countries

- 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



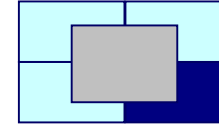
#### Ethics training

- 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)



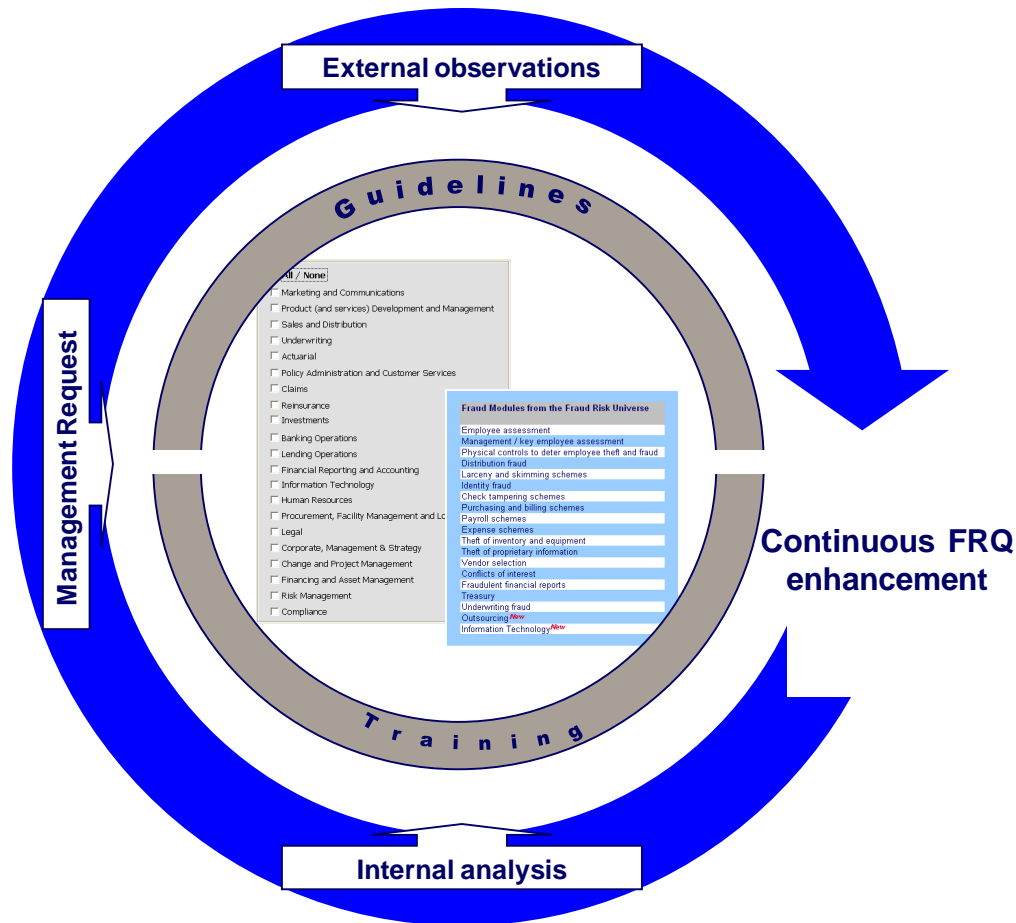
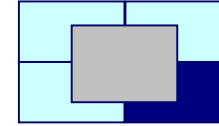
- All / None
- Marketing and Communications
- Product (and services) Development and Management
- Sales and Distribution
- Underwriting
- Actuarial
- Policy Administration and Customer Services
- Claims
- Reinsurance
- Investments
- Banking Operations
- Lending Operations
- Financial Reporting and Accounting
- Information Technology
- Human Resources
- Procurement, Facility Management and 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

# Economic Crime Framework

## Fraud Risk Questionnaire (2/2)

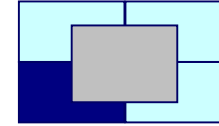


- Execution facilitated through guidelines, training and individual consulting
- Continuous enhancement (external/ internal trends, management requests)
- Development of new modules
- Refinement of existing modules




# Economic Crime Framework

## Internal Control Framework




Internal Control Framework

  
ZURICH

1.22 Anti-Crime

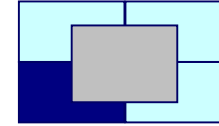
Reporting Unit Number and Name	Group
Legal Entity	Zurich Group
KCF Region	Local BIU
Process Owner (Name & Function)	Local COO, LRO, etc. (must be member of the Executive Committee)
Process Responsible (Name & Function)	Designated Anti-Crime Delegate



