

UK Insurance Companies Remain Confused About Sanctions Screening

Submitted by: Devonshire Marketing Consultants Limited

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Insurance industry ignorant of legal obligations under the Terrorism Order, over reliant on screening by small firms, and trails other sectors in understanding mandatory requirements

The majority of UK insurance companies remain confused about their sanctions screening responsibilities, are largely ignorant of their obligations under the Terrorism Order, and have an over reliance on small firms to screen against Her Majesty's Treasury (HMT) lists, according to fit-for-purpose data and compliance screening specialists, Datanomic Ltd. The findings are confirmed in the Financial Services Authority's (FSA) latest report "Financial services firms' approach to UK financial sanctions", produced by the FSA's Financial Crime and Intelligence Division (FCID).

Many insurance firms wrongly believe there is little or no risk of a sanctions breach in their customer base, while some companies even believe UK financial sanctions do not apply to the insurance industry and view themselves as exempt from the UK financial sanctions regime.

"There is a widening gap between the insurance sector and the rest of the financial services industry in terms of education and understanding of their sanctions screening responsibilities," said Simon Pearson, Director of Compliance Screening at Datanomic Ltd. "Insurance is trailing the rest of the financial services market in its practical understanding and implementation of exactly how the Terrorism Order and other legislation prohibits the provision of insurance services to a named individual or entity on a sanctions list. The FSA has given the industry plenty of warning to get its house in order. We anticipate that it will start to impose heavy financial penalties on both insurance companies and individual senior management who breach financial sanctions in the same way that it has come down hard on the banking industry."

Worryingly, many major insurance companies are relying on small firms to screen against the HMT and other global sanctions lists, however, very few small firms do any screening at all. "Unfortunately, the trend in the insurance sector, particularly among the major insurance companies, is to rely on small firms or other authorised organisations to carry out screening against the HMT list," added Pearson. "However, approximately three quarters of small firms surveyed by the FSA do not screen the HMT list or other commercial sanctions lists at all. In fact, they show very low levels of awareness of the financial services regime in general. This practice by both the major insurance firms and small companies alike is irresponsible, in breach of legal obligations under both industry regulations and government legislation, and is placing companies at risk."

To address these issues, Datanomic's Director Sanctions & PEP Screening software enables organisations to rigorously and systematically screen their customers against Sanctions, PEP, money laundering, terrorist financing and other risk data sources. Industry-leading accuracy and Datanomic's unique 'Decision Intelligence' drive down compliance costs by reducing the burden of false positives. End-to-end data preparation, case management, workflow, auditability and reporting tools ensure that businesses are protected from compliance risk.

A full copy of the FSA report on financial services firms' approach to UK financial sanctions is

available for download at <http://www.fsa.gov.uk/pubs/other/Sanctions%20Final%20Report.pdf>.

More information about Datanomic's dn:Director Sanctions & PEP (Politically Exposed Persons) Screening software is available at <http://www.datanomic.com/solutions/sanctions-pep-screening/>

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About Datanomic

Datanomic's holistic approach to delivering fit-for-purpose data and screening accuracy enables its growing list of blue chip clients around the world 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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