

Anti-Fraud Policy

Prepared by: Compliance Department, IndiaFirst Life Insurance Company Limited

Approved by:

Version	Month	Approved by	Remarks
1	October, 2010	Board	
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INDEX

TOPICS	PAGE NO
1. INTRODUCTION	3
2. CLASSIFICATION OF INSURANCE FRAUDS	3
3. ANTI FRAUD POLICY	4
4. FRAUD MONITORING FUNCTION	7
5. REPORTS TO THE AUTHORITY	8
6. PREVENTIVE MECHANISM	8

7.

A. Introduction

One of the values promoted at IndiaFirst is 'Be Honest'. We, at IndiaFirst focus on our principles and are committed to maintaining the highest standards of ethics and do not tolerate any form of fraud or dishonesty.

Each person at IndiaFirst is responsible for detecting and preventing fraud. Fraud can have a devastating effect on our company because it could result in significant financial loss and other long-term business repercussions such as loss of public trust. Any allegations of fraud will be taken seriously, with no exceptions. All individuals regardless of position, title, or tenure are expected to remain vigilant and report any suspicious activity.

IndiaFirst wants to do much more than just state the necessity of preventing, detecting, and ultimately, fighting fraud. We want to create a culture founded on awareness and accountability and operating within a comprehensive framework of internal controls complete with documented and formalized policies, procedures, processes and other supporting safeguards as needed.

B. Scope and Classification of Insurance Frauds:

Fraud in insurance is an act or omission intended to gain dishonest or unlawful advantage for a party committing the fraud or for other related parties. This may, for example, be achieved by means of:

misappropriating assets; deliberately misrepresenting, concealing, suppressing or not disclosing one or more material facts relevant to the financial decision, transaction or perception of the company's status; abusing responsibility, a position of trust or a fiduciary relationship.

In order to adequately protect itself from the financial and reputational risks posed by insurance frauds, the framework is to detect, monitor and mitigate occurrence of such insurance frauds in the company.

The framework includes measures to protect us from the threats posted by the following broad categories of frauds:

a) Policyholder Fraud and/or Claims Fraud - Fraud against the company in the purchase and/or execution of an insurance product, including fraud at the time of making a claim.

b) Intermediary Fraud - Fraud perpetrated by an insurance agent/Corporate Agent/intermediary/Third Party Administrators (TPAs) against the company and/or policyholders.

c) Internal Fraud – Fraud/ mis-appropriation against the company by its Director, Manager and/or any other officer or staff member (by whatever name called).

The "Anti-Fraud Policy" has been framed to provide a system for detection and prevention of fraud, reporting of any fraud that is detected or suspected and fair dealing of matters pertaining to fraud.

The objective of this policy is to establish a consistent and responsible attitude to fraud and dishonesty within IndiaFirst with the aim of:

- Minimising the potential and actual incidence of fraud
- Detecting incidents of fraud
- Minimising the risk of subsequent losses
- Improving the chance and scale of recoveries
- Reducing adverse commercial effects
- Making a clear statement to employees, vendors, customers and others that IndiaFirst will not tolerate fraud
- Enhancing the climate of honesty which IndiaFirst seeks to maintain
- Reducing the opportunities for fraud in co-operation with other organisations

A list of indicators and types of fraud are enclosed as per Appendix 1, Annexure-I and Annexure-II respectively

C. Anti-Fraud Policy

(i)(a) Procedures for Fraud Monitoring

This policy applies to all activities undertaken by or on behalf of IndiaFirst Life. It also applies to internal fraud i.e. fraud against an employee and external fraud i.e. fraud against an external party viz. employees of a partner or vendor or against the customer/policyholder.

All fraud, suspected fraud, or other dishonesty, will be investigated by the fraud control team or by an independent investigation agency where appropriate, and the investigations will be reported to the Management.

The company will exchange necessary information relating to frauds proved with Life Council by information sharing mechanisms.

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(i)(b) Process for Fraud Monitoring

If employees are involved in fraudulent activity, an appropriate action will be taken in consultation with the Human Resources team.

Appropriate action may include any of the following:

- a. Issue Warning letters to the fraudulent employee.

- b. Terminate the services of the fraudulent employee/contract with the fraudulent vendors.
- c. Register First Information Report/ police complaints against the fraudulent individual.
- d. Recover loss caused by fraudulent activity from the fraudulent employee/vendor.
- e. Initiate legal proceedings against the fraudulent individual/group of individuals.

