

# ANTI-FRAUD POLICY

Version 3.1

**Authorisation:**

The content of this document has been reviewed and approved as follows:

Version	Effective Date	Approval Authority
1.0	23 November 2009	Audit Committee
	24 November 2009	Board of Directors
2.0	17 May 2013	Board of Directors
3.0	May 2015	Board of Directors
3.1	25 April 2022	Group Head of Compliance

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## APPENDIX 1: RESPONSIBILITIES FOR ANTI-FRAUD COORDINATOR AND FRAUD MANAGERS

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**Definition of Terms**

- 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.
- 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 AMB Group.
- Management Override** : management overruling of prescribed policies and procedures for illegitimate purposes with the intent of personal gain or enhanced presentation of an entity's financial condition or compliance status.
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## 1.0 INTRODUCTION

- 1.1 The insurance activities of Allianz Malaysia Berhad (“AMB”) and its subsidiaries, Allianz Life Insurance Malaysia Berhad (“ALIM”) and Allianz General Insurance Company (Malaysia) Berhad (“AGIC”) (collectively called “AMB Group”) is based upon trust. Our customers, shareholders, employees and public expect integrity in every conduct and activity of the AMB Group. Therefore, it is vital that the AMB Group strives to maintain the highest possible ethical standards and seeks to avoid any impropriety and fraud in the actions of its management, employees and sales force.

## 2.0 OBJECTIVE, SCOPE & RESPONSIBILITIES

- 2.1 This Anti-Fraud Policy (“Policy”) sets out AMB Group’s minimum standards relating to fraud prevention, detection and response. It applies to all divisions, departments, branches and employees of the AMB Group.
- 2.2 This Policy is based on the Allianz Group Anti-Fraud Policy.

## 3.0 AMB GROUP FRAUD POLICY

- 3.1 The AMB Group has a zero tolerance policy for Fraud. The Board of Directors and Senior Management of the AMB Group do not tolerate any attempt of Fraud and consider it a serious offence.
- 3.2 Code of Conduct

The AMB Group had adopted the Allianz Group Code of Conduct for Business Ethics and Compliance which lists 22 principles of ethical conduct and business practices. The Code promulgates principles to deal with fair business conduct, acceptance of gifts, conflict of interest, protection of company property and ethical business conduct – all of which encourage a culture of compliance at the AMB Group.

## 4.0 DEFINITION OF FRAUD

- 4.1 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 the AMB Group or the AMB Group’s Business Partners material or immaterial assets or reputation at risk.” 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.

- 4.2 Internal Fraud

Internal Fraud is any Fraud involving employees, tied 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.

#### 4.3 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 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 the AMB Group.

#### 4.4 Collusion

Collusion is when employees and external parties work together to defraud the company. Collusion is considered an internal Fraud.

### **5.0 ANTI-FRAUD GOVERNANCE AT AMB GROUP**

#### **5.1 Board of Directors**

The Board of Directors of the AMB Group ("Board") is responsible to ensure that there is an appropriate and adequate Anti-Fraud Governance at the AMB Group and its oversight. Anti-Fraud Governance includes an Anti-Fraud Policy, fraud reporting procedures, establishment of an Integrity Committee for dealing with fraud and the appointment of internal Fraud Managers.

#### **5.2 Audit Committee**

The Audit Committee of AMB is responsible to review the findings and reports of fraud cases from the Integrity Committee; and approve the pertinent recommended action items including the closure of the cases.

#### **5.3 Senior Management**

The Senior Management is responsible for setting the tone at the top for anti-fraud and cascading down the message to all employees of the AMB Group. Senior Management plays a role model for employees by demonstrating commitment to integrity and high ethical values through their attitudes and actions. Management is also responsible for implementing an effective Anti-Fraud Policy and Anti-Fraud Best Practices including establishing the appropriate internal controls in the Company to prevent and detect fraud.

#### **5.4 Employees**

Every employee at the AMB Group is responsible for:

- Maintaining vigilance towards preventing and detecting fraud;
- Mitigating fraud risks;
- Ensuring AMB Group's assets, reputation, resources and information are properly protected;
- Reading, understanding and complying with AMB Group's policies and procedures; and
- Bringing risks, potential breaches of procedure, and suspected fraud to the attention of the Management.

#### **5.5 Integrity Committee**

The Integrity Committee has the role of coordinating the AMB Group's activities concerning fraud prevention, detection and response; and the handling of whistleblowing complaints. The Committee's detailed objectives are contained in its Terms of Reference which has been documented.

