

	<b>HUMAN RESOURCE MANUAL</b>	Manual Issue Date <b>August 1, 2013</b>	Document No. HRM 4.8
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## 1. INTRODUCTION

### 1.1 BACKGROUND

Over the years, TSPI MBAI (Association) has become increasingly aware of the levels and types of insurance risks that TSPI MBAI must manage if it is to retain and enhance its reputation, financial viability and sustainable development. Recognizing that addressing insurance fraud risk is a normal requirement for the conduct of insurance business by all Mutual Benefit Associations, the TSPI MBAI President and CEO has responded to the requirements and recommendations of the Insurance Commission (IC), Audit and Risk Management Committee (ARMC) and the External Auditor to strengthen TSPI MBAI's risk management practices, internal controls and standards. Measures include the implementation of an Anti-Fraud Policy (this Policy), a Code of Business Ethics and a Critical Incident Reporting Protocol. Through these measures, TSPI MBAI seeks to be an organization that is accountable, transparent and ethical in its management and governance, and that retains the confidence and trust of its internal staff, policy holders, intermediaries and claimants/beneficiaries.

### 1.2 OBJECTIVES:

The aim of this Anti-Fraud Policy is to:

- 1.2.1 Develop the procedures involved in preventing, minimizing, detecting, reporting, and investigating suspected or actual cases of insurance fraud involving policy holders, intermediaries and internal staff, in the areas of membership enrolment, collection of contributions, claims, handling of assets and management information system (MIS).
- 1.2.2 Define the Management's *overall responsibility* for the Association's anti-fraud efforts.
- 1.2.3 Identify the Compliance Officer /Anti-Fraud Coordinator *directly responsible* for, and the procedures involved in, the following anti-fraud efforts:
  - 1.2.3.1 Development, implementation, review, and maintenance of the Anti-Fraud Plan;
  - 1.2.3.2 Functioning of the Special Investigation Unit (SIU).
- 1.2.4 Identify the member of the Board of Trustees tasked with *oversight responsibility* over the Anti-Fraud Plan.

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- 1.2.5 Confirm the Association’s commitment to develop a program to provide continuing anti-fraud education and training for policy holders and employees of TSPI and TSPI MBAI.

### **1.3 SCOPE**

This Policy applies to any irregularity, or suspected irregularity, involving internal staff, policy holders, intermediaries and/or any other parties with business relationship with TSPI MBAI.

This Policy is an integral part of TSPI MBAI’s internal control policy framework and should be read and applied in conjunction with the TSPI MBAI Code of Business Ethics, Employee Discipline Policy, Critical Incident Reporting Protocol, and Accounting Manual, among others.

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## 2. GENERAL POLICY STATEMENTS

- 2.1** All employees and officers of TSPI **MBAI** are expected to live out and demonstrate in their day to day dealings its core values of Servanthood, Stewardship, Integrity and Excellence.
- 2.2** TSPI **MBAI** expects all people and organizations associated with it to be honest, fair and transparent in their dealings with the Company, its policy holders and its claimants / beneficiaries. TSPI **MBAI** will not tolerate any level of fraud including but not limited to insurance claims, benefits, premiums, contributions, or misappropriation of assets. Any detected case will be thoroughly investigated, with disciplinary or criminal sanctions pursued where appropriate and possible, and losses recovered through any lawful means.
- 2.3** TSPI **MBAI** is also committed to ensuring that opportunities for fraud are reduced to the lowest possible level of risk; that effective controls are maintained to prevent and to deal with fraud and those systems and procedures are reviewed and improved following detected cases of fraud.
- 2.4** Starting at the top, the TSPI **MBAI** Board of Trustees, the President and CEO, the Central Management Team and the Supervisors all set the tone and lead in the promotion of honesty, integrity and transparency throughout the Company. Each member of the management team will be familiar with the types of improprieties that might occur within his area of responsibility, and be alert for any indication of irregularity.
- 2.5** It is the responsibility of all employees to work together and cooperate to prevent fraud and/or detect it at the earliest possible time to control damage to the organization, employees, clients and partners.
- 2.6** All employees are responsible in ensuring that fraudulent acts or behavior are reported and handled properly. The TSPI **MBAI** Code of Business Ethics and Employee Discipline Policy shall govern the conduct and behavior of all employees.
- 2.7** All employees shall conform to the Bill of Rights of the Policy holder, TSPI **MBAI** Code of Business Ethics, Employee Discipline Policy and this Policy.
- 2.8** TSPI **MBAI** is committed to ensure that management, staff, intermediaries and policy holders are provided with appropriate information and training on the requirements of this Policy.

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### 3. CATEGORIES OF FRAUD

#### 3.1 Member/Policyholder Fraud and/or Claims Fraud

This involves fraud against the Association in the application by, and enrolment of members and dependents, and in the purchase and/or execution of an insurance product, including claims and benefits.

