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UNITED COCONUT PLANTERS LIFE ASSURANCE CORPORATION

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# Anti-Fraud Plan

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## **I. Policy**

United Coconut Planters Life Assurance Corporation or Cocolife is a life insurance company licensed by the Insurance Commission of the Philippines to sell life insurance and wealth management products. It has accordingly, a fiduciary obligation to all its publics, and because of this, it is bound by law, industry regulations and internal policy to observe ethical practices of the highest order. The company therefore does not tolerate fraud in whatever manner or form, be it internal or external, and whether committed by its employees, officers, business partners, customers and/or sales associates.

All suspected fraud shall be fully investigated and dealt with to the full extent of pertinent laws, rules and regulations, and where appropriate, it will be immediately reported to law enforcement or regulatory authorities and those implicated will be pursued through the courts in order for the company to seek conviction, compensation and/or recovery of assets.

## **II. Objective**

The purpose of Cocolife's Anti-fraud Plan is to establish consistent and accountable actions to prevent and/or detect fraudulent activities in the company's operations. It outlines the authorities and responsibilities of Cocolife employees, sales force, business partners and other stakeholders to ensure following:

- A company culture based on the core values of reliability, excellence, teamwork, integrity and empathy that does not tolerate fraud in any form or manner;
- A dynamic monitoring program to mitigate or minimize exposure to fraud;
- A fraud-awareness education and training program that encourages the reporting of fraud and other irregularities; and,
- A procedure to assure that reported incidents are thoroughly investigated and as maybe necessary, elevated to higher authorities for appropriate disciplinary action.

## **III. Awareness Training**

### **A. Employees**

All officers and staff of Cocolife are required to read and follow the Cocolife Anti-Fraud Plan, which shall be accessible on the company library, the intranet and website. The company's SBUs and support units are expected to have established their specific anti-fraud policies and procedures that shall be published in manuals as well, and made available to their respective staff. These policies and procedures will show the controls that were designed to prevent and detect misconduct and fraud.

Branch personnel are given updates on company and industry rules and regulations well as various fraud-detection procedures, such as fake money, signature identification and the like, during the on-

boarding orientation, through regular updates and during their annual conventions. On-the-job training personnel shall also be oriented in awareness of fraud policies, procedures and controls specific to the units and respective position.

Management shall emphasize the importance of adhering to these policies, procedures and controls to discourage fraud. As needed, manuals and control procedures may be updated and revised to add enhancements and to include new policies and procedures to prevent and detect suspected fraudulent acts.

Training will address specific aspects of fraud associated with the Cocolife's product lines. It will specifically include but will not be limited to:

- Claims Fraud - recognition and referral of suspicious claims, which is detailed in the Claims Procedure Manual; and,
- Application Fraud - considering that this type of fraud in particular, and underwriting fraud in general, are commonly associated with life insurance.

New employees assigned to these tasks will receive education and training regarding the detection of fraud within six months of their effective date of employment. Employees will be presented with updated educational materials at the entrance level and at least once every two years. In-house underwriting staff will undergo annual fraud training as outlined in the Appendix A. Training programs may be developed and conducted by internal Company personnel or outside contractors.

Annually, fraud related training is provided in-house to all underwriting staff. Training covers well known fraud "red flags" as well as high profile current events and topics. All personnel integral to fraud identification have been provided with a list of potential red flags that are referred to during the review of the application data and title, beneficiary and other policy changes.

Training and education is further accomplished through attendance at professional and industry trade association seminars relative to the job. Membership in such associations also provides literature on the specific area of expertise, which may include fraud-related issues. All employees are most certainly encouraged to cascade and share information obtained at seminars and conferences.

Cocolife encourages and provides financial assistance for educational programs to develop and improve life insurance-related professional qualifications. The education and training programs include, but are not limited to, courses related to the following programs:

- Life Office Management Association
- Life Underwriting Education Committee
- Chartered Life Underwriter, and
- Society of Actuaries.

