SymphonyAI

Elevating compliance in insurance

A risk-driven, AI-powered approach to AML and sanctions screening

Introduction

If there is one industry that truly understands risk, it is insurance. Despite this core competency, many insurers continue to underestimate the threat posed by financial crime. While life insurance has long been subject to Anti-Money Laundering (AML) regulation, the broader insurance sector—particularly general and non-life lines—remains inconsistently covered, often seen as presenting minimal exposure. However, the reality of modern financial crime challenges this assumption.

The United Nations Office on Drugs and Crime (UNODC) estimates that between 2 and 5% of global GDP is laundered each year. That's between EUR 715 billion and 1.87 trillion each year across all sectors. PwC's Global Economic Crime and Fraud Survey 2022 found that 46% of insurers surveyed reported experiencing fraud or financial crime over the previous 24 months - a figure comparable to earlier surveys, signalling persistent exposure. Additionally, the rise of generative AI's use by criminals and fraudster furthers this exposure.

These figures underscore a troubling reality:

- Day-to-day insurance operations are heavily impacted by fraud, especially in property/casualty lines
- Digital-first fraud methods like staged collisions and counterfeit documentation are on the rise
- Financial crime risk extends beyond isolated sectors, reinforcing the need for strong, systemic defences.

How is this possible? Three main reasons: certain insurance products remain susceptible to money laundering tactics; insurers aren't keeping pace with newer AML system innovations that identify crime patterns more easily; and criminals count on vulnerabilities in insurers' processes and controls that they can exploit for their money-making gains.

As technology progresses, so do the tactics used by criminals. Financial crime is becoming more widespread and harder to manage, with the insurance industry facing growing vulnerability. Its scale, diverse product range, and varied distribution channels make it an increasingly appealing target for illicit activity including fraud, sanctions breaches, bribery, and corruption. Yet, compared to the banking sector, many insurers still operate with underdeveloped risk management and control frameworks, leaving them more exposed to these evolving threats.

With money laundering schemes increasingly exploiting insurance policies to obscure illicit funds and regulators and legislators across multiple jurisdictions beginning to reassess the AML obligations of non-life insurers, maintaining the status quo is becoming less tenable. A new approach is needed, one that addresses risk holistically and embraces the technology necessary to manage complexity and scale.

A broader understanding of risk

It is a mistake to view compliance purely through the lens of fines. Regulatory penalties are only the surface of a deeper risk profile. When an insurance firm faces an investigation, the opportunity cost is enormous. Resources are diverted across compliance, legal, risk, operations, and senior leadership. This impact often exceeds the value of any financial sanction imposed, as productive hours and strategic focus are replaced by internal reviews and defensive efforts.

Beyond regulatory action, insurers are increasingly vulnerable to civil suits. A legal precedent now exists—reinforced by supreme courts in the UK and Switzerland—that holds insurers liable for laundering funds even in the absence of intent.

Criminal exposure is also real and personal. In several jurisdictions, failing to identify or report suspicious activity—particularly in cases involving fraud—can result in criminal liability for employees. This is salient given the legal classification of claim fraud as a form of money laundering.

> “Courts have ruled that if a firm “should have known” criminal proceeds were processed through their products, they may be held accountable for compensating victims. These rulings place a legal burden on insurers to proactively detect and prevent abuse of their platforms.”

For insurers, the implication is clear: every suspicious or fraudulent claim must be considered through an AML lens, and failure to do so can carry serious consequences.

How insurance products enable money laundering

The structure of insurance products can unintentionally facilitate money laundering activity. Life and annuity policies are attractive to criminals because they mimic legitimate financial planning instruments. Criminals may use illicit funds to pay high-value premiums, only to later draw down those funds through policy loans, early surrenders, or maturity benefits, giving the appearance of legitimate income.

Even short-term mechanisms such as overpayment during a policy’s cooling-off period can be exploited to trigger a refund, offering a way to cleanse illicit capital. In some cases, policy ownership is transferred to accomplices or sold in the secondary life market, further complicating the audit trail.

Non-life insurance is not immune either. In motor or property insurance, a fraudulent claim can be used to not only recover money but generate a profit while simultaneously laundering the proceeds of crime.

While the industry has long argued that general insurance products present minimal risk, real-world cases suggest otherwise. High-value commercial policies, insurance-backed loans, or structured reinsurance arrangements have all been used for laundering purposes.

