

SGI PHILIPPINES GENERAL INSURANCE COMPANY, INC.
ANTI-FRAUD PLAN

Introduction:

Insurance Commission Circular letter No 2016-50 dated September 06, 2016 as amended Circular Letter No 2016-62 dated December 14, 2016 making mandatory for all insurers to have Anti-Fraud Plan to have a framework for monitoring of insurance frauds.

SGI Philippines General Insurance Company, Inc. (hereinafter referred to as the "Company") establishes this Anti-Fraud Plan (the "**Anti-Fraud Plan**") as it is committed to the highest possible standards of openness, honesty and accountability in all of its affairs. The Company is determined to maintain a culture of honesty and opposition to fraud and corruption. Based on this commitment, this Anti-Fraud Plan outlines the principles to which we are committed in relation to preventing, reporting and managing fraud and corruption. Our Anti-Fraud plan reinforces the Company's approach to business dealings by articulating the core values of the Company and by setting out the ways in which employees, intermediaries or members of the public can voice their concerns about suspect fraud or corruption. It also outlines who the Company will deal with such complaints.

The primary objective of this Anti-Fraud Plan is to prevent fraud, enhance the Company's governance and internal controls, standardize business activities, maintain integrity in the Company's business dealings, establish procedures and protections that allow employees of the Company, intermediaries and members of the public to act on suspected fraud or corruption with potentially adverse ramifications and to achieve the legitimate business objectives of the Company for the benefit of its shareholders.

This Anti-Fraud Plan shall be implemented immediately upon its approval and adoption by the Company's Board of Directors. The implementation of this Anti Fraud Plan shall be the responsibility of Fraud Monitoring Cell of the Company and Mr. Matias G. Ruiz shall be designated as the Fraud Monitoring Officer of the Company. This Anti-Fraud Plan is to be implemented where suspicions of fraud or corruption have been raised.

The Board of Directors of the Company shall annually review the Anti Fraud Plan.

Anti-Fraud Committee

Anti-Fraud Committee of SGI Philippines General Insurance Company Inc shall comprise of:

- a) Mr. Farhat Hussain, President and Director
- b) Mr. Bartolome Vilbar, VP-RI & Underwriting
- c) Mr. Ankit Sethi, Treasurer & Director

A quorum of Anti-Fraud Committee shall comprise of at least two members personally present.

The duties of the Anti-Fraud Committee shall be to formulate Anti-Fraud Policies and fraud monitoring framework of the Company and to take remedial action.

Definition and categories of fraud:

Definition: Fraud in this Anti-Fraud Plan is defined as an act or omission intended to gain dishonest or unlawful advantage for a party committing the fraud or for other related parties.

- (a) misappropriation of assets of the Company;
- (b) intentional distortion of financial statements or other records by persons internal or external to the Company which is carried out to conceal material facts relevant to the financial decision, transaction or perception of the Company status;
- (c) abusing responsibility, a position of trust or a fiduciary relationship.

Categories of Fraud: The frauds are classified into three broad categories:

- a) **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. Examples of Policyholder and claims fraud:
 - (i) Exaggerating damages / loss.
 - (ii) Staging the occurrence of incidents.
 - (iii) Reporting and claiming of fictitious damage / loss.
 - (iv) Fraudulent death claims.
- b) **Intermediary Fraud:** Fraud perpetrated by an insurance agent / corporate agent / intermediary against the insurer and / or policyholders. For example:
 - (i) Premium diversion – collecting premium from the purchaser and does not pass it to the insurer.
 - (ii) Inflates the premium, passing on the correct amount to the insurer and keeping the difference.
 - (iii) Non-disclosure or misrepresentation of the risk to reduce premiums.
 - (iv) Participation in sham and fraudulent transactions.
 - (v) Forgery or alteration of cover note / proposal form.
 - (vi) Failing to keep confidential trade secrets of the Company.
 - (vii) Other fraud behaviour causing loss to the Company interests.
- c) **Internal Fraud:** Fraud / misappropriation against the insurer by its Director, Manager and / or any other officer or staff member (by whatever name called). For example:
 - (i) Misappropriating funds.
 - (ii) Fraudulent financial reporting.
 - (iii) Stealing cheques.
 - (iv) Inflating expenses claims or over billing.
 - (v) Paying false (or inflated) invoices, either self prepared or obtained through collusion with suppliers.
 - (vi) Forging signatures.
 - (vii) Removing money from customers accounts.

