

# ANTI FRAUD POLICY

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## 1. Introduction

The Corporate Governance Guidelines for Insurers in India 2016 issued by Insurance Regulatory and Development Authority of India envisages to set up a framework to monitor and implement Anti-Fraud Policy for effective deterrence, prevention, detection and mitigation of frauds in such a way that the Insurance Company is able to monitor risks across all lines of business on a continuous basis.

The Insurance Regulatory and Development Authority of India (“IRDAI”) vide its Circular dated 21<sup>st</sup> January 2013 having reference No. IRDA/SDD/MISC/CIR/009/01/2013 have directed all Insurance Companies to take steps to manage fraud and minimise risk emanating from fraud.

## 2. Objective

The objective of this Policy is to put in place effective Fraud Monitoring framework and ensuring that management is aware of its responsibilities for the detection and prevention of fraud and for establishing procedures to prevent fraud and/or detect fraud on its occurrence;

## 3. Definition

“Fraud” in relation to affairs of a company or anybody corporate, includes any act, omission, concealment of any fact or abuse of position committed by any person or any other person with the connivance in any manner, with intent to deceive, to gain undue advantage from, or to injure the interests of, the company or its shareholders or its creditors or any other person, whether or not there is any wrongful gain or wrongful loss;

“Wrongful gain” means the gain by unlawful means of property to which the person gaining is not legally entitled;

“Wrongful loss” means the loss by unlawful means of property to which the person losing is legally entitled.

## 4. Scope:

This policy and its related procedures apply to all staff, third party service providers, intermediaries and contractors of Company and all channels of distribution including online sales. This policy shall cover following frauds:

- I. **Intermediary Frauds:** Fraud by intermediaries such as Agents, Corporate Agents, Brokers, Third Party Administrators (TPAs), Surveyors and Loss Assessors or any other intermediaries against the Company or Policyholders;
- II. **Policyholder and /or Claims Fraud:** Fraud against the Company in the purchase or in the execution of an insurance contract including fraud at the time of making a claim.

- III. **Internal Fraud:** Fraud, mis-appropriation, mis-representation against the Company by its Director, Manager and / or any other officer or staff member (by whatever name called).
- IV. **Third Party Frauds:** Any fraud done by a party other than the persons not connected with the Company will come under Third party fraud.
- V. **Online Fraud:** This type of fraud could inter-alia involve any fraud committed while buying online policy on the Company's digital platform.

An illustrative list of Frauds as identified is given at **Annexure A** of this document.

## 5. Fraud Management and Governance Structure

The Company shall constitute a Fraud Management and Governance Committee ("FMGC") which to review, recommend the policies, procedures and control mechanism to identify, detect and report insurance frauds. The Committee shall also be responsible to review the findings of the investigations done by Internal Audit Team and recommend the appropriate actions there upon. The primary administration of the functions of the FMGC will rest with the Corporate Legal & Compliance Department, who will have adequate resources to carry out the same in coordination with the various departmental heads.

FMGC will be constituted with the following members and it will report its findings/recommendations to the Managing Director & Chief Executive Officer:

1. Chief Financial Officer
2. Head Human Resource
3. Head Internal Audit
4. Head Risk Management
5. Company Secretary, Head Legal & Compliance

## 6. Fraud Control Unit:

The Company shall establish independent Fraud Control Unit ("FCU") which shall commensurate with the volume and scale of business. The Fraud Control Unit will be a dedicated function responsible for identification, detection, investigation and reporting of frauds. The FCU shall also be responsible to identify the vulnerable areas exposed to the risk of potential fraud and put in place adequate control for containment of fraud. The FCU shall more specifically be responsible for the following:

- i. Lay down process and procedures to identify, detect and report frauds.
- ii. Identify areas of business that are potentially prone to fraud.
- iii. Awareness among employees/ intermediaries/ policyholders to counter insurance frauds.

- iv. Furnish periodic reports to the IRDAI, Government Authority and Board of the Directors of the Company.