## **5.6 Anti-Fraud Coordinator (Internal Fraud)**

The Anti-Fraud Coordinator takes charge of the AMB Group's Anti-Fraud Programme from the designing, implementation and reinforcement activities. The Anti-Fraud Coordinator's detailed responsibilities are as listed in Appendix 1.

## **5.7 Claims Fraud Manager (External Fraud)**

The Claims Fraud Manager 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 handling of fraudulent claims. The Claims Fraud Manager's detailed responsibilities are as listed in Appendix 1.

## **5.8 Underwriting Fraud Manager (External Fraud)**

The Underwriting Fraud Manager is responsible for coordinating the AMB Group's activities concerning the prevention, detection and management of Underwriting Fraud. His/her detailed responsibilities are listed in Appendix 1.

# **6.0 FRAUD AWARENESS AND TRAINING**

- 6.1 In order to create and maintain an effective fraud awareness culture and environment, the Anti-Fraud Coordinator and Claims & Underwriting Fraud Managers shall design an appropriate and comprehensive fraud training programme for the AMB Group employees. Fraud training should be held for employees periodically in order to inculcate a high level of fraud awareness of the AMB Group's policy of zero tolerance for Fraud.
- 6.2 Besides training, the Anti-Fraud Coordinator and Claims & Underwriting Fraud Managers should also utilise formal communication channels in the Group to disseminate anti-fraud messages to the relevant employees.

# **7.0 FRAUD RISK ASSESSMENT**

- 7.1 In order to manage Fraud risks, there must be a process of identifying and assessing the AMB Group's exposure to Fraud risks. Fraud risks vary and depend upon the business environment, the structure of the organisation and its internal processes.
- 7.2 When assessing fraud risks the following should be considered:
  - Possible exposure or value-at-risk within a process;
  - State of the implemented controls;
  - Vulnerability of a process to management override and potential schemes to circumvent existing controls;
  - Potential for fraudulent financial reporting, misappropriation of assets and unauthorised or improper receipts and expenditures; and
  - Motives and possible schemes.

7.3 For the purpose of determining Fraud exposure levels at the AMB Group, the Anti-Fraud Coordinator shall conduct an annual identification and assessment exercise to ascertain the inherent risks and residual risks arising from Fraud. Based on the risk assessment performed, appropriate internal controls must be instituted in the AMB Group to effectively prevent and detect Fraud. These internal controls include but are not limited to:

- Code of Conduct and Whistleblowing channel;
- Safeguarding of assets – controls should be established for restricting physical and system access to authorised employees;
- Segregation of Duties – a fundamental element of internal control is segregation of duties. A proper segregation of duties deters employees from being able to both create and conceal errors or fraud in the normal course of their duties;
- “Four-eyes” Principle – security precaution that requires at least two employees to approve certain activities;
- Approvals, Authorisations, and Verifications (Preventive) - Management should authorise employees to perform certain activities and to execute certain transactions within limited parameters. In addition, Management should specify those activities or transactions that need supervisory approval before they are performed or executed by employees. A supervisor’s approval (manual or system-enabled) implies that he or she has verified and validated that the activity or transaction conforms to established policies and procedures;
- Reconciliations (Detective) - reconciliation is a comparison of different sets of data to one another, identifying and investigating differences, and taking corrective action, when necessary, to resolve differences. Reconciling monthly financial reports from the Accounting Department (e.g., Statement of Accounts, Ledger Sheets, etc.) to file copies of supporting documentation or departmental accounting records is an example of reconciling one set of data to another;
- Employee and agent background checks; and
- Tender offer procedures (Procurement process).

## 8.0 FRAUD DETECTION

8.1 Detective controls constitute strong deterrents against fraudulent behavior. They include for example effective reporting procedures, internal controls/processes 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). Fraud detection techniques should be applied within the confines of local laws and regulations.

## 9.0 FRAUD INVESTIGATION

9.1 Escalated incidents of Fraud should be investigated diligently and in a timely manner. The Anti-Fraud Coordinator will play the role to coordinate and where applicable, perform fraud investigations in the AMB Group. He/she should follow the investigation process and procedures as stipulated in the AMB Group Internal Investigation Protocol.

## 10.0 REPORTING

10.1 All employees have the obligation to report any suspicions on Fraud. The channels that are available for an employee to report Fraud are:

- i) Direct manager; or
- ii) Compliance Department where employee suspects the Fraud involves his/her immediate manager; or
- iii) Anonymous AMB Group Compliance Officer email : [compliance.officer@allianz.com.my](mailto:compliance.officer@allianz.com.my); or
- iv) AZAP Compliance e-mail: [azapcompliance@allianz.com.sg](mailto:azapcompliance@allianz.com.sg); or

- v) AZAP Compliance portal: [Allianz Asia Legal & Compliance | Allianz Connect](#); or
- vi) Group Compliance e-mail: [compliance@allianz.com](mailto:compliance@allianz.com); or
- vii) Group Compliance portal: [Group Compliance | Allianz Connect](#); or
- viii) Group Speakup@Allianz: [SpeakUp@Allianz tool in English](#).

