

EDELWEISS GENERAL INSURANCE  
COMPANY LIMITED

**FRAUD MONITORING POLICY  
& FRAMEWORK**

**VERSION CONTROL**

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## **FRAUD MONITORING POLICY & FRAMEWORK**

### **1. Introduction**

Fraud is an operational risk involving deliberate and intentional concealment of facts. Fraud may be difficult to detect because most often it involves falsification of documents and collusion among staff or third party. Hence, it becomes imperative to have a framework in place with a strong emphasis on Fraud prevention, detection, control, and deterrence.

### **2. Applicability**

The Policy applies to any fraud involving the Company's employees, directors, insurance agents, corporate agents, insurance intermediaries, business partners/associates, policyholders, assignees, claimants, nominees, third party administrators and service providers/vendors.

Fraud Risk Department will have the sole discretion on deciding the applicability of this policy & initiating the investigation process without regards to the suspected wrongdoer's length of service, designation/position/title, or contractual relationship with the Company.

### **3. Scope**

The Company shall place high emphasis on prevention, detection, control and deterrence through below mentioned components:

- Create an ecosystem and culture of honesty & high ethics via awareness of Fraud risk & control.
- Implementation of processes, procedure and controls to identify, assess and mitigate fraud risk & reduce opportunity of fraud.

This policy should be read in conjugation with the other related policies of the Company i. e. Anti-Fraud Policy, Risk Management Policy, Whistle-blower Policy, Internal Audit Policy and Compliance Policy.

### **4. Objective**

- The Company is committed to conducting business in an environment of fairness and integrity and adopts a 'Zero-Tolerance' approach to fraud. In accordance with the Insurance Regulatory and Development Authority of India ('IRDAI') circular, dated 21 January 2013, on Insurance Fraud Monitoring Framework, the Company is required to have in place an effective and comprehensive policy to deal with fraud duly approved by the Board of Directors.
- Also, the Corporate Governance Guidelines for Insurance Companies, dated 18 May 2016, issued by IRDAI requires insurance companies to formulate a fraud monitoring policy and framework, effective for deterrence, prevention, detection and mitigation of frauds that enlist the steps and approach adopted by the insurer to successfully mitigate fraud.
- Further, as laid down in the IRDAI Guidelines on Insurance E-Commerce, dated 9 March 2019, the Company is required to have a pro-active Fraud Detection Policy for the insurance e-commerce activities. Accordingly, Edelweiss General Insurance Company Limited ('the Company') has formulated the Anti-Fraud Policy considering the various types of frauds including e-commerce frauds.

## **5. Definition of Fraud**

As per IRDAI Circular ref no. IRDAI/SDD/MISC/CIR/009/01/2013 on Fraud Monitoring Framework, dated 21 Jan 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 the insurer's status; or
- Abusing responsibility, a position of trust or a fiduciary relationship.

As defined in Section 447 of Companies Act 2013, 'Fraud' includes any act, omission, concealment of any fact or abuse of position committed by any person or any other person with the connivance in any manner, with intent to deceive, to gain undue advantage, from or to injure the interest of, the Company or its shareholders or its creditors or any other person whether there is any wrongful gain or wrongful loss.

## **6. Classification of Fraud**

Fraud can be broadly categorized into the captioned categories –

- **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/ insurance intermediary/Third Party Administrator (TPAs) against the insurer and/or policyholder across distribution channels including e-commerce (ISNP Portal).
- **Internal Fraud:** Fraud/misappropriation against the insurer by its director, manager and/or any other officer/employee or staff member (by whatever name called).

## **7. Zero Tolerance Policy**

The Company has adopted Zero Tolerance Policy for fraudulent activities or attempts to commit a fraud. Prompt and strict action shall be taken against perpetrators and/or personnel attempting to conceal instances of fraud.

## **8. Fraud Governance – Creating a culture of high integrity and honesty**

The Company has set standards for creating an environment of high integrity and honesty by encouraging transparency & openness at all levels of hierarchy to prevent fraud or concealment of fraud practices.