#### 3.2 Intermediary Fraud

Fraud perpetrated by MFI partner, collection agents, and other intermediaries against the Association and/or its policyholders.

#### 3.3 Internal Fraud

Fraud / misappropriation against the Association by its trustees, manager and/or any other officers or employees. This includes misappropriation of cash/assets of the Association and fraud at governance level, e.g., creation of a loan facility for the Trustees/Management that have terms and conditions highly disadvantageous to the members or to the Association.

### 4. ACTIONS CONSTITUTING FRAUD

For purposes of this Policy, fraud is defined as the use of deception by an individual with the intention of obtaining an advantage for himself or for a third party or parties, avoiding an obligation, or causing loss to another party. Offenses, dishonest acts and/or practices that may constitute fraud as defined by this Policy include but not limited to the following:

#### 4.1 Theft and misappropriation\*

An employee or an outside party, or another staff conniving together may steal assets owned or under the custody of TSPI MBAI. This includes but not limited to:

- a. False accounting of cash and liquidation of cash for reimbursements
- b. False claims of expenses and disbursements
- c. Unremitted collection or misapplication of collection
- d. Unauthorized withdrawal of clients' Equity Value (EV)
- e. Unauthorized use of TSPI MBAI equipment and/or vehicles for personal benefit
- f. Misappropriation of fund
- g. Hacking into, exploiting or interfering with TSPI MBAI computer system
- h. Charging TSPI MBAI of goods and/or services that were not delivered
- i. Steal cash and properties of the Association and /or employees
- j. Charging of fictitious expenses

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#### **4.2 Conflict of Interest**

Conflict of interest exists when a person's private interest interferes in any way with the interest of the Association. A conflict situation can arise when an employee or officer takes action or has interest that may make it difficult for him/her to perform work objectively and effectively. Conflict of interest may also occur when an employee or officer, or a member of his or her family, receives improper personal benefits resulting from his or her position in the Company. (Refer to Code of Business Ethics, HRM 4.5)

#### **4.3 False Reporting**

This involves presenting, circulating or conveying a false and/or distorted report other than the reality with an intent to deceive.

#### **4.4 Bribery**

This involves offering, receiving, or giving of money or a benefit in exchange for a dishonest favor or favorable decision from other employee or an outside party.

#### **4.5 Embezzlement\***

Taking for personal use money or property that has been entrusted by the Association, without its knowledge or permission.

#### **4.6 Abuse of Power and Authority**

To use power and authority inherent in the position of an employee to another usually those under their supervision and /or force to deliver, agree or comply with something illegal or against company policy.

#### **4.7 Extortion**

To obtain involuntarily and for the purpose of personal gain something such as money or information from an employee, client or an outside party by using threat, force, intimidation, fear, abuse of authority, blackmailing or by withholding what is rightfully due the in exchange for actions using unacceptable methods or withholding of appropriate actions. (Example: extorting commissions, rebates from suppliers, contractors as a result of buying or selling or ordering materials, supplies or services for the Association).

#### **4.8 Divulging of privilege and confidential information**

Using a privilege information and knowledge that an employee possesses as a result of his or her position, to offer to another person or entity in exchange for benefit to him or herself.

#### **4.9 Forgery\***

Refers to the act of producing an illegal copy of any document, falsifying signatures of clients, other employees, and officers. This act may include but not limited to issuing or

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encashment of company checks or entering into unauthorized contract in behalf of the Association for personal gain.

*\*Note: Requires reporting to External Authority (Police Blotter), see 9.1.2*

## **5. ROLES AND RESPONSIBILITIES FOR FRAUD CONTROL AND RESPONSE**

The specific roles and responsibilities for preventing, controlling and responding to fraud in TSPI MBAI are the following:

### **5.1 The Audit and Risk Management Committee (ARMC)**

- 5.1.1 Requires regular reporting from the Chief Executive Officer (CEO) on the assessment of fraud risk and measures being taken to prevent fraud in TSPI MBAI.
- 5.1.2 Requires regular Internal Audit reports.
- 5.1.3 Requires management responses and follow-up actions to all internal and external audit reports which identify weaknesses in internal control policies and procedures.

### **5.2 The HR Committee of the Board of Trustees**

The HR Committee of the Board of Trustees shall have the final decision involving fraud allegations and/or complaints against any member of the Central Management Team based on the recommendation by the Chief Executive Officer (CEO).

### **5.3 The Chief Executive Officer (CEO)**

- 5.3.1 Sets the overall tone to reinforce the message that fraud will not be tolerated in TSPI MBAI.
- 5.3.2 Recommends actions/decisions to the HR Committee of the Board of Trustees on fraud allegations and/or complaints against any member of the Central Management Team.