## **B. Sales Force**

All brokers, general agents, agents of regular agencies and promo sales agents engaged in selling

Cocolife's products are independent contractors. In signing a partnership agreement with the company, these independent insurance producers agree to abide by the provisions of their respective contracts. These legal documents set forth the responsibilities and delimitations of authority as agents/representatives of the company, including those that pertain to fraudulent acts.

Cocolife also offers to members of the sales force who have a valid contract with the company, the opportunity to participate in various trainings to recognize and refer suspicious applications, claims and other transactions. Cocolife also periodically distributes guidelines and bulletins to the sales force regarding insurance, products, market conduct, compliance and related matters which may include information pertaining to prevention, identification, and notification of suspected fraudulent acts.

#### **IV. Committees and Units with Anti-Fraud Functions**

Presently, there are three cross-functional management committees that undertake specific anti-fraud activities.

1. The Committee on Employee Discipline (CED) – this is a cross-functional management group tasked with the review, investigation and judgment of employee misconduct cases, especially where there could be possible termination. The core members comprise representatives from Human Resources with the HRASD Head as Chairperson, and Heads of Internal Audit and Legal. The Cocolife Code of Conduct and Discipline ([Appendix A](#)) very comprehensively covers proper employee work decorum and behavior and imposes penalties on internal fraud. The CED reports to the President.
2. The Committee on Sales Discipline (CSD) monitors proper agent conduct and sales activities, as these are detailed in the Cocolife Code of Sales Conduct ([Appendix B](#)). It submits recommendations for disciplinary action, and when warranted, the termination of members of the sales force. The CSD reports to the President.
3. Claims Committee – All suspicious claims detected by the Claims Department are immediately raised to the Claims Committee for more thorough evaluation, investigation and if found fraudulent, rescission action. The Claims Committee is chaired by the EVP for Technical Services and Operations, with representatives from Internal Audit, Legal, Underwriting and other operations units.

#### **V. The Anti-fraud Plan**

##### **A. Fraud Prevention and Detection**

Cocolife's policies, procedures, practices and internal controls detailed below create an environment and corporate culture that seek to deter and detect fraud.

Fraud against the company may be broadly classified into External Fraud, which are committed by agents, clients, business partners and other individual not directly employed by the company, and

Internal Fraud, which are those committed by company personnel.

## **1. External Fraud**

### **1.1. Agent-Related Fraud**

An agent is defined as any independent insurance producer who is duly licensed by the Insurance Commission of the Philippines and has a valid contract with the company, such as brokers, general agents, regular agents, Unit Sales Directors (USD) and Agency Sales Directors (ASD) of individual agencies and promo sales agencies. They are engaged in selling Cocolife's products and services as contractors.

The following are the measures, requirements and procedures followed to prevent and detect fraud committed by an agent:

1.1.1 Agent licensing, contracting, appointments and terminations are processed by the Sales Support Department (SSD). The selection process requires an agent to complete a background information questionnaire (personal history form) which the agent is required to fill up, review and sign. This form is documented and filed by SSD. If the information provided by the agent indicates any adverse history, a further background investigation is done.

1.1.2. Fraudulent acts commonly committed by the agent are:

- a. Non-remittance, misappropriation or withholding of funds received or held by the agent if the funds represent premium payment by the client. To detect such fraud, audit of agents include reviewing and reconciling premium payment records.

It should additionally be noted that agent or agency checks are not acceptable as payment of the client's premium, and if received, shall be promptly returned.

- b. Product misrepresentation – To make sure that there is no misrepresentation and the product and/or service features and benefits are accurately and properly presented, sales pitches or spiels have to be approved by marketing superiors and the Sales Training Department.

Advertising, sales literature, flyers and miscellaneous marketing collaterals made by the agent which are printed and/or disseminated in traditional as well as social media outlets such as the Facebook, are likewise submitted for review and approval by the Marketing Planning Department to make sure that, primary among other considerations, no false advertising or product and service misrepresentation is

committed.

