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ANTI FRAUD POLICY

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1. BACKGROUND:

Circular 'IRDA/SDD/MISC/CIR/009/01/2013' dated 21st January 2013 issued by Insurance Regulatory and Development Authority of India (IRDAI), inter-alia, provides, for all insurance companies to have in place an Anti-Fraud Policy (hereinafter referred to as "the Policy"), duly approved by the Board of Directors. Further, as laid down in the Guidelines on Insurance E-commerce dated March 9, 2017, an insurer is required to have a pro-active fraud detection policy for insurance ecommerce activities, which is to be approved by the Board of Directors. Also, Corporate Governance Guidelines for insurance companies dated May 18, 2016 issued by IRDAI requires insurance companies for formulation of fraud monitoring policy and framework for effective deterrence, prevention, detection and mitigation of frauds.

Accordingly, the Anti Fraud Policy has been formulated considering the various types of frauds including e-commerce frauds that the Company can be exposed to. The Policy shall also provide guidance with respect to prevention, detection, mitigation and investigation into fraudulent activities related to e-commerce.

2. OBJECTIVE:

The Policy is established to detect, monitor and mitigate occurrence of insurance fraud in the Company. It will also ensure development of controls at an organizational level and conducting investigations.

3. APPLICABILITY:

The policy is applicable to any suspected fraud involving part time and full time employees as well as shareholders, consultants, vendors, contractors, outside agencies doing business with the Company, agents/intermediaries. This policy is also applicable to policyholders and beneficiaries. Functional department is first line of defense and hence responsible for the detection and prevention of fraud, misappropriations and other inappropriate conduct. It is the primarily responsibility of every function to implement and manage processes to ensure that efficient controls to detect and prevent frauds are in place.

4. DEFINITION AND TYPES OF FRAUDS


4.1 Definition:

Fraud in insurance is an act or omission intended to gain dishonest or unlawful advantage for the party attempting to commit 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;
- abusing responsibility, a position of trust or a fiduciary relationship.

4.2 Types of Frauds:

IRDAI has classified Insurance frauds under four broad categories:-

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- a) **Policyholder Fraud and/or Claims Fraud** - Fraud against Aegon Life 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 Aegon Life and/or policyholders.
- c) **Internal Fraud** - Fraud/ mis-appropriation against Aegon Life by its Employees, Director, Officers including outsourced employees, consultants, retainers.
- d) **E-commerce fraud** - This may include but not limited to identity fraud i.e. deliberate use of someone else's identity, to make undue financial gain, identity spoofing (IP Address Spoofing) - An attacker using special programs to construct IP packets that appear to originate from valid addresses inside the corporate intranet, etc.

An illustrative list of Insurance Frauds has been laid down in Insurance Fraud Monitoring Framework dated January 21, 2013 issued by IRDAI

5. SCOPE :

The Anti-Fraud Policy broadly covers the following areas:

- a. Departmental controls on processes & Due Diligence
- b. Roles & Responsibilities
- c. Process of fraud monitoring
- vi. Prevention
- vii. Detection Mechanism
- viii. Investigation & disciplinary Action on Frauds
- ix. Corrective Measures
- x. Reporting of Frauds
- d. Co-ordination with Law Enforcement Agencies and
- e. Education, awareness and training


The above areas are further elaborated below -

a. Departmental controls on processes and Due Diligence:

All major departments in Aegon Life have process documents and guidelines conducting their day to day activities. These processes are built with control mechanisms at various levels to identify any exceptions.

Further departments in Aegon Life perform due diligence at various stages to ensure compliance with Aegon Life policies & procedures. The key activities where due diligence is done & departments responsible for the same are:

- Appointment of employees - Human Resources Department
- Appointment of Agents/Intermediaries - Sales Administration. For intermediary onboarding Compliance Department also conducts due diligence
- Appointment of TPAs - Operations & Underwriting Department
- Review of vendors falling within the purview of the Outsourcing guidelines - Respective functions (with inputs from the Operational Risk, Legal Departments)
- KYC of new and existing customers and ongoing KYC - Sales and Operations

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These control mechanisms and Due Diligence procedures are designed to strengthen controls while discharging their daily responsibilities.

The Company will ensure that there are adequate procedures in place at various departments for carrying out due diligence on various entities/people with whom the Company carries out its business before entering into agreement/or their appointment eg: agent/intermediary etc

b. Roles & Responsibilities:

The Internal Audit, Risk and Compliance Department(s) may conduct a periodic review of the departments & processes in Aegon Life for assessing Key risks and mitigation measures.

Some of the methods used are:

- Audits by the Internal Audit Department
- Risk Self Assessments, Process reviews & Key Risk Indicators by the Operational Risk Department
- Due Diligence by the Fraud Monitoring Unit (FMU) under Compliance department. The FMU is primarily involved in investigating suspected incidents/frauds directly received from underwriting, customer service and claims team.