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#### 5.4 The Chief Operating Officer (COO)

- 5.4.1 Establishes an internal control system, designed to eliminate or mitigate the risks faced by TSPI MBAI. He will be accountable for the adequacy and effectiveness of the controls designed and implemented. Managing fraud risk should be seen in the context of the management of a wider range of risks. This includes development of an organizational risk profile, including consideration of fraud risks, and regular review of the risks associated with organizational objectives.
- 5.4.2 Establishes, implements and reviews the fraud control policy, including the appropriate control environment and fraud response plan.
- 5.4.3 Ensures that swift action is taken to respond to allegations and substantiated cases of fraud.
- 5.4.4 Responds to high level fraud through personal visit to affected branch / unit. Following are considered as high level fraud:
- a) Committed by Managers and up
  - b) Committed by employees regardless of position, members and/or intermediaries involving financial accountability of ₱300,000.00 and above
- 5.4.5 If necessary, communicates with major donors, partners or other parties affected by the fraud to reassure them that all necessary steps are being taken.
- 5.4.6 Ensures Association's compliance with regulatory requirements related to the implementation of Anti-Fraud Plan (i.e. IC Circular 2016-50) and other laws related thereto.

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## 5.5 The Human Resource and Management Services (HRMS)

- 5.5.1 Develops and updates rules and regulations which govern the conduct and behavior of all employees of TSPI MBAI.
- 5.5.2 Serves as keeper of this Policy and processes. As keeper, it is responsible to ensure that these processes are kept updated and revisions are communicated to all
- 5.5.3 Ensures implementation of Employee Discipline Policy.
- 5.5.4 Monitors and reviews disciplinary sanctions and actions imposed to employees to ensure consistent implementation in all areas of operations
- 5.5.5 Provides assistance and guidance/ consultation/ advises to immediate superiors in carrying out disciplinary process, except for fraud cases endorsed to TSPI Legal Department.
- 5.5.6 The TSPI MBAI HR supervisor shall also serve as the Anti-fraud Coordinator.
  - 5.5.6.1 Receives all reports of fraud allegations and forward copies to TSPI Legal Department and Internal Audit Services (IAS) for their action.
  - 5.5.6.2 Manages, monitors and maintains the Critical Incident Reporting Protocol and Whistle Blower Policy through the Anti-fraud Hotline and eHRMS portal.
  - 5.5.6.3 Provides a monthly consolidated report of all fraud cases with updated status of each case to the CEO with copy to Compliance Officer, TSPI Legal Department and IAS.

## 5.6 The Compliance Officer (CO)

- 5.6.1 He/she is designated as the Head of the Special Investigation Unit (SIU).
- 5.6.2 Acts as team lead for fraud case management and in charge of overall coordination with respect to any actual or suspected fraud.
- 5.6.3 Oversees, in behalf of the CEO the implementation and execution of the Fraud Response Plan (refer to Section 7), to ensure that there is timely, coordinated effort among all the responsible parties in the handling of all cases under investigation.
- 5.6.4 Tracks the progress of fraud investigations and paper works flowing through the SIU and IAS.
- 5.6.5 Works with the individual departments to ensure compliance with rules and regulations issued by the Insurance Commission, and other regulatory bodies such as the Anti-Money Laundering Council, Securities & Exchange Commission, Bureau of Internal Revenue, etc.
- 5.6.6 Provides advice to management on conduct of insurance business and other compliance issues.

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5.6.7 Has the direct responsibility for the development, implementation, review, and maintenance of the Anti-Fraud Plan and the functioning of the Special Investigation Unit (SIU).

## **5.7 The Special Investigation Unit**

- 5.7.1 Consists of Compliance Officer (CO), Anti-Fraud Coordinator (or the HR Supervisor) and immediate superior of the erring employee.
- 5.7.2 The SIU shall conduct initial investigation of all reported cases. Depending on the results, SIU may or may not endorse the case for formal investigation to TSPI IAS, except for the following which requires TSPI IAS' investigation:
- 5.7.2.1 Fraud cases involving more than one (1) staff
- 5.7.2.2 High level fraud defined in 5.4.4
- 5.7.3 Oversees in behalf of the COO the implementation and execution of the Fraud Response Plan to ensure that there is timely, coordinated effort among all the responsible parties in the handling of all the cases under investigation.
- 5.7.4 Tracks the progress of all investigations and proper works flowing through the IAS.
- 5.7.5 The SIU shall provide monthly consolidated report of all fraud cases with updated status of each case to the CEO, with copy to COO, IAS, HRMS and Legal Department.
- 5.7.6 Shall determine if an internal investigation is sufficient or if an external resource is needed to conduct the investigation. Each reported case of fraud or suspected fraud by CMU and Insurance Supervisors (IS) and/or intermediaries will be handled in a way suitable to its size and nature.
- 5.7.7 The SIU plans and organizes awareness training and information dissemination on fraud prevention and response, in partnership with TSPI HRMS, Legal Department and Internal Audit Services (IAS).
- 5.7.8 The SIU is an internal unit in TSPI MBAI, a separate unit that is not part of claims and underwriting.