1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 | 51 | 52 | 53 | 54 | 55 | 56 | 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 | 66 | 67 | 68 | 69 | 70 | 71 | 72 | 73 | 74 | 75 | 76 | 77 | 78 | 79 | 80 | 81 | 82 | 83 | 84 | 85 | 86 | 87 | 88 | 89 | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 100

- 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

# 5 Economic Crime Framework Reporting



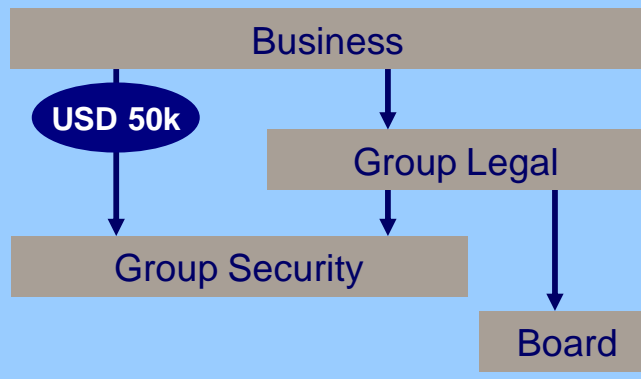
## Economic Crime Report

Please select your region <input type="text" value="Europe &amp; 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 Head 2 or Life Partner <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 reporting <input type="text"/>		
Sign-Off from Senior Management received <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Date of Sign Off (dd mm yyyy) <input type="text" value="19.01.2012"/>	
Report presented to governance body <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Date of committee meeting (dd mm yyyy) <input type="text" value="20.02.2012"/>	
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 new governance body, please state who 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

