

# Allianz PNB Life Anti- Fraud Policy

September 2016

## 1. Policy Statement

The Management of PNB Life Allianz Insurance does not tolerate any attempt of Fraud or Corruption, considers this a serious offence and strives for a steady improvement of the anti-fraud environment. We live and enforce the zero tolerance principle for Fraud and Corruption. The Allianz PNB Life Insurance Anti-Corruption Policy serves as the Minimum Standard on anticorruption and anti-bribery and prevails over this Minimum Standard with regard to Corruption prevention, detection and response.

## 2. Objective, Scope, Responsibilities

The Allianz PNB Life Insurance Anti-Fraud Policy sets out the Minimum Standard for all departments relating to Fraud prevention, detection and response. It applies to all employees, divisions, departments, regional business centers of Allianz PNB Life Insurance.

## 3. Definition of Fraud

For the purpose of this Policy, the following definitions apply: Fraud is "any intentional act or omission to gain unjustified or unlawful benefits or advantages which puts Allianz PNB Life Insurance or its Business Partner's material or immaterial assets or reputation at risk." It should be noted that the definition of Fraud also includes Fraud for the benefit of the Company and Corruption. Fraud within the scope of this policy covers internal and external Fraud.

## Internal Fraud

Internal Fraud is any Fraud involving Allianz PNB Life Employees, agents or other intermediaries.

Examples of internal Fraud are:

- Misappropriation of assets, e.g., manipulation of payment systems, theft and damage.
- Fraudulent financial reporting, e.g., overstatement of assets, understatement of liabilities, including false representation of any performance indicators.
- Agent and Broker related Fraud, e.g., illegitimate retention and theft of premium, brokerage and commission Fraud.

## External Fraud

External fraud involves any theft (of assets or information), hacking or forgery executed intentionally by a third party (e.g., customers or external service providers) without the assistance of an internal party.

Underwriting and Claims Fraud are often a result of external Fraud. Underwriting Fraud is the misrepresentation of a risk at the point of sale or at renewal. Claims Fraud is defined as a deceptive and dishonest conduct, involving acts or omissions, or the making of false statements, orally or in writing, with the objective of obtaining a benefit from, or of evading a liability to Allianz PNB Life.

## Collusion

Collusion is when internal Employees and external parties work together to defraud the Company. Collusion is considered internal Fraud.

## 4. Anti-Fraud Governance

### 4.1 The Board of Management

Anti-Fraud provisions are a regulatory requirement. Ultimately, the Board of Directors of Allianz PNB Life insurance Inc. is responsible to ensure and have an oversight over an adequate Anti-Fraud Governance and should ensure that roles and responsibilities are applied and that an Integrity Committee, Fraud Risk Assessment and Fraud Reporting are implemented.

### 4.2 The Role of Management

Management plays a key role in acting as a role model and providing an appropriate tone at the top. This means that Management must consistently demonstrate a commitment to integrity and high ethical values through their attitudes and actions, and is responsible for effectively implementing the Anti-Fraud Policy and best practices.

### 4.3 The Role of the Employees

Each Employee is responsible for maintaining vigilance toward preventing and detecting Fraud and mitigating fraud risks, whether perpetrated internally or externally, and for ensuring that the Company's assets, reputation, resources and information are properly protected by:

- Reading and complying with Company policies and procedures.
- Bringing risks, potential breaches of procedure, and suspected Fraud to the attention of Management.

The prevention and detection of internal Fraud (including Sales Channels) is covered by the Compliance Anti-Fraud Program. Claims and Underwriting focus on best practices to prevent, detect and manage Claims and Underwriting Fraud. Operational Risk Management (ORM) & Policies defines the Allianz PNB Life Insurance Operational Risk Management (ORM) Framework which includes a Risk and Control Self-Assessment (RCSA).

Roles and responsibilities in detail are as stated below:

#### Compliance is responsible for:

- Setting Minimum Standards and guidelines related to the reduction of internal Fraud.
- Monitoring and reporting of internal Fraud to the Board, Audit Committee and Integrity Committee.
- Sharing best practices for internal Fraud prevention, detection and investigation.
- Monitoring regarding the implementation of the internal Anti-Fraud Program.
- Sourcing RCSA with the Fraud and Corruption Risk Assessment.

#### Claims is responsible for:

- Setting guidelines related to the reduction of Claims Fraud.
- Defining the global strategy and best practices in preventing and mitigating Claims Fraud.
- Driving and monitoring Anti-Fraud projects to ensure Fraud fighting capability and readiness.



