



Edelweiss Tokio Life Insurance Company Limited

ANTI FRAUD POLICY

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1. Background and Purpose

This Anti-Fraud Policy ('the Policy') has been laid down in accordance with the Circular issued by Insurance Regulatory and Development Authority of India ('IRDAI') on Insurance Fraud Monitoring Framework. The purpose of the Policy is to establish the measures and controls which will assist in prevention, detection and management of fraud against Edelweiss Tokio Life Insurance Company Limited ('the Company'). The Policy intends to lay down the guidance on the development of controls and measures to address and manage risks emanating from fraud. The Policy also defines the guidelines for conduct of investigation and review mechanism to assess the impact of such measures to suggest further corrective steps.

It is the responsibility of all employees of the Company to take all necessary actions to prevent, detect and declare frauds, whenever it comes to their notice.

2. Scope

The Policy covers both internal as well as external frauds. It applies to any fraud or suspected fraud involving employees as well as policyholders, insurance agents, insurance intermediaries, consultants, vendors, service providers, contractors and any other outside agencies or third parties having a business relationship with the Company across all distribution channels including e-commerce.

3. Fraud Risk Governance

The Risk Management Committee ('RMC') of the Board and the Fraud Risk Management Committee ('FMC') hold the primary responsibility to set the Anti-Fraud culture within the Company. The Risk Management Department is responsible to translate the management's Fraud Management vision to set up robust Company-wide fraud management practices across all levels.

4. Definition

'Fraud' 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:

- a. misappropriating assets;
- b. 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;
- c. abusing responsibility, a position of trust or a fiduciary relationship.

5. Classification of Insurance Frauds

Insurance Frauds may broadly be classified as under:

- a. Internal Fraud – It is a fraud in which, any employee or officer (by whatever name called) may or may not, with the aid of his/her associate (family, friend, close relations, etc.) act fraudulently causing direct/indirect loss to the Company, its employees, its policyholders or any counterparty. It can include frauds outside the Company but impacting the Company's performance.
- b. External Fraud - It is a fraud conducted by any person other than an employee or officer (by whatever name called) of the Company for which the Company is a victim, either directly or indirectly. The external frauds are further sub-classified as under:
 - (i) 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.
 - (ii) Fraud by Insurance Agent, Insurance Intermediary - Fraud perpetrated by an insurance agent, Insurance Intermediary (Corporate Agent, Insurance Broker, Web Aggregator, Insurance Marketing Firm) against the Company and/or policyholders.
 - (iii) Other Frauds – Fraud against the Company perpetrated by any external consultants, vendors, contractors, service providers or any other external agencies or third parties having a business relationship with the Company.

6. Fraud Risk Management framework

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

Risk Management Department shall implement the Fraud Risk Management Framework and shall be responsible for the following:

- a. investigating the reported frauds as per the laid down investigation procedure and submission of investigation report;
- b. reviewing fraud prevention and mitigation measures to ensure its efficient functioning;
- c. periodic identification, measurement, control and monitoring of fraud risk and reporting of their findings to the Committee comprising of Chief Financial Officer, Chief Human Resource Officer, Chief Operating Officer and Chief Risk Officer for taking necessary actions to correct system and processes gaps accordingly.

7. Preventive Mechanism

The preventive measures are essential for controlling the risk of fraud. The Company shall put in place appropriate procedures and controls to prevent the occurrence of fraud. The extent of controls needed to prevent the fraud should be determined following a risk analysis and possible indicators of fraud should be identified. Each department shall include appropriate checks and balances in the internal Standard Operating Process Manual to prevent frauds. Further, due diligence shall also be carried out by the Company on all personnel (management/staff), insurance intermediaries, TPAs and outside vendors before appointment or entering into an agreement with them.

8. Detection of frauds

a. Fraud Risk Identification

As the primary responsibility of fraud declaration lies with all employees of the Company, they are responsible to ensure proper declaration within 48 hours from the detection of any confirmed, attempted or suspected fraud via designated email ID at fraud.prevention@edelweisstokio.in.

Any person with knowledge of confirmed, attempted or suspected fraud who is personally being placed in a position by another person to participate in a fraudulent activity will have to report the case at the aforesaid designated mechanism. Risk Management Department shall, on receipt of such communication, analyse and decide on further course of actions. Risk Management Department can also suo moto take cognizance of complaints received from other sources like whistle blowing, customer complaints, etc.