In the initial years of business until dedicated Fraud Control Unit is set up by the Company, the aforesaid responsibility will be discharged by the Risk Management Department, Internal Audit and Corporate Legal and Compliance Department respectively to the extent detailed in subsequent paragraph to ensure the effective implementation of this Policy or any amendments thereof.

## **7. Fraud Monitoring and Control**

### **7.1 Fraud Identification**

The Company shall create an environment of integrity, honesty, fairness, openness in the Company as a step towards Fraud Identification and control. A list of possible frauds shall be shared through awareness campaign with all employees, agents of DHFL GI to help them in identifying potential Frauds.

The Directors, employees shall disclose potential or actual conflict of interest in any business transactions/relationship being done by the Company with any other party.

The Risk Management Team (RMT) and Head of each department of the Company shall be responsible for putting in place effective identification, detection, prevention and mitigation of frauds framework within their respective functions in the Company.

### **7.2 Fraud Prevention & Mitigation**

The Company shall take steps which will include but not limited to regular and periodic training of employees, agents. The training program shall underline the importance of how to identify fraud, process to be followed upon identification of fraud and how to prevent fraud etc.

**7.2.1** The Company shall as part of fraud prevention process shall carry out due diligence and back ground verification of its employees, staff and agents as applicable.

**7.2.2** The Company shall knowingly not engage in any business/contractual relationship with persons of criminal record or convicted by a competent court of law.

**7.2.3** Exit interviews shall be conducted for employees leaving the organization regardless of their position to identify potential fraud.

**7.2.4** The Risk Management Team shall prepare a Risk Assessment program which will assist in implementation of various aspects covered under this Policy.

### **7.3 Fraud Investigation**

Below process shall be followed whenever an instance of fraud is reported, noticed or suspected.

**7.3.1** The Internal Audit Team shall conduct the preliminary investigation upon notice of any fraud/suspected fraud. The Internal Audit Team may with the permission of the Managing Director & CEO may seek assistance of the external investigation agencies to carry out investigation, if required. The designated members of the Internal Audit Team who shall carry out the investigation and will have free and unrestricted access to all Company records and premises, authority to examine, copy and/or remove all or any portion of the contents of files, desks, cabinets and other storage facilities on the premises without the prior knowledge or consent of any individual who might use or have custody of any such items or facilities only when it is in the scope of their investigation for a fraud or suspected fraud.

**7.3.2** The Internal Audit Team based on the investigation carried out, prepare an investigation report marking and enclosing all the evidences collected during investigations and share the same with the Fraud Management and Governance Committee (“FMGC”) who shall determine the course of action which may include but not limited:

- i) In case of Internal Fraud, FMGC shall follow the due process of issuing notice to the employee against whom proceedings has been initiated, conduct hearing, record the evidence and based on evidence, hearing conducted, decide upon the case and take disciplinary action as per the Governance Matrix prescribed in the Code of Conduct.
- ii) The Internal Audit team shall further recommend and initiate steps for internal process remedies and control to plug loopholes in system so that such frauds are prevented in future.
- iii) The Head Internal Audit shall further inform the Audit Committee of Company of the outcome of action/ steps taken to put in place effective control to prevent such frauds in future.
- iv) For Frauds committed by persons outside the Company or third parties, the FMGC shall decide the course of action considering the nature, severity, cost and impact for pursuing the matter further with the Law Enforcement Agencies. Based on the recommendation of the FMGC, the Internal Audit Team shall share the complete investigation reports, evidence, documents with the Corporate Legal & Compliance team, for further pursuing the matter with the Law Enforcement Agencies.
- v) The coordination and cooperation with the External law enforcement agencies shall be done by the Corporate Legal & Compliance team of the Company.

