



KASAGANA- KA MUTUAL BENEFIT ASSOCIATION
ANTI-FRAUD MANUAL

In compliance with IC Circular No. 2016- 50

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I. Introduction and Brief History

KASAGANA-KA Mutual Benefit Association, Inc. (KASAGANA-KA MBA or KMBA) is a non stock not-for-profit organization owned and managed by its members.

KASAGANA- KA MBA provides affordable insurance products and services to urban poor women and their families. Organized in 2006, KMBA is a sister organization of the KASAGANA-KA Development Center, Inc. (KDCI), whose client-beneficiaries and staff constitute KMBA's primary members. KMBA also offers associate membership status to client beneficiaries of its partner microfinance organizations and other organized sectors. As of December 2016, KMBA have more than 44,000 members, composed of the KDCI's client-beneficiaries and over 10,000 associate members.

KMBA traces its creation to KDCI, for which it provides various products and services for the latter's micro insurance program. KMBA's initial fund was sourced from a grant from KDCI, which likewise has since been contributing its community presence and center collection infrastructures to KMBA's field operations. The KDCI grant also enabled KMBA to offer to children of its primary and associate members the Kuya Jun Scholarship Program (named after Severiano C. Marcelo, Jr., first KDCI executive director, who passed away in 2008).

KMBA was registered with the Securities and Exchange Commission (SEC) in June 2006, and was given a license to operate as a mutual benefit association by the Insurance Commission (IC) in April 2007. It is a nonstock not-for-profit organization owned and managed by its members. It is a member of the Microinsurance MBA Association of the Philippines RIMANSI organization for Asia and the Pacific, Inc., a "resource center that develops and offers risk management solutions to member-owned microinsurers, especially Mutual 2 Benefit Associations." As a member of this association it receives technical assistance and other support.

II. What is Fraud?

In general, fraud is defined as the intentional distortion of truth in order to induce another party to part with something of value or to surrender a legal right.¹

Fraud, as defined by the International Association of Insurance Supervisors, is a deceptive act or omission intended to gain advantage for a party committing the fraud (the fraudster) or for other parties.

More specifically, fraud is defined and used by the Association of Fraud Examiners as:

*"A knowing misrepresentation of the truth or concealment of a material fact to induce another to act to his or her detriment. Consequently, fraud includes any intentional or deliberate act to deprive another of property or money by guile, deception, or other unfair means."*²

¹ Merriam-Webster Dictionary

² Black's Law Dictionary

III. Statement of Anti-Fraud Policy

KASAGANA- KA MBA promotes security, honesty, and integrity. It takes zero-tolerance approach to fraud, whether carried out by the Association's members, by outsiders or non-members, its trustees, management or staff, or by its microfinance partners, consultants or suppliers. Henceforth, KASAGANA- KA MBA will pursue investigation for any actual or suspected fraud, including but not limited to insurance claims, benefits, premiums, contributions, or misappropriation of assets in order to uphold and ensure secured management and operations.

In the existence of probable cause, KASAGANA- KA MBA will undertake appropriate measures depending on the gravity of the offense and if necessary, to undertake a legal action by reporting the fraud to proper authorities to receive a proper remedy through recovery of assets or to obtain just compensation for its loss.

IV. Purpose of this Anti-Fraud Manual

The purpose of this Anti-Fraud Manual is to design a framework as the principal guidelines to prevent, detect, report, and investigate alleged and actual cases of fraudulent activity involving members, intermediary, and internal staff specifically:

- a. To identify overall responsibility of the management and oversight responsibility of Board of Trustees in handling cases of fraud.
- b. To appoint an Anti-Fraud Coordinator which will be directly responsible for, and the procedures involved in, the following anti-fraud efforts:
 - i. Development, implementation, review, and maintenance of the Anti-Fraud Manual;
 - ii. Functioning of the Special Investigation Unit (SIU).
- c. Define the procedures involved in dealing with fraud cases.
- d. To establish a monitoring and maintenance manual to prevent and detect possible occurrence of fraud.
- e. To ensure the Association's commitment to develop a program that will provide a continuing anti-fraud education and training for members and staff.

V. Oversight and Operational Responsibilities over the Anti-Fraud Manual

- a. All officers and staff of KASAGANA- KA MBA are responsible for preventing and detecting insurance fraud in their respective areas of operation.
- b. The Board of Trustees, acting through the Treasurer, has oversight responsibility over the Association's anti-fraud efforts.
- c. The Management has the overall responsibility for the development, implementation and regular review of the Anti-Fraud Manual.
- d. The Compliance Officer, under the Shared Support Services of KASAGANA- KA Synergizing Organizations, shall be designated by KASAGANA- KA MBA Management as the Anti-Fraud Coordinator responsible for the maintenance of the Anti-Fraud Manual.