- (viii) Falsifying documents.
- (ix) Misappropriation of assets, embezzlement and theft.

This is not an exhaustive list. If you are in doubt about the seriousness of your concern advice and guidance can be sought from the Office of the Fraud Monitoring Officer of the Company.

Oversight and responsibilities

The Fraud Monitoring Cell of the Company shall have the primary responsibility for preventing, monitoring and rectifying fraud and potentially fraudulent behaviour. The Fraud Monitoring Cell shall establish, implement and monitor procedures and controls designed to assess, prevent and remediate fraud and fraudulent behaviour and issue periodic reports on the effectiveness of the implementation of this Anti-Fraud Plan. The Fraud Monitoring Cell shall submit its comprehensive report on the implementation and effectiveness of this Anti Fraud Plan to the Anti Fraud Committee of the Company.

Prevention and Control of Fraud

Fraud Monitoring Cell of the Company shall advocate and develop a corporate culture of honesty and integrity, assess the risk of fraud arising in the normal business operations of each Division, establish controls and procedures designed to eliminate the likelihood of fraud and to receive, investigate, report and recommend a remedial course of action in respect to suspected or voiced concerns of fraud or fraudulent behaviour.

Fraud Monitoring Cell shall promote a regular corporate culture of honesty and integrity through the following actions and activities:

- a) Fraud monitoring cell shall lead by example in complying with this Anti-Fraud Plan.
- b) Fraud monitoring cell shall regularly communicate the Company's message of honesty and integrity with employees of the Company through the Employee Handbook and other written and verbal presentations of the principles underlying this Anti-Fraud Plan.
- c) Fraud monitoring cell shall conduct periodic meetings to ensure employees attend trainings regarding business ethics and the related laws and regulations.
- d) Fraud Monitoring Cell shall notify employees of the opportunity and procedures for anonymously reporting wrongdoings and dishonest behaviour.
- e) In connection with the Company's annual overall risk management assessment process, Fraud Monitoring Cell shall identify and assess the importance and possibility of fraud risk at entity level, in each business department level and at all significant accounts levels. The assessment should include a report disclosing any inaccuracies or misrepresentations in the Company's financial reports, incidents involving embezzlement of company assets and improper income or expenditures.
- f) Fraud Monitoring Cell shall establish control procedures to reduce the potential occurrence of fraud through protective approval, authorization and audit checks, segregation of duties, periodic compliance reviews and similar prophylactic measures. And

- g) Fraud Monitoring Cell shall perform customary background checks for individuals being considered for employment.

Reporting Fraud or Fraudulent behaviour

1. The Fraud Monitoring Cell shall establish and maintain reliable communications channels allowing for the anonymous reporting of actual or suspected instances of fraud or fraudulent behaviour committed by the Company or any of its employees, representatives or advisors. Contact information for the various channels of communication shall be publicized so that actual or suspected cases of fraud or fraudulent behaviour and violation of business ethics can be reported.
2. Complaints and concerns relating to instances of actual or suspected instances of fraud or fraudulent behaviour or questionable accounting, internal control or auditing matters shall be reportable through the established channels of communications and may be reported on an anonymous basis.
3. The Fraud Monitoring Cell shall promptly investigate alleged and/or reported instances of fraud or fraudulent behaviour.
4. Quarterly reports shall be submitted by the Fraud Monitoring Cell to the Board of Directors regarding the nature and status of any complaints and/or investigations involving fraud or fraudulent behaviour.

