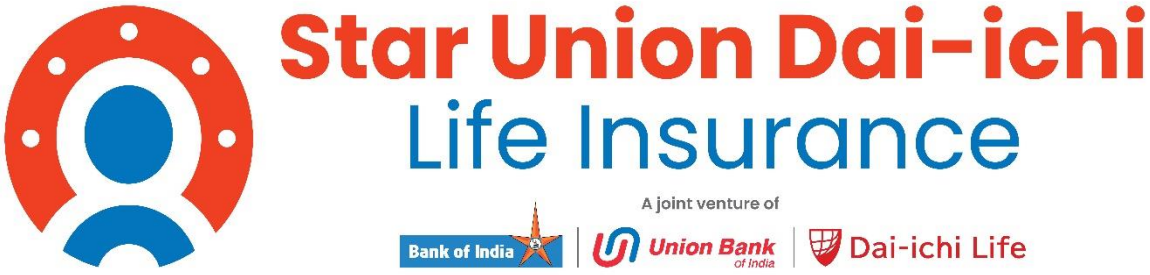
Anti - Fraud Policy



Document version

This Anti-Fraud Policy is document Version 2.0

Document Control

Revision history

SR. No.	Date of modification	Version No.	Prepared/Modified by
1	6 February 2013	1.0	Principal Compliance Officer
2	11 November 2014	1.1	Head Audit
3	9 November 2015	1.2	Head Audit
4	25 October 2016	1.3	Head Audit
5	26 April 2017	1.4	Chief Internal Auditor
6	27 April 2018	1.5	Head Legal, Compliance & FCU
7	26 April 2019	1.6	Head Legal, Compliance & FCU
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10	29 April 2022	1.9	Head Legal, Compliance & FCU
11	30 May 2023	2.0	Chief Internal Auditor

Review history of version 2.0

Prepared & Verified by	Saikumar G - Chief Internal Auditor	
Confirmed by	Abhay Tewari – MD & CEO	

Issuing Authority

This policy document is to be approved by the Board of the Company

Author and Responsible Official

This policy document is to be maintained and updated by way of additions, deletions and modifications, only by the Head of Fraud Control Unit. Every time the policy document is edited, the version increases by one unit and the version is to be mentioned on Page 1 itself. The MD & CEO is empowered to extend the due date for review of the policies of the Company for a maximum period of 3 months, irrespective of the annual revision of the policies

Applicability and Usage

This policy document applies to each and every member of the SUD Life Team. The Head of Fraud Control Unit of the organization must ensure the proper use of this document.

Contents

1. Objectives & Scope

Insurance Regulatory & Development Authority of India (IRDAI) stipulates that all insurers need to put in place a fraud prevention framework and need to have an Anti-Fraud policy to deal with the fraud monitoring and prevention. This Anti-Fraud policy is established to facilitate the development of controls which will aid in the detection, prevention and management of fraud against SUD Life Insurance Company Ltd. ("the Company"). It is the intent of the Company to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of controls and conduct of investigations.

All employees of the Company are concerned by fraud. They have the obligation of not committing a fraud but also it's their preferential and professional obligation to take all required actions to prevent, detect and declare frauds, if it occurs.

The policy seeks to lay stress on prevention and detection of frauds through early warning symptoms and prompt initiation of appropriate corrective measures to pre-empt attempts to breach the system. It delineates a review mechanism to assess the impact of such measures to suggest further corrective steps.

This policy applies to any fraud or suspected fraud involving employees as well as consultants, vendors, contractors, outside agencies doing business with the Company and/or any other parties having a business relationship with the Company including insurance advisors, insurance intermediaries. Any investigation activity required will be conducted without regard to the suspected wrongdoer's length of service, position/title, or relationship to the Company.

This policy covers Policyholder Fraud and/or Claims fraud, Intermediary Fraud & Internal Fraud.

2. Definitions:

Disciplinary Action: Disciplinary Action means any action that can be taken in terms of the chapter on "Disciplinary Action" under the HR Policy of the Company on the completion of or during the investigation proceedings including but not limited to a warning, imposition of fine, suspension from official duties or any such action as is deemed to be fit considering the gravity of the matter.

Disciplinary Committee (DC): means the Committee constituted under HR Policy of the Company and which looks into the matters pertaining to disciplinary action against employees.

Employee: Employee means every employee of the Company, whether on probation or confirmed, full time or part time, trainee or apprentice.