He/she is also designated as the Head of the Special Investigation Unit (SIU), in charge of coordinating any investigation of actual or suspected fraud, with assistance provided by the Internal Audit Services.

The results of the investigation shall be reported by him/her directly to the management or to the Board who will decide whether or not the case needs to be elevated or be consulted to the proper authorities and further identify if a legal action is necessary.

VI. Categories of Fraud

Member/Policyholder Fraud and/or Claims Fraud	Any fraudulent activity committed by members that occurs upon the application by, and enrolment of members and dependents, and upon the purchase and/or execution of an insurance product, including claims and benefits.
Intermediary Fraud	Any fraudulent activity committed by KASAGANA- KA MBA's microfinance partners, collection agents, insurance/KMBA coordinators and other intermediaries.
Internal Fraud	Any fraudulent activity committed by KASAGANA- KA MBA's trustees, managers or staff in the exercise of their functions.

VII. Prevention and Detection of Fraud

Membership Enrollment

- a. The business model of KASAGANA- KA MBA involves partnership with microfinance institutions (MFI Partner) which will be the source of its members. The MFI partner will be the provider of various services such as collection of MBA contributions; validation of claims and disbursements of insurance benefits; and facilitator of its reports.

Thus, for administrative and cost reasons, KASAGANA- KA MBA principally relies on the MFI partner to do the verification of member's personal circumstances such as identity, age, source of income, residential or business address, and name(s) and age(s) of its legal spouse and dependents.

- b. As co-owners of KASAGANA- KA MBA, all members play an important role in fraud prevention. Consequently, before an applicant is allowed to join a local group, center or unit, he or she shall undergo a screening conducted by the existing members of such group, center or unit to determine whether or not he or she will be an asset or a liability to the group.
- c. Apart from the assessment of the existing members, KASAGANA- KA MBA also requires prospective members to fill up a membership application form in fulfilment of the know-your-customer (KYC) requirement. This is undertaken by the MFI partner in behalf of KASAGANA- KA MBA as part of its support services.
- d. The staffs trained for identifying and monitoring fraudulent applications shall, upon membership enrolment, examine the application form of the members by checking the completeness and

consistency of its answers. The information in the application form shall be the same and consistent with the information stated in the following public documents that they have submitted:

- i. Civil documents (e.g. Birth Certificate, Marriage Contract, etc.)
- ii. Alternative or substitute documents (e.g., Indigenous Persons Certification, etc.)
- iii. Government-issued identification cards (e.g., Driver's license, SSS ID, etc.)

In case of doubt, the staff shall raise the matter to its superior to undertake necessary measure based on the gravity of the suspected fraud.

- e. The above-mentioned staffs shall be guided accordingly with the categories of fraudulent activities listed in Table 1 of this Manual. In case, however, that a suspected fraudulent act is committed but is not listed on the said table, the staff will be expected to observe due diligence by reporting the matter to its superior. It shall be noted that the categories listed in Table 1 are not intended to be exhaustive but rather, meant to be instructive to serve as a guide to detect member-intermediary-internal related fraudulent activity.

Table 1. Categories of Fraud in relation to Membership Enrollment

MEMBERSHIP ENROLLMENT	
Member	<ul style="list-style-type: none"> ▪ Falsification of application documents of applicant, dependent or beneficiaries ▪ Falsification of applicant's age in order to qualify for membership and insurance coverage ▪ Inclusion of over-age or ineligible dependents ▪ Misrepresentation of relationship (by consanguinity or by affinity) to overcome the lack of insurable interest
Intermediary	<ul style="list-style-type: none"> ▪ Intentional acceptance of false member information ▪ Manipulation of enrolment date to avail continuous benefit ▪ Adjustment of dates to make a member qualified ▪ Padding the number of membership enrolment to qualify for cash incentives ▪ Distribution of member quota to share incentives ▪ Consolidation of member quota to share incentives ▪ Submission by MFI of fictitious data on non-existent members and/or spouse and dependents which data will eventually be used to claim insurance benefits; ▪ Submission by MFI of request for credit life insurance covering a fictitious loan.
Internal	<ul style="list-style-type: none"> ▪ Intentional acceptance of fabricated documents ▪ Collusion with the intermediary for groups to qualify for incentives

- f. As additional preventive measure, in view of Insurance Commission Circular Letter No. 2016-50, KASAGANA- KA MBA will request approval from the Insurance Commission to include in its Application Form and Certificate of Membership the following anti-fraud warning:

"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."