- vi) The entire investigation, disciplinary proceedings shall be kept Confidential to the extent applicable.
- vii) No unfair treatment shall be given to a person who has reported in good faith of any suspected or alleged incidence of fraud and there shall be no discrimination, harassment, victimization, retaliation, threat against such person.
- viii) The identity of the person who has reported the suspected or alleged incident of fraud shall be kept confidential to the extent possible and permitted under the law.
- ix) However, any abuse of this protection (for example, any false or bogus allegations made by a person knowing them to be false or bogus or with a *mala fide* intention) will warrant disciplinary action.
- x) If an employee or an officer reports a suspected or alleged incident of fraud for personal gain or to disrupt the working environment of the company with mala fide intention, such employees would not get any protection and appropriate action shall be taken by the Company against such employees.

### **7.3.3 External Fraud Investigation**

The Internal Audit Team if during course of its investigation finds out that the fraud/suspected fraud is caused by elements outside the Company like by Agents, vendors, contractors, third parties etc who are not the employees of the Company, then they through the support of the Corporate Legal & Compliance team shall initiate steps to take action through appropriate Law Enforcement agencies. Before taking the support of the external law enforcement agencies, the findings of their investigation shall be shared with Corporate Legal & Compliance team who shall decide upon the availability of evidence for seeking prosecution through external enforcement agencies. The Internal Audit Team shall further be responsible for maintaining a centralized fraud database where incidents of all frauds within the Company are duly and timely recorded, capturing information such as fraud incident description, fraud perpetrator details, estimated fraud loss and recovery amount (if any), control implications, action taken, resolution, future corrective action suggested etc.

## **8. Communication Channel/Reporting Procedure**

- 8.1 Employees shall promptly communicate any instance of actual or suspected fraud or violations of the code of conduct of the Company. If any fraud comes to the attention of an employee, staff member, he/she must immediately report the same as per the

reporting channels given in Whistle Blower Policy i.e ([whistleblower@dhflinsurance.com](mailto:whistleblower@dhflinsurance.com)).

Every manager or supervisor who receives any notice of suspected fraud shall promptly escalate the concern to the Internal Audit Department. Any concern or allegation involving senior management shall be directed directly to the Chairperson of the Audit Committee to avoid filtering by management or other internal personnel.

Any alleged or suspected incident of fraud shall be reported in writing so as to ensure a clear understanding of the issues raised and to be a documentary evidence. Anonymous disclosures or disclosures containing general, non-detailed or offensive information just to harm reputation of a person shall not be entertained.

## **9. Fraud Awareness/Information Flow**

- 9.1** The Company shall formalize the flow of information from time to time amongst various departments regarding this Policy. Past instances of frauds shall be communicated on a strict no-name basis and without any references through intranet messages, newsletters and/or other regular communication to business managers/Branch Managers/Supervisors. Sharing knowledge of instances of fraud across the Company will allow Employees of the Company to learn from past incidences in other parts of the business, improve internal control deficiencies, minimize repeat incidences of fraud and will provide another means of controlling fraud.
- 9.2** The Company shall share the fraud database information with all other insurers through the General Insurance Council or any other common forum and a well-advised coordination platform shall be maintained so that experience across insurance companies can be shared and better protection mechanism can be discussed and formulated jointly.
- 9.3** The Company will include information about this policy document, fraud reports, instances of frauds, type of frauds on internal newsletter, Intranet portal as deemed fitted. A reference will be included in the employee Code of Conduct. Employees will be reminded of this policy document and the Internal Fraud Policy Statement by their supervisors from time to time.
- 9.4** During the induction Program new employees joining the Company will be made aware about the policy Statement during the orientation.
- 9.5** The said policy shall be published on the website of the Company for information of policyholders and all other stakeholders for their information.

## **10. Reports to the Authority/ Board of Directors**



The Head of Internal Audit shall provide to the Audit Committee of the Company on a quarterly basis, a condensed report for review of reported fraud cases [both internal (all cases) and external (above Rupees Ten Lacs threshold)], trends, early results from investigations underway and remedy taken by management to address any identified control weakness.