These departments and other concerned departments would raise suspected incidents in the RMS application managed by the FMU - Compliance department.

For any suspected frauds identified by various departments the whistle blower mechanism should be adopted by employees of the Company.

c. Process for fraud monitoring:

The Company has a robust process to prevent, identify, detect, investigate and report frauds as below:


i. Prevention:

The Company has well defined procedures to carry out due diligence on the Employees, Agents, Intermediaries, Third Party administrators, etc. In addition, the Company shall conduct the following activities:-

- Investigate whistle blower complaint if any received from time to time.
- Identify control weakness and adopting learnings for process enhancements
- Awareness related to Fraud among existing and prospective customers, its implication and importance of complying with the Company's policies & procedures and identifying/reporting of suspicious activity;
- Other due diligence measures to control Fraud

The Company shall carry out due diligence on the employees as well as agent / intermediaries in the following manner:

- Pre-screening of Employees (HR), Intermediaries, Customers, Third Parties including TPAs.

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- Verify background of insurance agents, intermediaries and TPAs before appointment/ agreement with them.

ii. **Detection mechanism:**

Methods of referral and identification of suspicious activities

Aegon Life has a robust process of referral & identification of suspicious activities in order to ascertain Insurance frauds.


The various methods of referral are:

- Complaints from customers - Aegon Life has dedicated touch points via toll free number, emails and complaint letters submitted at our Aegon Life offices, through which customers can lodge complaints about frauds which may have been committed against them. These complaints are recorded and duly investigated by the respective functions and action is taken to resolve the customer's complaint as well as against the perpetrators of the frauds
- Referring Fraud Cases by Department the Fraud Monitoring Unit of Compliance Department - Aegon Life has a process of reporting of suspicious activities and probable frauds to the FMU. The FMU conducts inquiries and investigations to confirm the suspicion. For all proven cases of frauds, the FMU initiates action against the perpetrators involved
- Whistleblower Policy - Aegon Life has in place a Board approved Whistleblower Policy. This policy defines detailed process for employees to adopt whistle blower process on suspicious activities and suspected frauds. As the primary responsibility of fraud declaration lies with all employees of the Company, they are responsible to make protected disclosure as per the process defined in the Company's Board approved Whistle Blower Policy. The email id of the Whistle Officer is express@aegonlife.com Any existing employee who suspects or detects any such fraudulent activity should report the same in writing as soon as possible but not later than 30 days from becoming aware of the same. The tat for reporting by ex-employees is 90 days from the date of resignation. Complete information should be provided as available at the time of reporting. In case of any doubt whether an action constitutes fraud, please contact the FMU - Compliance Department for guidance.

Disciplinary action would be initiated against employees for not reporting or withholding information related to suspected or actual fraud. FMU - Compliance Department shall, on receipt of such communication, analyse and decide on further course of action(s).

All functional heads are primarily responsible for day to day management of activities and in charge of maintaining, improving their systems, process and controls so as to minimize the possibility of frauds and on timely basis mitigate the impact of identified fraud.

Details of any fraud identified by various departments is collected on annual basis which forms part of the Fraud Monitoring Report submitted to IRDAI.

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Confidentiality: All fraud investigations and related information will be treated confidentially. The complainant and everyone involved in the investigation process shall maintain complete confidentiality/ secrecy of the matter and shall not discuss the matters under this Policy in any informal/social gatherings/ meetings. Investigation decisions will not be disclosed or discussed with anyone other than those who have valid business need to know.

The Company strongly encourages individuals to report fraudulent activity. The Company will ensure that no unfair treatment is meted out to individual who report suspected incidents or frauds in good faith.

However any abuse of this protection (eg: bogus or false allegations made by an individual knowing them to be false or bogus or having malafide intention) will warrant action as deemed necessary by the Company.

iii. **Investigation and Disciplinary Action on Frauds:**

The Company has zero-tolerance against any fraud instance, and the Company is committed to ensure timely and adequate response to such events.

Investigations into suspected Frauds are done by the Fraud Monitoring Unit (FMU)- Compliance Department. There are two types of investigations done:


- a. Internal Inquiry
- b. External investigation through field verification agencies

a. **Internal enquiry:**

The FMU - Compliance department is entrusted with the full authority for the investigation of all suspected/actual frauds. It will take the necessary support from all functional departments, Human Resource department, Distribution department, Information Technology department, etc. Once the case is under investigation by the FMU - Compliance Department, all further development, inputs, inquiries concerning the activity under investigation from any source has to be directed to the FMU by the functional head. If case investigations are undertaken by FMU- Compliance Department, the reporting individual should not:

- Try to contact the suspected individual in an effort to determine facts or demand restitution,
- Attempt to personally conduct investigations or interviews/interrogations related to any suspected fraudulent act,
- Discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by the FMU - Compliance Department. The FMU - Compliance Department and its members will treat all information received as confidential.

