



Republic of the Philippines
Department of Finance
INSURANCE COMMISSION
1071 United Nations Avenue
Manila



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CIRCULAR LETTER

**TO : ALL LIFE AND NON-LIFE INSURANCE COMPANIES
AUTHORIZED TO ENGAGE IN INSURANCE BUSINES IN THE
PHILIPPINES**

**SUBJECT : GUIDELINES IN THE DEVELOPMENT OF ANTI-FRAUD PLAN
FOR INSURANCE COMPANIES**

WHEREAS, this Commission recognizes that the insurance business, by its nature, is susceptible to fraud and the need to proactively fight the same;

WHEREAS, an insurance company must be organized in such a way that it is able to monitor all the risks across all lines of its business on a continuing basis and to initiate measures to address them suitably;

WHEREAS, this Commission is committed to ensure that insurance companies are prepared and ready to combat insurance fraud for its own protection and for the welfare of its stakeholders;

WHEREAS, it is necessary that all insurance companies duly licensed to engage in insurance business in the Philippines should institute, implement and maintain an Anti-fraud Plan in accordance with the requirements set by this Commission;

WHEREAS, Section 251 of the Insurance Code, as amended by Republic Act No. 10607 provides that it shall be unlawful to fraudulently prepare, make or subscribe any writing with intent to present or use the same, or to allow it to be presented in support of any such claim;

WHEREAS, there is a need to establish the minimum standards regarding the preparation of a new Anti-Fraud Plan or revision of existing Anti-Fraud Plans for insurance companies to be able to take effective and cost-efficient measures to address fraud issues;

NOW, WHEREFORE, by virtue of the powers vested in me by Section 437 of the Insurance Code, as amended by Republic Act No. 10607, the following Guidelines on the Development of Anti-Fraud Plan are hereby promulgated:

Section 1. Purpose

These guidelines are formulated to provide the minimum requirements for insurance companies in the preparation of a new or revision of its Anti-Fraud Plan. This Plan should be developed as a means of preventing insurance fraud or fighting it in case it occurs. While insurance companies may adopt an anti-fraud plan suitable to their own circumstances, they are, however, mandated to comply with the minimum standards set under these Guidelines.

Section 2. Development of Anti-Fraud Plan

An insurer authorized to engage in insurance business in the Philippines shall institute, implement, and maintain an insurance Anti-Fraud Plan. A detailed description of the company's anti-fraud plan shall be submitted to the Commission

Section 3. Contents of Anti-Fraud Plan

3.1. The Anti-Fraud Plan should, at the minimum, include measures to protect the company from the threats posted by the following broad categories of frauds:

- 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;
- b) Intermediary Fraud - fraud perpetuated by an insurance agent/general agents, insurance brokers, management company of a consortium, adjusters against the insurer and/or policyholders; and
- c) Internal Fraud – fraud/ misappropriation against the insurer by its director, manager and/or any other officers or employees.

3.2. An Anti-Fraud Plan should include the following:

- a) An acknowledgment that the company has established criteria that would be used for the prevention, detection and investigation of suspicious or actual acts of insurance fraud relating to all the types of insurance offered by the company.
- b) A description outlining the company's organizational arrangement and the positions responsible for investigating and reporting of possible fraudulent insurance acts. It shall include a statement whether the company has an internal or an external special investigation unit.
 - (1) If the special investigation unit is an internal unit, the company shall provide a description whether the unit is part of the claims or underwriting departments, or whether it is separate from such departments. The

company shall provide general contact information for the company's special investigation unit.

- (2) If the special investigation unit is an external unit, the company shall provide the name of the company used, contact information and the person or position at the company responsible for maintaining contact with the external special investigation unit. The insurer should also provide a description of its policies and procedures for ensuring that the external special investigation unit fulfills its contractual obligations to the insurer.
- c) A description of the company's fraud prevention, detection and investigation procedures.
 - d) A description of the criteria or threshold used in reporting suspicious claims of insurance fraud.
 - e) A description of the policies and procedures for referring suspicious or fraudulent activity from the claims or underwriting departments to the special investigation unit and to appropriate law enforcement and regulatory authorities in the investigation and prosecution of insurance fraud.
 - f) A description of the company's commitment to provide continuing anti-fraud training and education of personnel involved in anti-fraud related efforts.
 - g) A statement as to whether the insurer has implemented an anti-fraud awareness, education and training program and if so, the insurer should provide a brief description of the program.

Section 4. Filing of Anti-Fraud Plan.

4.1. A company shall submit its Anti-Fraud Plan within one (1) year from the effectivity of this Circular.

4.2. In case of material change/s in its Anti-Fraud Plan, an insurer shall submit revisions within thirty (30) working days from the date of approval of such material change.

4.3. The Commission has the right to review a company's Anti-Fraud Plan and to take appropriate administrative action if it fails to comply with these Guidelines. The Commission may require other reasonable modification of the insurer's Anti-Fraud Plan, or other reasonable remedial action if the review or examination reveals substantial non-compliance with the terms of the insurer's own anti-fraud plan.

Section 5. Fraud Warning

5.1 The forms provided by the insurer to an insured or any other person for filing a notice or making a claim in connection with a policy or contract issued by the insurer shall include the following statement or a substantially similar statement:

“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.”

5.2. The above-mentioned fraud warning shall appear on the required forms within one year from the effectivity of these Guidelines.

5.3. An insurance company may include the fraud warning in its application and policy forms subject to the approval by the Commission pursuant to Section 232 of the Insurance Code, as amended by Republic Act No. 10607.

Section 6. Confidentiality of Anti-Fraud Plan

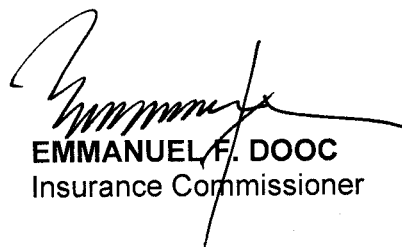
The Insurance Commission shall maintain the confidentiality of the Anti-Fraud Plans submitted by insurance companies in compliance with this Circular unless required to be disclosed by law or by order of a court.

Section 7. Separability Clause

If any provision of these Guidelines or any part hereof be declared invalid or unconstitutional, the remainder of the Guidelines or other provisions not otherwise affected shall remain valid and subsisting.

Section 8. Effectivity

This Circular Letter shall take effect immediately.


EMMANUEL F. DOOC
Insurance Commissioner