Any withholding of known information about any committed, attempted or suspected fraud by any person could be taken very seriously and results in disciplinary actions.

b. Investigation

The Risk Management Department is entrusted with the full authority for the investigation of all suspected/actual fraudulent acts as defined in this Policy. The examination of a suspected fraud (or a transaction) or a customer dispute/alert shall be undertaken by the Risk Management Department or the appointed investigation agencies (as appropriate). Risk Management Department shall investigate the frauds (including internal frauds and employee mis conduct) within the Company in an unbiased manner.

The first step in an investigation process is gathering and validation of case facts. In order to investigate into suspected cases, the Risk Management Department would adopt to various techniques during the course of investigation. The investigation team may conduct oral interviews of customers, employees, advisor and partner employees to understand the background and details of the case. In case an interview of the person accused of fraud is required to be undertaken, the investigation team will follow a prescribed procedure and record statements appropriately. The investigation activities will be carried out discreetly and within a turnaround time (TAT) as may be specified.

The investigation report will conclude whether a suspected case is a fraud and any form of involvement of employee in the act of fraud. In special circumstances, the investigation into suspected fraud cases may be assigned to external specialised agencies considering various circumstances such as non-availability of specific expertise in the Company or lack of physical presence at a particular geographic location.

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.

c. Taking Corrective Actions

The Risk Management Department, on receiving the final decision of the Committee shall share it with the Function Head, and shall convey it to Head – Human Resource in case wrongdoer is found to be an employee and to the respective Sales Channel Head in case wrongdoer is found to be an insurance agent or insurance intermediary, for necessary disciplinary actions. It shall also ensure that appropriate action is taken against the wrong doers.

The Company shall put in place effective fraud monitoring mechanism to ensure 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.

d. Co-ordination with Law Enforcement Agencies

Streamlined coordination with law enforcement agencies ensures that fraud incidents are brought to conclusion in a timely and an effective manner.

- (i) Based on the investigation conducted and recommendation made by the investigation team including risk team, HR and local representatives, Legal team shall decide and advice on commenting interaction with Law enforcement agencies. Legal team shall advice and assist local team with appointment of local lawyer, drafting of complaint letter, coordination between local team, lawyer and law enforcement agencies.
- (ii) Local representatives of the company shall be responsible to attend to the law enforcement agencies for the investigation purpose. As the case may be, local sales, Human Resources, Operations, Branch Operations or any other concerned company official or any other person directly or indirectly connected to the matter (employees or representatives of the Brokers or other business partners) shall extend the required assistance to the law enforcement agencies.

9. Database Building and Information Exchange

The Company shall prepare a database inter alia of blacklisted customers, employees, insurance agents, insurance intermediaries and diagnostic centres found to be involved in committing and perpetrating fraud and shall also exchange such information amongst the insurance industry to detect and control instances of fraud. As a part of sharing best practices, exchanging information of emerging frauds and misconduct trends will be the key to counter fraud risk. While laying down the framework for exchange of information, the following should be taken into consideration:

- The information shared must be routed through entities like Experian/industry accepted entities;
- Co-operation amongst life insurance players is a must for successful detection of frauds and gaining from other's experience.

10. Risk Monitoring and reporting of Frauds

The results of risk measurement and control for fraud risk should be published and reviewed by the Committee, which in turn must present a summary to the Board on a regular basis. The report should present:

- losses arising on account of fraud, both in value and volume, by category of loss;
- plans for mitigation of identified process weakness.

The Company shall prepare an annual report on the fraudulent cases alongwith the actions initiated by the Company, in the format as prescribed by IRDAI. The Report shall be submitted to IRDAI within 30 days from the close of the financial year.

11. Training and internal Communication

A risk awareness culture should be developed by improving understanding, communication and education. Customer awareness is one of the pillars of fraud prevention. The Company will educate its customers and solicit their participation in various preventive / detective measures.

Additionally, the Company shall ensure that appropriate training is provided to employees on fraud prevention practices at various forums.

The Company shall ensure that the communication to the customer, employees, insurance agents, insurance intermediaries and online business/e-commerce teams and other relevant stakeholders is simple and aimed at making them aware of fraud risks and seeking their involvement in taking proper precautions aimed at preventing frauds. Such communication shall be reviewed periodically to judge their effectiveness.

12. Amendments and Review

Risk Management Committee is authorised to make amendments to this Policy at any time, when considered appropriate to do so, within the overall framework stipulated by IRDAI. The amendments approved by the Risk Management Committee shall be put up to the Board, at its next meeting, for ratification.