- All employees/advisors must report any incidence of fraud or suspected fraud, immediately to the Head – Process, Quality and Fraud Control

The Fraud Control Unit is part of Head – Process, Quality and Fraud Control and reports to MD & CEO.

(ii) **Identify Potential Areas of Fraud:**

While fraudulent activity could have a very wide range of coverage, the following are some of the act(s) which constitute fraud.

The list given below is only illustrative and not exhaustive:

- i. Forgery or alteration of an application form or any document submitted by the customer.
- ii. Forgery or alteration of any document or account belonging to the Company.
- iii. Forgery or alteration of cheque, bank draft or any other financial instrument etc.
- iv. Misappropriation of funds, securities, supplies or others assets by fraudulent means etc.
- v. Falsifying records such as pay-rolls, removing the documents from files and /or replacing it by a fraudulent note etc.
- vi. Making fraudulent or false notings
- vii. Wilful suppression of facts/deception in matters of appointment, placements, submission of reports, etc. as a result of which a wrongful gain(s) is made to one and wrongful loss(s) is caused to the others.
- viii. Utilizing Company funds for personal purposes.
- ix. Authorizing or receiving payments for goods not supplied or services not rendered.
- x. Destruction, disposition, removal of records or any other assets of the Company with an ulterior motive to manipulate and misrepresent the facts so as to create suspicion/suppression/cheating as a result of which objective assessment/decision would not be arrived at.
- xi. Any other act that falls under the gamut of fraudulent activity.

A list of indicators and types of fraud are enclosed as per Appendix 1, Annexure I and Annexure-II respectively.

(iii) **Coordination With law Enforcement Agencies:**

Any one (full time & part time employees or persons appointed on adhoc/ temporary/ contract basis, trainees, apprentices, representatives of vendors/ suppliers/ contractors /consultants /service providers or any other agency doing any business with IndiaFirst) - as soon as he / she comes to know of any fraud or suspected fraud or if they notice any other fraudulent activity - he/she must report such incident(s) without further loss of time to the Head – Process, Quality and Fraud Control.

The reporting of the fraud normally should be in writing. In case the reporter is not willing to furnish a written statement of fraud but is in a position to give sequential and specific transaction of fraud/suspected fraud, then Head - Process, Quality and Fraud Control receiving the information should record such details in writing as narrated by the reporter and also maintain the details about the identity of the official / employee / other person reporting such incident.

Reports can be made 'in confidence'. The person to whom the fraud or suspected fraud has been reported must maintain the confidentiality with respect to the reporter. Such matter should under no circumstances be discussed with any other person who is not supposed to know about/ or is not an authorized person in such matters.

Anonymous complaints received, if not supported by the relevant evidence, may not be acted upon. However, a record of such complaints will be maintained. Also, a record of the reasons to be made in writing (for not taking any action on such anonymous complaints) will be maintained by Head - Process, Quality and Fraud Control.

In the case the management finds the complaint to be motivated or vexatious, it shall be at liberty to take appropriate steps against complainant.

All reports of fraud or suspected fraud shall be handled with utmost speed and shall be coordinated by Head - Process, Quality and Fraud Control.

Head Process, Quality and Fraud Control on receiving input about any suspected fraud shall ensure that all relevant records/ documents and other evidence is being immediately taken into custody and being protected from being tampered with, destroyed or removed by suspected perpetrators of fraud or by any other official under his influence.

All fraud, suspected fraud, or other dishonesty, will be investigated and where appropriate, the concerns may be reported to the relevant regulatory authorities.

The timelines would be as follows:

- a. Internal Investigation – 45 days.
- b. Legal Notice – 30 days.
- c. Police Complaint – 45 days.

All Investigations of Fraud shall include a Root Cause Analysis of the reasons for fraud and the same shall be presented to the Management.

Where warning letter has been issued to the fraudulent individual/group of individual, any second incident will be treated gravely and all investigation reports shall mention the first incident so occurred.

As per the Media Policy, only the authorized official of the Company will liaise with the Press Office in case such fraud is reported in the media.

(iv) **Framework for Exchange of Information:**

IRDA through Life council has formed a core group to discuss the framework for exchange of information and Head – Process, Quality and Fraud Control is part of the team.

The Broad parameters have been initiated and the final report would be circulated shortly.

The policy will be modified once Life Council notifies the requirement.

