

ANTI FRAUD POLICY

BANDHAN LIFE INSURANCE LIMITED

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I. INTRODUCTION:

Insurance Regulatory and Development Authority of India (IRDAI), as part of the IRDAI (Insurance Fraud Monitoring Framework) Guidelines, 2025 (“Anti Fraud Guidelines”), provides that all insurance companies shall have in place a comprehensive Anti-Fraud Policy (hereinafter referred to as “the Policy”), in order to deter, prevent, detect, report and remedy frauds effectively. Such policy is required to be duly approved by the Board of Directors.

Accordingly, this Anti Fraud Policy has been designed considering the various types of frauds that the Company can be exposed to and all attempts are made to ensure that the size, scale and nature of business carried out by the Company are factored in.

The policy seeks to lay stress on prevention and detection of frauds through Red Flag Indicators (RFIs) and prompt initiation of appropriate corrective measures to pre-empt attempts to breach the system.

II. OBJECTIVE:

To establish a comprehensive framework in order to deter, prevent, detect, report and remedy fraud risks effectively across the company. The objective of this policy and the framework is to enhance the Company’s resilience against fraud, foster a culture of integrity, protect policyholders’ interests, safeguard financial stability and maintain public trust. It will also ensure development of controls at an organizational level and conducting investigations.

III. APPLICABILITY:

The policy is applicable to any suspected fraud involving part time and full time employees, consultants, vendors, TPA’s, diagnostic centres, hospitals, contractors, outside agencies doing business with the Company, agents/intermediaries.

This policy is also applicable to policyholders, life assured, assignees, nominees, claimants, beneficiaries etc.

Investigation against any individual/s shall be conducted with integrity and without any regard to the alleged wrongdoer’s length of service, position/title, or relationship with the Company.

Functional department is first line of defense and hence responsible for the detection and prevention of fraud, misappropriations and other inappropriate conduct. It is the primarily responsibility of every function to implement and manage processes to ensure that efficient controls to detect and prevent frauds are in place. The respective functions shall take adequate measures and introduce controls in place to deter the occurrence of a fraud.

IV. DEFINITION AND TYPES OF FRAUDS

Definition:

1. “Insurance Fraud” (hereinafter referred to as ‘Fraud’) shall mean an act or omission intended to gain advantage through dishonest or unlawful means, for a party committing the fraud or for other related parties; including but not limited to:

- Misappropriating funds;
 - Deliberately misrepresenting/concealing/not disclosing one or more material facts relevant to any decision / transaction, financial or otherwise
 - Abusing responsibility, position of trust or a fiduciary relationship
2. Red Flag Indicator or RFI means a possible warning sign, that points to a potential fraud and may require further investigation or analysis of a fact, event, statement, or claim, either alone or with other indicators.
 3. Cyber or New Age Fraud means any insurance fraud carried out using digital or new age technologies
 4. Distribution Channels shall have the same meaning assigned to it under sub clause (8) of clause 5 of IRDAI (Protection of Policyholders' Interests and Allied Matters of Insurers) Regulations, 2024 as amended from time to time.
 5. Anti Fraud Unit (AFU): Under the Anti Fraud Guidelines, each insurer is required to set up a Fraud Monitoring Unit responsible for operationalisation of the Fraud Management Framework. At Bandhan life, the Anti Fraud Unit (AFU) is the team / department which is in charge of monitoring and reporting of frauds and operationally maintaining the fraud prevention framework.

Types of Frauds:

IRDAI has classified Insurance frauds under the following categories:–

- a) **Internal Fraud:** Fraud involving internal staff, including employees and / or senior management.
- b) **Distribution Channel Fraud:** Fraud involving distribution channels
- c) **Policyholder Fraud and/or Claims Fraud:** Fraud involving any person(s), in obtaining coverage or payment during the purchase, servicing, or claim of an insurance policy.
- d) **External Fraud:** Fraud involving external parties' / service providers / vendors etc.
- e) **Affinity Fraud or Complex Fraud:** Fraud involving collusion among one or more fraud perpetrators in the above categories

V. Fraud Risk Management Framework

Risk Management Committee (RMC) of the Company shall be responsible for effective implementation and oversight of the fraud risk management framework.

As required by the latest Anti Fraud guidelines published by the IRDAI, the Company shall have in place a Fraud Monitoring Committee (FMC) which shall be responsible for operationalizing the Fraud risk management framework within the company and oversee activities, as appropriate, to ensure fraud deterrence, prevention, detection, reporting and remedying.