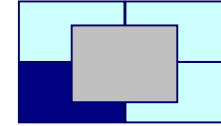


## Escalation criteria

- 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

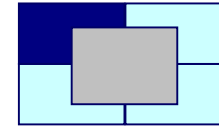
## Pre-employment screening



- 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



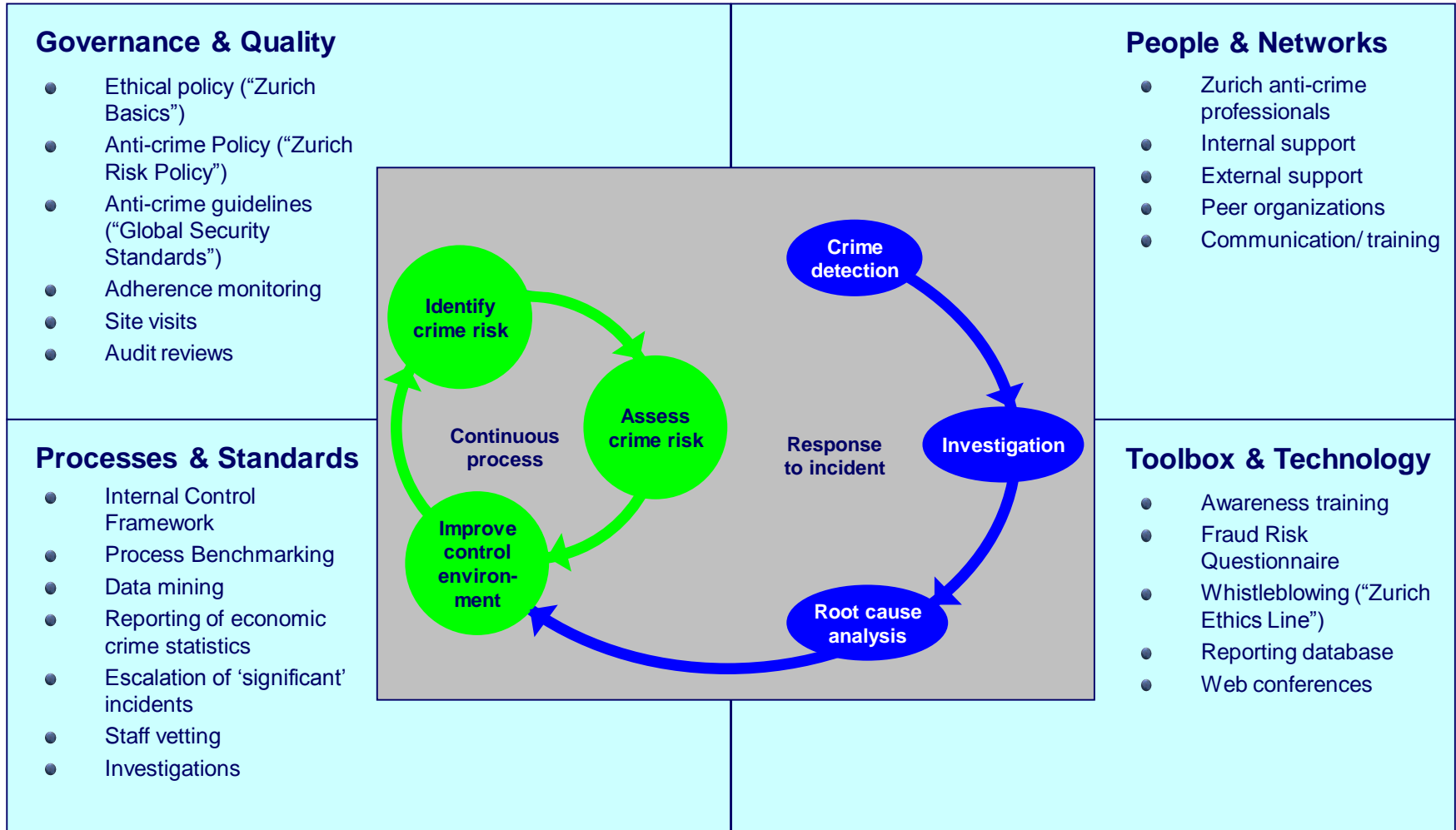
**Country Risk Rating**

	Risk rating
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

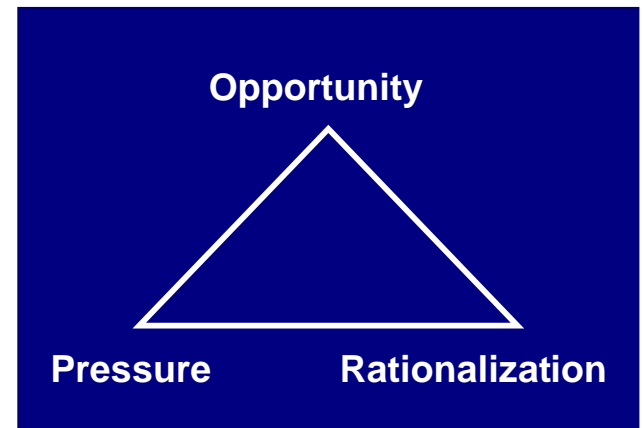
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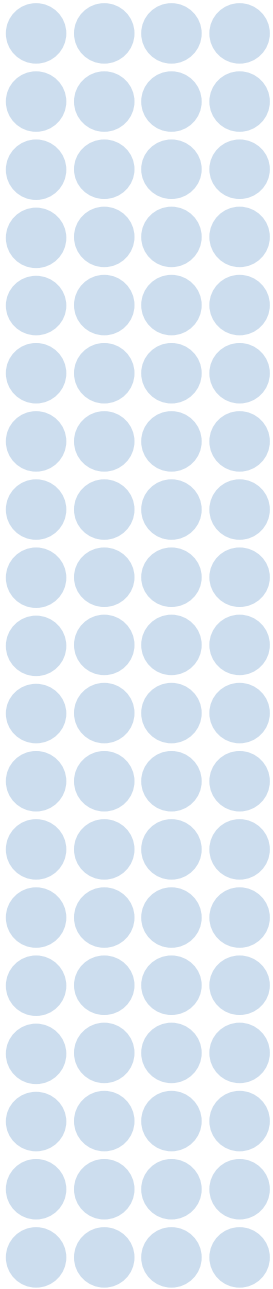
prevent and detect criminal activities and security incidents to mitigate business damage from crime. Investigate fraud and security incidents.

### 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



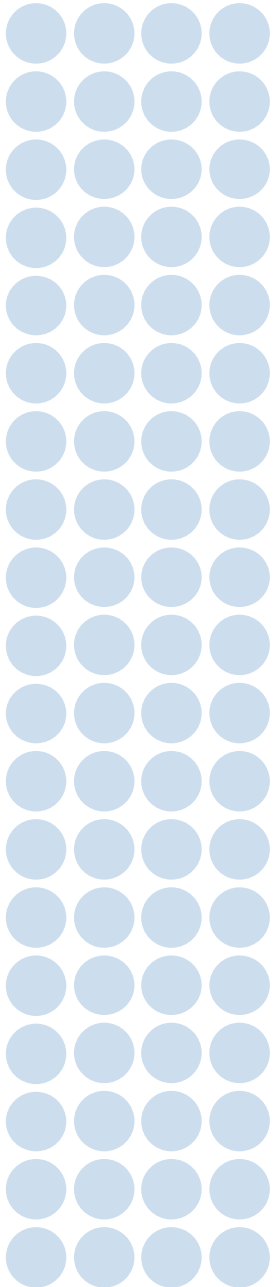


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# Questions



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# Thank you!

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