- c. Fraudulent acts in the process of transacting business with the company – there are instances when the agent would intentionally and knowingly commit, or coach his client to commit misrepresentation, concealment, tampering of official forms, forging of signature and other acts that violate underwriting, claims and other company rules and requirements.

To prevent such acts, personnel in units that interact with clients and agents are regularly trained to screen documents to validate their completeness, timeliness and authenticity, as specified in their respective procedures and work instructions.

- 1.1.3. Activities of agents in sales, customer service and policy transactions are accordingly reviewed regularly by respective units to discern indications of actual or potential fraudulent activities. The sources of information include, but may not be limited to records and documents of the following:

- premium collection and remittance
- customer feedback and complaints
- advertising and sales collaterals
- sales presentations and spiels
- policy replacements
- data base for validating sales drive criteria

- 1.1.4. The company's employees, particularly those managing the branches and HO personnel involved in direct transactions with the sales force, act as liaisons between Cocolife and the sales agencies. It is understood that through regular orientations and seminars by HRASD, the staff are made knowledgeable of relevant company policies and procedures and can identify activities that are not in compliance with it.

## **1.2. Life insurance Application Fraud**

Fraud may be committed in the form of misrepresentation on the part of the insurance prospect, client or customer. The following are the measures, requirements and procedures followed to prevent and detect fraud by a life insurance prospect or applicant:

- 1.2.1. COCOLIFE has adopted detailed guidelines and procedures to detect suspicious transactions, most particularly in relation to money laundering, which is a form of fraud that may be perpetrated by individuals purchasing insurance products.

Initially, the purchase of a life insurance contract with the total annual premiums exceeding Php500,000, regardless of the mode of payment, is already considered a covered transaction and subject to screening and review detailed in the Cocolife Money Laundering Guideline ([Appendix C](#)).

A business transaction may still be considered suspicious even if below Php 500,000, where:

- a. the source of funds arise from or is in any way related to an unlawful activity;
- b. the amount appears unusual in relation to the occupation, business or financial capacity of the customer;
- c. the economic purpose or legality of the transaction is not immediately clear, cannot be explained or does not make sense and where there is no underlying legal, trade obligation, purpose, origin or economic justification;
- d. the transaction seems to be unusually complex;
- e. the client is not properly identified;
- f. there is purchase of a single premium contract especially by a policyholder whose previous policies are with smaller regular modes of payment;
- g. there is payment by means of a third-party check or multiple blank checks or money order;
- h. there is payment in cash when, normally, this would be handled by checks;
- i. there are lump sum payments with foreign currency or foreign wire transfers;
- j. there are lump sum contributions to PDF or Fund Builder or large sum mutual fund placements, especially when client shows no concern for the performance of the investment, but much concern for the surrender or early cancellation of the contract;
- k. there is accelerating premium payments;
- l. there is borrowing from a single premium policy shortly after paying for it;
- m. the client applies for early surrender of a single premium policy; and,
- n. applications for jumbo policies are beyond the policyholder's apparent means.

- 1.2.2. The general guidelines to detect fraud in the process of underwriting an application for life insurance is outlined in [Appendix D](#) (Underwriting Anti-Fraud Measures), which is made an integral part of these rules, in the same manner that all other Appendices in this document are considered.

### **1.3. Insurance Policy Transactions Fraud**

The measures, requirements and procedures followed to prevent and detect fraud in disbursements of surrenders, policy loans, endowment proceeds and premium refunds are detailed in [Appendices E, F, G and H](#), respectively.

### **1.4. Claims Fraud**

The guidelines to prevent and detect fraud in Claims are broadly outlined in [Appendix I](#); the detailed procedures are in the ISO Procedures and Work Instructions for Claims (PR-PSV-09 to 63 and WI-PSV-20 to 145, respectively)

## **2. Internal Fraud**

Internal fraud happens when an employee engages in acts that circumvent the regulations, law, or policies of a company, for personal gain. It could range from cases of plain theft, false representation, wrongful disclosure of information, to abuse of position of trust.