## Underwriting:

- Developing and maintaining Underwriting Anti-Fraud guidelines.
- Performing a gap analysis for UW guidelines.
- Following-up actions arising from the reviews.
- Escalating critical issues to stakeholders.
- Defining key elements that must be included in the UW Fraud handling guidelines.
- Ensuring the establishment and maintenance of specific UW Fraud handling guidelines.

ORM & Policies is responsible for:

- Developing and maintaining Minimum Standards, guidelines and tools for Operational Risk Management.
- Maintaining, updating and releasing a set of Entity Level Controls which cover Fraud.

Please see Appendix 2 for the details of the Anti-Fraud responsibilities of the Anti-Fraud Coordinator, Claims, and Underwriting.

### 4.5 Integrity Committee (Internal Fraud)

The mission of Allianz PNB Life Insurance Integrity Committee is to coordinate the activities concerning fraud prevention, detection and response, with a core focus on Internal Fraud and handling of whistleblower complaints. This includes the oversight of an effective Anti-Fraud Program in accordance with applicable laws and regulations, taking into consideration the particular exposure to the risk of unlawful or unethical conduct. For any updates to this Policy, the appointed Committees should assume responsibility to inform all impacted functions, e.g., Compliance, Audit, Legal, Risk, HR and Communications.

With respect to actual incidents or occurrences of internal Fraud, Allianz PNB Life Insurance Integrity Committee should be informed by the Anti-Fraud Coordinator about the status and approach taken and shall decide upon further actions, as needed.

### 4.6 The Role of the Anti-Fraud Coordinator (internal Fraud)

The Anti-Fraud Coordinator (AFC) takes leadership in the development of Anti-Fraud program and integrated organizational framework. The AFC oversees the design, implementation and reinforcement of the Anti-Fraud Program and efforts at Allianz PNB life Insurance (for details see Appendix 1).

### 4.7 The Role of the Claims Fraud Manager (external Fraud)

The Claims Fraud Manager (i.e. Claims Fraud Team Leader or equivalent) is responsible for coordinating the prevention and detection of Claims Fraud to ensure the delivery of superior services in Fraud identification within claims procedures and the handling of Fraudulent claims.

This role also acts as a key point of contact for all aspects of Claims Fraud, and is aligned with the Anti-Fraud Coordinator in terms of internal Fraud. For details relating to the expected responsibilities of the Claims Fraud Manager, please refer to Appendix 1.



#### 4.8 The Role of the Underwriting Fraud Manager (external Fraud)

The mission of the Underwriting Fraud Manager is to coordinate the activities concerning the prevention, detection and management of Underwriting Fraud. For details relating to the responsibilities of the Underwriting Fraud Manager, please refer to Appendix 1.

#### 4.9 Information Exchange within Allianz PNB Life Insurance Inc.

The Underwriting Fraud Manager, Claims Fraud Manager and Anti-Fraud Coordinator should meet on a quarterly basis or as the need arises to exchange information and to identify trends and for AFC to be informed about any potential suspicions of internal Fraud or Collusion.

### 5. Fraud Awareness

Allianz PNB Life Insurance will maintain Fraud awareness by means of comprehensive orientation and training as well as communication measures. The Company's Management should clearly define the values and acts as role models (tone at the top) and that members of the Management team take a firm point-of-view concerning zero tolerance towards Fraudulent conduct.

### 6. Fraud Risk Assessment

Allianz PNB Life Insurance shall identify and assess its specific Fraud risks in order to understand their Fraud exposure. Fraud related information, potential Fraud schemes and scenarios should be analyzed with the intention of identifying typical patterns and early warning signs for Fraud prevention. The internal Fraud Risk Assessment can be done jointly with the Corruption Risk Assessment.

The Fraud Risk Assessment must cover the main processes such as Sales & Distribution, Claims, Underwriting and Finance. Due to constantly changing business conditions and possible organization changes an update of the Fraud and Corruption Risk Assessment is required on an annual basis.

Where applicable, e.g., Internal Controls over Financial Reporting (ICOFR) and/or ORM, this process should be aligned, to the greatest extent possible, with existing ICOFR and/or Operational Risk Management (ORM) processes.

