



**Circular No. 4 of 2017**

**Date: 29<sup>th</sup> September 2017**

**Insurance Fraud**

As part of its mandate to safeguard the interest of the public as insurance consumers and policyholders, the Financial Services Authority (“FSA”) is addressing the form, causes and impact of fraud on the insurance industry and policyholders’ premium costs. Early detection and prevention of fraud contributes for the soundness of a financial system in general and the insurance sector in particular.

Therefore, pursuant to section 85(1) of the Insurance Act, 2008 (“the Act”) the FSA hereby issues these directions to be applicable to all insurance companies and insurance intermediaries. For purposes of this Circular, “insurance intermediaries” means insurance brokers, insurance agents and insurance sub-agents.

**Requirements**

1. Insurers and intermediaries shall have a well-defined fraud monitoring and control policies, approved by their Board of Directors, with procedures for fraud detection, mitigation and reporting.
2. Insurers shall have policies and procedures in place for submitting fully investigated suspected fraud in the required format in Annex i to the FSA with a copy to the Seychelles Police. The Compliance Officer appointed by each insurance company pursuant to section 23(1) of the FSA Act is responsible for reporting quarterly to the FSA on the number of fraud matters identified and how each was resolved, the number referred to the Commercial Crime Unit and the outcome of each referral.
3. Insurers and intermediaries shall ensure that the organizational structures and systems are designed to facilitate communication on actual or attempted fraud to the board of directors, management members and other concerned staffs.
4. Insurers and intermediaries shall provide anti-fraud training to all employees and members of the board of directors whenever necessary.
5. Insurers and intermediaries shall maintain fraud register that shall at a minimum contain detailed records of the fraud including:
  - name and complete address of the suspected fraudster;
  - description or type of fraud (embezzlement, cheating, forgery or others);
  - causes of the fraud;

- position or profession of the suspected fraudster (director, employee, customer, or other party);
  - amount of actual or estimated fraud;
  - date of occurrence of fraud;
  - date of detection of fraud and reason for the delay (if any);
  - place and area of operation where the fraud has occurred;
  - technique and/or technology used to commit the fraud;
  - action taken or proposed to be taken to avoid such incidents;
  - amount recovered, if any;
  - in case of attempted fraud, state reason for the failure of the fraud action; and
  - any other relevant information.
6. Insurers and intermediaries shall report any attempted or actual fraud to the Seychelles Police following the company's own investigation and the FSA with a copy within **30** working days from the date of detection of the fraud in the form attached.
  7. Insurers' Compliance Officers and intermediaries shall submit quarterly progress report on fraud cases outstanding to the FSA within four weeks from the end of the reporting quarter.
  8. Where no new fraud occurred or progress has not been made on outstanding fraud cases during the quarter, insurance institutions shall submit to the FSA, putting the word "Same" on the quarterly report (see 7 above).
  9. The obligation of the insurers and intermediaries to report fraud to the Seychelles Police and to the FSA shall not exclude the obligation to report the case to the relevant authority under any other law.
  10. The quarterly report should be provided to the insurers or intermediaries' Board of Director upon filing with the FSA.

### **Sharing Fraud Information**

The FSA, where necessary, may share the fraud information in its general form and context, guaranteeing anonymity and confidentiality, to other financial institutions, including insurers and intermediaries, using appropriate means of communication.

### **Effective date**

The above requirements shall enter into force as of the **1st day of October 2017**.

Henceforth, the FSA will require all suspected fraudulent claims to be reported to the FSA for recording and to the Seychelles Police for further investigation and legal action by the Court.

Note that non-compliance with these requirements is a punishable offence under section 119 of the Act.

### **Financial Services Authority**