Collections

- a. KASAGANA- KA MBA Finance, which is in charge of receiving collections report and issuance of MBA contributions remitted by the MFI partner, shall be regularly reconciled against bank deposits to determine whether there was any misappropriation of collections.
- b. MFI Finance partner is in charge of posting members' payments to the members' corresponding subsidiary ledgers. The control totals of subsidiary ledgers shall be generated before and after making the ledger postings. The change in the control totals shall correspond to the total payments made. Similarly, withdrawals from members' ledgers due to death, resignation or retirement shall be reconciled. This ensures that all movements in ledger balances are fully accounted for, with audit trails as reference.
- c. KASAGANA- KA MBA Finance shall be regularly reconciled with the members' subsidiary ledgers against the general ledger. Said ledgers shall include the following data: basic life premiums, equity values, credit life premiums, retirement fund contributions, etc.
- d. KASAGANA- KA MBA Finance shall coordinate with the departments of Membership Enrolment, MIS and Claims the regular reporting to the Management or to the Board of Trustees with respect to the new member's gains or lost, status of membership, and submitted paid, in-process and denied claims.
- e. KASAGANA- KA MBA Finance Department shall be guided accordingly with the categories of fraudulent activities in relation to collections listed in Table 2 of this Manual. In case, however, that a suspected fraudulent act is committed but is not listed on the said table, the staff will be expected to observe due diligence by reporting the matter to its superior. It shall be noted that the categories listed in Table 2 are not intended to be exhaustive but rather, meant to be instructive to serve as a guide to detect member-intermediary-internal related fraudulent activity in the Finance department.

Table 2. Categories of Fraud in relation to Collections

COLLECTION	
Member	<ul style="list-style-type: none"> ▪ Insists of payments not made ▪ Intentionally unrecorded collection from other group members ▪ Intentional non- remittance of collection to satellite office
Intermediary	<ul style="list-style-type: none"> ▪ Intentional non-remittance or partial remittance of collection to satellite office ▪ Intentional non-issuance of provisional receipt/passbook/collection sheet/center logbook ▪ Misappropriation of funds (e.g. contribution intended for payment of MBA insurance applied to loan/savings of MFI, advanced MBA contribution of a member used to pay other member's unpaid contribution) ▪ Tampering of original payment made in the original receipt ▪ Imitating bank deposit formats and layout to prove that payments are made ▪ Intentional double recording of collections
Internal	<ul style="list-style-type: none"> ▪ Manipulation of collection posting

Management Information System (MIS)

- a. Management Information System (MIS) is a series of processes and actions which captures raw data to process them into usable information that can be disseminated to users in a form known to them. The MIS shall be able to maintain databases of members and their dependents, products availed of, payment or transactions, and claims at its minimum.
- b. The MIS' purpose is to support effective and efficient management, as well as to facilitate good governance on the part of the Board of Trustees.
- c. MIS is in charge of the safekeeping of members' records. MIS staff shall not be allowed to do postings, withdrawals or any changes to members' records to ensure segregation of duties and responsibilities with the Finance department which is in charge for the account updates.
- d. Audit trails, being a useful aid in uncovering fraud, shall contain a defined hierarchy of positions authorized to view or to make changes on the records. It will help to expose any unauthorized access to the system and to reflect any changes in the members' database.
- e. KASAGANA- KA MBA MIS Department shall be guided accordingly with the categories of fraudulent activities committed in relation to the system and member's database listed in Table 3 of this Manual. In case, however, that a suspected fraudulent act is committed but is not listed on the said table, the MIS staff will be expected to observe due diligence by reporting the matter to its superior. It shall be noted that the categories listed in Table 3 are not intended to be exhaustive but rather, meant to be instructive to serve as a guide to detect intermediary-internal related fraudulent activity in MIS department.

Table 3. Categories of Fraud in relation to MIS

MIS	
Intermediary	<ul style="list-style-type: none">▪ Intentional encoding of falsified member's details, payments, and claims▪ Forced balancing on records/remittances
Internal	<ul style="list-style-type: none">▪ Manipulation of member's account/records which may include equity value, retirement savings fund and premiums (e.g. encoding of payments which is not made)▪ Creation of fictitious members' records▪ Unauthorized deletion and addition of information▪ Connivance between staff and claimants

Claims

- a. Upon the filing of insurance claim, the KMBA Coordinator or KMBA Account Officer and MFI field staff shall conduct an on-site validation. The claims staff shall rely on the submitted validation report and shall be responsible to check the authenticity of the public documents, alongside other necessary documents such as the following, whenever applicable:
 - i. Death certificate;
 - ii. Birth or baptismal certificate;

