



THE NEW INDIA ASSURANCE COMPANY LIMITED

New India Assurance Building, 87, MG Road, Fort, Mumbai 400 001

Corporate Anti-Fraud Policy

A. Preamble

The existence of “fraud” is one of the more unfortunate and unwholesome realities of human existence. In common parlance, fraud means deception or misrepresentation usually with intent to obtain some wrongful gain. Fraud is one of the risks that any person or organization would have to deal with. For a business organization, fraud causes avoidable financial losses, loss of public goodwill and image and loss of shareholder confidence, among others. All well managed organizations recognise this reality and take steps to deal with this risk in a pro-active manner. The Insurance Development and Regulatory Authority (**IRDA**), vide its Circular IRDA/SDD/MISC/CIR/009/01/2013 dated 21st January 2013, called upon all insurers in India to recognize and assess the implication of fraud as a risk management measure and to put in place an effective and comprehensive Policy to deal with fraud.

In the light of the foregoing and in keeping with the overall approach of The New India Assurance Co Ltd. (the Company) of following principles of Corporate Governance and implementing “best practices” in all areas proactively, it is necessary that a proper “Fraud Policy” is formulated, publicised appropriately and implemented by the Company.

Hence this Corporate Anti-Fraud Policy (**the Policy**) has been framed and is being issued herewith for study and implementation.

B. Scope and Intent of this Policy

The Policy is intended to

- a) Enable understanding of “Fraud” and its implications and its effects on the organization.
- b) Create a “Fraud Awareness” and “Fraud Prevention” culture in the Company and to send across a message within the Company and to the public at large that Fraud is not acceptable and shall not be tolerated.
- c) Enable prevention and reporting system to enable pro-active tackling of fraud and make efforts to recover fraud losses.

C. Definition and Common Types of Fraud

Commission of "Fraud" is a wilful act committed by an Individual(s)/Entity(ies) - by deception, misrepresentation, suppression, cheating or any other fraudulent or any other illegal means, thereby, causing wrongful gain(s) to self or any other individual(s) and wrongful loss to the Company.

The IRDA Circular referred at the outset above recognises that insurers typically face prospects of fraud of three main categories:-

- Fraud by Policy-holders (including claim-related frauds)
- Frauds by intermediaries like Agents, TPAs etc
- Frauds by own directors or employees of all description

It can reasonably be stated that the Company can expect that a fraud could be perpetrated against it by any of the following acting alone or in combination with another:-

- 1) Employee(s), ex-employee(s)
- 2) Persons engaged for work or assignment on temporary/ad-hoc/contract/daily-wage basis and/or their individual employees/representatives
- 3) Advisor(s), consultants and similar providers of professional expertise including Surveyors/Valuers/Loss Adjusters, Lawyers, Investigators and/or their individual employees/representatives
- 4) Vendors, suppliers of any goods or services to the Company (including IT hardware/software suppliers and support and maintenance providers).
- 5) Third Party Administrators (TPAs) and/or their individual employees/representatives
- 6) Customers/clients of the Company and/or their individual employees/representatives
- 7) Agents and/or their individual employees/representatives
- 8) Brokers and/or their individual employees/representatives

D. Examples of Fraud

The following are some typical examples of fraud that may be expected. It bears stressing here that this list is merely illustrative and is **not** exhaustive or to be treated as complete for the purpose of this Policy.

- 1) Willful suppression of facts/ deception in matters of appointment, in submission of reports of any nature to the Company, in any

recommendations or making such recommendations as a result of which a wrongful gain is made to any person/organisation/entity and/or a wrongful loss is caused to the Company or the public exchequer.

- 2) Forgery or unauthorized alteration of any document (including Certificate of Insurance, Insurance Policy/Endorsement/Covernote/Declaration etc.) or correspondence or account belonging to the Company.
- 3) Forgery or unauthorized alteration of cheques, bank drafts or any other financial instruments.
- 4) Misappropriation of funds, securities, supplies or other assets by fraudulent means.
- 5) Falsifying records, removing the documents/ papers/notings from files and /or replacing them.
- 6) Making fraudulent / false notings in official records of the Company.
- 7) Utilizing Company funds for purposes for which the said funds are not intended.
- 8) Effecting major material departures from standard laid-down Tendering procedures or norms without clear written authorisations and “speaking orders”.
- 9) Any other act that falls under the description of 'fraudulent activity'.

E. Compliance

1. Each employee working in the Company and every individual/organisation/entity dealing with the Company shall endeavour in every possible manner to 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 per the Company's disciplinary procedures/terms of engagement or terms of the particular contract(s) or the law as applicable and appropriate.
2. All employees/officers are responsible to bring to notice of their supervising officers/management about any fraud detected as soon as it comes to their notice. It is the responsibility of officers to ensure that in respect of their areas of responsibility, all reasonable necessary steps are taken for prevention of fraud and all possible necessary action is taken in case of suspicion of commission of a fraud or detection of an actual fraud.