Fraud Monitoring Department and its functions:

The Fraud Monitoring Department, which is appointed as the anti-fraud cell of the Company, shall implement and execute this Anti-Fraud Plan. Among other things, the Fraud Monitoring Cell shall:

- a) organize and assist each of the Managers with an annual fraud risk assessment for each Division;
- b) perform an independent anti-fraud assessment on each Division;
- c) review and assess the establishment and operation of this Anti-Fraud Plan for IC compliance;
- d) receive, assess, investigate and resolve complaints and/or reports of alleged fraud or fraudulent behaviour;
- e) review and assess reports from the Company's internal auditors, which shall be issued on a quarterly basis; and
- f) implement, execute and oversee the operation of the policies and procedures contained in the Anti-Fraud Plan.
- g) Lay down procedures to coordinate with law enforcement agencies for reporting frauds on timely and expeditious basis and follow up processes thereon.
- h) The statistics on various fraudulent cases which come to light and action taken thereon shall be submitted to Anti-Fraud Committee providing details of:
 - (i) Outstanding fraud cases; and
 - (ii) Closed fraud casesevery year within thirty days of the close of the financial year.
- i) Fraud Monitoring Cell shall inform both potential clients and existing clients about their anti fraud policies. Necessary caution shall be appropriately included in the insurance contracts / relevant documents, duly highlighting the consequences of submitting a false statement and / or incomplete

statement, for the benefit of the policyholders, claimants and the beneficiaries.

Annual reports shall be submitted by the Fraud Monitoring Cell to the Board of Directors regarding the implementation and effectiveness of this Anti-Fraud Plan.

Guidance and supervision for Anti-fraud Plan

The annual report of the Fraud Monitoring Cell to the Board of Directors shall address the following:

- a) measures taken during the preceding year to implement the policies and procedures in this Anti-Fraud Plan;
- b) the effectiveness of anti-fraud procedures and control policies, including the identification of fraud risk; and
- c) the status of investigations into alleged fraud and fraudulent behaviour.

WHISTLE BLOWER POLICY

General Policy.

The Company recognizes that the decision to report a concern about suspected fraud or fraudulent behaviour can be a difficult one to make. Employees are often the first to realize that there is something seriously wrong within the Company. However, they may not express their concerns because they feel that speaking up would be disloyal to their colleagues or to the Company. They may also fear reprisals, harassment or victimization. In these circumstances, it may be easier to ignore the concern rather than report what may just be a suspicion. The Company encourages and enables employees, staff and external parties, such as agents, brokers, surveyors, loss assessors, advisors and representatives, to raise serious concerns within the Company rather than overlooking a problem or blowing the whistle to the media or other external bodies. For issues raised by employees or intermediaries, the action taken by the Company will depend on the nature of the concern. The matters raised may be investigated internally or be referred to the appropriate authorities.

Confidentiality.

The Company will do its best to protect an individual's identity when he or she raises a concern; however, the investigation process may reveal the source of the information and a statement by the individual may be required as part of the evidence.

Anonymous Allegations.

Individuals are encouraged to put their names to allegations. Concerns expressed anonymously are much less powerful, but they will be considered and investigated at the discretion of the Company. In exercising this discretion, the factors to be taken into account would include: the seriousness of the issues raised; the credibility of the concern; and the likelihood of confirming the allegation from attributable sources.

Untrue Allegations.

If an allegation is made in good faith, no action will be taken against the originator. If, however, individuals make malicious and false allegations, action may be considered against the individual making the allegation.

Internal Report.

A written report regarding an investigation into an allegation of fraud or fraudulent behaviour shall be produced by the Fraud Monitoring Cell to the Anti Fraud Committee constituted by the Board to take action on the report of the Fraud Monitoring Cell of the Company.

Remedial Action.

If, after an investigation into the alleged fraud or fraudulent behaviour, it is determined that the allegation have merit or are materially true, the Fraud Monitoring Cell shall submit its report to the Anti Fraud Committee set up by the Board of Directors of the Company and such Committee reserves the right to take all appropriate actions including terminating the employment of any perpetrators, reporting the fraud or fraudulent activities to appropriate government authorities and pursuing legal actions, both civil and criminal, against the perpetrator.

Applicable Scope

This Anti-Fraud plan applies to the Company and its affiliates.