- iii. Marriage contract;
 - iv. Police report;
 - v. Hospital records; and
 - vi. Other documents deemed necessary.
- b. The claims staff shall validate insurable interest issues. If there is no insurable interest, the Claims department shall deny the claim and notify the claimant accordingly.
- c. The Claims Department shall coordinate with Membership Enrollment, MIS or Finance in order to confirm whether or not the coverage is in-force, within the grace period or has already lapsed.
- d. The one-year contestability period provides some measure of protection from uninsurable applicants especially if death occurs within a relatively short period after acceptance of membership. If death is due to a pre-existing health condition, the Association pays a lower amount of benefit according to a pre-defined benefit schedule.
- e. If the Claims staff suspected that a fraud has been committed, especially in case of accidental death, a cost-effective investigation shall be initiated to gather evidence including police report, hospital or medical record and sworn statement of witnesses.
- f. If the initial investigation demands a need for a thorough investigation, the Claims Department shall refer it to the Special Investigation Unit (SIU) headed by the Anti-Fraud Coordinator (AFC). It shall submit a written report to the SIU along with the evidences they have gathered. With the assistance of Internal Audit, SIU shall conduct further investigation to identify the existence of probable cause. The investigation shall include gathering of professional opinion as to the cause of death of the insured individual, the place of its death, the financial and medical circumstances, and his or her relationship to the beneficiary.
- g. If the insurance coverage or policy is already incontestable, the Claims Department shall verify only the essential information, whether in-force or within the grace period, before approving payment of the claim.
- h. In case a claim is filed by the MFI partner for Credit Life benefits, the Claims department shall require the submission of a statement of account which shows the amount of original loan, repayments made and outstanding principal balance. In the existence of the outstanding balance, KASAGANA- KA MBA shall settle it and pay the remaining amount, if any, to the borrower's beneficiary.
- i. To aid the Claims department in validating the claim, "Red Flags" cases, which were identified in the Claims Procedure Manual, shall be reported accordingly as it may require further investigation. Listed below are some examples of "Red Flags" that staffs of KASAGANA- KA MBA shall lookout for:
 - i. Death that happened outside the Philippines;
 - ii. Undetermined cause of death;
 - iii. Conflicting dates on the submitted documents;
 - iv. Irregular-looking Death Certificate; and
 - v. Notification of death claims after burial.
- j. To raise anti-fraud awareness and to help deter claims of fraud, the KASAGANA- KA MBA shall release appropriate advisories addressed to the members, intermediaries and internal staffs respectively. Henceforth, the Anti-Fraud warning in view of Circular Letter No. 2016-50, stated under Sec. 251 of the

Insurance Code, quoted in Membership Enrollment, subsection (f) of this Manual, shall be included in all claims notices and forms of KASAGANA- KA MBA.

- k. KASAGANA- KA MBA Claims Department shall be guided accordingly with the categories of fraudulent activities committed in relation to filing of claims listed in Table 4 of this Manual. In case, however, that a suspected fraudulent act is committed but is not listed on the said table, the Claims staff will be expected to observe due diligence by reporting the matter to its superior. It shall be noted that the categories listed in Table 4 are not intended to be exhaustive but rather, meant to be instructive to serve as a guide to detect member-intermediary-internal related fraudulent activity in Claims department.

Table 4. Categories of Fraud in relation to Claims

CLAIMS	
Member	<ul style="list-style-type: none"> ▪ Submission of fake death, disability or hospitalization claims' documents (e.g. police report, death certificate, medical certificate, incident report, and blotter report from the Barangay) ▪ Tampering of death, disability or hospitalization documents ▪ Manipulation of cause of death (natural death or accidental death) ▪ Submission of fake resignation or retirement documents; ▪ Submission of fake membership documents by a non-member or outsider.
Intermediary	<ul style="list-style-type: none"> ▪ Payment of unqualified claims due to sympathy ▪ Intentional tampering of documents to qualify as beneficiary ▪ Account officer aid in the processing of fictitious claims to benefit from the claims proceeds ▪ Account officer forge the signature of inactive member to withdraw members' equity value and retirement savings fund, if applicable ▪ Payment of understated benefit to the beneficiary
Internal	<ul style="list-style-type: none"> ▪ Process a fictitious claim in order to benefit from the claims proceed ▪ MBA coordinator asks for "processing fee" to hasten the claims benefit acquisition

