Anti-Fraud Policy

Niva Bupa Health Insurance Co. Ltd.

Document Version

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1. Introduction

A. Background

This Anti- Fraud Policy (hereinafter referred to as 'the Policy') has been formulated in accordance with IRDAI (Insurance Fraud Monitoring Framework) Guidelines, 2025 (hereinafter referred as "the Framework Guidelines"), as amended from time to time These Guidelines mandate Niva Bupa Health Insurance Company Ltd. (herein after referred as **"the Company"**) to have in place the Policy, duly approved by the Board of Directors, this policy has been put into place.

B. Objective

The primary objective of this Policy is to establish a robust fraud deterrence framework by enhancing stakeholder awareness, fostering a culture of zero tolerance, and providing clear mechanisms for the prevention, detection, and reporting of organizational fraud.

C. Scope

The Policy applies to any fraud involving its Employees, Insurance Agents, Business Associates, Intermediaries, Channel Partners, Third Party Administrators, Service Providers, Vendors, Policyholders, Assignees, Claimants and Nominees and vendors in general.

This Policy applies to all lines of business, departments, and operational units within the organization. It mandates the continuous monitoring of fraud risks and requires the immediate implementation of corrective measures to mitigate identified vulnerabilities across all business activities.

D. Definition

(i) Insurance Fraud ("Fraud") shall mean an act or omission intended to gain advantage through dishonest or unlawful means, for a party committing the fraud or for other related parties; including but not limited to:

- 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

(ii) Red Flag Indicator (RFI') shall means a possible warning sign that points to potential fraud and may require further investigation or analysis of a fact, event, statement, or claim, either alone or with other indicators.

(iii) Cyber or New Age Fraud shall mean any insurance fraud carried out using digital or new age technologies.

(iv) Distribution Channels shall have the same meaning assigned to it under subclause (8) of clause 5 of IRDAI (Protection of Policyholders' Interests and Allied Matters of Insurers) Regulations, 2024.

2. Classification of Insurance frauds

All the established fraud cases will be categorized as below and reported to IRDAI accordingly:

A. **Internal Fraud:** Fraud involving internal staff, including employees and / or senior management.
B. **Distribution Channel Fraud:** Fraud involving distribution channels
C. **Policyholder Fraud and/or Claims Fraud:** Fraud involving any person(s), in obtaining coverage or payment during the purchase, servicing, or claim of an insurance policy.
D. **External Fraud:** Fraud involving external parties' / service providers / vendors etc.
E. **Affinity Fraud or Complex Fraud:** Fraud involving collusion among one or more fraud perpetrators in the above categories

3. Fraud Governance, Prevention and Detection Framework

The Company shall to establish and maintain a robust framework to provide reasonable assurance that fraudulent and dishonest acts are prevented or promptly detected and actioned upon, which outlines the procedures in relation to the following:

A. **Oversight:** For the purpose of fraud monitoring & control below verticals will operate as Fraud Monitoring Unit
   (i) Ethical Governance Team (EGT) to exercise oversight upon the areas related to Internal, External, Distribution Channel and Affinity fraud
   (ii) Fraud Risk Control Unit (FRCU) to exercise oversight upon the areas related to all transactional cases (claims) of Policyholder Fraud
   (iii) Risk Management Team (RM) to establish a Cybersecurity Framework to protect against evolving cyber frauds or threats and to conduct Fraud Risk Assessments
   (iv) Financial Controller of the Company to exercise oversight upon the areas related to financial frauds

   The Company has built adequate procedures and policies to oversee that the Fraud Risk Governance Framework is established, implemented and adequate internal controls exist to prevent, identify, detect, investigate, deter fraud and report frauds. As the primary responsibility of fraud prevention lies with Operational Heads, they are responsible to ensure proper declaration within 72 hours from the detection of any confirmed, attempted or suspected fraud via the generic email ID: Vigilante@nivabupa.com or through any other formal means to EGT. Any person with knowledge of confirmed, attempted or suspected fraud or who is placed in a position by another person to participate in a fraudulent activity shall report the same to EGT. If during an investigation, it appears that the case was known by the Company's employees but not reported to EGT, the same will be considered very seriously and disciplinary actions may be initiated against the person for withholding the information.

B. **Fraud Risk Management Framework:** The Company shall adopt zero tolerance for fraud and put in place appropriate fraud risk management framework sensitive to the Company's business profile to enable it to deter, prevent, detect, report and remedy insurance frauds. The Risk Management Committee ("**RMC**") of the Company shall be responsible for effective implementation and oversight of the fraud risk management framework. The fraud risk

management framework shall commensurate with the Company's business considering the nature of business, size, risk profile, overall business strategy, products, distributions channels, technology infrastructure, and any other applicable parameter including various activities carried out by the Company and shall inter-alia include this Policy.