## **5.8 All Line Managers and Supervisors**

- 5.8.1 Ensure adherence to the rights of the policy holders as indicated in IC Circular Letter 2016-30.
- 5.8.2 Assess the risk, including but not limited to fraud risks, involved in their areas of responsibility and ensure that an adequate system of internal control exists and functions to address these risks.
- 5.8.3 Ensure that controls are properly operated and risks are mitigated. Line Managers and Supervisors should regularly review the internal control system in their area of work to satisfy themselves that it continuously operates effectively.
- 5.8.4 Encourage staff to report reasonable suspicions of insurance fraud, treating all allegations seriously, and promptly report allegations to SIU.

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- 5.8.5 Keep records of any allegations as well as any subsequent actions taken.
- 5.8.6 Take corrective actions relating to known cases of fraud and ensure that repetition of the same is prevented.

## **5.9 All Employees**

- 5.9.1 Conduct themselves lawfully and properly in the use of the organization's resources and in the performance of their duties and responsibilities.
- 5.9.2 Remain alert to the possibility of insurance fraud and report suspicious behavior to their line manager supervisors and SIU.
- 5.9.3 If an employee prefers to report anonymously he/she can do so in accordance with the Whistleblower Policy through its confidential Anti-fraud Hotline (voice mail, email, fax, or post) which can only be accessed by an appointed TSPI HRMS manager.
- 5.9.4 Attend in-house training courses on Internal Control, Risk Management and Fraud Prevention.
- 5.9.5 Sign and accept the Anti-Fraud Policy, Code of Business Ethics and Employee Discipline Policy as an integral part of their employment contract with TSPI.  
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## 5.10 Functions Outsourced to TSPI

### 5.10.1 HR Disciplinary Committee (DisCom)

- 5.10.1.1 Conducts further investigation on cases wherein the employee involved refutes the allegation and/or their intervention is requested, except those involving any member of the Central Management Team.
- 5.10.1.2 Provides summary report and recommends appropriate disciplinary action based on Employee Discipline Policy to the CEO and COO
- 5.10.1.3 Develops and updates DisCom guidelines (refer to Employee Discipline Policy) for approval by the CEO.

### 5.10.2 Compliance Management Unit (CMU)

- 5.10.2.1 Initiates review / enhancement of internal control processes and policies related to branch operations, to help prevent recurrence of similar insurance fraud incidents and monitors timely implementation of agreed action plans.
- 5.10.2.2 Shall report to SIU cases of fraud or suspected fraud.

### 5.10.3 Legal Services

- 5.10.3.1 Provides guidance on the course of action to be taken, the involvement of external experts or legal authorities, and the conduct of investigations.
- 5.10.3.2 Provides guidance regarding the potential legal avenues or consequences once a fraud has been established through investigation, and the means available to recover assets and to restore TSPI MBI's reputation and goodwill.
- 5.10.3.3 Evaluates investigated fraud cases, recommends and undertakes filing of legal case as necessary.

### 5.10.4 Internal Audit Services (IAS)

- 5.10.4.1 Promotes the deterrence and prevention of fraud by evaluating the effectiveness and adequacy of internal controls, and periodically reporting the results of its evaluation to the President and the Audit and Risk Management Committee (ARMC).
- 5.10.4.2 Conducts investigations, where applicable, including gathering evidence, conducting interviews, and writing reports on investigations.
- 5.10.4.3 Keeps records of any allegations made, as disclosed by parties and/or discovered during the course of regular audits; as well as subsequent actions taken, and the ensuing result
- 5.10.4.4 Endorses investigated fraud cases to Legal Department.
- 5.10.4.5 Reviews and recommends improvements to the system of internal controls.
- 5.10.4.6 Reviews the implementation of the changes made to the system of internal controls, subsequent to a case of fraud to evaluate its efficiency and effectiveness.

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## **6. FRAUD PREVENTION AND CONTROL**

Everyone in TSPI MBAI has a responsibility as well as an obligation to contribute to the management of fraud risk. TSPI MBAI has designed a Fraud Prevention Plan to guide all employees, Managers and Supervisors in promoting and maintaining honesty, ethical behavior, and integrity in their day to day dealings with each other, policy holder, claimants-beneficiaries and the public in general.

There are three (3) major Components to TSPI MBA's strategy for effective Fraud Prevention and Control.

### **6.1 A Christian Culture of Integrity and Stewardship**

The most persuasive and effective method of preventing fraud is the promotion by central management of a culture and environment that values Christian integrity and Christian stewardship of all the company's assets, reputation and resources. This involves a culture of transparency, of honesty, and of discipline, and of policy holder protection, embodied in clear statements of Christian ethical values that the Company applies and enforces consistently; which in similar manner, all employees have an obligation to comply with and to promote with third parties.

