

COMMONWEALTH INSURANCE COMPANY ANTI FRAUD POLICY AND FRAUD RESPONSE PLAN

1. POLICY STATEMENT

1.1 Commonwealth Insurance Company takes a zero-tolerance approach to fraud and will uphold all applicable laws relevant to countering fraud in all the jurisdictions in which it operates its insurance business. It welcomes the Insurance Commission's efforts to eradicate fraud in insurance industry for its own protection as well as of its stakeholders.

1.2 The purpose of this policy is to: a) set out the Company's responsibilities in observing and upholding its policy on fraud; b) provide information and guidance to its officers, employees, agents, partners and clientele on how to recognize and deal with fraud issues; and, c) establish standards of conduct for Company's officers, employees, partners, and clientele so as to ensure that the relevant laws and legislations are not violated.

1.3 This policy and the Fraud Response Plan form part of a series of related Company's policies and procedures developed to provide sound internal financial controls and to counter any internal and external fraudulent activities. These include: codes of conduct for staff, employees, corporate officers, including its board of directors; anti-corruption and bribery policy; sound internal control systems; effective internal audit; effective recruitment and selection procedures; disciplinary procedure; public interest disclosure (whistleblowing) procedures; and training.

1.4 It has been proved that fraud not only harms legitimate business activities, but even had caused the downfall of the entire industry. The pre-need insurance industry in the Philippines had been greatly affected negatively by the fraud that was perpetrated a few years back. The Company is taking serious efforts of eradicating fraud, internally or those perpetrated by its employees, officers, and externally or those perpetrated by third persons not directly connected with the company.

1.5 The Company adheres to the strict implementation of this policy and violation thereof may result in disciplinary measures, including the dismissal of employees or the termination of its business relationship with any third party.

2. WHO IS COVERED BY THE POLICY and ANTI-FRAUD PLAN?

2.1 This policy applies directly to Company's board of directors, officers and to all individuals working within the Company as employees, agents, consultants or other persons who may represent the Company from time to time. The policy is provided to other Company's business partners, branch offices and agents, who are required to take reasonable steps to ensure that, in carrying out business activities of the Company, they and their directors, officers, employees and agents comply with all applicable anti-fraud laws.

2.2 The Company's President as well as the Management Committee are responsible for ensuring that Company's board of directors, officers and to all individuals working within the Company as employees, agents, consultants or other persons who may represent the Company from time to time to carry out the business activities of the Company understand the requirements of this policy.

3. WHAT IS FRAUD?

3.1 The Company defines Fraud as follows, to wit: "Fraud is a form of dishonesty, involving false representation, failing to disclose information or abuse of position, undertaken in order to gain or cause loss to another".

3.2 Fraudulent acts can take in many forms. However, for purposes of this policy, it includes:

3.2.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;

3.2.b Intermediary Fraud – fraud perpetrated by an insurance agent/general agents, insurance brokers, management company of a consortium, adjusters against the insurer and/or policyholders; and

3.2.c Internal Fraud – fraud/misappropriation against the insurer by its director, manager and/or other officers or employees;

4. ANTI-FRAUD PLAN

4.1 Fraud is highly fatal and is costly, both in terms of reputational risk and financial losses. It needs time to identify and investigate the same. As such, prevention measures are necessary to curtail, eradicate and at least minimize the commission of fraud.

4.2 The formulation of a comprehensive Anti-Fraud Plan Policy in the Company is a must in the prevention of insurance fraud. Toward this end, the Company formulates and implements Anti-Fraud Plan that will focus primarily on the prevention, detection and investigation of frauds affecting its insurance business;

5. PREVENTION

5.1 The Company shall further strengthen the implementation of strict recruitment policies in hiring its marketing staff, insurance adjusters, agents and other related personnel. It is also conducting and shall further a regular mandatory trainings and seminars to continuously educate its marketing staff and insurance agents in dealing with its applicants and suppose insureds. The same shall likewise cover its claims adjusters, claims staff and officers in the investigation and approval of claims to avoid and prevent fraudulent insurance claims. This is in order to avoid policyholder fraud and/or claim fraud;

5.2 Additional security features shall also be added and routinely applied to its insurance policy forms in order to avoid counterfeiting and reproduction of fakes and imitated insurance policy forms issued by the company;

5.3 It has also include and caused to be printed in its insurance policy forms the “fraud warning” pursuant to the provision of Section 251 of the Insurance Code;

5.4 The Company had ensured that the contracts it signed with its insurance agents/general agents, insurance brokers, consortium partners and adjusters are well protected legally and in compliance with the Insurance Code of the Philippines, Insurance Commission’s policies, and to other related laws of obligations and contracts. This is in order to avoid intermediary fraud.

5.5 The Company maintains a strict internal auditing system of all its financial transactions and activities to prevent internal fraud. The auditing procedure is conducted regularly on unspecified and surprised manner to avoid concealment of possible frauds.