Further, the Company has put in place a Fraud Monitoring Unit – internally called as the Anti Fraud Unit – AFU which shall be independent of the Internal audit to support FMC in discharging its functions and effective implementation of measures suggested by FMC. The FMC shall be headed by a KMP and shall include senior representatives from relevant departments, such as underwriting, claims, legal or any other department as deemed necessary and may form subcommittees as required for its effective functioning.

The **Functions of the FMC** shall include the following:

- a) recommend and regularly update, based on experiences, appropriate measures on fraud risk management to various functions.
- b) oversee prompt responses to instances or suspicions of fraud
- c) maintain all relevant details pertaining to each instance of fraud
- d) facilitate collaboration with industry peers / bodies, law enforcement agencies and regulatory bodies to pursue cases of fraud and share information / intelligence on known fraud schemes and perpetrators.
- e) conduct an Annual Comprehensive Fraud Risk Assessment to identify potential vulnerabilities across business lines and activities for fraud, using past experiences, emerging trends & Red Flag Indicators (RFIs), etc.
- f) identify areas for improvement and adaptation of the Fraud Risk Management Framework.

The Anti-Fraud Policy and Framework broadly covers the following areas:

- a. Overview
- b. Function Ownership
- c. Anti Fraud Unit (AFU)
- d. Process of fraud monitoring
 - i. Prevention
 - ii. Detection & Reporting Mechanism
 - iii. Confidentiality
 - iv. Investigation & disciplinary Action on Frauds
 - v. Corrective Measures
 - vi. Reporting of Frauds
- e. Co-ordination with Law Enforcement Agencies and
- f. Education, awareness and training
- g. Cyber or New Age Fraud

The above areas are further elaborated below –

a. **Overview:**

The Company endeavours to design and implement a robust fraud monitoring framework to provide reasonable assurance that malpractices and / or frauds are prevented or promptly detected and actioned upon. As part of such framework, all attempts will be made to implement the policy in an effective manner and ensure it acts as a deterrence for any attempt at a malpractice / fraud.

b. **Function Ownership:**

The Company shall design its policies and procedures in such way that each of the business functions shall act as the first line of defence and respective processes shall be designed in such a way that it assists in preventing, detecting and reporting of any malpractices and / or frauds.

The key activities where due diligence is carried out are as under:

- Appointment of employees and carrying out the necessary Background Verification – Human Resources Department
- Appointment of Agents/Intermediaries – Product Management, etc. For intermediary onboarding, Sales Support teams gather relevant information about new intermediaries and submit to Product Management team for code creation. Any exceptions or doubts / queries may also be resolved with the assistance of Compliance Department
- Appointment of TPAs – Operations & Underwriting Department
- Review of vendors whether falling within the purview of outsourcing guidelines or not– Respective functions (with inputs from the Operational Risk, Legal Departments)
- KYC of new and existing customers and ongoing KYC – Sales and Operations

The respective functions shall also monitor the Red Flag indicators applicable to their functions and flag off any suspicious activity for further investigation to the AFU department. The AFU department shall review the list of RFI's periodically to ensure that the same are updated and continue to remain relevant and effective in detecting fraud.

The respective functions shall be responsible for adhering to the delegation of authority matrix applicable to the functions.

As may be feasible, Data analytics team may also be operationalized to study monitor policy transactions and identify red flags on defined parameters including but not limited to profile analysis of policyholders, increasing trends from a particular geography, channel, product etc. Such exercises shall also enable the Company to detect any potential frauds which may have been missed by the respective functions.

c. **Anti Fraud Unit (AFU)**

The Anti Fraud Unit (AFU) is primarily involved in

- investigating suspected incidents/frauds received from various functions. The AFU may also carry out investigations basis its own prerogative
- Identify potential fraud areas at the first stage and share relevant know-how and information with key stakeholders such as underwriting, claims, new business, finance, risk management and internal audit
- Spreading awareness regarding fraud prevention across the organization and to develop a culture of zero tolerance to fraud
- Carry out reporting of the fraudulent cases to regulatory authorities
- Work with the respective functions like legal, HR, sales and distribution to aid in taking actions on the persons involved in carrying out malpractices / frauds against the Company

The whistleblower mechanism may be adopted by employees of any department in case of any suspected frauds and where the employee wishes to hide his / her identity.

It would be the responsibility of the Legal Department to track, monitor and follow up with the Law Enforcement Agencies, for the regular updates, till such complaint is closed logically by them or the court of law.