Internal Audit

- a. Internal Audit which performs the audit and operational reviews of KASAGANA- KA MBA's functional areas are based on the amount of the area's risk exposure and available resources. These audits aims to identify weakness in internal controls, pinpoint responsibility for non-compliance to procedures and make recommendations for operations improvement. At the end of the review, Internal Audit shall hold an exit meeting with the Management to discuss findings and agree on corrective steps or improvements in the processes and procedures. To ensure independence with respect to its own audit function, Internal Audit shall directly report to the Audit Committee of the Board.
- b. Internal Audit's non-involvement in the operation line of KASAGANA- KA MBA's insurance business empowers it with a distinct position to perform audit reviews covering all four (4) above-mentioned categories of fraud. In particular, Internal Audit shall pay special attention to Membership Enrollment, MIS, Finance, Claims and other processes that likewise have significant risk exposures to fraudulent activity (i.e. backlogs, overtime pay, under time, etc.). Among other audit procedure, the auditor shall be responsible to perform the following:

- i. Review transactions on audit sampling basis;
 - ii. Review membership enrollments for completeness of required information;
 - iii. Traces the member's contributions; and
 - iv. Reviews changes in members' records and claims payments, provided that it was properly authorized.
- c. One important role of Internal Audit is to distinguish errors or omissions of staffs due to its incompetence, lack of training and supervision against those which are errors or omissions of staffs for the purpose of committing fraud.

Example No. 1: (First scenario)

In the system, it appears that there is a claims payment on a fictitious record, inclusion of non-existent members, and an erroneous posting of wrong contributions.

Example No. 2: (Second scenario)

A fictitious record of non-existent member has been created through the collusion of a Membership Enrollment staff and a Claims staff for the intention to gain from its proceeds. Both staffs processed the fake insurance claims resulting to a successful release of payment.

In the first scenario, Internal Audit shall perform its usual audit review on the doubtful records to identify the cause of the erroneous postings due to lack of training and supervision of the staff. While in view of the second scenario, since the creation of the fictitious record is for the purpose to gain intentionally, a suspected fraud may have been committed, hence the Internal Audit shall refer it to the Anti-Fraud Coordinator to determine if there is a need for a thorough investigation by the Special Investigation Unit (SIU).

Compliance Officer

- a. KASAGANA- KA MBA Compliance Officer shall coordinate with the individual departments to ensure compliance with rules and regulations issued by the Insurance Commission, Anti-Money Laundering Council, Securities and Exchange Commission, Bureau of Internal Revenue, and other regulatory bodies. Compliance unit shall provide advices to the management on the conduct of insurance business and other compliance issues.
- b. The Compliance Officer shall be designated as the Anti-Fraud Coordinator (AFC) who shall head the Special Investigation Unit (SIU). He or she shall be assisted by the Head of Internal Audit in performing the duties and responsibilities as the AFC. As SIU Head, he or she shall create assessments on the result of the investigation of the suspected fraud which shall be reported to the Board of Trustees through the Board Treasurer, in proper coordination with KASAGANA- KA MBA's General Manager.
- c. The KASAGANA- KA MBA Management shall have the overall responsibility over the association's anti-fraud efforts. On the other hand, the Compliance Officer, as the AFC, shall have the direct responsibility to the functions of SIU and the development, implementation, review, and maintenance of this Anti-Fraud Manual.

Internal Control and Financial Management

- a. KASAGANA- KA MBA shall practice sound financial management which includes the following:
 - i. Projected Financial Statement and Performance Objectives
 - ii. Investment Plan

- iii. Monthly Financial Statements
 - iv. Annual External Audit
 - v. Recording of Financial Transactions
 - vi. Annual Budget
- b. It is of utmost importance that KASAGANA- KA MBA maintains at all times the trust of its members. Thus, its goal 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, shall call for immediate investigation by the AFC and/or the Internal Audit.

Table 5. Common Fraudulent Acts related to Internal Control and Financial Management

INTERNAL CONTROL AND FINANCIAL MANAGEMENT
▪ Window dressing/false reporting
▪ Receiving gifts, favors or benefits in cash or in kind from suppliers (optional) that may affect decisions
▪ Conflict of interest such as acquisition of assets, services that constitute conflict of interest for decision makers
▪ Theft and misappropriation of funds and other assets (e.g. cash advance use for other purposes)

- c. To prevent and detect fraud, KASAGANA- KA MBA shall implement measures and internal controls such as proper segregation of duties, setting levels of approval limits and designation of authorized signatories.