### **6.2 Risk Management and Internal Control**

Risk management is at the heart of effective insurance fraud control, especially through the development of risk criteria and implementation of effective controls. TSPI MBAI will undertake a comprehensive evaluation of its overall vulnerability to insurance fraud as well as the scope and magnitude of fraud risk in specific areas at least every two (2) years, or more frequently as part of an ongoing rolling risk assessment process. Findings will be reported to the Audit and Risk Management Committee and the Human Resource Committee of the TSPI MBAI Board of Trustees. The following processes are integral to fraud risk management and control:

6.2.1 Critical Incident Reporting Protocol requires branches and different units of the Association to timely inform top management and relevant Support units of any or alleged event or situation that creates a significant risk of substantial or serious harm to the Association, its employees or its members.

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6.2.2 The MBA should practice sound financial management to include the following:

- Projected Financial Statement and Performance Objectives
- Investment Plan
- Monthly Financial Statements
- Annual External Audit
- Recording of Financial Transactions
- Annual Budget

6.2.3 It is of utmost importance that TSPI MBA maintains at all times the trust of its members. Thus, the goal of the Association is to prevent and detect at the earliest possible time any theft of cash, investment collections, padding of expenses and other forms of misappropriation of assets. Any actual or suspected internal fraud committed by staff, management or trustees, calls for immediate investigation by the SIU and/or Internal Audit.

6.2.4 In order to prevent or detect fraud, the Association has implemented measures and internal controls such as proper segregation of duties, setting of approval limits and designation of authorized signatories.

#### 6.2.4.1 Membership Enrollment

6.2.4.1.1 Partner MFI is the source of members for TSPI MBAI and which provide various services such as marketing, collection of MBA contributions and premiums, facilitating the reporting and validation of claims and disbursement of insurance benefits. Thus, for administrative and cost reasons, TSPI MBA principally relies with TSPI partner to do the verification of member's personal circumstances such as identity, age, source of income, home/business address and name(s) and age(s) of legal spouse/dependents.

6.2.4.1.2 As partner MFI of the Association, it plays an important role in fraud prevention. Before an applicant is allowed to join a local group/center/unit, existing members of the group/center/unit screen the applicant's personal details and background to determine if he/she is qualified or not based on membership guidelines.

6.2.4.1.3 Apart from the assessment made by existing members, the Association also requires prospective members to fill up a membership application form for the purpose of know-your-customer (KYC) requirement. This is done through the Partner

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MFI as part of the support services provided by it to the Association.

6.2.4.1.4 The Insurance Officer have been given examples of fraudulent acts that they should watch out for. The examples shown on section 4 of this manual meant to be instructive and serve as a guide for the detection of member- and intermediary-related fraudulent activity

6.2.4.1.5 As additional preventive measure, and in view of Insurance Commission Circular Letter No. 2016-50, the Association shall include the following fraud warning in its forms:

*"Section 251 of the Insurance Code, as amended, imposes a fine not exceeding twice the amount claimed and/or imprisonment of two (2) years, or both, at the discretion of the court, to any person who presents or causes to be presented any fraudulent claim for the payment of a loss under a contract of insurance, and who fraudulently prepares, makes or subscribes any writing with intent to present or use the same, or to allow it to be presented in support of any claim."*

#### 6.2.4.2 Collections

6.2.4.2.1 MBA Finance is in charge of receiving collections of MBA contributions remitted by TSPI and the issuance of official receipt thereof. Reconciliation of accounts are regularly made.

6.2.4.2.2 TSPI, specifically Central Accounting Unit (CAU) / Branch Accountant (BA) is in charge of posting members' payments to the members' account. Control total of payments posted in the member's account are generated, both before and after making the ledger postings. Similarly, withdrawals from members' ledgers due to death, withdrawals, claiming BEV are also reconciled. This ensures that all movements in ledger balances are fully accounted for, with audit trails as reference.

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MBA Finance regularly reconciles the members' subsidiary ledgers against the general ledger. Member subsidiary ledgers include: basic life , life plus, life max premiums, equity values, credit life and MRI premiums, etc.

6.2.4.2.3 MBA Finance submits regular reports to the Management/Board of Trustees on the results of operations (membership, claims, premiums, reserves and investments). ,

#### 6.2.4.3 Management Information System (MIS)

6.2.4.3.1 MIS is a series of processes and actions which capture raw data and then process the data into a usable information, so that this information can be disseminated to users in the form needed. The MIS should be able to maintain databases of member and dependents, products, payment or transactions, and claims, at the minimum.

6.2.4.3.2 The purpose of the MIS is to support effective and efficient management as well as facilitate good governance on the part of the Board of Trustees.

6.2.4.3.3 MIS is in charge of safekeeping member records. MIS staff are not allowed to do postings, withdrawals or any changes to member records in order to ensure segregation of duties/responsibilities between Finance (account updates) and MIS (safekeeping).

6.2.4.3.4 There are audit trails on any changes in the members' database and a defined hierarchy of positions who are authorized to make changes or to view records.