Common insurance products that are susceptible to money laundering

Below are examples of common insurance products and mechanisms where money laundering occurs:

Annuity policies or high regular premium savings: Money launderers use criminal funds to pay premiums for annuity policies or high regular premium savings products. They receive legitimate income from these policies, creating a facade of lawful financial activity.

Policy loans: Financial criminals use the cash value accumulated in their insurance policies to obtain loans. Since policy loans often bypass rigorous AML insurance checks and don't necessarily require repayment, it is possible to exploit this avenue to access the cash value without arousing suspicion.

Single premium policies: These policies allow money launderers to offload large sums of money in a single transaction. This is an attractive method for criminals to legitimize their illicit funds or put the policy forward as collateral for bank loans. Money launderers surrender their policies to repay their loans, providing them with an opportunity to legitimize their illicit funds.

Cooling-off periods: During a cooling-off period, typically 14 days, money launderers request refunds on premiums or deliberately overpay premiums to trigger a refund. This allows them to retrieve their deposited funds while leaving a limited paper trail.

Policy surrender: Money launderers surrender their insurance policies at a loss to reclaim funds they initially deposited. This strategy helps criminals convert ill-gotten gains into seemingly legitimate money.

Top-ups: Money launderers may initially pay a small premium to avoid regulatory scrutiny and subsequently top up their policy payments with additional criminal funds. This technique allows them to offload more illicit money without raising red flags.

Ownership transfer: Criminals purchase insurance policies and transfer ownership to a third party within the criminal network. The new owner subsequently withdraws the money, successfully laundering the money.

Secondary life market: Individuals in poor health may choose to sell their life insurance policies to a third party, potentially including criminals. Insurers must diligently identify the new owner to prevent the exploitation of these policies for money laundering purposes.

By understanding these potential avenues for money laundering within the insurance industry, professionals can better safeguard against illicit activities and implement robust anti-money laundering measures.

Money laundering trends in the insurance sector

Exploitation of life and investment products

Use of policy surrenders, top-ups, and loans to clean illicit funds through life and annuity products.

Non-life insurance fraud-driven laundering

Use of false claims, short-term refunds, and over-insurance in general insurance lines to launder money.

Cross-border laundering via reinsurance

Layering funds through reinsurance, offshore entities, and complex ownership structures.

Digital and remote onboarding vulnerabilities

AML risks due to weak KYC in digital onboarding and funding via prepaid or crypto methods.

Misuse of the secondary life market

Purchase and resale of life insurance policies in the secondary market to mask illicit beneficiaries.

Sanctions evasion via insurance coverage

Provision of indirect financial services to sanctioned entities, especially in shipping or aviation.

Integration of fraud and AML typologies

Recognition that fraud schemes often double as laundering channels - e.g., staged claims or ID theft.

Why traditional compliance falls short

Insurance is not banking. It does not operate with accounts, deposits, or frequent customer interactions. It does not typically handle cash, and its risk signals are far less consistent than those found in other financial services. Because of this, traditional AML models and rules-based systems - largely inherited from banking paradigms - often fail to adapt effectively to insurance use cases and changing risks.

Red flag detection in insurance lacks the volume and consistency seen in banking or investment services. As an example, early policy termination or top-up payments may indicate suspicious behavior, but more often they reflect legitimate customer needs. In many cases, isolated red flags are not sufficient to indicate criminal activity. Risk emerges instead from the combination of multiple subtle factors: the product, the customer, the jurisdiction, and the transactional context.

Rules-based systems, particularly when configured for other financial sectors, cannot efficiently interpret these nuances. They generate excessive false positives, create alert fatigue, and force investigative teams to triage noise rather than focus on real risk. Regional variation adds further complexity. As an example, early surrenders are far more common in the UK than in continental Europe, and national legal frameworks greatly influence what is deemed suspicious. These realities demand a more intelligent, flexible, and contextual approach to compliance.

Regulatory expectations are shifting toward effectiveness

Traditional AML compliance programs in the insurance industry were built to demonstrate adherence to prescribed regulations – documented policies, formal procedures, and periodic reviews. However, this legacy approach is no longer sufficient. Global regulatory bodies, including the Financial Action T ask Force (FATF), the European Insurance and Occupational Pensions Authority (EIOPA), and the International Association of Insurance Supervisors (IAIS), now place increasing emphasis on the effectiveness of AML programs, not just their presence.

This evolution in regulatory expectations reflects the growing recognition that box-ticking does little to prevent actual financial crime. Insurers are now expected to go beyond documentation and show evidence of real-world outcomes: proactive identification of risk, dynamic mitigation strategies, and measurable impact on financial crime exposure.