Fraud: 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. Frauds will be classified under the following categories:

a) **Intermediary fraud:** Fraud perpetuated by an insurance agent/corporate agent/ intermediary/Third Party Administrators (TPA's) against the insurer and/or policy holders
b) **Internal Fraud:** Fraud/ misappropriation against the insurer by its director, manager and/or any other officer or staff member (by whatever name called).

c) **Policyholder Fraud and/or Claims Fraud:** Fraud against the insurer in the purchase and/or execution of insurance product, including fraud at the time of making a claim.

Fraud Control Unit (FCU): This is the team which is in charge of monitoring and reporting of frauds and operationally maintaining the fraud prevention framework.

3. Roles & Responsibilities of Fraud Control Unit

The FCU is responsible for overall implementation of Anti-Fraud policy which includes:

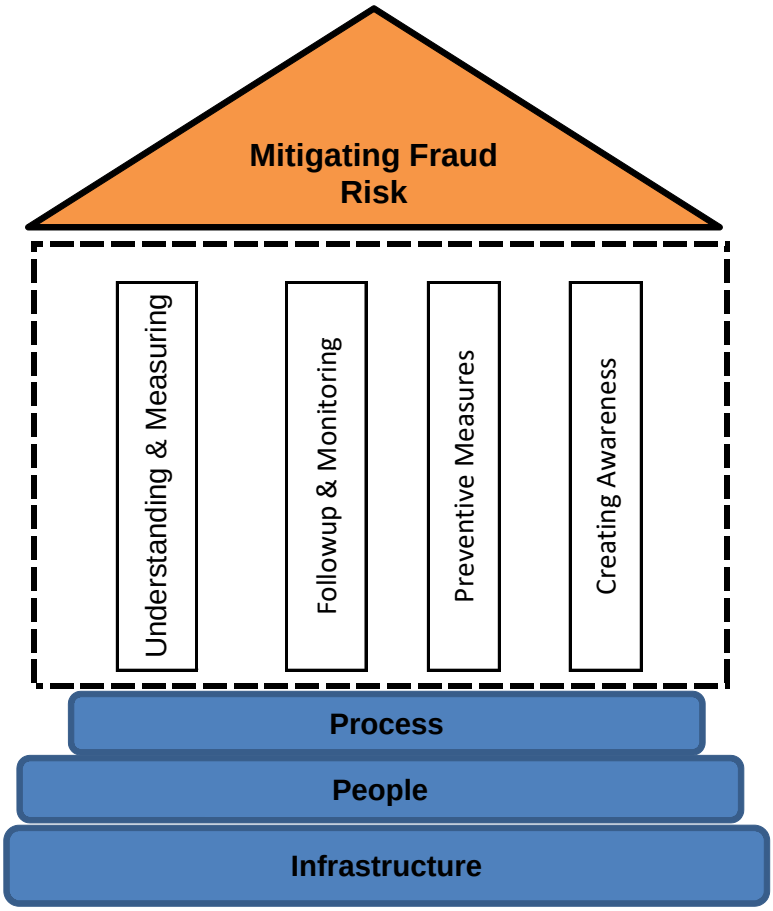
- Investigating on reported fraud or complaint with suspicion of fraudulent activity,
- Developing/managing systems, tools and methodologies to identify potential fraud areas at the first stage and share relevant know-how and information with key stakeholders such as underwriting, claims, new business, finance, risk management and internal audit.
- Spreading awareness regarding fraud prevention across the organization and to develop a culture of zero tolerance to fraud.

4. Fraud Prevention Management framework:

Functional department is first line of defense and hence responsible for the detection and prevention of fraud, misappropriations and other inappropriate conduct. It is primarily the responsibility of every function to implement and manage processes to ensure that efficient controls to detect and prevent frauds are in place. Indeed, each member of the management team will be familiar with the types of improprieties that might occur within his or her area of responsibility and be alert for any indication of any irregularity.

This framework aims to ensure that the Company is adequately equipped to protect its brand, its reputation and its assets from loss or damage resulting from suspected or confirmed incidents of frauds / misconducts.

This framework is structured around 4 pillars built on process / people and infrastructure (systems / physical assets) and monitored by a dedicated governance structure:



Structure of Fraud Prevention framework

4.1 Understanding and Measuring frauds:

The main objective of this pillar is to ensure that the information required to assess and to understand the exposure to the risk of fraud is made available. It comprises of fraud information/investigation of cases/ Analysis of fraud case and drawing conclusions and presenting to the management for taking actions, and also to correct system gaps and processes accordingly.

