



**UNITED INDIA INSURANCE COMPANY LIMITED**  
**HEAD OFFICE, CHENNAI**  
**ENTERPRISE RISK MANAGEMENT (ERM) DEPARTMENT**

**FRAUD RISK MANAGEMENT(FRM)/ANTI FRAUD POLICY**

**THE CONTEXT**

We have a pan-India footprint of 1593 offices and a HR headcount of 17000 and a premium turnover of over Rs 9000 Crs, with a product suite comprising 180 offerings and a customer base of 1.8 crore policyholders. It is therefore felt that an appropriate FRM/ Anti-Fraud policy needs to be designed and adopted by the Company, to protect it from potential frauds that may impact the company financially and impair its brand image.

The FRM policy (also called the Anti- Fraud Policy) shall cover, inter alia, fraud risk monitoring framework, fraud detection, monitoring and preventive function and fraud reporting framework for effective Fraud Risk Management.

**DEFINITION OF INSURANCE FRAUD**

Fraud in insurance as defined by IRDA, is an act of omission &/or commission 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;
- c. Abusing responsibility, a position of trust or a fiduciary relationship.

**SCOPE & CLASSIFICATION OF INSURANCE FRAUDS**

Insurance frauds may be broadly classified as under:

- a) Policyholder Fraud and/or Claims Fraud- Fraud against the insurer in the purchase and /or execution of an insurance product, including fraud at the time of making a claim(including insurance service vendor related frauds).
- b) Intermediary Fraud- Fraud perpetuated 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 insurer by its Director, Manager and/or any other officer or staff member (by whatever name called).

## **FRAUD MONITORING DEPARTMENT**

- Since all the risks are monitored by the ERM Department the Fraud risks will also be monitored by the ERM department.
- The procedure to identify, detect, investigate and report the frauds is described in Annexure B.
- The CRO shall drive the Fraud Monitoring Function across the domains and report at regular intervals to the Risk Management Committee (RMC) as well as the Board.
- The CMD will constitute a Committee called 'Fraud Risk Management Committee' and nominate a Nodal Officer as per the terms of the procedures annexed herewith.

## **FRAUD DETECTION, MONITORING & PREVENTION STRATEGIES**

### **Creating Awareness**

ERM Department shall create awareness about insurance frauds and their adverse potential impact, with special focus on prevention strategies, among the employees of the Company/business intermediaries/policyholders by conducting seminars, workshops or by other means of communication and thus sensitize these stakeholders against frauds.

### **Internal Manual**

- Anti fraud procedures shall be laid down in each of the internal operating manual by the departments concerned.
- This would also include the methodology for documentation and reporting of the frauds identified/detected.
- The ERM Department shall periodically review on its own (or facilitate peer reviews of) the internal manuals in consultation with the user departments and arrange for necessary updates by the user departments.

### **Coordination with Internal Audit and Vigilance Departments**

- The ERM Department shall hold periodical meetings with the Internal Audit and Vigilance department to ascertain compliance with the said procedures by the operating offices. The two departments shall be advised to specifically report major procedural lapses and systemic issues observed which could facilitate perpetration of frauds or render the operations vulnerable to frauds.

### **Preventive Mechanism**

- ERM Department shall pursue with the domain departments/business verticals, regarding issuance of appropriate notice, to be included in the insurance contracts/relevant documents/ standardized MOUs to caution potential/existing clients /intermediaries about the deleterious consequences of submitting a false statement and/or incomplete statement, forged documents, misrepresentation/mala fide action of any nature and consequence.

## **Due diligence of Personnel and Intermediaries**

- Due diligence on personnel and business intermediaries is a key preventive action in an Anti Fraud policy. ERM department shall facilitate the HR department and other business verticals to lay down procedures (ex., designing reporting format) to carry out the due diligence, before recruiting the employees and agents. Based on experience, the same may be extended to the other intermediaries and specific insurance service providers.

## **Technology Solutions**

- Advances in Information Technology and emergence of Big Data solutions have made it possible to deploy data analytics tools and predictive models for fraud detection in insurance transactions. IT department to examine deployment of these technology solutions for fraud detection and prevention in our operations.

## **Development of Fraud Risk Profiles**

- ERM department shall facilitate the domain departments to build profiles of potential frauds that could afflict their operations and functions. This is part of an exercise to develop fraud risk profiles under the overall risk assessment program of the Company by including all the stakeholders and domain decision makers.

## **Strengthening the internal control mechanism**

- ERM department shall work with domain departments to improve process controls which prevent occurrence of frauds and fix any broken controls or gaps found in internal control mechanisms.

## **Employees to comply with FRM Policy**

- Each employee working in the Company and every individual/organisation/entity dealing with the Company shall comply with the norms laid down in this policy. Non-compliance shall be deemed violation of terms and conditions of employment /engagement or terms and conditions of contract (as the case may be) and shall be dealt with as per the Company's disciplinary procedures/terms of engagement or terms of the particular contract(s) or the law as applicable and appropriate.
- All employees/officers are responsible to bring to the notice of their supervising officers/management about any fraud detected as soon as it comes to their notice in the prescribed format (Annexure C). It is the responsibility of employees/ officers to ensure that within their span of control all reasonable and necessary steps are taken to prevent fraud and necessary action taken in case of reasonable suspicion of occurrence of a fraud or detection thereof.

## **Fraud trigger points, detection and prevention procedures**

Fraud trigger points, detection and prevention procedure are provided in the Annexure A and Annexure B.

## **INTERNAL REPORTING**

The ERM Department shall collect the information relating to policy holder and intermediary type of frauds (from the operating offices, IAI & vigilance as also the technical departments at HO), analyze, classify and report along with action taken to the RMC on **quarterly basis**. ERM Department shall put in place required procedure and format for reporting by the said stakeholders. ERM department shall also make out advisories on a regular basis to the domain departments/verticals on the systemic changes that need to be effected to arrest/prevent/detect early frauds.

## **EXTERNAL REPORTING**

Wherever, cases are to be reported to external agencies like CVC or CBI, the CVO shall be the nodal authority who shall report such cases to the authorities after due consultation with the CMD.

## **REPORTING TO THE REGULATOR**

The reports as suggested by the authority shall be filed by the ERM Department as per the periodicity prescribed by the authority/ regulator, based on the inputs provided/reported by the various departments/operating offices/IAI/vigilance department. The formats, in this regard, shall be shared with these stakeholders to enable them to report to the ERM department.

A compliance report shall also be filed with the RMC on submission of such returns to the Authority.

## **REVIEW**

The FRM/ Anti Fraud policy shall be reviewed on a **yearly** basis and placed before the RMC of the Board and the Board of Directors for approval.

## **BENEFITS ACCRUING FROM IMPLEMENTATION**

It is opined that a proper implementation of the FRM/Anti-Fraud policy would imbibe the fraud prevention perspective into the corporate culture and ethos of our Company and that every one of the 17000 employees would contribute to fraud-proof the Company. Thus, the benefits accruing to the Company would be far out-weigh the incremental cost that would be incurred in implementation of the policy.

## **DATE OF COMMENCEMENT OF THE POLICY**

The policy shall come into force from the financial year 2013-14.

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