Based upon the risk assessment performed appropriate controls will be implemented to effectively prevent and detect Fraud. Emphasis should be placed on prevention and deterrence measures. These control activities may include, but are not limited to:

- Code of Conduct and Whistleblowing Channel.
- Safeguarding of assets, e.g., restriction of physical and system access.
- Segregation of duties.
- "Four-eyes" Principle (security precaution that requires at least two Employees to approve particular activities).
- Approval and authorization (preventive) – Management should authorize Employees to perform certain activities and to execute certain transactions within limited parameters.
- Verification and reconciliation (detective) – Reconciliation is the comparison of different sets of data to one another, identifying and investigating differences, and taking corrective action when necessary, to resolve differences.
- Employee and sales agent background checks (e.g., criminal record checks for all employees and reference checks for key positions)

- For Fraud detection purposes, it is recommended to monitor Employees failing to take vacations days in line with applicable laws and regulations
- Tender offer procedures (procurement process).
- Blue Print Underwriting Fraud.
- Claims Anti-Fraud model and Claims Best Practices for Anti-Fraud.

## 7. Fraud Detection

Detective controls are one of the strongest deterrents to Fraudulent behaviour. They include for example effective reporting procedures (e.g., Whistleblowing), process controls (see above) and Proactive Data Analysis. Proactive Data Analysis is the automated testing of a large number of transactions by applying a certain set of rules or criteria that are known to identify control weaknesses that can be exploited (e.g., double-payments). It can be used as a strong detective measure for fraudulent activities and weaknesses in the control system, as many indicators of Fraud and misconduct reside within an organization's financial, operational, and transactional data. When applying such techniques, the local laws, e.g., data protection laws, have to be strictly obeyed and, where required, Employee representatives must also be involved.

## 8. Investigation

An investigation shall be conducted on any possible fraudulent activity thoroughly, assess the facts of the case and related internal controls, and then decide on appropriate and consistent measures. These may range from internal disciplinary actions in case of internal Fraud to criminal prosecution of perpetrators or even asset tracing. The internal investigation process should be initiated and documented, with clear responsibilities, for the handling of Fraud and other misconduct related issues (Internal Investigation Protocol).

## 9. Fraud Reporting

### 9.1. Employee reporting

Employees have an obligation to report any initial suspicions of Fraud and Corruption. In case of fraud suspicions, the Employee's first point of contact should be their manager. However, there are alternative means of escalation (e.g., Whistleblowing and the reporting to Compliance, Internal Audit, and the local Integrity- or Audit Committee). No Employee, who communicates a bona-fide concern, shall be exposed to retaliation based on this communication. Employees may refer to the Whistle Blowing Policy for reference and guidance purposes. It is the responsibility of Management to make Employees aware of the existence of the Whistleblowing facility, its use and the escalation procedures.

### 9.2. Reporting

Anti- Fraud Coordinators and Fraud managers must assure that the appropriate areas provide relevant information to Management and control functions (e.g., Audit and Legal) about Fraud suspicions in the form of initial reports and follow-ups. These should be reported to the Board and/or Audit Committee and Integrity Committee.

### 9.3. Reporting requirements

Information concerning potential Fraudulent activities and actual Fraud cases must be collected and evaluated and reported to the as defined. Information about all potential cases must be received concerned fraud managers in a timely manner. Internal Fraud is reported by Anti-Fraud Coordinators via the Fraud Reporting tool.



Internal and external Fraud losses are reported by local Risk Officers via the loss database in the Operational Risk and Governance System (ORGS).

## **10. Monitoring and Auditing**

Compliance will review and monitor adherence to the Minimum Standard for internal Fraud. Internal Audit as part of its risk-based audit procedures, will audit adherence to the Minimum Standard for internal and external Fraud through audits and reviews.

## Other applicable Allianz PNB Life Standards

- Allianz PNB Life Code of Conduct for Business Ethics and Compliance
- Allianz PNB Life Anti-Corruption Policy
- Minimum Standards for Operational Risk Management

# Policy Glossary

**AFC:** Anti-Fraud Coordinator

**Business Partners:** include all agents, representatives, consultants, distributors, counsels, brokers, vendors, Joint Venture Partners or Outsourcing Partners or other third parties seeking future business with Allianz PNB Life Insurance.

**Clients:** includes clients with whom Allianz PNB Life Insurance has a current business relationship or is seeking a future business relationship with.

**Collusion:** Collusion is when internal and external parties work together to defraud the Company. Collusion is considered internal Fraud.

**Corruption:** activity that involves the abuse of position or power for an improper personal or business advantage, the term covers both Corruption in the public or private sectors and active (paying) or passive (receiving) Corruption.

**Employee:** includes all Employees, directors and officers at all levels of the Allianz PNB Life Insurance.

**Fraud:** any intentional act or omission to gain unjustified or unlawful benefits or advantages which puts 'Allianz PNB Life Insurance' or its business partner's material or immaterial assets or reputation at risk.