Fraud declaration procedure**:**

As the primary responsibility of fraud prevention set up lies with operational heads, they are responsible to ensure proper declaration within 72 hours from the detection of any confirmed, attempted or suspected fraud via the following generic email ID: **fcu@sudlife.in**. Any person with knowledge of confirmed, attempted or suspected fraud or who is personally being placed in a position by another person to participate in a fraudulent activity will have to report the case to FCU.

If during an investigation, it appears that the case was known by SUD Life employees but not reported to the FCU, the same will be considered very seriously and disciplinary actions will be initiated against the person for withholding the information.

Investigation Responsibilities:

The FCU 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, External outsourced investigation agency, and forensic experts for investigation, if required. Moreover, the Members of the Investigation Team – (i.e. FCU) will have:

- Free and unrestricted access to all Company records and premises whether owned or rented and,
- The 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 prior knowledge or consent of any individual who may use or have custody of any such items or facilities when it is within the scope of their investigation. The FCU will have access to all emails / folders / files belonging to the investigated individual(s) and stored on company's equipment,
- Authority to call / meet on request any party (Internal/External) in connection with fraud case.

Once case is under investigation by the FCU, all further development, inputs, inquiries concerning the activity under investigation from any source as to be directed to the FCU by the local operational head/functional head.

If case investigations are undertaken by FCU, 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 FCU.

The FCU and its members will treat all information received as confidential. 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.

Taking Corrective Actions:

The FCU does not have any authority to decide on actions to be initiated and its role is limited to as a reporting and investigation body. The decision of actions on individual / organization is made by the Company's management for all third-party agencies, by the Disciplinary Committee for the employees of the Company and by the Designated Person for insurance agents and intermediaries. The action on employees, insurance advisors and intermediaries will be recommended in accordance with the disciplinary action matrix provided in Annexure I. The Disciplinary Committee will have powers to tone up or tone down the actions depending if the facts and circumstance so warrant.

On completion of the investigation, the FCU will prepare a written report for the cases investigated which will include details such as: background as to how the investigation arose, the methodology for conducting the investigation, the facts that came to light and the evidence in support. These reports will be shared with Disciplinary Committee for final action.

Finally, the implementation of management decisions by the concerned departments will be followed up and coordinated by the FCU.

4.2 Follow up and monitoring of frauds:

This pillar (the pillar no II) ensures that the exposure of the company to the risk of fraud is regularly followed and monitored so that:

- It helps in ascertaining the efficiency of the fraud prevention set up,
- It allows the identification and implementation of appropriate corrective and preventive actions (on systems / processes and people) based on the information captured and risk of fraud exposure,
- It ensures that a fraud prevention component is integrated at the time of business / system / process decisions.

To ensure this insertion and follow up a specific analysis of fraud trends (new cases, cumulative numbers and amount, status of stock, by region / type / amount and fraud exposure will be performed and further dashboards may be developed based on which initiatives may be decided. Additionally, sharing data and trends will be institutionalized with all internal stakeholders for their respective area of operation.

4.3 Prevention of Frauds

The pillar III focuses on strengthening internal systems / processes and identification of areas where exposure is potentially high with potential undetected frauds and allowing actions to avoid fraud occurrence. FCU undertakes various activities to mitigate the different types of fraud.

Nature of Fraud	Activity for detection/prevention
Policyholder/Claim Fraud	• Verification and validation of customer profiles at the new business stage, • Mystery shopping of medical diagnostic centers conducting pre-issuance medical tests, • Sample verification of the policies issued based on identified negative parameters like geographic experience, customer profile, adverse claim trends from specified agents etc. • Recommend policy level action depending on investigation outcome
Internal Fraud	• Random verification of policyholder payouts • Random verification of vendor payouts/ employee reimbursements
Agent/Intermediary Fraud	• Monitoring of sales practices • Random sampling of agent confidential reports, proposal forms, claims data • Branch/field audit to check the sales practices

FCU shall coordinate with internal stakeholders to ensure that adequate preventive controls are put in place to mitigate fraud.

