

LIFE INSURANCE

Aditya Birla Sun Life Insurance Company Limited



**ADITYA BIRLA
CAPITAL**

PROTECTING INVESTING FINANCING ADVISING

Fraud Control Policy

April 2021

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1.0 FRAUD CONTROL POLICY:

1.1 OBJECTIVE:

The objective of this policy is to establish a framework at Aditya Birla Sun Life Insurance Co. Ltd (hereafter mentioned as ABSLI) that would ensure timely detection and prevention of fraud; to create awareness amongst the employees about fraud and fraud prevention; to facilitate the process owners in developing fraud prevention and detection controls.

1.2 SCOPE

This Fraud Control policy draws its scope and relevance from the IRDAI Insurance Fraud Monitoring Framework released on January 21, 2013 and existing Fraud Control Framework in ABSLI.

Further, as per 'Guidelines on Insurance e-commerce' dated March 9, 2017 and Insurer is required to have a pro-active fraud detection policy for insurance activities on e-commerce domain.

Also, 'Corporate Governance guidelines for Insurance companies dated May 18, 2016, requires Insurance company to have in place a Fraud Monitoring policy for effective deterrence, detection and mitigation of fraud.

It covers all employees, processes, functions, intermediaries, customers, beneficiaries, and any entity having any contractual/fiduciary relations with the ABSLI.

Also, the following broad categories of fraud are in scope:

- **Internal Fraud** - Fraud committed by staff regardless of their legal relation to ABSLI, including temporary workers, third party contractors, interns and consultants
- **Intermediary Fraud** - Fraud perpetrated by an insurance agent/corporate agent/intermediary/Third party administrators (TPA) against ABSLI and/ or policy holders
- **Policy holder Fraud and/or Claims Fraud** - Fraud against ABSLI in the purchase and/or execution of an insurance product, including fraud at the time of making a claim.

1.3 Review and approval of policy

This policy shall be reviewed and approved by the board. Risk Management and Fraud Control department shall assist the board to review process and recommend necessary changes in the policy. Policy may be reviewed to account newly introduced changes in acts, regulatory requirements, independent audits/internal review, changes in hierarchy and control.

1.4 DEFINITION

1.4.1 FRAUD

In general, fraud is defined as the deliberate abuse of procedures, systems, assets, products and or services by those who intend to deceitfully or unlawfully benefit themselves or others. Fraud in Insurance is defined as 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 insurer's status.
- Abusing responsibility, a position of trust or a fiduciary relationship.

1.4.2 ANTI-FRAUD OFFICER

A person designated to carry out all the Fraud Control activities within the organization.

2.0 FRAUD CONTROL FRAMEWORK

2.1 FRAUD MONITORING FUNCTION (FMF)

ABSLI has established a fraud monitoring function which ensures the effective implementation of the Fraud Control policy in ABSLI and shall also be responsible for the following:

- Laying down procedures for internal reporting from/to various departments.
- Creating awareness among the employees/intermediaries/policy holders to counter insurance frauds
- Furnishing various reports on frauds to the authority as stipulated in this regard
- Furnish periodic reports to the Board and Audit Committee for its review.

All employees of the organization owe a responsibility towards the organization to safeguard its assets, report and prevent misuse of assets or breach of procedures.

2.2 MANAGEMENT RESPONSIBILITY

Management has the primary responsibility for the prevention, detection and investigation of fraud. Management of ABSLI must lead by example and shall instill a corporate culture in which unethical and fraudulent behavior is unacceptable. They must take appropriate measures to recover any losses incurred and in principle bring the suspect to justice.

The management is responsible for appointing an appropriate person to take on the responsibilities for Fraud Control activities (for purposes of this document this person shall be called the Anti-Fraud Officer (AFO)). The Fraud Control policy shall be recommended by the management and approved by the Risk Management committee of the board.

