



ANTI FRAUD POLICY LIBERTY GENERAL INSURANCE LTD. (LGI)

Implementing effective fraud controls is part of effective corporate governance and management practices. Such controls seek to protect LGI's assets, interests and reputation. The objective of this policy and its related procedures is to define the accountabilities, responsibilities and procedures necessary to implement an effective Anti - Fraud Policy.

Insurance Regulatory and Development Authority (IRDA) has come out with Circular directing every Insurer to have Board approved policy for fraud monitoring and a regulatory framework has been put in place for insurance companies.

LGI is committed to establishing and maintaining an organisational culture that supports ethical conduct, thereby minimising the risk of fraud. The introduction of an effective fraud control policy is an essential element specifically designed to ensure the company maintains the ability to operate with integrity, transparency and at maximum economic efficiency.

1. Definitions & Coverage

1.1 Fraud is generally defined as an act or omission intended to gain dishonest or unlawful advantage for a party committing the fraud or for other related parties.

1.2 This Policy shall cover following 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 insurer and/or policyholders.
- c. **Internal Fraud** – Fraud/ mis-appropriation against the company by staff members including its Directors, Managers and any other officers.
- d. **Vendor Fraud** - Fraud/ mis-appropriation against the company by Vendors/third party service providers.
- e. Fraud relating to Self Network Platforms (ecommerce portals)

1.3 Appendix A provides a representative list of fraudulent acts/omissions under each of these broad categories.

2. **Applicability:** This policy and its related procedures apply to all staff, third party service providers, intermediaries and contractors of LGI.
3. **Framework:** An Anti-Fraud Committee will be constituted for the purpose of controlling, monitoring and reporting frauds

1. Anti-Fraud Committee:

- a. The Anti-Fraud Committee shall comprise of -
 - i. Chief Executive Officer

- ii. Chief Financial Officer
 - iii. Head of Internal Audit
 - iv. Head of Risk Management
 - v. Representative from Human Resources Function
 - vi. Representative from Legal Function
 - vii. Chief Underwriting Officer
 - viii. Country Head- Claims
 - ix. National Manager - Risk & Loss Mitigation Unit
 - x. President, Personal Lines, Bancassurance, Affinity and Marketing
 - xi. Such other member as may be invited
- b. Responsibilities of the Anti-Fraud Committee include –**
- i. Receiving fraud and related loss reports from managers and staff
 - ii. Ensuring investigations are conducted in a timely manner and in accordance with procedure
 - iii. Reporting fraud incidents and findings from investigations to the board committees and the Risk Management function
 - iv. Ensuring there is an on-going fraud awareness program, including training for Management and staff in relation to their responsibilities for preventing, detecting and reporting fraud
- 2. Fraud Control Procedures:** The Anti-Fraud Committee will issue and maintain a Fraud Control Procedure that will outline the following –
- a) **Procedures for Fraud Monitoring** - Procedures to identify, detect, investigate and report insurance frauds. The procedures will also define how fraud information flows between various departments of LGI. As required under IRDAI **Guidelines on Insurance e-commerce dated 9th March 2017, the Company's** Self-Network Platform (online portals) shall have a pro-active fraud detection policy for the insurance e-commerce activities and it shall deploy necessary applications/procedures for the purpose of
 - i. detecting and identifying frauds
 - ii. Follow-up mechanism for prosecuting persons who committed fraud
 - iii. Cooperation amongst market participants to identify frauds
 - iv. Building a database of those committing frauds and sharing with other market participants
 - b) **Identify Potential Areas of Fraud** - Identify areas of business and the specific departments of the organization that are potentially prone to fraud and lay down a detailed department-wise, anti-fraud procedures. These procedures should lay down the framework for prevention and identification of frauds and mitigation measures.
 - c) **Co-ordination with Law Enforcement Agencies** - Procedures to coordinate with law enforcement agencies for reporting frauds on timely and expeditious basis and follow-up processes thereon.
 - d) **Framework for Exchange of Information** - Procedures for exchange of necessary information on frauds through the Council of General Insurers.
 - e) **Due Diligence** - Procedures to carry out the due diligence on the personnel (management and staff)/ insurance agent/ Corporate Agent/ intermediary/ TPAs before appointment/ agreements with them.