At the core of this shift is a focus on data-driven, technology-enabled controls.

Regulators are looking for firms to demonstrate they can assess emerging risks in real time, deploy detection models that adapt to new or changing behaviors, and maintain systems that evolve alongside typologies and criminal tactics. It’s not just about having a rule in place - it’s about whether that rule works, how it's monitored, and what outcomes it drives.

For insurers, this change brings both challenge and opportunity. Those still relying on static rules-based systems and fragmented oversight will find it difficult to meet rising expectations. On the other hand, those investing in new technologies, such as AI-powered detections, automated case management, and integrated fraud-AML intelligence are better positioned to prove effectiveness and ultimately, resilience.

Technology is not optional; it is foundational. Insurers that adopt adaptive, scalable compliance solutions meet supervisory scrutiny and gain a strategic edge by lowering exposure, improving trust, and reducing operational overhead.

Managing key AML compliance pain-points

Two of the main AML compliance pain points faced by insurers today are the high volume of false positives and poor data quality. This leads to poor suspicious crime detection. Insurers face significant challenges in combating these problems because of older existing technology and the complexities of relevant data.

Addressing false positive reduction

With vast amounts of data being monitored, the high volume of false positives can overwhelm compliance resources and impede the detection of genuine suspicious activities. Other factors include not understanding which rules create the most noise, how to tune rules, or how to add new rules to immediately impact results. The backlog makes it harder to properly triage, review, investigate, and conclude alerts. More than 75% of system-generated alerts often turn out to be false positives at level 1 triage, and a higher percentage never results in a suspicious activity report (SAR) filing.

Modern AML innovations in AI/machine learning have proven highly effective in determining nuanced patterns and anomalies which are false positives. These can then be isolated to allow true positives to be prioritized and assessed. Run independently or in parallel with a proven rule-based approach, institutions can achieve a substantial reduction in false positives. This results in timely identification and reporting of actual money laundering risks, reducing compliance costs and reputational damage.

Moreover, false positive reduction improves operational efficiency, enhances customer experience by reducing unnecessary disruptions, and strengthens overall AML program effectiveness. Striking the right balance between precision and recall in alert generation is crucial to ensure accurate detection while minimizing false positives and reinforcing the integrity of AML compliance efforts.

Addressing poor data quality

Insurance is a data-driven industry. Data quality issues can often arise, impacting compliance program detection capabilities and outcomes. Such issues stem from various business, system, data privacy, and geographical reasons. Typical reasons include:

A lack of enterprise-wide data standards

Complex business structures from mergers and acquisitions

Use of fragmented systems across underwriting, policy administration and claims management

Insufficient data cleansing and maintenance over the lifetime of policies, exacerbated by sometimes limited customer touchpoints

Solving this is dependent on the overall level of data maturity across the company, the severity of the issue, the impact on critical business processes, the size of the organization, and the resources available for data cleansing and transformation.

From a compliance perspective, this means ensuring the core customer, policy, financial, and non-financial transaction data is fit for purpose. To achieve this, insurers should:

- Establish clear responsibilities for data quality
- Conduct data quality assessments to identify issues that are fixed at the source where possible
- Use automation to minimize the potential for human errors
- Streamline data integration
- Consolidate data from disparate resources while managing and resolving multiple and sometimes, overlapping identities.

The SymphonyAI solution: Built for insurance. Built for effectiveness.

SymphonyAI delivers a purpose-built, AI-powered compliance solution designed specifically for the unique demands of the insurance industry. The platform supports every stage of the customer lifecycle - from seamless onboarding and ongoing due diligence to continuous transaction monitoring and the rapid identification of suspicious activity.

It offers comprehensive coverage across AML, customer due diligence (CDD), and real-time watchlist screening, all unified within a single platform. With strong and flexible list integration, the solution enables real-time screening for sanctions, politically exposed persons (PEPs), and adverse media as standard.

With flexible configuration, mass alert processing, and dynamic risk profiling, the platform reduces false positives, enhances risk visibility, and supports regional compliance needs. It centralizes detection efforts, streamlines investigations, and gives a complete view of customer and policyholder risk, boosting both compliance and operational efficiency.

Key capabilities include:

- **Screening against 350+ global watchlists in 60+ languages**
- **Real-time onboarding at scale**
- **Automated watchlist updates for dynamic risk assessment**
- **Advanced matching algorithms to reduce false positives**
- **Scalable architecture to handle high transaction volumes effortlessly**

Unify your AML compliance strategy with enterprise-wide transaction monitoring built to meet evolving global regulatory expectations. SymphonyAI's adaptive detection models go beyond static rules. The result is uncovering hidden risks, assessing behavioral changes in real-time, and prioritizing high-risk alerts with precision.