Code of conduct and commitment to Fraud Risk Management will be communicated to all employees via regular communication channels at appropriate forums by the Management team on regular basis.

Regular training shall be provided to all employees upon joining & subsequently throughout their association with the Company via education mailers and digital training mechanisms to communicate the expectations for ethical behaviors from the employees.

## **9. Fraud Monitoring Framework**

The Fraud Monitoring 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.

### **A. Fraud Monitoring**

Fraud Risk team will be responsible for monitoring and reporting of frauds and operationally maintaining the Policy. Specifically, it will involve:

- Maintaining records related to fraud cases (email communication, investigation reports, fraud reporting etc).
- Spreading awareness regarding fraud prevention across the organisation.

### **B. Fraud Reporting**

- **Reporting to Authorities (Internal/External)** - The Compliance function of the Company shall be responsible to submit all the regulatory reports pertaining to frauds to IRDAI in the prescribed format or to any other Authority as may be required, within the applicable timelines as prescribed by the respective authorities from time to time. Relevant data required for reporting will be provided by the Fraud Risk team.
- **Exchange of Information** - The Company shall provide necessary information on frauds as required by IRDAI and other regulatory bodies. The Company shall co-ordinate with other industry participants for exchange of information on fraud events as may be required.
- **Regular Communication Channels** - Fraud identification and reporting procedure should be explicitly communicated to the employees during the induction program by the HR/Training department and needs to be periodically reiterated through various channels.

The Instances of frauds can be raised on email ID - [EGI\\_Vigilance@edelweissfin.com](mailto:EGI_Vigilance@edelweissfin.com)

- **Co-ordination with Law Enforcement Agencies** - To enable timely and expeditious reporting of fraud for the purpose of investigation and prosecution, coordination shall be maintained with such Law Enforcement Agencies.

### **C. Fraud Prevention Mechanism**

- The Company shall be proactive in reducing the opportunities for committing a fraud by putting in place adequate measures to prevent and detect fraud incidents at an early stage.

## **10. Roles & Responsibilities**

- **Fraud Risk Team:** The Fraud Risk Team will be responsible to ensure implementation of the policy and monitor on an on-going basis. Fraud risk team will coordinate with all the heads of

departments to ensure fraud incidents are reported and mitigation is put in place to avoid such instances in future.

- **Internal Audit Function (IA)** - As a part of internal audit activity, IA function will check for any case of non-adherence and suggest corrective action as may be deemed appropriate.
- **Business Departmental Heads** - The department heads, being the first line of defense, will be primarily responsible to ensure that fraud vulnerabilities in their respective departments are proactively identified and mitigating controls are implemented. The departmental heads must encourage the personnel to report instances/indications of fraud.
- **HR/Training Department** - The HR/Training departments shall incorporate the relevant aspects in the training and induction program for new employees. Employees should be informed about Anti-fraud policy and reporting mechanism for instances involving fraud.
- **Chief Risk Officer (CRO)** - The CRO will monitor the function of Fraud Risk Team and report cases of fraud, malpractice as may be deemed appropriate to the Risk Management Committee.

#### **11. Compliance with the Fraud Monitoring Policy & Framework and Anti-Fraud Policy**

Fraud risk team will be responsible for monitoring the implementation of the above policies. Any non-compliance will be reported for internal review or to the Risk Management Committee, as may be deemed appropriate. Necessary punitive action for non-compliance shall be taken up as per process.

#### **12. Protection**

Complete protection will be given to the person who has reported in good faith, a suspected or alleged incident of fraud. The Company will ensure that there is no discrimination, retaliation, harassment, or any unfair treatment with such a person. The identify of the person reporting a fraud shall be kept confidential to the extent possible and as permitted under the law. Any abuse with this protection, false or bogus reporting for personal gains or disturbing the work environment will attract stringent disciplinary action.

#### **13. Review of the Policy**

The 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.

The Board of Directors of the Company shall review and approve the Policy on an annual basis and at such intervals as may be considered necessary.