4.4 Creating Awareness

As a fraud can occur anywhere in the organization, and as all employees are responsible to detect, report actual frauds and ensure that within their scope of responsibility the activity performed minimize as much as possible the potentiality of a frauds, educating employees on such a subject is key in the fraud prevention set up. To achieve this purpose, FCU will conduct training for employees to help them on fraud detection, process gaps that could lead to frauds and consequences of getting involved in fraud. Further FCU shall have structured information sharing with all relevant stakeholders.

4.5 Coordination with Law Enforcement Agencies

The Fraud Control Unit (FCU) of the Company coordinates with various law enforcement agencies for fraud reporting on timely and expeditious basis and follow up processes thereon. Decisions to prosecute or refer the examination results to the appropriate law enforcement and/or regulatory agencies for independent investigation is made in conjunction with legal counsel and senior management depending on the disposition of the case.

4.6 Framework for Exchange of Information on frauds

FCU cooperates with life insurance council to enhance information sharing to mitigate fraud. Information sharing to peers in the industry is done on need-to-know basis. The governing body of Life insurance council had identified IIB as the focal body for common fraud repository for insurance industry.

The company contributes data to IIB and also utilizes various tools provided by it to prevent frauds. The company shall participate in the common fraud repositories as identified by Life Insurance council or IRDAI as the case may be.

5. Reporting:

Periodic report will be submitted to the Board, its committees and MD & CEO. Reporting to IRDAI will be done once a year within 30 days of the close of the financial year or such other frequency as mandated by the authority in the prescribed format.

6. Accounting For Loss, Restitution, and Recovery

Every attempt has to be made to recover the loss absorbed from the fraudster. The loss suffered/ will be accounted /debited to shareholders account (P&L), recovered amount will be accounted/credited to the same account which has been debited and such (net) losses may be written off as per the internal policies/guidelines of the Company.

7. Review / Update of the Policy

This policy will be reviewed once in a year and changes will be recommended to Audit and Ethics Committee and put-up to Board for Approval.

Annexure I

Disciplinary Action Matrix

Sr. No	Malpractice	First Offence	Second offence	Third offence
I	**Proposal form submission**			
(i)	Forging clients / employees / sales intermediary's (agents, brokers etc.) signature on any document / cheque. Attestation of such document shall be taken as delinquent action	Termination		
(ii)	Forging clients / employees / sales intermediary's (agents, brokers etc.) signature on any document without attestation	Warning	Termination	
(iii)	Influencing to submit fraudulent documents / Tampering of Documents such as Age proof, Income proof, KYC documents, any other documents forming part of the proposal form or policy servicing request. Attestation of such document shall be taken as delinquent action	Termination		
(iv)	Document tampering/Falsification of Document such as age proof/Income proof/address proof/AML/KYC related documents, any other documents forming part of the proposal form or policy servicing request without attestation	Warning	Termination	
(v)	Bogus business- Proposals forms submitted for nonexistent customers / Pre-DOC* death (Dearth occurring before the policy commencement date) critically ill customers (Illness clearly visible)	Termination		
(vi)	Misrepresentation of critical information relating to Profile of customer - Incorrect income, educational qualification, occupation, contact details etc.	Warning	Termination	
(vii)	Inducing the customer to conceal information or Non-disclosure of personal or family health, habits, and illnesses of the customer.	Warning	Termination	
(viii)	Filling agent confidential report/Key information document form without meeting customer	Warning	Termination	
(ix)	ACR/MHR with wrong declaration or improper verification (including ACR completed by any person other than the concerned SUD Life sales personnel/ Reporting Manager)	Warning	Termination	
(x)	Impersonation of medical examination or Influencing the medical examiner to conceal information about client	Termination		
(xi)	Delayed deposit of premium	Warning	Termination	
(xii)	Mis-appropriation of Funds - for eg: Embezzlement of premiums/payouts/ company funds	Termination		
(xiii)	Mismatch of customer signatures on Benefit Illustration or other documents.	Caution	Warning	Termination
(xiv)	Alternation in any column/segment of proposal form without customer attestation.	Caution	Warning	Termination