The SymphonyAI solution gives insurers a complete, unified view across customers and policyholders, centralizes AML and fraud detection, reduces manual workloads, and helps ensure compliance while significantly improving operational efficiency.

Case study:
Leading US insurer seamlessly secures 500,000 daily transactions

US financial services company protects 15 million customers with millisecond real-time response rates and two-hour batch processing.

A century-old US insurance and financial services company faced significant challenges managing financial crime across its expansive operations. Serving over 15 million customers with more than 400,000 agents and employees, and processing over 500,000 transactions daily, the insurer required a scalable, intelligent solution capable of adapting quickly to increasingly sophisticated fraud and regulatory demands.

SymphonyAI's platform offered a comprehensive suite including AML transaction monitoring, real-time KYC/CDD, PEP, negative news, sanctions screening, and payment and event fraud monitoring with full support for FinCEN SAR filing. This deeply integrated architecture allowed the insurer to move beyond siloed systems and unify detection and investigation capabilities across the enterprise, improving response times and operational cohesion.

Post-implementation, the insurer achieved striking performance gains: transactions processed in real time - often in milliseconds - and batch workloads completed in approximately two hours. The platform's flexibility empowered rapid adjustments in rules and models to stay compliant amid regulatory updates. With SymphonyAI's services consistently delivered on time and within budget, the partnership surged into its seventh year.

Overall, the transformation delivered more than technological efficiency: it enhanced the insurer's ability to identify and prevent financial crime, bolstered trust across its extensive customer base, and anchored compliance as a strategic asset rather than a cost center.

The path forward

As regulations evolve and criminals become more sophisticated, insurers must look beyond minimal compliance. Effective AML and sanctions screening must become part of core business strategy. This means proactively assessing risk across all product lines (even those not currently regulated) and investing in technology that can manage complexity at scale.

Insurers should ensure their AML programs incorporate strong governance, clear data ownership, and meaningful integration between fraud and compliance teams. High-quality data is critical, particularly in an industry that often deals with fragmented systems and inconsistent touchpoints. AI innovations in compliance offers a path to resolve these challenges by enabling smart triage, reducing false positives, and uncovering hidden risk signals.

Most importantly, insurers must recognize that AML is not just a regulatory obligation but a strategic imperative. Firms that lead in compliance will reduce reputational risk, build customer trust, and strengthen their relationship with regulators. Those that lag behind, may find themselves exposed on multiple fronts.

Conclusion

The insurance industry is at a turning point. Compliance risks are expanding, enforcement expectations are rising, and outdated systems no longer suffice. By embracing purpose-built, AI-powered solutions, insurers can move beyond traditional screening and create intelligent, responsive compliance environments.

SymphonyAI provides the technology, experience, and insight needed to help insurers navigate this transformation. With a deep understanding of the sector and a commitment to innovation, we are proud to partner with insurers around the world in the shared mission of preventing financial crime.

Learn how you can effectively detect, prevent, and reduce financial crime risk with SymphonyAI's AML compliance solution built specifically for the insurance industry.

Get started here www.symphonyai.com

About SymphonyAI

SymphonyAI, 2024 Microsoft Partner of the Year for Business Transformation – AI Innovation, is building the leading enterprise AI SaaS company for digital transformation across the most critical and resilient growth verticals, including retail, consumer packaged goods, finance, manufacturing, media, and IT/enterprise service management. SymphonyAI verticals have many leading enterprises as clients. Since its founding in 2017, SymphonyAI has grown rapidly to 3,000 talented leaders, data scientists, and other professionals. SymphonyAI is an SAI Group company, backed by a $1 billion commitment from Dr. Romesh Wadhwani, a successful entrepreneur and philanthropist.

SymphonyAI provides AI-focused SaaS solutions developed from the ground up for fighting financial crime. An end-to-end offering compiled from more than 25 years of knowledge in tackling money laundering and fraud, our award-winning product ecosystem comprises an innovative and modern approach to financial crime investigation using world-leading predictive and gen AI. From KYC/CDD and transaction monitoring through to payments fraud, entity resolution, and sanctions, PEP, and adverse media screening, SymphonyAI is a trusted name in finance technology with more than a third of the world's top 100 banks enjoying the power, efficiency, effectiveness and productivity that our solutions provide.

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