## 2.1. Policies and Guidelines

Such offenses are generally in violation of pertinent sections of the Company Code of Conduct ([Appendix A](#)), specifically:

- Section IV A – Offenses Against Honesty, which specifies theft, malversation, fraud, breach of trust and confidence, falsification or forgery of company records, concealment and cover-up and misrepresentation. These are classified as major offenses and guilty parties are given penalties from suspension to termination from service, in extreme cases.
- Section IV C – Offenses Versus Confidentiality of Records, which by its very nature, is presumed fraudulent. It includes misuse of records or property resulting in damage to the company and disclosure / leaking, posting or publishing confidential information. These are also classified as Major Offenses and given the same penalty as above.

The said offenses will also be in violation pertinent section of the Company Code of Ethics ([Appendix J](#)), specifically:

- Section 1.1.2. On Business Transactions, which generally prohibits employees to engage in business transactions on behalf of the company without proper authorization, enter into business deals with relatives and associates on behalf of the company, trade in stocks or securities based on inside information and make personal purchases with company suppliers.
- Section 1.1.3. On Solicitation, Acceptance and Giving of Gratuity, which prohibits the asking or acceptance of any gift or favor which may influence the employee's decision or action on company-related matters; inversely, it also prohibits Cocolifers from performing favors or giving out anything of value that may be considered as bribe to other persons or entities.

## 2.2. Preventive Measures and Procedures

Some of the measures and procedures put in place to discourage and prevent internal fraud are enumerated in [Appendix K](#). These are gleaned from respective ISO Procedures and Work Instructions of different units, with particularly focus on inter-departmental financial control procedures. All employees who are involved in these transactions are regularly trained and reoriented in their respective job responsibilities.

## B. Notification

Employees, officers, sales associates and other stakeholders are encouraged to report all suspected

fraud to his/her direct superior or directly to the Chief Legal Counsel and Compliance Officer.

Any manager who has an employee that reported a suspected fraud activity or transaction is expected to immediately notify the Chief Legal Counsel and Company Compliance Officer, in accordance with the Cocolife' Whistleblower Policy ([Appendix L](#)). If for any reason, an employee is not comfortable reporting a suspected fraud to the Chief Legal Counsel and Company Compliance Officer, he can report it directly to the Head of HRASD who shall then decide on the proper action to take.

### **C. Investigation**

The Chief Legal Counsel-Compliance Officer, Head of Internal Audit, the Head of HRASD and the Heads of Claims and PAD are the point-persons responsible for initiating and conducting fraud investigations in their respective areas of responsibilities. All investigations shall be conducted on an internal basis under the direction of the Chief Legal Counsel.

As a first step, an initial assessment will be made as to whether the circumstances appear fraudulent. If upon review of the circumstances, it is determined that the cause of the critical incident is not the result of an error and it is determined that an instance of suspected fraud has been detected, a full investigation will be initiated. Each matter will be handled in a manner appropriate to its nature. Thus:

#### **1. Investigating Groups:**

##### **1.1. Cases reported directly to higher authorities:**

- a. Alleged violations of AMLA rules and regulations - the report goes directly to the AMLC Secretariat for further action and decision.
- b. Major fraud cases detected or uncovered by Internal Audit – these are reported directly to the Legal and Audit Committee, which is at the Board level, with the Chairman as the presiding officer.