The Internal Audit Function shall provide a report on statistics on various fraudulent cases which come to light for submission to *Insurance Regulatory and Development Authority of India* (“IRDAI”) in forms FMR 1 and FMR 2 (as prescribed by IRDA vide its Circular bearing ref. no. IRDA/SDD/MISC/CIR/009/01/2013, dated January 21, 2013) providing details of:

- (i) Outstanding fraud cases; and
- (ii) Closed fraud cases

every year within 30 days of the close of the financial year.

#### **11. Implementation, Monitoring and Review**

The Head of Risk Management shall monitor the implementation of the policy and shall provide an assurance to the Risk Management Committee at least annually, for effective deterrence, controls, prevention, detection and mitigation of frauds. The Head of Risk Management will review the policy at least annually in line with the Company Business, Products and Process and shall align with the amendment in the Regulatory Guidelines from time to time. Any revised version shall be submitted to the Risk Management Committee for its review and further recommendation to the Board of Directors for approval.

## **ANNEXURE A**

### **LIST OF INSURANCE FRAUDS**

The various type of Fraud that normally is being faced by an Insurance Company can be classified as below. This list is only a Comprehensive list but not an exhaustive list.

#### **1) Insured Frauds/claim Frauds**

- a) Misrepresentation of facts in the Proposal/ Claim form or any other document
- b) Non-disclosure of material facts
- c) Wrong information pertaining to the claim
- d) Wrong information on the exact cause of loss/damage
- e) Claiming for fictitious damages/loss
- f) Submitting fraudulent and forged claim bills
- g) Submitting of forged documents

#### **2) Intermediary/Corporate Agent/Brokers/TPA's related frauds-**

- a) Premium embezzlement
- b) Inflation of premium
- c) Non-disclosure of known material facts
- d) Connivance with the insured in submitting wrong details in the proposal form
- e) Diversion of Premium amount received from the Policyholder/insured
- f) Forging or alteration of premium cheques, financial documents
- g) Disclosure of confidential information to third party
- h) Forging of cheques and proposal form
- i) Reporting and claiming in connivance with insured fictitious loss damage
- j) Submitting of forged medical bills, claim documents in connivance with the Insured/claimant

#### **3) Internal Fraud done by Employees, contract staff etc**

- a) Connivance in making fraudulent insurance policies
- b) Forging signatures in the proposal form, policy document, claim documents
- c) Siphoning of premium amount
- d) Connivance in forging claim documents
- e) Taking commission from customers on settlement of claims
- f) Stealing company assets like laptops, computers, cover notes etc
- g) Transferring claim amount payable to the insured to some other fictitious account.

- h) Misuse of credit card details and/or collecting premium in cash and in return providing customers with fake or manipulated policy document.
- i) Releasing of excess and/or unauthorized commission to fictitious persons/family members/deactivated intermediaries.
- j) Misappropriation and diversion of funds, unauthorized trading, manipulation between dealing room person and brokers and passing on kickback etc.
  
- k) Kickbacks to employees from suppliers/vendors/service providers for deficient or services not provided.

#### 4) Third Party Frauds

- a) Connivance in making fraudulent insurance policies or claims documents.
- b) Issuing fraudulent policies in the name of the Company and siphoning of premium amount.
- c) Kickbacks to employees for deficient or services not provided.
- d) Forging of cheques, signatures, policy document, claim document or any other document to defraud the Company.
- e) Stealing company assets like laptops, computers, cover notes etc

#### 5) Online Fraud:

- a) Buyer side:** Where buyers file fraudulent claims, chargebacks or compromised payment cards.
  
- b) Merchant side:** Frauds committed by any of the merchant partners of the Company which would include non-remittance of premium collected on behalf of the Company and/or incorrect charge backs etc.
  
- c) Cyber security:** Transactions effected through fake or stolen credit card/bank accounts to carry out a transaction in the web portal of the Company. Threat of confidential data of the Company being comprised due to any cyber-attack/hacking of the Company systems
  
- d) Other Frauds:** Any other type of online fraud which does not fall under either of the above three sub-categories

**Please Note:** The above list is only illustrative and not exhaustive