

**BOARD REVIEW OF POLICY**

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**Fraud Risk Management Framework Policy****Document Revision Control**

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<b>Purpose of Policy / Summary</b>	To address and manage risks emanating from fraud and establishing appropriate and adequate fraud risk management framework
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<b>Document Owner</b>	Prudent Insurance Brokers Private Limited (PIBPL)
<b>Approved By</b>	Board of Management
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## 1. INTRODUCTION

Prudent Insurance Brokers Private Limited (COMPANY) as a IRDAI Licensed Composite Broker is committed to upholding ethical business conduct and compliance with the IRDAI Insurance Fraud Monitoring Framework Guidelines, 2025. This policy establishes the internal standard operating mechanism to identify, prevent, detect, report, and investigate insurance - related frauds pertaining to corporate agency operations.

The **Fraud Risk Management Framework Policy** (“Policy”) has been framed to provide a system for prevention and detection of fraud, reporting of any Fraud that is detected or suspected and fair dealing of matters pertaining to Fraud in the Company.

## 2. OBJECTIVE

The objective of this Policy is to establish a consistent and responsible attitude to Fraud and dishonesty within the company with the aim of:

- Minimize actual and potential instances of Fraud
- Detect and address fraudulent activities promptly
- Safeguard the company’s assets and reputation
- Promote ethical conduct and a culture of integrity
- Clearly signal zero tolerance toward Fraud to internal and external stakeholders
- To protect the interest of policyholders
- Strengthen recovery efforts and reduce financial and reputational losses
- Enhancing the climate of honesty which the company seeks to maintain

## 3. DEFINITION

“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 funds,
- Deliberately misrepresenting, concealing, suppressing or not disclosing one or more material facts relevant to any decision/ transaction, financial or otherwise, or
- Abusing responsibility, a position of trust or a fiduciary relationship

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

**“Disciplinary Committee” or “FMC (Fraud Monitoring Committee)”** means the committee duly approved and constituted by the Board, formed at the time of the incident, and shall include the Compliance Officer and at least one Key Managerial Personnel (KMP), as required under this Policy.

#### **4. TYPES OF FRAUDS**

##### **4.1 Internal Fraud: Fraud involving internal staff, including employees and / or senior management, and includes but not limited to:**

- a. Embezzlement (i.e. misappropriation of money, securities, supplies, property or other assets);
- b. Fraudulent financial or regulatory reporting (e.g. forging or alteration of accounting documents or records)
- c. inflating expenses, claims/overbilling
- d. paying false (or inflated) invoices, either self-prepared or obtained through collusion with suppliers
- e. Tax evasion
- f. Payroll fraud
- g. Unauthorized or illegal manipulation of information technology networks or operating systems
- h. Unauthorized or illegal use of confidential information (e.g. profiteering as a result of insider knowledge of company activities)

##### **4.2 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, and includes but not limited to:**

- a) Wrong information provided while filling the Proposal Form by the Policyholder
- b) Misrepresentation of the risk to reduce premium
- c) Buyers filing fraudulent claims or making premium payments using compromised payment cards

##### **4.3 BQP (Broker Qualified Person) Fraud, if applicable, includes but not limited to:**

- i. Non-disclosure or misrepresentation of the risk to reduce premiums
- ii. Inflates the premium, passing on the correct amount to the insurer and keeping the difference
- iii. premium diversion-BQP takes the premium from the purchaser and does not pass it to the insurer

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#### 4.4 Online Fraud includes:

- a) **Cyber or New Age frauds:** Cyber or New Age Fraud means any insurance fraud carried out using digital or new age technologies, including malwares and spywares.
- b) **BQP side frauds:** Frauds committed by any of the BQP of company

#### 4.5 Affinity Fraud or Complex Fraud:

Fraud involving collusion among one or more Fraud perpetrators in the above categories.

#### 4.6 External Fraud:

Fraud involving external parties' / service providers / vendors etc.

### 5. FRAUD GOVERNANCE FRAMEWORK OVERVIEW

COMPANY shall establish and maintain a framework for Fraud prevention.

Oversight – COMPANY shall put in place procedures to oversee that Policy is established, implemented and adequate internal controls exist to prevent, identify, detect, investigate, deter and report Frauds.

**A. Prevention** – COMPANY will strive towards prevention of Fraud. COMPANY shall have well defined procedures to carry out due diligence on the Employee, BQPs, vendor, etc. before onboarding.