- 10.2 Employee reported Fraud cases must be reported to the Integrity Committee, the Audit Committee and to Group Compliance in accordance prescribed reporting rules, by the Anti-Fraud Coordinator.
- 10.3 In terms of regulatory reporting, it is a requirement to report all detected fraud to Bank Negara Malaysia (“BNM”) through the Operational Risk Integrated Online Network (“ORION”) system. Such reporting is prescribed in the BNM’s Guidelines on Operating Risk Reporting Requirement – ORION.

## 11.0 MONITORING

- 11.1 Management is responsible to assess whether the implemented anti-fraud controls are sufficient and effective. In cases of changes to organisational structures and processes, fraud risk should be re-evaluated to determine whether the existing internal controls are still sufficient to address these risks. An important part of the regular supervisory activities of Management is the evaluation of whether implemented anti-fraud controls are effective.
- 11.2 Activities that help to ensure this include:
  - regular monitoring of the performance of implemented controls;
  - regular re-assessing of possible risks and implemented controls;
  - discussing with appropriate parties (those charged with governance, Head of Human Resources, In-House Legal Counsel and Anti-Fraud Coordinator) of instances of possible or actual policy violations or abuses of anti-fraud programs and controls; and
  - review of a summary of reported instances or concerns of misconduct or unethical behavior, including questionable accounting matters.
- 11.3 If an internal control is ineffective or insufficient, Management intervention is necessary to correct the deviation.

## 12.0 AUDITING

- 12.1 Internal Audit Department has the responsibility to review the adherence to this Policy by conducting periodic audits on the AMB Group’s Anti-Fraud Governance, Programme and Standards.





## **APPENDIX 1: RESPONSIBILITIES FOR ANTI-FRAUD COORDINATOR AND FRAUD MANAGERS**

### **Anti- Fraud Coordinator (“AFC”)**

The main responsibilities of the AFC include:

- Create and maintain Anti-Fraud Program for AMB Group (e.g. local policies and communication)
- Drive the establishment of an Anti-Fraud infrastructure through definition of role and functions, cross departmental agreements and the implementation of governance.
- Perform an annual Fraud Risk Assessment. The AFC should also coordinate with AMB Group’s risk function in the performance of the Fraud 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 Managers, Claims Fraud Managers, Anti-Money Laundering Officers (“AMLOs”), private organizations, law enforcement agencies and insurance industry bodies.
- Perform Fraud reporting within AMB Group and to Allianz Group.

### **Claims Fraud Manager (“CFM”)**

The main responsibilities of the CFM 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 AFC and Underwriting 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)
- Analyse 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 AFC, Underwriting Fraud Manager, Global Claims, AMLOs, private organizations, law enforcement agencies and insurance industry bodies.
- Ensure ongoing training and best in class know how regarding fraudulent claims within the organization.

### **Underwriting Fraud Manager (“UFM”)**

The main responsibilities of the UFM 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 relationships with AFCs, Underwriting, CFMs, AMLOs, private organizations, law enforcement agencies and insurance industry bodies.

**Document Information:**

<b>Document:</b>	Anti-Fraud Policy
<b>Author(s):</b>	Patrick Lim/ Derrick Lim / Manogari Murugiah
<b>Area of Application:</b>	Allianz Malaysia Berhad Allianz Life Insurance Malaysia Berhad Allianz General Insurance Company (Malaysia) Berhad

**Amendments & Updates:**

<b>Version</b>	<b>Date</b>	<b>Amendments/enhancements</b>	<b>Author(s)</b>
1.0	29 September 2009	New document	Charles Ong / Mok Kian Tong
2.0	17 May 2013	Amended to align with Group Compliance's new Anti-Fraud Policy	Patrick Lim/ Derrick Lim / Manogari Murugiah
3.0	May 2015	Amended to : i) insert paragraph on role of Audit Committee in section 5; ii) Amendments to the fraud reporting channels in paragraph 10.1 – inclusion of AZAP and Group reporting email; and iii) Correction to the AZAP Compliance Portal web's Uniform Resource Identifier (URL) in paragraph 10.1.	Patrick Lim/ Malathi Muniandy
3.1	25 April 2022	Update latest reporting violations channel of AZAP and Group (minor editorial changes) under paragraph 10.1	Compliance