F. Fraud Monitoring Cell

Fraud is a critical risk facing an enterprise that needs to be managed/controlled/mitigated by the Company in an organized fashion. To achieve this end, a dedicated Fraud Monitoring Department or Cell (FMC) is to be set up

either as a separate department with a designated position in the Company's chain of command or as a part or section of the Enterprise Risk Management (ERM) Department as is the practice in several organizations.

G. Delineation of Functions of Vigilance, IAD, FMC & Operational Units

1. The Company already has a well defined system and procedure for tackling internal-origin frauds, ie, frauds committed by Company's own employees by means of the Vigilance Department. Vigilance Department itself has the avowed intent to be proactive in implementing "Preventive Vigilance" by means of making system-studies, anticipating fraud-prone areas, spreading awareness and sensitizing drives, conducting surprise checks and so on. It is also expressly tasked with investigating of suspected frauds by own employees acting by themselves or in concert with outside elements and with bringing established cases of fraud (with evidence) to suitable conclusion – whether disciplinary proceedings or any other appropriate punitive measure. The Department functions in the light of the Conduct Discipline and Appeal Rules (CDA Rules).
2. The Company also has an Internal Audit Department (IAD) that audits transactions and accounts, which on occasion, reveal commission of frauds.
3. The function or intent of the Fraud Monitoring Cell (FMC) is naturally not to take over or even overlap the functions of these two departments, but to act in coordination with them. By itself, the FMC shall also pay particular attention to studying and monitoring fraud emanating from policy-holders/customers as well as from intermediaries. The FMC shall :
 - i. cooperate actively with Vigilance and IAD
 - ii. collect fraud data from these departments and from the operational units of the Company
 - iii. analyse these
 - iv. identify Risk Indicators
 - v. suggest effective control mechanism, and
 - vi. report periodically – through the ERM Dept – to the Risk Management Committee of the Board.
4. All operational units (BOs, DOs, ROs) as well as HO Departments, apart from preventing internal-origin frauds and referring such instances detected to the appropriate authority, are expressly responsible for being vigilant against potential frauds by intermediaries, policy-holders and other outsiders, being aptly placed for this role and responsibility by virtue of their day-to-day work. The latter responsibility is to be exercised by means of adherence to laid down norms and best practices and exercise of due diligence. Suitable action (including prosecution of any civil or criminal proceedings as per law) following suspicion of

or detection of fraud by such outside entities/persons shall be the domain of the operational units/departments.

H. Reporting of Frauds

1. It is the bounden duty of every employee of the Company to provide to the management information which is within his/her knowledge about any fraud or potential fraud.
2. Every instance of attempted fraud or detected actual fraud (regardless of whether it has caused actual financial loss to the Company at that juncture or not) shall be reported by the affected department/operational unit to the overseeing office/department/executive. Where the fraud involves or is reasonably suspected to involve an employee of the Company, it shall be reported to Vigilance Department at RO or HO as applicable.
3. Every such instance of fraud shall also be reported to the FMC by the department/operational unit.
4. Vigilance Dept and IAD shall share with the FMC, details of frauds detected after any sensitive/confidential investigation processes are over.
5. The FMC shall, through the ERM Department, report periodically to the Risk Management Committee of the Board.

I. Recovery of Fraud Loss

Upon detection of a fraud, the Operating Units or Departments concerned should make every effort possible to recover the loss amount involved. Loss mitigation action will include recovery from concerned employee/customer/outsider and would include initiating legal action including filing of recovery suits wherever feasible.

J. Creating Awareness – Among Employees, Customers & Public

1. The Policy recognises that proper awareness is the main pillar of fraud prevention effort. The Company should aim at continuously educating its employees, customers and the general public on fraud prevention and enlist support and participation in fraud prevention.
2. This Anti-Fraud Policy document shall be published on the website of the Company.
3. Customers and the public should be sensitised by means of advertisements, detailed do's and don't published on website or in posters and flyers or other communications sent along with policies/renewal notices etc.

4. Employees should be targeted by means of training programs (either special training sessions or by inclusion in induction training or sectoral training modules). Regular circulars, newsletters etc are also to be resorted to.

K. Custodian of the Policy

The Chief Risk Officer of the Company will be the custodian of the Policy.

L. Review of the Policy

This Corporate Anti-Fraud Policy will be reviewed annually by the Risk Management Committee of the Board of Directors of the Company. The Committee may, if felt necessary, direct the ERM Department to modify any portion of the Policy suitably or consider the suggestion(s) submitted by the ERM Department for modifications to the Policy during such annual reviews.

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