Table 6. Internal controls implemented by KASAGANA- KA MBA

INTERNAL CONTROLS
▪ Staff cannot approve his/her own expenses.
▪ Managers, depending on job function, are authorized to approve only those expenses within their area of responsibility.
▪ Maximum amount of expense allowed to be paid from the petty cash fund is One Thousand Pesos (Php 1,000.00).
▪ All requests for payment either through the petty cash fund or in check must be properly supported by invoice, receipts, statement of account, etc.
▪ Expenses for travel, accommodation, entertainment, representation must be reviewed for compliance with the Association's guidelines before payment.
▪ Checks up to Twenty Thousand Pesos (Php 20,000.00) should be signed by General Manager.
▪ Checks higher than the foregoing amount should be signed by one (1) member and one (1) member of the Board of Trustees or by the General Manager.
▪ Bank reconciliations are regularly prepared to detect any forged/fraudulent checks paid, collections not deposited, unauthorized debits to bank account, etc.
▪ Cash advance limits and liquidation period.
▪ Purchasing policy
▪ Budgeting and approval process
▪ Periodic review and analysis of financial reports
▪ Policy manuals are made available to all employees
▪ Development of code of conduct

- d. Any employee who becomes aware of any fraudulent activity must report it to his or her immediate supervisor or the next higher authority, which shall have the duty to report the same to the AFC. The AFC, at this point, shall take necessary measures in accordance with his or her role as the head of the SIU.

Education and Training

- a. Applicants for membership in KASAGANA- KA MBA shall be required to attend the Pre-Membership Education Seminar (PMES). The PMES shall include to its discussion the following essential Anti-Fraud topics:
 - i. Anti-Fraud policies and procedures
 - ii. Duties and responsibilities in fraud prevention and detection
 - iii. Anti-fraud awareness
 - iv. Claims fraud prevention
 - v. The negative effects of fraud on the institution's solvency.

Through this seminar, the KASAGANA- KA MBA widens its anti-fraud prevention network by involving members in screening applicants and providing community-based claims validation. More so, a regular updating of Anti-Fraud policies shall be performed in re-orientations.

- b. In order to keep the Membership Enrollment, Claims, Internal Audit and Compliance staff up-to-date on insurance claims handling and fraud investigation, KASAGANA- KA MBA requires the aforesaid staff to attend regular training, conferences and seminars about this subject. These training shall cover fraud "red flags" as well as high profile current events and topics related to insurance fraud.
- c. KASAGANA- KA MBA requires all new and existing staff including managers to read and follow this Anti-Fraud Manual. The Management emphasizes the importance of strictly following the policies, procedures and internal controls laid out in the Manual in order to discourage fraud and to increase the staff's awareness of suspicious acts.
- d. From time to time and whenever necessary, KASAGANA- KA MBA shall revise procedure manuals and internal controls in order to incorporate improvements to policies and procedures.
- e. To further strengthen awareness of policies, applicable information, education and communication materials shall contain anti-fraud provisions or briefer.
- f. KASAGANA- KA MBA in coordination with the MFI partner shall conduct fraud awareness orientation to all its staff and concerned stakeholder. Further, Anti-Fraud advisories and memos should be made available and visible in the Head office and Satellite offices. Regular skills training on fraud identification, handling and reporting shall also be conducted to update and refresh knowledge of the staff.
- g. This Anti-Fraud Manual, including the reporting policies contained herein, shall be maintained in the office and safekeeping of the Compliance Officer or Anti-Fraud Coordinator and shall be open for inspection by the Insurance Commission. KASAGANA- KA MBA shall also maintain appropriate records to determine the effectiveness of this Anti-Fraud Manual.

VIII. Reporting Fraudulent Activity / Suspected Fraud

- a. In case any member sees or suspects a fraudulent activity involving any co-member, management or staff, he or she shall report it immediately by calling Ulat Hotline of KASAGANA- KA MBA or through personal appearance before any of the following, and fill up the incident report form with the complainant's email address and/or mobile number.
 - i. Account officer
 - ii. Loan officer
 - iii. Internal Audit
 - iv. Compliance Officer
 - v. Anti-Fraud Coordinator
 - vi. Trustee
- b. In case any member sees or suspects that a fraudulent activity is happening, he or she must report it to his or her manager and fill up the incident report form with the complainant's email address and/or mobile number. The manager who received the report shall immediately notify and forward the Incident Report Form to the Anti-Fraud Coordinator. However, in case it is the manager who is involved, he or she shall directly report to the Anti-Fraud Coordinator with his or her filled-up Incident Report Form.
- c. The Anti-Fraud Coordinator shall perform a preliminary evaluation as to whether or not the matter appears to be fraudulent. In case a suspected fraud is detected, AFC shall initiate a full internal investigation (*refer to the Special Investigation Unit section*) with the assistance of the Internal Audit. The results of the investigation shall be reported by the AFC to the Board of Trustees through the Board Treasurer, in proper coordination with KASAGANA- KA MBA's General Manager. The report should be treated with utmost confidentiality.