**Fraud Knowledge Sharing Group:** Underwriting Fraud Managers, Claims Fraud Managers and Anti-Fraud Coordinators should meet on a regular basis quarterly or as the need arises to exchange information and to identify trends.

**Claims:** Claims serves as a supporting and sharing best practices with focus on optimization of Claims processes.

**Integrity Committee:** The Integrity Committee coordinates the activities concerning integrity related topics with main focus on the prevention and detection of Corruption, fraud and the handling of Employee reporting cases.

**Internal Investigation Protocol:** an Internal Investigation Protocol (IIP) includes the definition of roles and responsibilities when conducting an internal investigation, as well as the definition of a standard process to be followed in the actual course of the investigation.

**ORM:** Operational Risk Management. Operational risk is defined in the Group Risk Policy as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events".





## Appendix 1:

The main responsibilities of the Anti-Fraud Coordinator include:

- Create and maintain Anti-Fraud Program (e.g., local policies and communication).
- Drive the establishment of a local Anti-Fraud infrastructure through definition of role and functions, cross departmental agreements and the implementation of governance.
- Perform an annual Fraud Risk Assessment
- Risk Management (ORM) requirements, the AFC should also coordinate with the risk function in the performance of the Fraud and ORM risk assessments.
- Design and provide training for Fraud awareness.
- Coordinate, perform or at least be made aware of Fraud Investigations, including the monitoring of the handling of the external Fraud by appointed business units in order to be vigilant over possible suspicions of collusions.
- Act as a key contact point and develop relevant internal and external relationships with Underwriting Fraud Manager, Claims Fraud Manager, Anti-Money Laundering Officer, private organizations, law enforcement agencies, insurance industry bodies.
- Perform Fraud reporting within the Allianz PNB Life and to the Group.

The main responsibilities of the Claims Fraud Manager include:

- The area of Fraudulent claims, including the provision of technical and behavioral leadership to claims handlers, team Fraud specialists and Fraud specialists.
- Develop and implement strategies and actions to prevent Fraud, both internally (with the Anti-Fraud Coordinator and UW Fraud Manager) and externally.
- Ensure compliance with Best Practice and local Fraud management guidelines.
- Conduct regular performance evaluations and ensure improvement actions are taken to close individual Fraud specialist performance gaps (based on open file reviews).
- Analyze closed file review results and ensure improvement actions are taken to close team performance gaps.
- Ensure Fraud indicators are current and relevant.
- Support and develop Claims Fraud identification through IT based data analytics (internal or external tools).
- Act as a key contact point and develop relevant internal and external relationships with Anti-Fraud Coordinator, Underwriting Fraud Manager, Anti-Money Laundering Officers, private organizations, law enforcement agencies, insurance industry bodies.
- Ensure ongoing training and best in class know how regarding fraudulent claims within the organization.



The main responsibilities of the Underwriting Fraud Manager include:

- Engage relevant stakeholders to develop and maintain an underwriting Fraud strategy with clear objectives and targets.
- Engage relevant stakeholders to review the underwriting process, policy wordings and product designs for Fraud weaknesses and take necessary corrective actions.
- Support and develop underwriting Fraud identification, reporting and measuring through IT based data analytics (internal or external tools).
- Ensure underwriting Fraud indicators are current and relevant.
- Ensure ongoing training and best in class know how regarding underwriting Fraud within the organization.
- Act as a key contact point and develop relevant internal and external relationship with Anti-Fraud Coordinator, Underwriting, Claim Fraud Manager, Anti-Money Laundering Officers, private organizations, law enforcement agencies, insurance industry bodies.



## Appendix 2:

Fraud Mitigation	Internal Fraud	Claims Fraud	Underwriting Fraud	Others/external Fraud
Local Anti-Fraud Coordinators	AFC	Claims Fraud Manager	UW Fraud Manager	Line Functions
Committees	Integrity Committee	*	*	*
Fraud Awareness	Awareness /Training (targeted towards all Employees)	Awareness Training (Focus on Claims Handlers)	Awareness/ Training (Focus on Underwriters)	Line Functions as needed
Fraud Risk Assessment	Fraud Risk Assessment Matrix	As part of the Fraud Model	As part of UW strategy	Line Functions
Fraud Reporting	Fraud Reporting Tool + ORM loss database+ local reporting	ORM loss database + local reporting	ORM loss database + local reporting	ORM loss database + local reporting
Investigations	As defined in the investigation Protocol	Claims Department	Underwriting Department	Based on Policy