Fraud Prevention Policy

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Public

Contents

1 Introduction

1.1 Background

In accordance with the IRDAI Circular on Insurance Fraud Monitoring Framework, dated January 21, 2013 (hereinafter referred to as "the Framework") and Master Circular on Corporate Governance for Insurers, dated May 22, 2024, SBI Life Insurance (hereinafter referred to as "the Company") is required to have in place a Fraud Prevention Policy (hereinafter referred to as "the Policy"), duly approved by the Board of Directors.

Further, any regulations/guidelines issued from the regulator and or other entities from time to time shall be adhered to.

Accordingly, the Policy has been formulated considering the various types of frauds as per the relevant regulations/guidelines that the Company can be exposed to. This Policy has been further devised to ensure that the fraud detection frame work is in line with the requirements as laid down under the Framework and the relevant regulations/guidelines, as well as it recognizes the principle of proportionality and reflects the nature, scale and complexity of the business of the Company and risks to which it is exposed. The Policy shall also provide guidance with respect to the prevention, detection, mitigation and investigation into fraudulent activities related to e-commerce.

1.2 Objective

The Policy is established to detect, monitor, mitigate and report occurrence of insurance fraud in the Company. It would facilitate development of processes to prevent, detect and manage frauds. Further it will also ensure development of control measures at an organizational level and conducting investigations. The Company is committed to conducting business in an environment of fairness and integrity and will strive to protect itself from any fraud emanating from its operations.

The Company adopts a "Zero-Tolerance" approach to fraud and will not accept any dishonest or fraudulent act committed by internal / external stakeholders.

1.3 Applicability

This Policy applies to any fraud or suspected fraud involving employees as well as shareholders, 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/ brokers/ corporate agents of the Company. The policy would also be applicable to policyholders and beneficiaries. Any investigation activity required will be conducted irrespective of the suspected wrongdoer's length of service, position/title, or relationship to the Company.

1.4 Review and approval of the policy

The policy will be reviewed by Board Risk Management Committee and will be recommended to the Board of Directors for approval, at least annually or as and when required.

Risk Management and Fraud Monitoring Department shall assist in the review

process and recommend necessary changes in the policy. Policy may be reviewed based on the newly released changes to Acts, regulatory requirements, independent audits and/ or internal review.

2 Policy Requirements

2.1 Roles and Responsibilities

- Board of Directors – The Board is responsible for overseeing the Fraud Control Framework and for approving, reviewing and monitoring compliance with the Policy. The Board may delegate this responsibility to the Risk Management Committee.
- First Line of Defence – Primary responsibility for the implementation and practice of fraud risk management, including core risk management principles of risk identification, measurement, management, monitoring & reporting rests with the first line of defence i.e. the concerned process owner / business / line function.
- Second Line of Defence – The Compliance and Risk functions are the second line of defence, who are responsible for reviewing and challenging the completeness and accuracy of the first line's risk identification, measurement, management, monitoring and reporting.
- Third Line of Defence – Audit is the third line of defence. Audit is responsible for independent assessment on the effectiveness of the fraud controls framework design and operations and is also responsible for reporting findings and concerns to the Management and the Company's Audit and Risk Committees.

Detailed roles and responsibility of various stakeholders is detailed in the Company's Fraud Response and Monitoring Procedures.

2.2 Procedures for Fraud Monitoring

The Company will have well defined procedures to identify, detect, investigate and report frauds. The Risk Management and Fraud Monitoring department will develop / manage systems & framework and analytical tools to identify potential fraud areas / red flags.

Through sampling methodology, the team will identify patterns / trends to review processes and will put in place preventive and corrective measures and report to the RMC-E, which oversees the Fraud Monitoring functions. It also spreads awareness regarding fraud prevention across the Company to develop a culture of zero tolerance to fraud.

- Sales Quality & CFIC Department (SQ & CFIC) is in-charge of centralized investigation. All incidents and complaints with suspected fraudulent activity are investigated and analysed. Queries are generated to initiate the investigation and after due validation of evidences, the post investigation conclusions are put up to the Disciplinary Authority for taking appropriate punitive action.

- All Functional Heads are primarily responsible for day to day management of activities and in charge of maintaining, implementing and improving their systems,

processes & controls so that they minimize the possibility of frauds and on a timely basis mitigate the impact of an identified fraud.

- The Heads of various departments at Corporate Office, Central Processing Centre and Regional Directors will submit a quarterly report regarding identification and reporting of fraud, if any, in their respective functional / geographical area.

2.3 Identification and reporting of Suspected/ Actual frauds

Any employee who suspects or detects dishonest or fraudulent activity should report through the incident reporting system immediately, in any case, within 48 hours of its detection. While the reporting can be done by any employee / person who suspects / detects the fraud, Head of the Department / Office / Branch is responsible to ensure that the fraud is reported within the aforesaid timelines. Complete information as available should be provided at the time of reporting.

In case the Department / Region / Office has conducted a preliminary investigation of the fraud, the investigation report should be annexed at the time of incident reporting. If there is any doubt as to whether an action constitutes fraud, the Risk Management and Fraud Monitoring Department may be contacted for guidance.

Employees and other individuals should not attempt to personally conduct investigations or interviews / interrogations related to any suspected fraudulent act.

Disciplinary action may be initiated against the employee(s) for not reporting or withholding information related to suspected or actual fraud.