1. **Fraud Monitoring Committee (FMC)**: The Company shall establish a Fraud Monitoring Committee (FMC) which shall be responsible for operationalizing the Fraud risk management framework within the Company and oversee activities, as appropriate, to ensure fraud deterrence, prevention, detection, reporting and remedying.

   The Fraud Monitoring Committee (FMC) shall comprise members of appropriate seniority, specifically, Heads of Departments or above. To maintain impartiality and avoid conflicts of interest, members must be independent of distribution channels. The FMC shall:

   (i) Recommend and regularly update, based on experiences, appropriate measures on fraud risk management to various functions;
   (ii) Oversee prompt responses to instances or suspicions of fraud;
   (iii) Maintain all relevant details pertaining to each instance of fraud;
   (iv) Facilitate collaboration with industry peers or bodies, law enforcement agencies and regulatory bodies to pursue cases of fraud and share information or intelligence on known fraud schemes and perpetrators;
   (v) Conduct an Annual Comprehensive Fraud Risk Assessment to identify potential vulnerabilities across business lines and activities for fraud, using past experiences, emerging trends and Red Flag Indicators (RFIs), etc.;
   (vi) Identify areas for improvement and adaptation of the Fraud Risk Management Framework.
   (vii) Submit quarterly reports to the Risk Management Committee on its activities, findings, and recommendations, including the financial impact of fraud on the Company.
   (viii) Submit report of the Annual Comprehensive Fraud Risk Assessment before the Board of Directors through RMC
   (ix) Report to the Audit Committee, in addition to the RMC, in case of all internal frauds.

   The Company shall also formulate an FMC Charter that defines its composition, roles and responsibilities and frequency of its meeting.

2. **Fraud Monitoring Committee (FMC)**: The Company shall establish a Fraud Monitoring Committee (FMC) which shall be responsible for operationalizing the Fraud risk management framework within the Company and oversee activities, as appropriate, to ensure fraud deterrence, prevention, detection, reporting and remedying.

   The Fraud Monitoring Committee (FMC) shall comprise **Fraud Monitoring Unit (FMU):** The Fraud Monitoring Unit (FMU), independent from internal

   audit, shall support the FMC in discharging its functions and effective implementation of measures suggested by FMC. The FMU shall be appropriately and adequately resourced to carry out its functions effectively. The functions of FMU shall include:

   (i) Effective implementation of measures suggested by the FMC;

(ii) Monitoring insurance claims, policy applications and other transactions, as appropriate, for RFIs or signs of fraudulent activity and investigation of RFIs;
(iii) Conducting Investigations as per the standard operating procedures, evidence gathering and collaboration with relevant departments for investigation. Conflicts of interest shall be identified and avoided throughout the investigation process;
(iv) Timely reporting of identified fraud cases to FMC;
(v) Maintaining transaction-wise details of every fraud including action taken;
(vi) Collaborating with industry peers or bodies, law enforcement agencies and regulatory bodies to pursue cases of fraud and share information or intelligence on known fraud schemes and perpetrators

C. Prevention: The Company will strive towards prevention of fraud at the first place. The Company has well defined procedures to carry out due diligence of the Employee, Agents, Intermediaries, Third Party administrators, etc. In addition, the Company shall conduct the following activities:-

(i) Fraud detection through data analytics and documents review;
(ii) Identify red flag indicators and carry out timely investigation thereon;
(iii) Identifying the control weakness and adopting the learning's for process enhancement
(iv) Awareness on Fraud among existing and prospective customers, its implication and importance of complying with the Company's policies & procedures and identifying/ reporting of suspicious activity;
(v) Investigate the whistle blower complaint, if any, received from time to time;
(vi) Establish a strong Fraud Risk and Control Assessment;

D. Detection: All employees of the Company have a responsibility to detect potential fraud and should be familiar with the types of fraud that might occur within his/her area of responsibility and be alert for any indication of irregularities. Every employee shall immediately report any suspected fraud or dishonest act or omission to his/ her Supervisor/ Manager. The employee may report the same to senior management or EGT along with the complete facts and circumstances in his knowledge.

The employee may report the matter for investigation on the whistle blower ID. The identity of the complainant will be maintained confidential and it shall not be disclosed, besides the company shall ensure non-relating to the employee concerned limited to raising the concern. Detection techniques have been established to uncover fraud events when preventive measures fail or unmitigated risks are realized. The Company detects fraud through means including but not limited to data analysis, investigation, verifying trends, interviewing the alleged etc.