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#### 6.2.4.4 Claims

- 6.2.4.4.1 Once an insurance claim is filed by a claimant-beneficiary, the Insurance Officer will conduct on-site validation on the factuality of death/incident. Claims Unit relies on the submitted validation report and other necessary documents such as the following (as applicable):
- Death certificate
  - Claim notification / report;
  - Birth or baptismal certificate
  - Marriage contract;
  - Police /Incident report;
  - Hospital records;
- 6.2.4.4.2 Insurance Officer also validates insurable interest issues. If there is no issue on insurable interest, claim is endorsed to Claims Unit for the processing of benefit and notifies the claimant-beneficiary accordingly.
- 6.2.4.4.3 The Claims Unit also coordinates with Insurance Officer or checks Polaris System to confirm if the coverage is in force / within the grace period / lapsed.
- 6.2.4.4.4 The one-year contestability period or six-month reinstatement period provide some measure of protection from uninsurable applicants especially if death occurs within a relatively short period after acceptance of membership. Computation of claim benefit is based on pre-defined benefit schedule.
- 6.2.4.4.5 If the Claims Unit suspects fraud was committed (especially in case of death due to accident), a *cost-effective investigation* is initiated to gather evidence including police report, hospital/medical clinic record, and interview of witnesses.
- 6.2.4.4.6 If the initial investigation points to a need for a deeper investigation, the SIU will endorse it to the IAS for conduct of a full investigation. The investigation will include the cause of death, place of death, financial and medical circumstances of the insured, and his/her relationship to the beneficiary.

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6.2.4.4.7 If the insurance coverage or policy is already incontestable, the Claims Unit verifies only the needed information (in-force or within the grace period) before approving payment of the claim.

6.2.4.4.8 In case of a claim filed by TSPI for Credit Life benefits, the Claims Unit requires the submission of a Branch Certification, loan history or statement of account showing the amount of original loan, repayments made and outstanding (unpaid) principal balance. The Association settles the outstanding principal balance and if applicable pays the remaining amount to the borrower's beneficiary.

6.2.4.4.9 To aid the Claims Unit in validating the claim, following are some examples of "red flags" that may trigger further investigation. These "red flags" are also included in the claims procedure manual;

- 6.2.4.4.9.1 Death happened outside of the country;
- 6.2.4.4.9.2 MBA Application Form is with erasures or no signature on the application
- 6.2.4.4.9.3 Cause of death is "undetermined";
- 6.2.4.4.9.4 Dates on submitted documents are conflicting;
- 6.2.4.4.9.5 Death certificate has no registry number, looks irregular or tampered; and
- 6.2.4.4.9.6 Delayed notification of claim (more than 30 days from date of incident).

6.2.5 Whistle Blower Policy seeks to encourage employees to disclose any wrong doing, irregularities, unlawful activities and fraud without fear of retaliation. It sets forth procedures for confidentially reporting questionable practices of employees and/or third parties doing business with the Company through an Anti-Fraud Hotline and on line eHRMS portal managed and maintained by HRMS; as well as the investigation process of reported acts.

6.2.6 Supervisor Checklist is a component of TSPI MBAI compliance management system. It is a periodic and systematic assessment of insurance key processes and procedures of Insurance Officer.

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### 6.3 Fraud Awareness and Training

Fraud awareness and training reinforce fraud prevention and detection. TSPI MBAI will ensure that all employees are aware of their responsibilities for fraud control and ethical behavior. Targeted training will be provided for new staff and refresher training for current staff. Training will include but not limited to the following:

- 6.3.1 Definition of fraud, including examples to illustrate the breadth of fraud and the fact that it can involve the pursuit of tangible and intangible benefits.
- 6.3.2 The need for ethical behavior and the fact that fraud avoidance is everyone's responsibility.
- 6.3.3 Relationship of the Anti-Fraud Policy with the Code of Business Ethics and Employee Discipline Policy.
- 6.3.4 Roles and responsibilities for fraud control and response.
- 6.3.5 Fraud prevention strategies and practices.
- 6.3.6 Fraud detection best practices and techniques; and common signs/red flags of fraudulent acts.
- 6.3.7 Anti-Fraud Policy updates and revisions.
- 6.3.8 Microinsurance awareness/orientation conducted by Insurance Officers (IO) and Account Officers (AO) during Center/Cluster Meetings. Orientation includes duties and responsibilities of members, claims process and anti-fraud awareness. Through this awareness, the Association widens its anti-fraud prevention network by involving members in screening applicants and providing community-based (informal) claims validation.