All other Departments shall provide all support to the legal department, including retrieving of any documents and details.

d. Processes for fraud monitoring:

This section highlights the broad philosophy to be adopted by the Company and the various functions at the time of designing their respective processes. The various functions including the AFU shall design their respective SOP's in line with such philosophy.

i. Prevention:

The Company should strive towards prevention of fraud in the first place. The functions should have defined processes and procedures to carry out due diligence on the Employee, Agents, Intermediaries, Third Party administrators, etc.

Additionally, the Company shall -

- Eliminating potential areas of conflicts of interest between the insurer, Board members, senior managers and other staff
- Periodic review of policies and procedures by the Control functions and findings presented to the Board level Committee.
- Preventive policies, procedures and controls are drafted and implemented;
- Identify control weakness and adopting learnings for process enhancements
- The Code of Conduct and Governance Policy of the Company, as well as the measures to take towards commitment to fraud risk management, are communicated to all personnel in an understandable fashion. They are clearly communicated to all officers and staff members of the Company through several means (including but not limited to the employee manual, the company website, intranet, training courses, etc.).
- All employees including senior management employees are required to sign (either electronically or manually) a confirmation statement at least annually, acknowledging that they have read, understood and complied with the Code of Conduct, Governance Policy Statement of the

Company and the Anti-Fraud Policy Statement of the Company. Any non replies shall be followed up thoroughly by Human Resources;

- Regular and periodic training (including new-hire orientation and refresher training) shall be provided to all personnel, upon joining the organization and throughout their association with the Company, in order to clearly communicate expectations for ethical behavior to staff members; Such training shall also include an element of “fraud awareness” and communication of responsibilities. As far as possible, training should be specific to the employee’s level within the Company, geographic location and assigned responsibilities. As may be feasible, the board members shall also be given appropriate training on insurance frauds
- Personnel records are kept complete and contain all information on the recruitment of Board members, senior managers and other staff. Records are retained for an adequate period of time after the person in question has left the company.

ii. Detection & Reporting Mechanism:

All employees of the Company have a responsibility to detect potential fraud and should be familiar with the types of fraud that might occur within their area of responsibility.

Every employee shall immediately report any confirmed or suspected fraud or dishonest act or omission to his/ her Supervisor/ Manager. The respective Supervisor / Manager shall carry out the basic diligence on the incident being reported by the subordinate and report to AFU for actions or for further investigation as the case may be.

Whistleblower mechanism – Whistle blower mechanism is another way in which Company can detect frauds. Bandhan Life has in place a Board approved Whistleblower Policy. This policy defines detailed process for employees to adopt whistle blower process on suspicious activities and suspected frauds. As the primary responsibility of fraud declaration lies with all employees of the Company, they are responsible to make protected disclosure as per the process defined in the Company’s Board approved Whistle Blower Policy. The email id of the Whistle Officer is express@bandhanlife.com In case of any doubt whether an action constitutes fraud, please contact the Human Resources Department for guidance. In case of detection of frauds, the investigation team may update the necessary functions for taking rectifications/ corrective measures in respective processes.

Use of Analytics:

As may be feasible, Data analytics team may also be operationalized to study monitor policy transactions and identify red flags on defined parameters including but not limited to profile analysis of policyholders, increasing trends from a particular geography, channel, product etc. Such exercises shall also enable the Company to detect any potential frauds which may have been missed by the respective functions. Further investigations shall be carried out on such analysis/ inputs provided by the Data Analytics teams.

iii. Confidentiality:

All fraud investigations and related information will be treated confidentially. The complainant and everyone involved in the investigation process shall maintain complete confidentiality/ secrecy of the matter and shall not discuss the matters under this Policy in any informal/social gatherings/ meetings.

Investigation decisions will not be disclosed or discussed with anyone other than those who have valid business need to know.

The Company strongly encourages individuals to report fraudulent activity. The Company will ensure that no unfair treatment is meted out to individuals who report suspected incidents or frauds in good faith.

However, any abuse of this protection (eg: bogus or false allegations made by an individual knowing them to be false or bogus or having malafide intention) will warrant action as deemed necessary by the Company.

iv. Investigation and Disciplinary Action on Frauds:

The Company has zero-tolerance against any fraud instance, and the Company is committed to ensure timely and adequate response to such events.