IX. Special Investigation Unit (SIU)

- a. The Special Investigation Unit (SIU) shall have the duty to perform thorough investigation of any form of suspected or actual commission of fraudulent activity.
- b. The SIU shall be composed of the Anti-Fraud Coordinator (AFC) and the Special Investigation Team (SIT). The SIT shall be appointed by the AFC which shall composed of staffs of Internal Audit and other superiors with essential personalities, who has no direct involvement to the fraud case. The AFC, on the other hand, shall be in the person of the Compliance Officer of KASAGANA-KA MBA. However, in the absence of a Compliance Officer or if it is him or her who was involved in the fraudulent activity, the Internal Audit Manager shall succeed the position of the AFC.
- c. The SIU shall be headed by the AFC, with assistance from the Internal Audit Manager. The AFC shall coordinate and direct the SIT on investigation procedures to be undertaken to establish the existence of probable cause. In case that an interrogation is needed, the AFC may summon the involved individuals in the fraud case for a closed door meeting along with the SIT and the Internal Audit Manager. The SIT shall create written report of the results of the investigation and shall be presented to the AFC. The report, documents, data, sworn statements and evidences shall be in the safekeeping of AFC.

- d. The SIU 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 will be handled in a way suitable to its size and nature.
- e. The SIU expects full cooperation from the staffs or departments who may be deemed to have an essential role over the matter being investigated. The SIT shall interview, if necessary, those individuals with personal knowledge or information and shall review the pertinent documents or records in the fraud case which shall be made easily available to them. Each staff or member of management is required to fully cooperate with the process and shall not in any way hinder the investigation. In the course of the investigation procedure, the SIT shall observe procedural fairness and due process.
- f. All claims submitted within the Basic Life's contestable period are initially investigated by the Claims Department. If fraud is suspected, the investigation is placed under the guidance of the AFC. The SIT will call upon the departments and specific individuals whose personalities are essential to the investigation. The SIT may request assistance from an external investigator or gather professional opinion, if necessary, for external investigations.

X. Reporting and Monitoring Results of Investigation

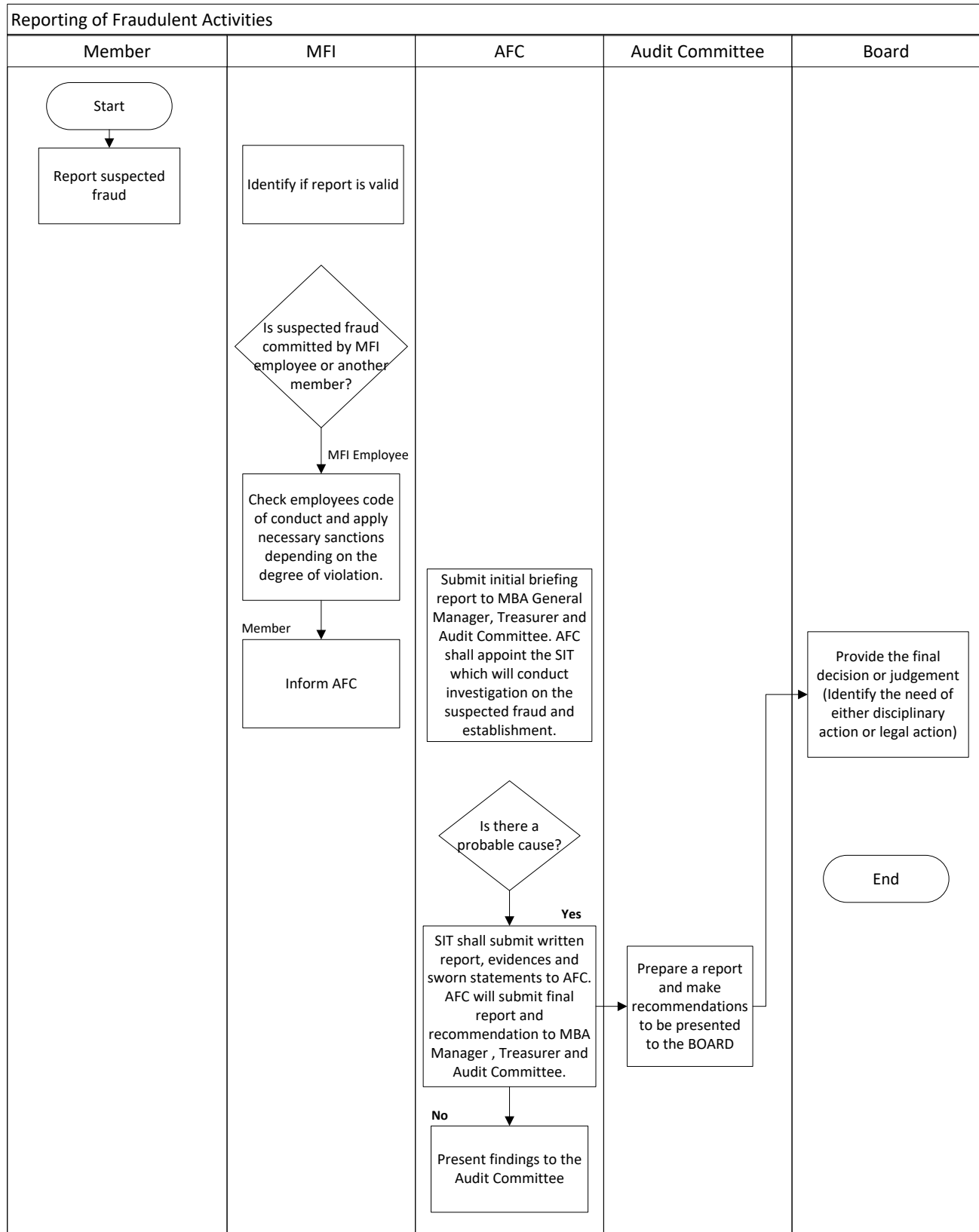
- a. Upon the knowledge of commission of suspected fraud, SIU shall issue an initial briefing report to be distributed to the following: KASAGANA- KA MBA General Manager, Treasurer, and the Audit Committee of the Board of Trustees. This report shall provide the following:
 - i. Summary of the issue;
 - ii. Actual violation equivalent to the commission of Fraud;
 - iii. Outline of procedures and the timetable of the investigation;
 - iv. Applicable consultation to external professionals or proper authorities;
 - v. Other areas of the business which the fraud may be significant; and
 - vi. Other relevant information.
- b. Upon completion of the investigation, the SIU shall issue a final report to the following: KASAGANA- KA MBA Manager and Audit Committee of the Board of Trustees. The Audit Committee shall further report the same to the Board of Trustees covering all the aspects of the fraud case. This shall serve as the formal record of the case including the actions taken. The contents of this report shall include the following:
 - i. Facts and circumstances of the fraud and its discovery;
 - ii. Procedures and findings;
 - iii. Damage inflicted whether financial or non-financial in nature;
 - iv. Amount involved;
 - v. Recommended sanctions (based on Staff/Employment Manual) for erring staff or member of management;
 - vi. Recommended corrective action to improve procedures;
 - vii. Recommendation, if any, to pursue legal action.
- c. KASAGANA-KA MBA Board of Trustees shall provide the final judgement of the proper remedy and punishment to be imposed against the fraud violator. The Board may adopt the recommended punishment of the AFC or may provide a different one based on their discretion and the gravity of fraud committed. The AFC, on the other hand, shall ensure that the recommended sanctions, disciplinary and corrective actions, and the pursuit of legal action, if necessary, are enforced.