All efforts shall be made to complete investigations within 45 days of receipt of the complaint or on identification of the fraud. Exceptions, if any will be approved by the Chief Compliance officer or his designate. Where there are reasonable grounds of suspicion that a fraud has been committed, the Management shall take prompt actions in order to minimize potential exposure of losses and prevent suspected person from removing the evidence of fraud.

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FMU-Compliance Department will investigate the intermediary related malpractices and propose actions on the intermediary or its personnel. The primary responsibility of initiating action against intermediary personnel shall lie with the intermediary. HR related misconducts to be dealt separately as per the HR policy.

Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect the Company from potential civil liability.

Decisions to prosecute or refer the examination results to the appropriate law enforcement and/or regulatory agencies for independent investigation will be made in conjunction with legal counsel and senior management depending on the disposition of the case.

b. External investigation through field verification agencies

The FMU - Compliance Department shall take necessary support from external outsourced investigation agency, and forensic experts for investigation, if required. The FMU - Compliance Department team shall ensure that the investigation report from the external parties are obtained within the timelines to enable closure within 45 days.

For each fraud case involving an employee or agent or intermediary, regardless of the amount involved, the investigator will submit the investigation report to the FMU-Compliance Department for sharing with respective department on appropriate action as per the fraud monitoring SOP. For all fraud cases against the intermediaries, investigation shall be completed post considering response received from the partner against the allegations raised. As per the findings of the investigation, the partner shall be informed to take appropriate action against their employees involved in the fraud.

iv. Corrective steps:


The learning from the fraud cases shall be further evaluated to understand the reasons for failure of controls and initiate necessary corrective measures.

The process flow has been outlined in Appendix 2

Action can be of various types:

- Disciplinary e.g. Advisory, Counsel, Warning, Termination, etc. Disciplinary Action against employees, agents, intermediaries, etc. on proven frauds is taken as per the Malpractice Matrix
- Non- Disciplinary
- Process related advisories
- Legal actions & co-ordination with Law Enforcement authorities - This is handled by the Legal department

Detailed matrix for actions initiated is forming part of the Fraud Monitoring SOP.

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v. Reporting on Frauds:

Regular reporting on Fraud is done to:

- Committee(s) of the Board - This will be governed by the regulatory requirements which are relevant at the time of reporting
- Reporting to IRDAI - This will be governed by the regulatory requirements which are relevant at the time of reporting
- Reporting as per need basis

All cases where the financial loss is Rs. 100,000/- or more will be reported under the Anti-Fraud Policy

d Co-ordination with law enforcement agencies

The Company may coordinate with various law enforcement agencies for fraud reporting on timely and expeditious basis and follow up processes thereon. Reporting to Police or any other law enforcement agency will be done on case to case basis.

e Education, Awareness and Training:

Employees of Aegon Life are given online training on Fraud Risk as part of their training programs. An ongoing awareness programme is key to convey fraud risk management expectations as well as effective preventive measure. Awareness of fraud and misconduct schemes should be developed through periodic training and frequent communication..:

6. FRAUD MONITORING UNIT - COMPLIANCE DEPARTMENT

Aegon Life has setup a Fraud Department that is responsible for the following:

- i. Laying down procedures for Internal reporting from/and to various departments
- ii. Creating awareness
- iii. Furnishing various reports on frauds to the IRDAI as stipulated in this regard;
- iv. Furnish periodic reports to the Board of Directors (as stipulated by the Authority) for its review.


7. TRENDS IN FRAUDS AND SHARING OF INFORMATION

Cases of frauds can be shared amongst insurance companies during the Life Insurance Council meetings or at such other forums as may be required.

8. REPORTING REQUIREMENTS

8.1 Internal reporting

Fraud events are reported and presented to the Board on quarterly basis. The report details out statistics of fraud cases, loss amount, resolution etc

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8.2 External reporting:

The Company submits annual report on various fraudulent cases to IRDAI in forms FMR 1 and FMR 2 as required by the regulator providing details of:

- Outstanding fraud cases and
- Closed fraud cases

These reports are to be filed every year within 30 days of the close of financial year.

9. RECORD KEEPING:


All fraud related documents/information shall be preserved for a period as specified in the Company's Policy on Maintenance of Records and Destruction of Old Records.

10. REVIEW OF POLICY

The Anti Fraud Policy of the Company will be reviewed annually by the Risk Management Committee of the Board. This Policy will only be updated when changes to the Policy are warranted as required by the Authority. The Policy will then be placed before the Board for its approval basis the recommendation of the Risk Management Committee.

11. OWNER OF POLICY

The owner of this policy is the Fraud Monitoring Unit - Compliance Department

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Annexure- - Anti Fraud Process

Malpractice Matrix and Investigation Process Flow