The Company urges its intermediaries, vendors, policyholders, beneficiaries & all concerned to act in a lawful & proper manner and to report allegations or irregularities in respect of any fraud to the Organisation.
In case of any incident of fraud / possible attempt of fraud regarding SBI Life Insurance Company Limited, an e-mail or written communication can be sent to the below address:
SBI Life Insurance Company Limited
Risk Management and Fraud Monitoring Department
2nd Floor, Natraj, M.V. Road Junction, Western Express Highway
Andheri East, Mumbai 400069
Email: fraudmonitoring@sbilife.co.in

2.4 Security to individuals who report fraud

The Company strongly encourages individuals to report fraudulent activity. The Company condemns and will ensure that no unfair treatment is meted out to the individual who has reported suspected incident of fraud in good faith.

However, any abuse of this protection (e.g. any false or bogus allegations made by an individual knowing them to be false or bogus or with a mala fide intention) will warrant action as deemed necessary by the Company.

2.5 Confidentiality

All fraud investigations and related information will be treated confidentially. Investigation results will not be disclosed or discussed with anyone other than those who have a valid business need to know.

2.6 Fraud Response and Monitoring Procedures

The Company ensures that all suspected / actual fraud incidents are investigated, the root cause is determined, appropriate action as per disciplinary matrix is taken, and mitigating controls are implemented to avoid recurrence of such incidents in the future.

The Company has in place a detailed 'Fraud Response and Monitoring Procedures' which details the approach and procedures to be taken to handle cases of frauds whether internal or external and for both confirmed or suspected cases.

2.7 Disciplinary Measures

Based on the investigation findings, staff accountability and complicity, disciplinary measures will be decided. Efforts will be made to recover the loss amount fully. Based on the nature of the fraud, an internal Committee may decide on suitable penal action as per the grid defined or pursue the matter with other law enforcement agencies for appropriate action against the concerned person(s).

2.8 Coordination with Law Enforcement Agencies

The Company may coordinate with various law enforcement agencies for fraud reporting on timely and expeditious basis and follow-up processes thereon. Reporting to CBI / Police and other law enforcement agency will be done on case to case basis.

2.9 Loss Monitoring and Recovery

The Company shall keep a track of all losses to be recovered from the fraudsters and monitor the same periodically.

2.10 Framework for Exchange of Information

The Company may exchange requisite information on frauds with other insurers through Life Council as and when required. The Company shall aid in setting up coordination platforms through Life Council or any other Forum to establish information sharing mechanism.

2.11 Due Diligence

The Company should ensure that there are adequate procedures in place at various departments for carrying out due diligence on the various entities / people with whom the Company carries out its business before entering into agreement/ or their appointment, for e.g. Personnel, insurance agent, corporate agent, intermediary, TPA, vendors / consultants, etc.

2.12 Regular Communication Channels

Risk Management and Fraud Monitoring department shall generate fraud mitigation communication within the Company at periodic intervals or on adhoc basis, as may be required. It must also ensure information flow to concerned departments with respect to frauds.

2.13 Preventive Mechanism

The Company will inform stakeholders about its Fraud Prevention Policy. The Company will incorporate necessary caution in the insurance contracts / relevant documents duly highlighting the consequences of submitting a false and / or incomplete statement/document, for the benefit of policyholders, claimants and beneficiaries. The Company will proactively identify and monitor frauds on an ongoing basis.

2.14 Fraud Awareness

An ongoing awareness program is a key enabler to convey fraud risk management expectations, as well as an effective preventive measure. Awareness of fraud and misconduct schemes would be developed through periodic assessment, training, and frequent communications.

3 Exception handling

Any exception with respect to the Policy shall be reviewed by the Board. The exception request shall be submitted to the Risk Management and Fraud Monitoring department in the form of a Note addressing the Board with complete description of the said exception.

4 Reporting

Internal Reporting:

Fraud events are reported and presented at relevant Committees held periodically. The report details statistics of fraud cases, summary on key cases identified, loss amount, resolution and action, etc.
Concerned department is responsible for reporting of frauds in the format / template and within the timelines prescribed.

External Reporting:

The Company submits annual report on various fraudulent cases to IRDAI in forms FMR 1 and FMR 2 as required by the regulator providing details of:

- Outstanding fraud cases and
- Closed fraud cases.

The annual report is required to be filed within 21 days as per master circular on submission of returns, 2024 of the close of financial year or any such time as may be specified by the Regulator.

In addition to the above, the Company shall adhere to any other requirements / directions for reporting of frauds as may be issued by IRDAI or any other regulators from time to time.

5 Record keeping

All fraud related information / documents shall be preserved for a period as specified in the applicable regulations.

6 Appendices

6.1 Definition of Fraud

As per IRDAI Circular ref no. IRDAI/ SDD/ MISC/ CIR/ 009/ 01/ 2013 on Fraud Monitoring Framework dated 21 January 2013, “Fraud in Insurance means an act or omission intended to gain dishonest or unlawful advantage by 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 insurer’s status;
- Abusing responsibility, a position of trust or a fiduciary relationship

6.2 Broad Categories of Fraud:

- **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.
- **Intermediary Fraud** – Fraud perpetuated by an insurance agent/ Corporate Agent/ intermediary/TPAs against the insurer and/or policyholders.
- **Internal fraud** – Fraud/ misappropriation against the insurer by its Director, Manager and/ or any other office or staff member (by whatever name called)

6.3 Related Policies and Procedures

This policy should be read in conjunction with the following Policies and Procedures:

- Anti-Money Laundering Policy;
- Whistle-blower Policy;
- Risk Management Policy;
- Sales and Process Quality Code of Conduct; and
- Fraud Response and Monitoring Procedures.

6.4 List of Abbreviations used in the policy

- CBI - Central Bureau of Investigation
- IRDAI - Insurance Regulatory and Development Authority of India
- RMC-E - Risk Management Committee of the Executives
- SQ&CFIC -Sales Quality and Complaints & Fraud Investigation Cell
- TPA - Third-Party Administrator