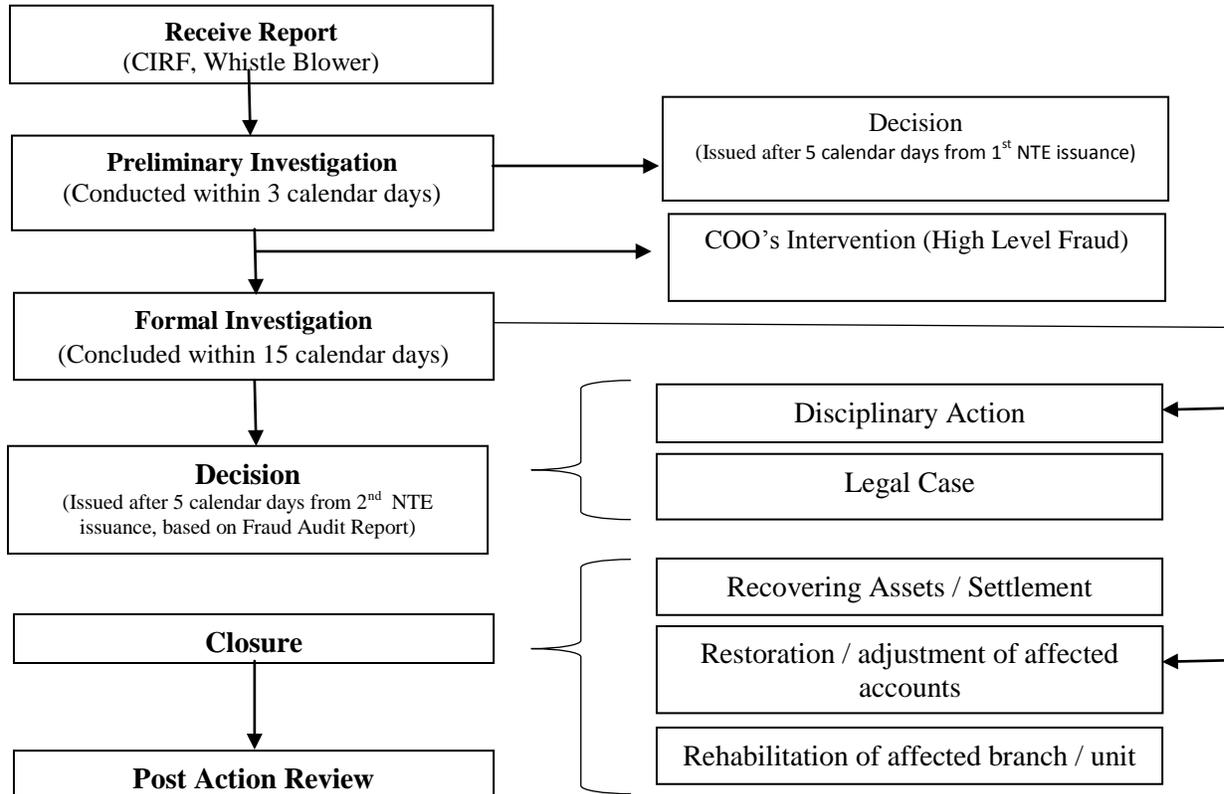
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- 6.3.9 The Association requires all new/existing staff including managers to read and follow this Anti-Fraud Plan. Management emphasizes the importance of strictly following the policies, procedures and internal controls laid out in the Plan in order to discourage fraud and to increase the staff’s awareness of suspicious acts.
- 6.3.10 From time to time and as necessary, the Association shall revise procedure manuals and internal controls in order to incorporate improvements to policies and procedures.
- 6.3.11 To further strengthen awareness of policies, applicable information, education and communication materials should contain anti-fraud provisions/briefer.
- 6.3.12 TSPI MBAI in coordination with TSPI shall conduct fraud awareness orientation to all its staff and concerned stakeholder. Further, anti-fraud advisories or memos shall be made available/visible in the respective offices. Regular skills training on fraud identification handling and reporting should also be conducted to update and refresh knowledge of the staff.
- 6.3.13 In order to keep the Membership Enrollment, Claims, Internal Audit and Compliance staff up-to-date on insurance claims handling and fraud investigation, the Association requires the aforesaid staff to attend regular training, conferences / seminars on the subject. Training also covers fraud “red flags” as well as high profile current events and topics related to insurance fraud.
- 6.3.14 This Anti-Fraud Plan, including the reporting policies contained herein, shall be maintained in the office of the Compliance Officer/Anti-Fraud Coordinator and shall be open for inspection by the Insurance Commission. The Association shall also maintain appropriate records to determine the effectiveness of this Anti-Fraud Plan.

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## 7. FRAUD RESPONSE PLAN

7.1 The overall response to allegations of fraud as soon as it became known to anyone in the Company shall follow the process below:



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7.2 Timelines for implementing the Fraud Response Plan shall be:

