



The Governor

DIRECTIVE N° 04/2017 OF 12/10/2017 ON COUNTERING FRAUD IN INSURANCE INDUSTRY

Pursuant to Law N° 55/2007 of 30/11/2007 governing the Central Bank of Rwanda especially in its articles 5, 6 and 56;

Pursuant to Law N° 52/2008 of 10/09/2008 governing the organization of insurance business in its articles 10 and 14;

Pursuant to Regulation N° 03/2017 of 22/02/2017 on administrative and pecuniary sanctions applicable to insurers;

In the context of maintaining financial stability and ensuring shareholders, policyholders and beneficiaries' confidence in insurance sector;

Considering its obligation of protecting policyholders, the National Bank of Rwanda, hereinafter the Central Bank, decrees:

CHAPTER ONE: GENERAL PROVISIONS

Article one: Purpose

This Directive aims at preventing fraud in the insurance sector.

Article 2: Definitions of terms

In this "Directive", the following terms shall mean:

1° Beneficiary: a person other than the policyholder entitled to payment under an insurance contract;

2° Anti-fraud policy: A document that outlines the insurer's approach and which defines its roles and responsibilities to detect, prevent and combat fraudulent activity both internally and externally;

3° Insurer: a licensed or authorized legal entity which carries on insurance business;

rdm

4° Insurance intermediary: brokers, service providers, garages, hospitals, medical clinics, loss adjusters and insurance agents.

Article 3: Scope

This Directive shall apply to insurance companies, employees, management, directors, policyholders, insurance intermediaries and service providers working with insurers and to any other person having information about fraud in any insurance company.

CHAPTER II: ANTI-FRAUD POLICY

Article 4: Anti-fraud policy

Every insurer shall have an anti-fraud policy approved by the board.

Article 5: Minimum content of anti-fraud policy

An anti-fraud policy shall include but not limited to the following:

- a) Criteria that would serve for detection, prevention and investigation of suspicious or actual acts of insurance fraud relating to each type of insurance products offered by the insurer;
 - b) Establishment of company's organizational arrangement and the positions responsible for investigating and reporting of possible fraudulent insurance acts;
 - c) The Board of Directors overall responsibility to design controls that prevent fraud whether by collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
 - d) Investigation function composition and the mechanism of its operationalization;
 - e) A statement on anti-fraud awareness, education and training among its staff and other stakeholders;
 - f) A description of insurer's internal fraud detection mechanism by employees, consultants or any other stakeholder;
 - g) Detailed role of the Board, Senior Management and of internal audit to prevent fraud;
- CC dm

- h) Mechanisms for selection, monitoring and evaluation for each insurance intermediary and service providers;

Insurers shall ensure that all staff, intermediaries and service providers are adequately trained on anti-fraud policy on a regular basis.

Article 6: Fraud warning

Every proposal form, insurance policy or any other document in relation to insurance business provided by an insurer shall explicitly bear the clause on warning about fraud.

CHAPTER III: ANTI-FRAUD INVESTIGATION FUNCTION

Article 7: Obligation to establish Investigation Function

Every insurer shall have an effective fraud investigation function under internal audit capable of evaluating and providing advice on matters including but not limited to deterring, detecting, recording, and reporting fraud.

Anti-fraud Investigation function shall independently exercise its duties without any influence from the board, management or any other person.

The insurer shall make sure that staff involved in this function are adequately trained, qualified, of high level of integrity and uncompromising character and with skills to carry out their responsibilities.

The investigation on a case may be outsourced when the nature, scale and complexity of the case so require.

Article 8: Employee's qualifications in investigative function

Employee's qualifications of investigation function shall include at minimum a Certified Internal Auditor, or a CPA or an ACCA holder and bachelor degree holder in law with at least three years working experience in prosecution or in forensic audit.

Article 9: Confidentiality in investigation process

In the course of investigation, all activities shall be kept as confidential and private as possible and shall always be carried out with integrity.

Investigators shall be bound by professional secrecy as per the penal code.

However, confidential information may be shared only for investigation purposes.



Article 10: Reporting in investigation process

Investigators shall report to the Board of Insurers.

CHAPTER IV: WHISTLE BLOWING AND FRAUD CASES INVOLVING THE BOARD MEMBERS AND SENIOR MANAGEMENT

Article 11: Whistleblowing

Without prejudice to Law relating to the protection of whistle-blowers every insurer must have its own whistleblowing policy which must be approved by the Board, and a copy forwarded to the Central Bank.

Article 12: Reporting internal and external fraud

Every person who reasonably believes that fraudulent acts are happening within the insurance company, took place in the past, or is likely to happen in the future, shall inform the investigation function of the insurer.

Article 13: Payment of commission to insurance intermediaries

No insurer shall pay commission to any insurance intermediary without proof of the BNR's License and a valid mandate from the persons they represent. That mandate must clearly disclose the identity of the person responsible of payment and the amount to be paid.

Article 14: Fraud involving the Board members or Senior Management

Fraudulent acts involving Board members or Senior Management shall be referred to the Bank for administrative action.

Article 15: Reporting to the Central Bank

The insurers shall report both to the Central Bank and to the Association of Insurers the identified fraudulent cases within fifteen (15) days after the end of reference quarter.

The report shall be done in line with the template hereby attached as appendix.

Article 16: Obligation of Association of Insurers to educate the public

Association of Insurers shall educate the public on the matters of insurance fraud among others.



Article 17: Restriction for insurance intermediaries to collect premiums

No insurance intermediary is allowed to collect premiums from policyholders or their representatives on behalf of the insurer.

Article 18: Filing anti-fraud policy

Insurers shall submit to the Central Bank anti-fraud policy within three (3) months after the coming into force of this Directive.

Revised anti-fraud policies shall be submitted every 3 years thereafter.

In case of material change/s in its anti-fraud policy, an insurer shall submit to the Central Bank revisions within thirty (30) working days from the date of approval of such material change by the Board.

CHAPTER VI: FINAL PROVISIONS

Article 19: Enforcement mechanisms

Violations of provisions of this Directive may prompt the Central Bank to take regulatory measures as set by the laws and regulations.

Article 20: Transitional period

Insurers are granted a transitional period of six months to conform to the provisions of articles 4, 7 and 11 of this Directive.

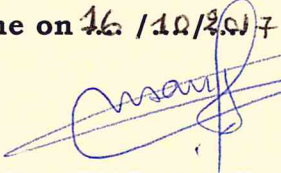
Article 21: Repealing provisions

All prior provisions contrary to this Directive are hereby repealed.

Article 22: Commencement

This Directive shall come into force from the date of its signature.

Done on 16/10/2017


Dr. NSANZABAGANWA Monique
Vice Governor and Acting Governor



APPENDIX: INSURERS REPORTING TEMPLATE

Insurance product, Ex. Motor insurance						
Number of frauds	Name of the suspected/committed fraud	Brief description of facts around the suspected/committed fraud	Estimated defrauded /targeted amount	Risk impact on the company	Action taken	Status of the person involved (Convicted/in nocent...)
1.						
2.						
3.						
4.						

ofm