2.3 ROLES AND RESPONSIBILITIES OF ANTI FRAUD OFFICER

The Anti-Fraud Officer shall be responsible for implementation of the Fraud Control Policy within the Company. The Anti-Fraud Officer supports management with regards to all Fraud Control activities in the company which includes facilitating fraud risk assessments in key areas of the business, monitoring fraud trends and developing fraud alerts, creating fraud awareness among employees of various functions through ongoing staff awareness programmes and training & advising on fraud management and developing fraud prevention, detection & mitigation strategies.

The Anti-Fraud Officer will also be responsible of cooperating with other local functions and liaising with fraud investigators / investigating potential fraud cases and carrying out control testing and suggest corrective / additional controls if necessary.

2.4 FRAUD MONITORING FRAMEWORK

2.4.1 FRAUD RISK ASSESSMENTS

Fraud risk assessment aims to help an organization identify areas which make it most susceptible to fraud and take proactive measures to reduce the chance of it occurring. This helps prioritize corrective action that may need to be taken with regard to fraud prevention, detection and response initiatives. ABSLI shall conduct an annual organization-level fraud risk assessment to prioritize the top areas of fraud risks based on discussions with senior management.

2.4.2 FRAUD PREVENTION AND DETERRENCE

Fraud prevention activities are the first line of defense against fraud in the organization and include policies, procedure, training and communication. Fraud deterrence is used to dissuade customers, non-customers and employees etc from defrauding the Company by using the logic that if they perceive they are likely to be caught, they are less likely to commit it. It encompasses any activity which discourages individuals from committing fraud, an example being introduction of fraud related internal controls.

2.4.2.1 TRAINING AND AWARENESS

Staff shall be made aware of the standards of conduct, policies/regulations that need to be adhered to and precautionary measures to be taken as part of their daily work so that they are better prepared to identify potential fraud cases. The Fraud Control Officer shall implement these training programmes periodically.

2.4.2.2 DUE DILIGENCE

Customer due diligence shall be carried out in accordance with the Anti-Money Laundering Policy/Underwriting guidelines of ABSLI.

Screening of insurance agents/corporate agents shall be performed in accordance with the Anti-Money Laundering Policy of ABSLI. Agreements shall be put in place with TPAs before the commencement of any service engagement.

Screening of employees shall be performed before their appointment; adequate HR policies shall be put in place to conduct background checks and any such screening activity.

2.4.2.3 ADMINISTRATIVE AND INTERNAL CONTROLS

Internal controls are processes (including elements such as policies, procedures and systems) that are established, operated and monitored by officers responsible for governance and management, to provide reasonable assurance regarding the achievement of the organization's objectives. Internal controls can be both preventive and detective in nature.

2.4.2.4 LESSONS LEARNT

Lessons learnt and other fraud mitigation communication shall be periodically published and circulated to all the employees. This shall capture details of significant fraud cases or high frequency cases from the past and any corrective action taken to prevent the same as well as carry campaigns to mitigate the re-occurrence of similar kinds of frauds. The learning shall also be formally shared and discussed with the relevant operating departments' and their staff in order to increase awareness and enhance fraud identification.

2.4.3 FRAUD MONITORING AND DETECTION

The sooner fraud can be detected the smaller the impact it may have on the Company. Once the fraud is detected, the company can put up defenses to minimize the chances of getting affected by the same type of fraud again.

2.4.3.1 MONITORING AND DETECTION

Fraud Management Team shall monitor and report in relation to fraud by

Setting up zonal committee/national committee to investigate and action on fraud cases

Reporting fraud statistics to appropriate levels of management and the Risk Management committee

Developing/enhancing quality processes

Regularly reviewing the appropriateness of policies, procedures and key controls and how they are implemented on-ground

2.4.4 FRAUD REPORTING AND RESPONSE

Potential fraud may come to the organization's attention in many ways, including information from employees, customers, vendors such as consultants, outsourced service providers, suppliers, internal audits, process control identification, external audits, or by accident.

ABSLI shall have a strong framework in place to report any possible fraudulent activity or significant breaches of controls and deal with it in a timely manner.

