‘Weak Control Environment’ Will Lead to Heavy Fines and Greater Regulatory Scrutiny for Insurance Companies, Says Datanomic

Submitted by: Devonshire Marketing
Monday, 16 February 2009

Corruption and Control Standards too weak in Insurance Industry

Insurance companies are set to come under greater regulatory scrutiny in 2009 as the Financial Services Authority (FSA) clamps down on what it calls ‘weak control environments’ for anti-money laundering, according to fit-for-purpose data and screening specialists Datanomic Ltd. Failure to counter risks of bribery and corruption in overseas payments will open the door for FSA inspections, heavy fines and damaged reputations. In particular, those insurance companies that facilitate the acquisition, retention, use or control of laundered money, should expect large fines and in extreme cases, prison sentences.

Earlier this month, the FSA fined Aon £5.25 million – its largest ever financial crime-related fine.
The fine was issued for failing to take reasonable care to establish and maintain effective systems and controls to counter the risks of bribery and corruption associated with making payments to overseas firms and individuals. According to the FSA, between 14 January 2005 and 30 September 2007, Aon failed to properly assess the risks involved in its dealings with overseas firms and individuals who helped it win business and failed to implement effective controls to mitigate those risks. The FSA added that as a result of Aon’s “weak control environment”, the firm made various suspicious payments, amounting to approximately US$7 million, to a number of overseas firms and individuals.

“Improving internal systems and controls to prevent potentially corrupt practice overseas is not just good business practice for insurance companies, it’s a legal requirement,” said Dr Jonathan Pell, CEO of Datanomic. “We are starting to see the FSA show its teeth and impose hefty fines against companies who fail to implement the proper screening systems and controls against anti-money laundering. We’re seeing the same trend in other markets, such as banking and the legal sector, where fines are now being imposed against both companies, as well as individual managers within the firm. Any insurance company that does not have the proper screening systems in place or is deemed to be operating in a ‘weak control environment’ should take immediate remedial action to mitigate risk, avoid multi-million pound fines, and safe guard their reputation.”

Datanomic believes that Enterprise Screening, the systematic screening of employees and internal contractors, as well as external partners, agents, third parties, and distributors, will become standard business practice for large organizations in all major vertical markets over the next three years.

Datanomic’s dn:Director Sanctions & PEP (Politically Exposed Persons) Screening software enables organisations to rigorously and systematically identify heightened-risk entities within their customer bases. It relieves the burden of manual or semi-automated client screening by enabling automated screening in an easy-to-use/easy-to-implement solution purpose-built for Compliance. Datanomic includes powerful screening rules to match against both commercial and regulatory body/Government watch lists, and has worked with leading law firms to deliver a highly intelligent data matching solution that is designed for ease of use by non-technical users.

About Datanomic

Datanomic’s holistic approach to delivering fit-for-purpose data and screening accuracy enables its growing list of European and North American blue chip clients to achieve a rapid Return on Investment, by exposing and correcting deficiencies in information their businesses rely upon, and by discovering potential regulatory and legislative compliance data issues in line with proactive risk management. Our clients come from a wide spectrum of industries including financial services, telecommunications, government, healthcare, utilities, professional services and engineering.

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