



DEVK

VERSICHERUNGEN

DEVK beats the compliance deadline

DEVK was founded as a mutual self-help society by railway workers in 1886. In the 1970s it set up a subsidiary offering private insurance to the general public and has become a modern, independent insurance company. Based in Cologne, DEVK is a highly decentralized organization employing 3875 people through 19 regional offices across Germany.

In recent years, life insurance has replaced auto insurance as DEVK's most important revenue-driver. With some 1.5 million life insurance policies on its books, assets totaling € 7.7 billion and annual premiums totaling € 729 millions, DEVK has a growing share of the German market.

Jürgen Klein has worked for DEVK since 1981 and in 2006 was took charge of the anti-money laundering program, in particular with a view to combating potential terrorist financing. The duty of care on insurers to prevent money laundering changed quite fundamentally when a new law (the Geldwäschebekämpfungsergänzungsgesetz) came into force on 21 August 2008. Klein explains: "Previously, the statutory regulator would say to us, 'you have to do this, that and the other to comply.' Now the regulator says, 'you must fully understand and quantify your own risks.' That was a huge challenge because it was a completely new way of looking at things for the insurance industry."

In particular, § 80d of the new law applying to life insurance explicitly states that they have to establish a procedure to identify possible money laundering activity. "That was the compelling event. We concluded that we had to get the risks under control. The question was, how?" says Klein.

It was soon apparent that a risk-based approach would impose enormous personnel costs given the decentralized nature of DEVK and its heterogeneous IT environment. „We have a lot of incompatible systems for different products, such as life insurance, auto insurance, legal insurance, health insurance and so on. Some of them are already more than 30 years old," comments Klein.

This legacy IT environment meant DEVK was not in a position to generate meaningful information to support risk-based approach to AML – or at least, not without a lot of manual work. So DEVK decided that it could only meet its obligations with a solution that not only provided risk management functionality, but could also stitch all of the incompatible data sources together.

Vendor selection

All of the vendors on DEVK's shortlist were required to complete a survey questionnaire. "We used their answers to perform a functional analysis of their capabilities. FICO TONBELLER achieved the highest score and certainly offered the best solution on the market. On top of this, FICO TONBELLER had already implemented an AML solution for another leading German insurer, so we felt we could benefit from the experience.

"This was even more important than the functional analysis. None of FICO TONBELLER's competitors really understood the insurance business to the same degree. Their experience was limited to the banking industry. And while it is true that banks have been implementing AML systems for considerably longer, their business is very different from ours. By contrast, FICO TONBELLER was already well acquainted with the specific issues and challenges of an insurer, so there would be no steep learning curve," says Klein.

DEVK had also successfully implemented FICO TONBELLER's Siron®Embargo at DEVK. This solution alerts the insurer to any matches between customers and known terrorists. "In short, FICO TONBELLER was the clear choice to get us through our difficulties," says Klein.

Unique insurance industry challenges

DEVK had set itself a very punishing schedule. The company had decided that it would do everything to meet the statutory requirements of the 21 August 2008 law, within the timeframe set by the federal regulator [Bundesanstalt für Finanzdienstleistungsaufsicht] to the spirit and letter of the law. That meant the system had to be fully operational by 21 May 2009. "Implementing such a sophisticated IT system within nine months is exceptionally rare," says Klein.

In fact, FICO TONBELLER and DEVK pulled off the project in six months. Knowledge of the insurance industry was critically important. Whereas a bank has many daily transactions passing through accounts every day, with a life insurance policy there is typically one payment per month. So the issue is not the mass of transactions, but rather the many other possibilities that life insurance policies offer to the money launderer.

Life insurance is essentially an investment, and cashing out from a life insurance policy is relatively easy. It is also easy to transfer the rights over a life insurance policy to another person, and third party financial institutions can grant a loan against a policy used as collateral. The money launderer can exploit these opportunities to turn "dirty money", for example from criminal activity, into "clean money". For an insurer, the focal point is the contracts, not the transactions. FICO TONBELLER quickly identified the best indicators to meet the central demand of the regulator, "know your risks".

„On the face of it, AML just brings costs. The FICO TONBELLER Siron®AML system has significantly reduced those costs because it has eliminated a lot of expensive manual processes. However, by reducing the exposure of DEVK to money laundering, and in particular by terrorists, we are protecting our good reputation – and you simply can't put a price on that!“



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Jürgen Klein
Anti-Money Laundering Officer
DEVK

Nonetheless, every company is unique and there were some business and technical issues that were peculiar to DEVK. “FICO TONBELLER responded quickly and flexibly to our business needs and worked within our technical requirements,” says Klein. “In my experience, many software vendors expect an organisation to adapt to their way of doing things. By contrast FICO TONBELLER adapted very quickly to our needs, and in that respect we are also very satisfied.”

Reputation

Apart from the considerable cost savings delivered by the FICO TONBELLER Siron®AML solution, Klein sees a potentially greater, but somewhat intangible benefit: reputation protection. “On the face of it, AML just brings costs. The FICO TONBELLER Siron®AML system has significantly reduced those costs because it has eliminated a lot of expensive manual processes. However, by reducing the exposure of DEVK to money laundering, and in particular by terrorists, we are protecting our good reputation – and you simply can’t put a price on that!” he says.

Knowing your risks can also bring better insights of your business. The AML system therefore has the potential to deliver other benefits in future. “We believe that we will be able to leverage the solution to identify fraud, though we do not yet have any concrete plans in that regard,” says Klein. “In the meantime, getting this issue out of the way enables us to focus on other priorities, giving us a competitive advantage over other insurers,” says Klein.

DEVK was also selected for inspection in 2009 by the “Financial Action Task Force” (FATF), an international organization that sets out guidelines for anti-money laundering. “Again, the implementation was very timely in this respect, as we were well prepared,” Klein adds.

“I believe we made the right decision to invest in an AML solution from an external vendor. I am also convinced that FICO TONBELLER was the best partner and offered the best solution on the market,” concludes Klein.

The challenge

DEVK decided to implement risk-based AML within the tight deadlines laid down by the regulator, even though they were treading “virgin territory” for an insurer. What’s more, DEVK’s decentralized structure and legacy IT system created a tough technical challenge.

The solution

FICO TONBELLER adapted its Siron®AML solution around the specific risk exposure of a life insurance company and the specific IT landscape of DEVK – in a project that was completed in just six months.

The benefit

DEVK could demonstrate compliance with the 21 August 2008 law within the timeframe specified by the regulator, and eliminated the heavy personnel costs that would result from a manual or semi-automated approach. Speedy project resolution enabled DEVK to focus on other pressing issues. In future, the AML solution could also help DEVK to pinpoint fraud. Most of all, DEVK has protected its reputation.

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