<b>Process</b>	<b>In-charge</b>	<b>No. of Days to Complete</b>	<b>Total No. of Days</b>
Discovery of incident (Day 1)			1
Reporting – CIRF (Day 2)	Employee who discovered	1	2
Preliminary Investigation (Day 3 to 10)  Issuance of 1 <sup>st</sup> NTE (Day 3) Reply to 1 <sup>st</sup> NTE (Day 4 to 8) Receipt & evaluation of reply to NTE (Day 9) Issuance of Preliminary Investigation Report (PIR) and Notice of Decision (NOD) (Day 10)	Immediate Superior / SIU	8	10
Formal Investigation (Day 11 to 25)	TSPI IAS	15	25
Issuance of Financial Accountability Report (FINAC) (Day 26 to 30)	TSPI IAS	5	30
Recording of Financial Accountabilities (Day 31 to 35)	MBA Finance/ TSPI Branch Accounting	5	35
Issuance of Fraud Audit Report (FAR) Endorsement of Working Papers to Legal (Day 31 to 40)	TSPI IAS	10	40
Recording of Add'l Financial Accountabilities (Day 41 to 45)	MBA Finance/ TSPI Branch Accounting	5	45
Review & Filing of Case by Legal Department (Day 41 to 64) Checklist form & assignment to Legal Manager	TSPI Legal	24	64

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<i>(Day 41 to 42)</i> Review & release of Review Sheet Form <i>(Day 43 to 49)</i> Approval of Review Sheet Form <i>(Day 50 to 51)</i> Review & preparation of Complaint-Affidavit <i>(Day 52 to 61)</i> Approval of Complaint-Affidavit <i>(Day 62 to 63)</i> Filing of Complaint-Affidavit <i>(Day 64)</i>			
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7.3 Management is responsible to address allegations of fraud, detected and/or reported through the channels provided to all employees; and to resolve it in an orderly and timely manner. The Legal Department is assigned to ensure that the above processes are appropriately complied with at all times.

## 8. MANAGING EXTERNAL RELATIONS

In the case of substantiated fraud, the Association will take immediate steps to mitigate potential loss. Where an investigation confirms that an act of fraud was committed, the CEO/COO in consultation with TSPI Legal Department will disclose the details of the fraud, the assets/resources affected, and the efforts being made to remedy the situation to any partner. This must be done in a timely manner, with due care, transparency and responsibility, while at the same time not alarming donors or partners.

In high profile cases of fraud, communications and any media response shall be managed and monitored. Any release of information shall be approved by the CEO.

## 9. FRAUD HOTLINE

Trunkline	(02) 403-8619	
Contact Persons	HR Director - loc 115	jgbufi@tspi.org
	Employee Relations Manager loc128	jvcabrera@tspi.org

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HR Specialist - loc 223	<a href="mailto:cbnola@tspi.org">cbnola@tspi.org</a>
HR Supervisor - loc 191	<a href="mailto:dgvaleriano@tspi.org">dgvaleriano@tspi.org</a>
HR Supervisor – loc 208	<a href="mailto:mba_hr@tspi.org">mba_hr@tspi.org</a>
Fax Number	(02) 846-5735
eHRMS	Kamustahan/whistle blower

## 10. ACKNOWLEDGMENT

To ensure compliance with this policy, TSPI MBAI requires that all employees and officers review the policy every two (2) years and acknowledge their understanding and adherence in writing by signing on the space provided below

<p><i>. My Personal Commitment to the TSPI Anti-Fraud Policy</i></p> <p>I acknowledge that I have read and secured a copy of TSPI MBAI Anti-Fraud Policy. That I understand and will comply with the policy. If I learn that there has been a violation of the policy and its implementation, I will contact my immediate Supervising Head / HR Manager-Employee Relation / HRMS Director / CEO.</p> <p>Signature over printed name: _____</p> <p>Date: _____</p>
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## GLOSSARY

### **Allegation**

A statement or accusation by a person that an act of fraud has or may have been committed. This may not require specific evidence of the offense or identification of suspects, but there is usually some stated basis for the accusation.

### **Anti-Fraud Policy Task Force**

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TSPI Head Office units tasked to develop and update the Anti-Fraud Policy. Composed of Human Resource Management Services (HRMS), Legal Department, Office of the Chief Financial Officer (CFO) and Internal Audit Services (IAS).

### **Central Management Team**

Composed of TSPI Department Heads who are reporting directly to the CEO.

### **Employee**

For purposes of this Policy, any individual who is a party to a contract of employment with TSPI MBAI.

### **External Fraud**

Fraud committed against TSPI MBAI by an external party, for example the client, employees of a partner or supplier.

### **External party**

Any legal entity or individual other than the employees of TSPI MBAI.

### **Fraud Prevention**

Strategies designed to proactively reduce or eliminate internal and external fraud.

### **Internal control**

A process, effected by the governing body, management and other employees, designed to provide reasonable assurance that risks are managed so as to ensure the achievement of the organization's objectives.

### **Internal fraud**

Fraud committed directly against TSPI MBAI by a TSPI MBAI employee.

### **Investigation**

A search for or collation of evidence connecting or tending to connect a person or body with conduct that infringes the law or TSPI MBAI policies, procedures and guidelines.

### **Partner**

Organization or corporation that is involved in funding or delivering services to TSPI MBAI.

### **Risk assessment**

A process that analyses the risks, including fraud risks, that may prejudice or prevent achievement of organizational objectives, and that determines whether those risks are to be prevented, mitigated, transferred or accepted