(v) **Due Diligence:**

Every employee (full time, part time, temporary, contractual), representative of vendors, consultants, service providers or any other agency(ies) doing any type of business with IndiaFirst, is expected and shall be responsible to ensure that there is no fraudulent act being committed in their areas of responsibility/control. As soon as it is learnt that a fraud or suspected fraud has taken or is likely to take place they should immediately apprise the same to the concerned official as per the procedure.

All officers shall share the responsibility of prevention and detection of fraud and for implementing the Anti-Fraud Policy. It is the responsibility of all officers to ensure that mechanisms are in place within their area of function to:-

- Inform every one working with/ under him/her about 'Anti- Fraud Policy',
- Familiarize each employee with the types of improprieties that might occur in their area.
- Educate employees about fraud prevention and detection.
- Create a culture whereby employees are encouraged to report any fraud or suspected fraud which comes to their knowledge, without any fear of victimization.
- Promote employee awareness of ethical principles and values of the Company

A disclosure about the 'Anti Fraud Policy' will be made a part of the RFP process, so as to make every one aware of and not to indulge or allow anybody else working in their organization to indulge in fraudulent activities while dealing with IndiaFirst.

The following disclaimer may be made a part of the RFPs issued by the Company:

Fraud Prevention Policy of IndiaFirst:

1. Everyone may take a note that an "Anti-Fraud Policy" is being followed at IndiaFirst, which provides a system for prevention/ detection/ reporting of any fraud. It also forbids everyone from involvement in any fraudulent activity and that where any fraudulent activity is suspected by any one, the matter must be reported to Head - Process, Quality and Fraud Control, as soon as he /she comes to know of any fraud or suspected fraud or notice any other fraudulent activity.

2. Anonymous complaints received, if not supported by the relevant evidence or not easily verifiable by the Company, may not be acted upon.

3. All reports of fraud or suspected fraud shall be handled and shall be coordinated by the Head - Process, Quality and Fraud Control.

4. A copy of the 'Anti Fraud Policy' is available on the official web-site of IndiaFirst.

(vi) **Regular Communication Channels:**

Ensure all the employees, agents, temporary staff, contractors or relevant third parties are made aware of the requirements of this policy.

Ensure the effective implementation of this policy by devising appropriate procedures to ensure compliance with this policy.

Ensure that the Fraud control team is informed of suspected fraud or other financial crime immediately and that no action is taken until directed by the Fraud control team. This is because evidence could be destroyed, which could impede any subsequent investigation or prosecution.

The Whistle blower policy is in place and has been approved in the Board Meeting held on 25th Oct, 2010.

D. Fraud Monitoring Function (FMF):

The FMF shall ensure effective implementation of the policy and shall also be responsible for the following:

1. Internal reporting from/and to Management and Board.
2. Creating awareness amongst the employees/ intermediaries/ policyholders to counter insurance frauds.
3. Furnishing various reports on frauds to the IRDA as stipulated in the guidelines; and
4. Furnish periodic reports to their respective Board for its review.

The FMF is headed by the Head Process, Quality and Fraud Control. All employees/advisors must report any incidence of fraud or suspected fraud, immediately to the Compliance officer.

This can be done in person or by telephone or through email or in writing to the following:

Head Process, Quality and Fraud Control.

IndiaFirst Life Insurance Company Limited

301, 'B' Wing, The Qube, Infinity Park,

Dindoshi - Film City Road, Malad East, Mumbai 400097

Phone No.: +91 22 33259555

Email ID.: anasuya.ghosh@indiafirstlife.com

All reported/suspected fraud will be investigated accordingly.

Employees/Advisors must not investigate suspected fraud themselves or communicate their suspicions to other employees/advisors without the approval or direction of the Compliance Team.

Employees/Advisors must not engage in any activities (including the deletion of information) that may impede the investigation of suspected fraud.

E. Reports to the Authority:

The statistics on various fraudulent cases investigated/highlighted and action taken thereon shall be filed with IRDA in forms FMR 1 and FMR 2 providing details of

- (i) outstanding fraud cases; and
- (ii) closed fraud cases every year within 30 days of the close of the financial year.

F. Preventive mechanism:

IndiaFirst will inform both potential clients and existing clients about the policy. The company will include necessary caution in the relevant documents, duly highlighting the consequences of submitting false statement and/or incomplete statement, for the benefit of the policyholders, claimants and the beneficiaries.

G. Insurer's to Ensure Compliance:

IndiaFirst had submitted compliance certificate to IRDA on 27th June, 2013.

