

			
		Implementation Date	8 th June,2020
Document Owner	Compliance	Last Reviewed/Update Date	Version 7.0

Anti-Fraud Policy

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Tata AIA Life Insurance Company Ltd.

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Approved by Board of Directors at its meeting held on 8th June,2020

Revision History

Version No.	Date of Revision	Location of Change	Description of change
1.0	February 10, 2012	Corporate Office (HO)	First Release – Fraud Risk Governance Framework
2.0	June 10, 2013	Corporate Office (HO)	Second Release – Fraud Risk Governance Framework
3.0	March 23, 2015	Corporate Office (HO)	Amendment to Point 4.4 (Investigation of suspected Fraud) particularly the sub-points 4.4.1, 4.4.2 & 4.4.3 – Fraud Risk Governance Framework
4.0	October 8, 2015	Corporate Office (HO)	Insertion of new Point 4.4.11 – Investigation timelines – Fraud Risk Governance Framework
5.0	October 4, 2016	Corporate Office (HO)	• Modification in Point 4.4.3 – Fraud Risk Governance Framework – Ascertainment

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			<p>of Financial/ Potential loss by L&C and timelines incorporated</p> <ul style="list-style-type: none"> • Insertion of new point 4.4.7 – Fraud Risk Governance Framework – Timelines for informing to ExCo members pertaining to investigation
6.0	August 8, 2018	Corporate Office (HO)	Modification basis IRDAI “Guidelines on e-commerce” – Anti Fraud Policy
7.0	April 21, 2020	Corporate Office (HO)	<ul style="list-style-type: none"> • TATA AIA Logo • MD & CEO and CXO’s details • Modification of Point 3 (i) – Whistle blower hotline number and web link

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1. Introduction

a. Background

In accordance with Insurance Fraud Monitoring Framework, dated January 21, 2013 (hereinafter referred to as “the Framework”), the Company is required 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 e-commerce activities, which is to be approved by the Board of Directors. Accordingly, the Policy has been formulated considering the various types of frauds including e-commerce frauds that the Company can be exposed to.

This Policy has been further devised to ensure that the fraud detection frame work is in line with the requirements as laid down under the Framework, as well as it recognizes the principle of proportionality and reflects the nature, scale and complexity of the business of the Company and risks to which it is exposed. The Policy shall also provide guidance with respect to prevention, detection, mitigation and investigation into fraudulent activities related to e-commerce.

b. Objective

The Policy is established to detect, monitor and mitigate occurrence of insurance fraud in the Company. It would facilitate development of processes to prevent, detect and manage frauds. Further it will also ensure development of control measures at an organizational level and conducting investigations.

The Company is committed to conducting business in an environment of fairness and integrity, and will strive to eliminate fraud from all operations. The Company adopts a “**Zero-Tolerance**” approach to fraud and will not accept any dishonest or fraudulent act committed by internal and external stakeholders.

c. Scope

The Policy applies to any fraud involving its officials and employees, insurance agents, Business Associates, intermediaries, TPAs, policyholders, Assignees, claimants, nominees and vendors in general.

The Risk management function is organised in a manner which will ensure monitoring of all risks across all the lines of business on continuing basis and shall initiate measures to address them suitably.

d. Definition

As per IRDAI Circular ref no. IRDAI/ SDD/ MISC/ CIR/ 009/ 01/ 2013 on Fraud Monitoring Framework dated 21 Jan 2013, "Fraud" in Insurance means an act or omission intended to gain dishonest or unlawful advantage by 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 insurer's status; or
- ✓ Abusing responsibility, a position of trust or a fiduciary relationship

2. Type of Insurance frauds

The framework categorizes fraud into a) Internal Fraud, b) Policyholder Fraud and Claims Fraud c) Intermediary Fraud, as per IRDAI definition.

a. Internal Fraud: Fraud/mis-appropriation against the Company by its Director, Manager, employee and/or anyone else (by whatever name called). Examples of fraud:

- ✓ Misappropriating funds
- ✓ Fraudulent financial reporting
- ✓ Stealing cheques
- ✓ Overriding decline decisions so as to open accounts for family and friends
- ✓ Inflating expenses claims/over billing
- ✓ Paying false (or inflated) invoices, either self-prepared or obtained through collusion with vendors
- ✓ Permitting special prices or privileges to customers or granting business to favoured vendors, for kickbacks/ personal favours
- ✓ Forging signatures
- ✓ Removing money from customer accounts
- ✓ Falsifying documents
- ✓ Selling Company assets at below their true value in return for personal benefit

b. Policyholder Fraud and Claims Fraud: Fraud against the Company in the purchase and/or execution of an insurance product, including fraud at any time during the term of the policy and at the time of making a claim. Examples of fraud:-

- ✓ Staging the occurrence of incidents
- ✓ Reporting and claiming of fictitious damage/loss
- ✓ Medical claims fraud
- ✓ Fraudulent Death Claims

- c. **Intermediary fraud:** Fraud perpetrated by an Insurance agent /Intermediaries/Third Party Administrators (TPAs) and service providers against the Company and/or policyholders.

Examples of fraud:-

- ✓ Premium diversion-intermediary takes the premium from the purchaser and does not pass it to the Company
- ✓ Inflates the premium, passing on the correct amount to the Company and keeping the difference
- ✓ Non-disclosure or misrepresentation of the insurance risk to reduce premiums
- ✓ Commission fraud - Insuring non-existent lives while paying the first premiums to the Company, collecting commission and annulling the insurance by ceasing further premium payments.

The above list is only illustrative and not exhaustive. The Company would also ensure deployment of proactive fraud detection measures to protect its e-commerce activities.

3. Fraud Governance Framework Overview

The Company seeks to establish and maintain a robust framework to provide reasonable assurance that dishonest acts are prevented or promptly detected and actioned upon, which have been reinforced through this Policy, which outlines the procedures in relation to the following:

- a. **Oversight** – The Company has built adequate procedures and policies to oversee that the Fraud Risk Governance Framework is established, implemented and adequate internal controls exist to prevent, identify, detect, investigate, deter fraud and report insurance frauds.
- b. **Prevention** – The Company will strive towards prevention of fraud at the first place. The Company has well defined procedures to carry out due diligence on the Employee, Agents, Intermediaries, Third Party administrators, etc. In addition, the Company shall conduct the following activities :-
- ✓ Fraud detection through data analytics and documents review;
 - ✓ Awareness on Fraud among existing and prospective customers, its implication and importance of complying with the Company's policies & procedures and identifying/reporting of suspicious activity;
 - ✓ Investigate the whistle blower complaint, if any, received from time to time;
 - ✓ Establish a strong Fraud Risk and Control Assessment;
 - ✓ Identify red flag indicators and carry out timely investigation thereon;
 - ✓ Additional red flag indicators identified during the course of the business basis industry experience; and
 - ✓ Identifying the control weakness and adopting the learnings for process enhancement

- c. **Detection** – All employees of the Company have a responsibility to detect potential fraud and should be familiar with the types of fraud that might occur within his/her area of responsibility and be alert for any indication of irregularities. Every employee shall immediately report any suspected fraud or dishonest act or omission to his/ her Supervisor/ Manager.

The employee may choose to remain anonymous and report the matter to the Compliance Department on the whistle blower ID and links mentioned herein below. The identity of the complainant will be maintained confidential and it shall not be disclosed. Detection techniques have been established to uncover fraud events when preventive measures fail or unmitigated risks are realized. The Company detects fraud through means including but not limited to data analysis, investigation, verifying trends, interviewing the alleged etc.