5.6 The Company ensures that any of its officers, employees or agents that may be found to have committed fraud or had conspired, abetted or aided in the commission thereof be meted out by appropriate disciplinary actions, not to mention, criminal and civil actions which may be filed against them in court. Third persons who may be found committing fraud against the company or its policyholders will be dealt with accordingly and will be prosecuted.

6. DETECTION

6.1 The Company shall formulate an additional fraud-detection policy to strengthen its existing fraud-detection policy in order to ensure that frauds are known and detected before it becomes uncontrollable. Toward this end, the company shall:

6.1.a Mandate all its officers, employees and agents of the company to report any suspicious activities that might lead to the commission of fraud either policyholder/claims fraud, intermediary fraud and internal fraud;

6.1.b Create a reporting system to encourage hesitant reporters to report the possible frauds, such as through text messaging system, email messaging, and other highly technical forms of transmitting messages wherein the identity of the reporter will not be divulged and known to the perpetrator;

6.1.c Put-up a reward system to encourage reporters to report possible commission of fraud;

6.1.d Formulate a strict system of releasing and auditing of company forms and insurance policies in order to avoid issuance of fake or unauthorized insurance forms policies;

6.1.e Formulate a strict system of verifications and counter-checking of the documents submitted by the claimants, such as traffic accident reports, affidavits/sworn statements of the witnesses and claimants, pictures, investigation reports, inspection reports in case of performance bonds and other necessary documents;

6.1.f Properly investigate backgrounds, financial standings and other information relative to consortium partners, insurances/general agents, insurance brokers and adjusters;

6.2 The Company believes that early fraud detection is one of the most efficient tools in fraud prevention. When fraud is detected in its early stage, it is the same as it is prevented, as the damage it created and it will create will be minimized or at the very least stopped.

7. INVESTIGATION

7.1 When fraud prevention and fraud detection fails, fraud investigation comes into play. This requires professionals and well-trained fraud investigators to do the job. However, Company officers and employees who have relevant experience and training may be utilized and assigned to do the job of fraud investigation. The Company has created an investigation team composed of a representative from the Legal Department, Recovery Department, Accounting Department, Audit Department, and Claims Department of the Company, who are tasked to investigate each and every fraud reported to the Company.

8. REPORTING

8.1 The Investigation Team shall submit the result of its investigation as well as its recommendation to the President of the Company as well as to the Management Committee who shall take appropriate action thereto.

8.2 The Company President as well as the Management Committee shall have the authority to determine of fraud based on the recommendation of the Investigation Team. At their discretion, they may impose disciplinary action to erring officers, employees, agents and other persons employed by the company who were involved in the commission of fraud. They shall also determine of whether or not the matter will be reported to appropriate law enforcement agencies and regulatory authorities for possible investigation and prosecution of insurance fraud.

8.3 The Management Committee shall keep the records and other necessary documents relating to reported insurance fraud referred to their end. Said records and documents will be used for future reference in detecting, identifying and preventing insurance fraud.

9. TRAININGS AND SEMINARS

9.1 Aside from the trainings and seminars conducted by several accredited organizations which tackle subjects on detecting, preventing and investigating insurance fraud, the Company shall formulate and design its own trainings and seminars on its anti-fraud program. This will mainly focus to the awareness, education and training programs of company's personnel involved in anti-fraud related efforts.

9.2 The Company shall likewise invite resource persons, locally or abroad, who are expert in the field of anti-fraud detection, prevention and investigation program to conduct further trainings and seminars to its officers and employees involved in anti-fraud related efforts.

10. PERSONS RESPONSIBLE FOR THE IMPLEMENTATION OF THE POLICY AND ANTI-FRAUD PLAN

10.1 The Company's "**Management Committee**" composed of the following:

<u>Name:</u>	<u>Position:</u>
a.) MARIO A. NOCHE	Chairman
b.) RAFAEL C. REGALA	Vice-Chairman
c.) LOURDES M. CORCELLES	Member
d.) JOSE PAOLO F. NOCHE	Member
e.) LUCITA P. PANTIG	Member
f.) IMELDA Q. AFUANG	Member
g.) GARY MORIONES	Member
h.) ROMEO C. DIOLATA	Member
i.) GLENN V. ROXAS	Member
j.) EDEN P. CADAY	Member

shall be responsible in the implementation of this Anti-Fraud Policy and Anti-Fraud Plan.

11. RISK ASSESSMENT, MONITORING, AND REVIEW

11.1 As part of its annual risk assessment process the Management Committee will monitor the effectiveness and review the implementation of this policy and plan, considering its suitability, adequacy and effectiveness. It shall

likewise carry out regular audits of the Company's control systems and procedures to provide assurance that they are effective in countering fraud.

MAKATI CITY, PHILIPPINES, this 4th day of September, 2017.

RESPECTFULLY SUBMITTED.

COMMONWEALTH INSURANCE COMPANY

By:

MARIO A. NOCHE
President