Illustrative List of Insurance Frauds

Broadly, the potential areas of fraud include those committed by the officials of the insurance company, insurance agent/corporate agent/intermediary/TPAs and the policyholders/ their nominees. Some of the examples of fraudulent acts/omissions include, but are not limited to the following:

1. Internal Fraud:

- a) misappropriating funds
- b) Fraudulent financial reporting
- c) stealing cheques
- d) overriding decline decisions so as to open accounts for family and friends
- e) inflating expenses claims/over billing
- f) paying false (or inflated) invoices, either self-prepared or obtained through collusion with suppliers
- g) permitting special prices or privileges to customers, or granting business to favoured suppliers, for kickbacks/favours
- h) forging signatures
- i) removing money from customer accounts
- j) falsifying documents
- k) selling insurer's assets at below their true value in return for payment.

2. Policyholder Fraud and Claims Fraud:

- a) Exaggerating damages/loss
- b) Staging the occurrence of incidents
- c) Reporting and claiming of fictitious damage/loss
- d) Medical claims fraud

e) Fraudulent Death Claims

3. I Intermediary fraud:

- a) Premium diversion-intermediary takes the premium from the purchaser and does not pass it to the insurer
- b) Inflates the premium, passing on the correct amount to the insurer and keeping the difference
- c) Non-disclosure or misrepresentation of the risk to reduce premiums
- d) Commission fraud - insuring non-existent policyholders while paying a first premium to the insurer, collecting commission and annulling the insurance by ceasing further premium payments.

Annexure I

Indicators of Fraud

- Missing expenditure vouchers and unavailable official records
- Crisis management coupled with a pressured business climate
- Profitability declining
- Excessive variations to budgets or contracts
- Refusals to produce files, minutes or other records
- Related party transactions
- Increased employee absences
- Borrowing from fellow employees
- An easily led personality
- Covering up inefficiencies
- No supervision
- Staff turnover is excessive
- Figures, trends or results which do not accord with expectations
- Bank reconciliations are not maintained or can't be balanced
- Excessive movement of cash funds
- Multiple cash collection points
- Remote locations of any event.
- Unauthorised changes to systems or work practices
- Employees with outside business interests or other jobs
- Large outstanding bad or doubtful debts
- Officers with excessively flamboyant characteristics
- Employees suffering financial hardships
- Placing undated/post-dated personal cheques in petty cash
- Employees apparently living beyond their means
- Heavy gambling debts
- Signs of drinking or drug abuse problems
- Conflicts of Interest
- Lowest tenders or quotes passed over with scant explanations recorded
- Employees with an apparently excessive work situation for their position
- Managers bypassing subordinates
- Subordinates bypassing managers
- Excessive generosity
- Large sums of unclaimed money
- Large sums held in petty cash
- Lack of clear financial delegations
- Secretiveness
- Apparent personal problems
- Marked character changes
- Poor morale of employees
- Excessive control of all records by one officer
- Poor security checking processes over staff being hired
- Unusual working hours on a regular basis
- Refusal to comply with normal rules and practices
- Personal creditors appearing at the workplace
- Not availing of leave
- Excessive overtime
- Large backlogs in high risk areas

- Lost assets
- Absence of controls and audit trails.
- Socialising with clients – meals, drinks, holidays
- Seeking work for clients
- Favourable treatment of clients – e.g. passing sensitive information to selected bidders.
- Altering contract specifications
- Contract not completed to specification
- Contractor paid for work not done.
- Grants not used for specified purpose – eg Leasing capital equipment instead of purchasing them

Common Methods and Types of Fraud

- Payment for work not performed
- Forged endorsements
- Altering amounts and details on documents
- Collusive bidding
- Overcharging
- Writing off recoverable assets or debts
- Unauthorised transactions
- Selling information
- Altering sales records
- Cheques made out to false persons
- False persons on payroll
- Unrecorded transactions
- Transactions (expenditure/receipts/deposits) recorded for incorrect sums
- Cash stolen
- Supplies not recorded at all
- False official identification used
- Damaging/destroying documentation
- Using copies of records and receipts
- Using imaging and desktop publishing technology to produce apparent original invoices
- Charging incorrect amounts with amounts stolen
- Transferring amounts between accounts frequently
- Delayed terminations from payroll
- Bribes
- Over claiming expenses
- Skimming odd pence and rounding
- Running a private business with official assets
- Using facsimile signatures
- False compensation and insurance claims
- Selling waste and scrap.