- d. **Response:** The Company has zero-tolerance against any fraud instance, and the Company is committed to ensure timely and adequate response to such events. The Company ensures that the matter is investigated until the root-cause is determined, appropriate action as per disciplinary matrix is undertaken, and learnings from such events are identified and implemented. The response may thus include action on fraudster(s), process improvements, enhanced controls, further training and monitoring etc.
- e. **Internal Process** – Framework shall be established to determine possible fraud trends and investigation of Suspected Fraud. All instances of fraud other than financial or systemic frauds shall be investigated by the Compliance function.

Any financial or systemic fraud impacting the books of account will be investigated by the Internal Audit function. The functions designated for investigation are empowered with suitable Authority, thereby facilitating investigation of cases. Market Conduct Committee (MCC) and the Staff Conduct Committee (SCC) are formed especially to represent, discuss, deliberate and implement findings of investigations concerning the market facing frauds. 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
- ✓ To prevent suspected person from removing the evidence of fraud.

- f. **Fraud Risk governance procedures** - Standard Operating Procedures (SOPs) shall be laid down for the following by the Risk Management Committee:

- ✓ Fraud Risk and Control Assessment
- ✓ Investigation process: teams responsible for investigation and their authority
- ✓ Monitoring Fraud Remediation

- ✓ Disciplinary action
- ✓ Fraud Loss and its recovery
- ✓ Writing-off of fraud loss

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

h. Disciplinary Action:

- ✓ The Company sends a Show Cause Notice, evaluates the responses, investigates and submits its findings to the SCC or MCC as the case may be.
- ✓ SCC is responsible for considering the findings of investigations relating to employees and determine appropriate disciplinary action in terms of the penalty grid as prescribed in the charter of SCC.
- ✓ MCC is responsible for considering the findings of investigations relating to intermediaries and determine appropriate disciplinary action in terms of the penalty grid as prescribed in the charter of MCC.

i. Regular Communication Channels

The Company shall ensure that appropriate trainings are conducted on periodic intervals to sensitize employees against susceptible frauds across the organisation. In its regular communication on fraud prevention and ethical conduct, the Company shall prominently mention the independent whistle blow mechanism for raising anonymous complaints. The various modes of raising instances of frauds are as follows:

Intranet: <http://otlp8r5cweb01:555/WhistleBlower/ComplaintRaise.aspx>

Internet: <https://whistleblower.tataaia.com/WhistleBlower/ComplaintRaise.aspx>

Ethics Hotline No: 000 800 100 4382

Email: tataaiaindia@tip-offs.com

Website: <https://tip-offs.com>

In addition, the Company may receive fraud instances also through internal / external audits, process control identification, etc.

4. Fraud Reporting

- a. Management Reporting: For each fraud case involving an employee, regardless of the amount involved, the investigator will submit the investigation report to the SCC for appropriate disciplinary action.
- b. For each fraud case involving an agent and intermediary, the investigator shall submit the investigation report to the MCC for appropriate disciplinary action:

- ✓ 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.
 - ✓ The Regulator shall be intimated if the allegation is received against a partner who is not associated with the Company anymore.
- c. The learning from these cases shall be further evaluated to understand the reasons for failure of controls and initiate necessary corrective measures. The Company shall ensure quarterly reporting of all frauds identified to the Risk and Asset Liability Management Committee.
- d. Reporting to Law Enforcement: On a case to case basis, where it is reasonably believed that a fraud has been committed, the Company shall report the case to appropriate law enforcement authorities. CCO is authorised to take this call.
- e. Fraud reporting to the Authority: The Company shall ensure necessary reportings of fraudulent cases in the formats and timelines prescribed in the Framework.
- f. Framework for Exchange of Information: The Company shall closely work with market participants, industry players and the Regulator and promote multiple avenues to enhance mutual cooperation and best practice exchange.

5. Review

The Board shall review the Policy upon recommendation of the Risk and Asset Liability Management Committee, on annual or at such other earlier frequency as it may be considered necessary.