- f) **Regular Communication** – Procedures for fraud mitigation communication within the organization at periodic intervals and/or ad hoc basis, as may be required.
 - g) **Client Communication** – Procedures to inform both potential and existing clients about LGI's anti-fraud policies including necessary caution in the insurance contracts/ relevant documents, highlighting the consequences of submitting a false statement and/or incomplete statement, for the benefit of the policyholders, claimants and the beneficiaries.
 - h) **Reporting** – Create and send out periodic reports to the Board of Directors and regulatory authorities.
 - i) **Protections**- Anti Fraud Committee shall be responsible for protection of the persons who intimate or raise concerns in relation to the possible fraud from any adverse treatment by any other person(s) within or outside the organization. For this purpose the Committee may formulate/ review a suitable whistle blower policy as deemed appropriate and the person raising the concerns/reporting the fraud under the Anti-Fraud Policy or Whistle Bolwer Policy will get protection against victimization or any kind of adverse treatment.
3. **Roles And Responsibilities:** To help ensure that LGI's fraud prevention and risk management program is effective, it is important to understand the roles and responsibilities that personnel at all levels of LGI have with respect to fraud management. The Executive Management, Staff and Internal Audit have roles in LGI's fraud management program.
- a. **Risk & Loss Mitigation Unit: The primary administration of the functions of the Anti-Fraud Committee will rest with the Risk & Loss Mitigation department, who will have adequate resources to carry out the same in coordination with the various functional heads.** The function may delegate tasks to relevant officers for assistance with or participation in a fraud investigation. Depending on the requirement and subject to appropriate due diligence, the investigation may also be outsourced.
 - b. **Internal Audit Function:** The Internal Audit function is responsible for all fraud or suspected fraud investigations as may be entrusted to them by the Anti-Fraud Committee or the Compliance Function as the case may be.
 - c. **Human Resources Function:** In addition to initiating action against employees as recommended by the Anti-Fraud Committee, the Human Resources Department will ensure all staff members are aware of the Company's Anti-Fraud Policy by ensuring it is included in staff induction training and by ensuring policy updates are communicated to staff. In cases of suspected involvement of employees in frauds, Human Resources Department shall play an active role through the process of investigation & shall present the outcome of the investigation to the Committee jointly along with Risk & Loss Mitigation Unit
 - d. **Function Heads:** It is the responsibility of the function heads to ensure that mechanisms are in place that minimize the opportunity for fraud and dishonesty within their area of control. Function Heads are responsible for implementing any actions required /suggested by LGI's Anti-Fraud Committee. Function Heads are also responsible for ensuring that persons who raise concerns in relation to possible fraud are protected from any adverse treatment or retaliation.
 - e. Depending on the requirements, the Anti-Fraud Committee may direct any other employee / department of the Company to ensure implementation of any actionable
- 4 **Intimating the Frauds**
- 4.1. Information on suspected frauds and fraudulent methods used can be reported by the staff or third parties or other stakeholders to any of the following –



- a) Head of Functions including Office Heads
- b) Head- Internal Audit
- c) Head- Compliance
- d) Grievance Redressal Officer (GRO)
- e) Information received from customers or through Integrated Grievances Management System (IGMS))

4.2 To ensure that information is received quickly and in the utmost confidence, the following modes will be available to all groups of people –

- a) Email to the Anti-Fraud Committee or any members thereof
- b) Letter addressed to the Anti-Fraud Committee or any member thereof
- c) Internet – through the fraud reporting page on the Company website
- d) Intranet – through the fraud reporting page on the Company Intranet

5 Investigations:

- a. Investigations will be undertaken by the Risk & Loss Mitigation Unit /Internal Audit Function and recommendations for action based on these investigations will include an element of risk assessment in conjunction with the Risk Management Function. The report of all investigations shall be presented to the Anti-fraud committee
- b. The Anti-Fraud Committee is responsible for approving the final course of action on the fraud(s).
- c. Where an investigation shows involvement of employees of the Company, the Human Resource Department shall initiate action as recommended by the Anti-Fraud Committee.
- d. In other cases, suitable action shall be initiated by the Risk & Loss Mitigation function as recommended by the Anti-Fraud Committee.

6 Reporting to Regulators: LGI shall report statistics on various fraudulent cases which come to light and action taken thereon to IRDA, in templates provided by IRDA. This reporting is due within 30 days of the close of the financial year, i.e. by April 30, and provides details of -

- a. Outstanding fraud cases in the format as prescribed by the IRDA;
- b. Closed fraud cases in the format as prescribed by the IRDA.

7. Policy Review: The Anti-Fraud Policy shall be reviewed, by the Board or such authority as designated by the Board, at least annually or/and after any significant incidence of fraud.



Appendix A – List of Frauds

Broadly, the potential areas of fraud include those committed by the officials of LGI, insurance agents/corporate agents/intermediary (ies)/TPAs and the policyholders or 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 /manipulating cheques
- d) overriding /decline decisions so as to bestow undue favour for family, friends & associates
- 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

3. 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 premium to the insurer, collecting commission and annulling the insurance by ceasing further premium payments

4. Vendor/Third Party Service Providers Fraud

- a) Kickbacks/Bribes
- b) Shell companies
- c) Overcharging
- d) Inferior Goods
- e) Other frauds as may be classified by Company from time to time.