E. Response: The Company shall ensure timely and adequate response to all fraud events. Any incident reported as suspected fraud shall be thoroughly investigated to determine the root-cause, and appropriate action shall be taken in accordance with the approved disciplinary matrix.

The learnings from such incidents shall be identified and necessary mitigating control shall be implemented to prevent recurrence. The response shall include actions against the fraudster(s), process improvements, enhanced controls, further training and monitoring etc.

F. Investigation Process:

1. **Purpose of Investigation:** All incidents or allegations of Fraud shall be subject to appropriate assessment and investigation. An investigation shall generally aim to:
   (i) Establish the facts and circumstances surrounding the reported allegation or incident.
   (ii) Gather evidence to determine whether the allegation or suspicion is substantiated, based on the applicable standard of proof.
   (iii) Where substantiated, assess the nature and extent of wrongdoing as well as the roles and responsibilities of the parties involved, based on the evidence gathered.
   (iv) Where there are reasonable grounds of suspicion that a fraud has been committed, the Company shall take prompt actions to:
   - Minimize potential financial or operational losses, and
   - Prevent the suspected person from tempering with or destroying evidence related to fraud.
2. **Responsibilities for Investigation:** The functions designated for investigations shall be empowered with sufficient Authority to effectively facilitate investigation of cases.

G. Due Diligence measures to control Fraud:

(i) The Company shall implement risk-based due diligence measures to prevent and detect fraud, including maintaining effective operational controls and screening all relevant individuals and entities.
(ii) The Company shall establish appropriate operational procedures and internal controls that minimize the opportunities for Fraud.
(iii) The Company shall apply risk-based integrity checks such as screening against various sanction lists, background verification, and other appropriate assessments before hiring or engaging any employees, vendor, customers, insurance intermediaries or other third party

H. Disciplinary Action:

(i) The Code & Ethics Committee (C&EC) shall oversee the disciplinary process in accordance with the C&EC Charter. The C&EC may constitute sub committees to evaluate investigation reports, responses, circumstances, and to decide on the penalty against the person(s) found to be involved in fraudulent activities. The penalties shall be applied in accordance with the Disciplinary Matrix defined by the C&EC, which shall be reviewed and approved annually.
(ii) The Company initiates disciplinary action in line with EDAP (Employee Disciplinary Action Policy)/ ADAP (Agent Disciplinary Action Policy) as the case maybe wherein it investigates, seeks clarification/issues Show Cause Notice, evaluates the responses, and submits its

findings in the form of a report along with the relevant evidences on record to the C&EC as the case may be.

(iii) C&EC evaluates investigation findings regarding Internal, Distribution Channel, External, Affinity, or Complex Fraud. Based on these findings, C&EC determines the appropriate disciplinary action as prescribed in its Charter.

4. Fraud Risk Identification, Mitigation and Monitoring:

The Company for effective implementation of Fraud Risk Management Framework shall put in place appropriate measures to identify and assess fraud risks.

A. **Identify and Assess Fraud Identifiers:** Conduct an Annual Comprehensive Fraud Risk Assessment to evaluate vulnerabilities across all business lines, distribution channels, and technology platforms. Utilize historical experience, past fraud trends, and industry-wide intelligence (e.g., from the Insurance Information Bureau) to identify potential fraud patterns.

B. **Development of Red Flag Indicators (RFI):** Categorize and define identified risks into Internal, Distribution Channel, Policyholder/Claims, or External/Third-Party fraud for targeted mitigation.

C. **Controls and Mitigation:** Implement specific Internal Controls and preventive measures tailored to each fraud category and align mitigation strategies with the severity of each identified risk to ensure comprehensive coverage across all operations.

D. **Periodic Review to analyze effectiveness of RFI:** FMC shall review (at least annually) the relevance and effectiveness of existing RFIs based on emerging fraud tactics.

5. Fraud Reporting

A. **Reporting to Law Enforcement:** On a case to case basis, where it is reasonably believed that a fraud has been committed, the Company shall report the case to appropriate law enforcement authorities. C&EC is authorized to take the decision.

B. **Annual reporting to the Authority:** The Company shall submit annual return to the IRDAI in form FMR-1, in the format prescribed in the Guidelines, within 30 days from end of the financial year

C. **Fraud committed by distribution channels**: In the event of fraud committed by distribution channels registered by IRDAI, the Company may promptly escalate and report the matter to IRDAI without delay.

D. **Industry collaboration:** The Company shall closely work with market participants, industry players, Insurance Information Bureau (IIB) and the Regulator to promote multiple avenues to enhance mutual cooperation and best practice exchange.

6. Review

The Board shall review the Policy upon recommendation of the Risk Management Committee, on annual or at such other earlier frequency as it may be considered necessary.