Sr. No	Malpractice	First Offence	Second offence	Third offence
(xv)	Possession / Misuse of Unauthorized Sales literature, contents, Rubber stamps including those of distributors	Caution	Warning	Termination
II	**Mis-Selling**			
(i)	Mis-selling	Warning	Termination	
(ii)	Misrepresentation or concealment of material fact about the prospect	Warning	Termination	
III	**Other Selling Practices**			
(i)	Rebating	Warning & financial penalty as prescribed under the Act	Termination	
(ii)	Circulation / financing of Premium received from one customer for another customer's Policy	Termination		
(iii)	Policies sourced by one channel to get commission benefit or otherwise	Warning	Termination	
IV	**Advisor recruitment related**			
(i)	Submitting fraudulent/ tampered documents Mis-information relating to application for licensing	Warning	Termination	
(ii)	Any wrongful activity to unduly influence attendance records, examination results and any part of the Recruitment & Licensing process	Warning	Termination	
(iii)	Hiring of Relatives not permitted under regulation	Termination		
V	**Others**			
(i)	Tampering of any document issued by the company	Termination		
(ii)	Manipulating employee's attendance register / records,	Termination		
(iii)	Forgery of employee reimbursement bills, fake tickets etc	Termination		
(iv)	Willfully submitting wrongful reimbursements without incurring expenses	Termination		
(v)	Sales intermediaries issuing their own cheques instead of clients	Warning	Termination	
(vi)	Customer Data leakage /Wrongful disclosure of data/Confidential details or otherwise indulging in misuse of corporate data//information/document/content. * Further any leakage of customer or company sensitive data will lead to termination	Warning*	Termination	
(vii)	Collusion with client/ investigators to process fraudulent claim	Termination		
(viii)	Misappropriating Company's Assets / Property	Warning	Termination	
(ix)	Failure to report malpractices	Counsel	Caution	Warning
(x)	Failure to discharge supervisory responsibilities due to negligence or nonadherence to published processes	Counsel	Warning	Termination

Sr. No	Malpractice	First Offence	Second offence	Third offence
(xi)	Non-disclosure of holding agency from another insurance company by self	Termination		
VI	**Sales Practices Related**			
(i)	Policy issued / NB application logged in for a customer who is not residing in the same city or staying far away without appropriate due diligence or logging policies not belonging to the bank branch mapped to the respective sales employee without supervisor or documented approval	Counsel	Caution	Warning
(ii)	Sales officer under banca channel has sourced business from open market (via Brokers, Agencies, etc) without prior documented approval	Counsel		
(iii)	Employee/Agent logged in dummy NB applications in the name of known family / friend / relative for subsequently cancelling the policy	Warning	Termination	
(iv)	Renewal premium due for existing policy of customer utilized for logging NB application without customer consent	Termination		
(v)	Churning of policies/ Intentional splitting of Policies that does not benefit customer beyond internal threshold	Warning	Termination	
(vi)	Agent to agent cross selling	Caution	Warning	
(vii)	Demanding and accepting share of incentives from subordinates	Termination		
(viii)	Sharing earned incentives with supervisor / reporting hierarchy	Counsel	Warning	Termination
VII	**Premium Collection Related**			
(i)	(i) Collected cash towards NB/Renewal premium directly from customer without prior documented approval (for banca) (ii) Blank/ Bearer cheque collected from customer (iii) Employee collected premium from customer & deposited in personal bank account which was further adjusted in the policy (Non -deposit will be treated under financial misappropriation)	Caution	Warning	Termination

Note:

1. Inclusion of Professional negligence as a Malpractice: In case of a malpractice/fraud committed by an employee, the company may take suitable action on the Reporting Managers depending on the gravity and criticality of matter. Also, action will be taken against the supervisory hierarchy in case of malpractices by multiple reportee or multiple malpractice by single reportee based on the grid applicable to the primary delinquent employee.
2. Where the disciplinary action is “Termination” for sales personnel as per the matrix, the concerned sales hierarchy will be liable for action on a case to case basis. Further based on the merits of the case, action may also be taken against the person in charge of a branch or

any geographical area (Such as Location Manager (LH), Area Manager (AM), District Manager (DM) Regional Manager(RM) etc.

3. In cases of Pre-policy commencement death, penal actions under this category will apply for the person who has sourced the proposal, and the person signing and/or witnessing the Confidential Report/Moral Hazard Report (MHR) /Special MHR, KYC related documents.
4. Current recommended action should be considered as second offence if employee/agent had received a counsel/warning under any of the clauses in last 12 months
5. Any action under this policy shall lead to claw back of incentives and any other monetary or non- monetary benefits
6. Any warning can lead to withholding of promotion for one year and will be at the discretion of disciplinary committee
7. FCU 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.
8. Disciplinary Committee may take an upper level / lower level deviation from the malpractice matrix.
9. HR related misconducts to be dealt separately as per the HR policy.