In addition, COMPANY shall conduct the following activities:

- Fraud detection through complains data analysis.
- Investigate the potential Fraud/Incident complaint, if any, received from time to time.
- Timely investigation
- Identifying the control weakness and adopting the learnings for process enhancement

**B. Detection** –Every employee shall immediately report any suspected Fraud or dishonest act or omission to Incident Reporting Email ID.

**C. Response:** COMPANY has zero-tolerance against any Fraud instance, and the Company is committed to ensure timely and adequate response to such events within 60 days of such reporting.

### 6. SCOPE

Applicable to all departments involved in insurance intermediary business functions including associates, and engaged in insurance solicitation, servicing, and administration – across all partner insurers.

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## 7. EARLY WARNING / RED FLAG INDICATORS

company shall maintain a repository of potential indicators such as:

- Inconsistent customer details or unverifiable KYC.
- High surrender rates from single POSP or region.
- Overriding proposal entries without Validation.
- Unusual premium reversal patterns.

Indicators shall be reviewed semi-annually by the FMC.

## 8. FRAUD RISK GOVERNANCE PROCEDURE

Standard Operating Procedures (SOPs) shall be laid down for the following by Management:

- Complaint data analysis
- Fraud Risk Assessment and Control
- Investigation process: teams responsible for investigation and their authority
- Monitoring Fraud Remediation
- Disciplinary action
- Fraud Loss and its recovery
- Writing-off of fraud loss

## 9. FRAUD DETECTION AND INVESTIGATION PROCESS

### **Fraud Detection:**

All employees of company have a responsibility to undergo the training and identify potential Fraud and should be familiar with different 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 Incident Reporting Email ID (incidentreporting@prudentbrokers.com).

The identity of the complainant will be maintained confidential, and it shall not be disclosed.

- Preliminary Assessment:** Immediate evaluation upon suspicion.
- Issuance of Show Cause Notice:** Containing full basis for suspicion (minimum 15 working days for response).
- Constitution of Investigation Committee:** Headed by Principal Officer and includes Compliance Officer, one legal and one finance team members.
- Review and Classification:** Case to be closed or escalated as “Confirmed Fraud” within 7 days post-response review.
- Reporting:** Confirmed frauds to be reported to insurer.
- Closure:** Upon final completion of investigation, staff accountability review, and regulator acknowledgment.

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## 10. REPORTING PROTOCOL

Authority	Reporting Timeframe	Channel	Responsible Role
Insurer	Within 24 hours of confirmation	Email / FMR System	Principal Officer

### **Fraud Response:**

COMPANY has zero-tolerance against any Fraud instance, and the Company is committed to ensure timely and adequate response to such events. The Company ensures that the matter is investigated until the root-cause is determined,

Appropriate action is undertaken, and learnings from such events are identified and implemented. The response may thus include action on fraudster(s), process improvements, enhanced controls, further training and monitoring, etc.

In case of handling multiple Fraud cases, Investigation team/ official shall check the severity of the event such as Monetary impact, Risk exposure, etc. and shall take necessary action on priority. The Investigation team shall also inform you of sufficiency of control design, process improvements, training as may be applicable.

## 11. TRAINING, EDUCATION AND AWARENESS

The Company shall conduct periodic training and awareness program for all employees and senior management / leadership on Fraud Risk Management

Due diligence procedures for appointing employees/salespersons shall be conducted by the Company

## 12. FRAUD RESPONSE:

- **Management Reporting:** For each Fraud case involving an employee, third party, policyholders or BQP person, regardless of the amount involved, the Compliance Officer will present the brief of the Frauds reported and action taken to the Board for their information.

COMPANY shall inform the respective Insurer, whenever there is suspicion of Fraud which shall impact the Insurer, and provide all relevant details as may be required.

- **Reporting to Law Enforcement:** Where the Disciplinary /FMC Committee reasonably believes that a Fraud has been committed and requires reporting to Law Enforcement, the Company may report the case to appropriate law enforcement authorities.
- **Framework for Exchange of Information:** COMPANY, as directed by the Regulator or any industry association, shall closely work with market participants for Fraud prevention and control.

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### **13. WHISTLEBLOWER POLICY**

Employees and partners may directly report incidents through the established internal Whistleblower mechanism ensuring confidentiality and protection from retaliation as per Company's Policy.

### **14. AMENDMENT**

This Policy shall be reviewed and amended as per IRDAI guidelines or based on operational updates recommended by the Fraud Monitoring Committee.

All amendments must receive formal approval from the Board.