Investigations into suspected Frauds are primarily done by the Anti Fraud Unit (AFU) Department. Although, respective function heads may also be reporting confirmed cases of frauds where a further investigation is not warranted. In such cases, the HR team shall be taking up the cases for taking actions against the perpetrators. Alternatively, in case of agents / intermediaries, the required actions may be taken up with the help of the Designated Officer under the Agents Regulations or the Compliance Officer and legal officers along with the sales and channel heads against the intermediaries.

v. Corrective steps:

The learning from the fraud cases shall be further evaluated to understand the reasons for failure of controls and initiate necessary corrective measures.

Action can be of various types:

- Disciplinary e.g. Advisory, Counsel, Warning, Termination, etc. Disciplinary Action against employees, agents, intermediaries, etc. on proven frauds is taken as per the Malpractice Matrix
- Non- Disciplinary
- Process related advisories
- Legal actions & co-ordination with Law Enforcement authorities – This is handled by the Legal department

vi. Reporting on Frauds:

Broadly the following type of reporting shall be carried out under this framework and policy:

- a) submit quarterly reports to the RMC on its activities, findings, and recommendations including the financial impact of fraud on the insurer.

- b) submit report of the Annual Comprehensive Fraud Risk Assessment before the Board of Directors through RMC
- c) report to the Audit Committee, in addition to the RMC, in case of all internal frauds
- d) Reporting to IRDAI, Life Council, other regulatory bodies, etc. – This will be governed by the regulatory requirements which are relevant at the time of reporting
- e) The Company shall report incidents of fraud to the Law Enforcement Agencies and / or other relevant agencies subject to applicable laws
- f) Reporting as per need basis

e. Co-ordination with law enforcement agencies

The Company may coordinate with various law enforcement agencies for providing necessary documents and details required by them in the course of their investigations, fraud reporting on timely and expeditious basis and follow up processes thereon. Reporting to Police or any other law enforcement agency will be done on case to case basis.

f. Education, Awareness and Training:

Employees of Bandhan Life are given online training on Fraud Risk as part of their training programs. An ongoing awareness programme is key to convey fraud risk management expectations as well as effective preventive measure. Awareness of fraud and misconduct schemes should be developed through periodic training and frequent communication.

The company shall periodically execute fraud awareness programs to educate the policyholders and general public about the risk of fraud and how the customers should prevent and protect against it. The training programs, as appropriate shall also be extended to senior management including board members and distribution channels.

This aspect also involves fraud communication whereby fraud investigations shall be communicated on a strictly no-name basis and without any references or evidence through regular communication to business managers. Sharing fraud knowledge across the Company allows business managers to learn from past incidences in other parts of the business, quickly improve internal control deficiencies in their purview, minimize repetitive incidences of fraud and detect fraud by assessing if fraud schemes identified in other areas have also manifested themselves in their area.

g. Cyber or New Age frauds:

In order to prevent Cyber or New Age fraud, Company shall inter alia:

- i. establish and implement robust cybersecurity framework to protect against evolving cyber frauds or threats
- ii. continuously monitor and strengthen systems and processes for fraud risk management, such as incident databases, customer verification, and access control.
- iii. utilize a team with relevant risk and technological expertise to manage cyber fraud risks across various insurance business lines

VI. SHARING OF INFORMATION

The company shall participate in the industry level coordination platforms established through life insurance council for the purpose of exchange of information related to fraud between insurance company. The Legal team **coordinates with law enforcement agencies for reporting frauds on timely and expeditious basis and ensures follow up processes thereon**. Further, based on the circumstances, it may be necessary to report the illegal / wrong actions to the local police for them to investigate the same or to be intimated about it. Such cases would be upon case to case basis. Frequent data would be exchanged whenever requested to further enhance the fraud identification, detection and management process.

In order to ensure that the data available with the Company is effectively utilized to prevent frauds in insurance sector, the Company shall participate in the Fraud Monitoring Technology Framework, made available by the IIB, to help the Company and the industry to combat fraud and protect policyholders and all stakeholders.

The Company shall share to IIB, the details of distribution channels, hospitals, third party vendors and fraud perpetrators blacklisted and IIB shall maintain the caution repository concerning all such details in order to safeguard the integrity of the insurance sector by preventing the involvement of those with a record of fraudulent activities.

VII. RECORD KEEPING:

All fraud related documents/information shall be preserved for a period as specified in the Company's Policy on Maintenance of Records and Destruction of Old Records.

VIII. Policy Governance and responsibilities

The Anti Fraud Policy of the Company will be reviewed annually by the Risk Management Committee of the Board. This Policy will only be updated when changes to the Policy are warranted as required by the Authority. The Policy will then be placed before the Board for its approval basis the recommendation of the Risk Management Committee.

The owner of this policy is the Anti Fraud Unit Department.