2.4.4 .1 IDENTIFICATION AND REPORTING OF SUSPECTED/ACTUAL FRAUDS

It is the moral responsibility of the employees to report dishonest or fraudulent activities through the incident reporting system immediately. The company also urges its policyholders, beneficiaries, vendors, intermediaries and other interested parties to act in a lawful and judicious manner and to report allegations, incidents of irregularities with respect to any fraud, to the organization.

Every complaint forwarded shall be assessed initially to determine whether there is a case to answer. Anonymous complaints shall not be encouraged as they may be difficult to pursue if further information is required. However, well-substantiated anonymous complaints shall receive appropriate consideration. Frivolous reporting of fraud shall be discouraged as this can cause great personal distress, damage a person's reputation and waste organizational resources. If the complaint is found to be lodged with malafide intentions, appropriate action shall be taken against the person making such frivolous complaint.

Complaints about suspected fraudulent behavior should, where possible, be written, dated and signed by the complainant. To the extent that information is known or is available, the Complainant shall identify or provide evidence where necessary or requested.

The Anti-Fraud Officer and/or The whistle blower Committee shall be responsible for the receipt of information on suspected instances of fraud.

Aditya Birla Sun Life Insurance Company Limited

Market Conduct Team

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ABG Ethics Hotline Toll-Free No:1800-102-6969

Confidentiality: It is our endeavor to protect the confidentiality of disclosures made to the whistle blower committee in accordance with the terms of the ABSLI Whistleblower's Policy. All fraud enquiry and related information will be treated confidentially and will not be disclosed to anyone, other than the rightful authority.

We also ensure that the whistle blower is not subject to any unfair treatment for reporting suspected incidents of fraud in good faith and in the interest of the company.

2.4.4 .2 FRAUD REPORTING

Internal:

Fraud incidents and statistics are presented at relevant committees on periodical basis. This would include summary of key fraud incidents, losses incurred, mitigation activities carried out, root cause analysis, causative factors, corrective/preventive measures adopted, action taken etc.

To Authorities:

The statistics on various fraudulent cases which come to light and action taken thereon shall be filed with the Authority (IRDAI) or such other authority (ies) as may be required in the prescribed formats.

2.4.4 .3 EXCHANGE OF INFORMATION

The company shall actively participate in the various life and general insurance sub councils and committee with an objective to share the fraud trends, lessons learnt, exchange appropriate information in order to create awareness, reduce and prevent frauds in the insurance industry.

2.4.4 .4 FRAUD INVESTIGATION

ABSLI shall have a system for prompt, confidential review, investigation and resolution of allegations involving potential fraud. Investigations shall be carried out by the Fraud Investigation officer. Fraud investigation officer constitutes Zonal compliance representatives and compliance officers at Head Office. In principle, ABSLI shall report fraud to the relevant law enforcement agency in order to initiate proceedings as and when the need arises or as prescribed by the Authority. ABSLI shall also lay down procedures to co-ordinate with Law enforcement agencies for reporting frauds on timely and expeditious basis and follow-up processes thereon.

Individuals undertaking these inquiries/investigations shall have the authority and skills to evaluate the allegation and determine the appropriate course of action and shall act fairly and in good faith without bias, malice, ill will or with improper motives.

The detailed report prepared by the fraud investigation officer at the end of the investigation shall capture all the details specified by the complainant (as detailed in the section on fraud reporting) as well as findings against the same and shall recommend the future course of action, both corrective as well as punitive. The Fraud Investigation team in the Compliance Function shall also be responsible for maintaining an appropriate recording and tracking system to ensure that all instances of suspected fraud are satisfactorily resolved.

2.4.4 .5 RECORD KEEPING

The documentation for all the fraud investigation cases shall be maintained for audit trail purpose. This should at minimum contain: original informant documentation, respondent statements, Investigation findings & recommended actions, Copies of documents which may be used as evidence to support the allegation etc.

2.4.4 .6 Related Policies

This policy should be read in conjunction with the following policies and framework

Whistle-blower policy

Risk Management Policy

Anti-Money Laundering policy

ABSLI Employee Code of Conduct