XI. Referral for Legal Action

The Board of Trustees shall make the final decision regarding the cost-effectiveness and practicality of pursuing legal action against the person(s) who committed fraud. Its decision to institute legal action shall depend not only on the amount of loss or the gravity of fraud involved but also, the benefits of KASAGANA- KA MBA's interest in promulgating zero-tolerance fraud, especially in its internal operations. If it involves members, the decision shall take into account possible negative effects against the KASAGANA- KA MBA's reputation especially the loss of members' trust. If it involves the MFI partner, the decision shall take into consideration all factors involved including ramifications of any action.

If the decision is to pursue legal action, AFC shall coordinate to the proper authorities, and the Insurance Commission, if deemed necessary, and shall fully cooperate with the law enforcement authorities in any criminal investigation it may pursue.

XII. Anti Fraud Manual Process Map



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ANNEX – Other Examples of Fraudulent Activity

Table 7. Other Examples of Intermediary Fraud

INTERMEDIARY FRAUD	
▪	Microfinance partner creates a fictitious loan to a member, insures with the Association the credit exposure, pays for the insurance premiums and collects insurance benefits.
▪	Microfinance field staff files fictitious claims.
▪	Microfinance partner inflates its membership roster and subsequently claims insurance benefits in behalf of non-existent members.
▪	Microfinance partner's account officer/loan officer creates a fictitious Center or Member Cluster/Group and subsequently claims insurance benefits.
▪	Kiting or lapping of collections by microfinance partner.
▪	Connivance of MBA Coordinator with other parties (e.i. the member, account officer/loan officer) in filing fraudulent claims.

Table 8. Other Examples of Internal Fraud

INTERNAL FRAUD	
▪	Internal staff creates fictitious membership records, pays for the regular contributions, and after some time claims the insurance benefits.
▪	Internal staff processes fictitious claims and finds a way to claim the benefits.
▪	Internal staff manipulates membership/premium records to pay a claim for the benefit of a family, relative or friend.
▪	Board of Trustees/ Management misappropriate assets by ratifying and implementing policies for their own undue benefit.