##### **1.2. Cases that may require further investigation, depending on the gravity and complexity:**

- a. Internal fraud cases involving employees - the Chief Legal Counsel and Compliance Officer or the Head of HRASD will convene the Committee on Employee Discipline (CED), chaired by the Head of HRASD.
- b. Agent-related cases – these shall be forwarded the Committee on Sales Discipline (CSD), chaired by the Chief Legal Counsel – Compliance Officer.
- c. Suspicious claims submitted within the policy's contestable period detected by Claims Department – these will be raised to the Claims Committee; appropriate rescission action may be taken.
- d. Applications fraud detected by the Underwriting Department – these shall be reported to the Operations Committee, presided over by the President

e. Policy transactions fraud detected by the Policy Admin Department and shall be reported to the Operations Committee, presided over by the President

2. The presiding officer of respective investigating groups shall have the discretion whether the case will be subject to more in-depth investigation. If this is so, the Chief Legal Counsel and/or Head of Internal Audit, in coordination with either the CED or the CSD and respective functional units, will call upon departments, unit heads and other individuals whose responsibilities are integral to the more in-depth investigation. Investigations will include, as appropriate:

- Interviews individuals with knowledge or information relevant to the suspected fraud;
- Review of transaction reports, IT data, and any relevant documents
- Secure the aid of qualified and authorized outside investigators.

3. No employee or member of the sales force is to engage in any activity that will impede the investigation of suspected fraud. In extraordinary cases of suspected fraud, the Head of Internal Audit and/or the Chief Legal Counsel, in consultation with the CED or CSD, will determine if an outside investigation or audit is warranted. If warranted, the investigation or audit will only be permitted by those with specific experience, training and has proper licensing.

4. Depending on the gravity and size of the fraud, the Chief Legal Counsel will decide whether the case will be elevated to the Executive Committee or the Board, in accordance with the notification and reporting procedures.

#### **D. Reporting**

1. The Chief Legal Counsel-Compliance Officer or Head of Internal Audit, in coordination with either the CED, CSD, the Claims Committee or the Operations Committee, will submit an initial briefing report to be distributed to the members of the respective committees. Depending on the size and complexity of the case, the report may cover the following:

- summary of the case / issue
- outline of procedures for the investigation
- liaison with or notification of law-enforcement or regulatory authorities
- insurance coverage implications
- press or social media implications
- regulatory issues
- investigation timetable
- other areas for which the fraud might be relevant.

2. Upon completion of the investigation, a final report covering all aspects of the case will be produced to provide a formal record of the events and resultant action. Content of this report will include:

- the circumstances of the fraud and its discovery
  - the amounts involved
  - regulatory position
  - whether action has been taken to seek restitution
  - any legal actions initiated or pending
  - necessary controls to stop future abuse and
  - implementation schedule for improvements.
3. If the Chief Legal Counsel, with the consent of majority of the members of the respective committees, decides that fraud has been or is being committed, he shall report the alleged fraud in writing to IC's insurance fraud department and/or to the appropriate law enforcement authorities.
  4. The President shall be the final decision-maker regarding seeking restitution from the perpetrators of the fraudulent act. Once the decision to seek recovery has been made, the Chief Legal Counsel or his nominee is again responsible for informing the appropriate agencies.
  5. If required, the Chief Legal Counsel- Compliance Officer or his designee will file an annual report of fraud related data to Insurance Commission's fraud unit regarding the previous year's investigations.

## **VII. Investigation by External Agencies**

Requests from law enforcement officers to assist with the investigation of a suspected fraud involving an employee or agent of the Cocolife must first be approved by the Chief Legal Counsel-Compliance Officer. If a direct request is received in matters that affect Cocolife, it must immediately be forwarded to the Chief Legal Counsel or any person he nominates. To safeguard Cocolife's duty to protect confidential information against disclosure, it is necessary to require legal approval before the information is released.

Cocolife shall fully cooperate with the Insurance Commission and/or law enforcement agencies, in any criminal investigation. However, it reserves the right to protect any trade secrets, proprietary information and privileged information from being disclosed, to the extent permitted by law.

## **VI. Document Custodians**

This Anti-Fraud plan, including the reporting policies, shall be kept in the Chief Legal Counsel's office and shall be open for inspection by the Insurance Commission.

Legal Department and/or the Internal Audit Department will maintain all documentation pertaining to fraud investigations, with the exception of investigations and documentation pertaining to Claims, which will be retained by the Claims Department.