

Effective date: 14 July 2022

NOTICE FOR INSURANCE COMPANIES AND TAKAFUL OPERATORS

NOTICE NO. TIU/N-3/2022/20

NOTICE ON REPORTING OF INSURANCE AND TAKAFUL FRAUD

1. INTRODUCTION

1.1. This Notice is issued pursuant to Section 88 of the Insurance Order, 2006 ("IO) and Section 90 of the Takaful Order, 2008 ("TO") to require insurance companies and takaful operators ("the insurer") to report any suspected or confirmed insurance fraud cases. This Notice must be read with the guidance found in *"Guidelines on Insurance Fraud Risk Management in Insurance and Takaful"* [Guidelines No. TIU/G-4/2018/9 – Amendment No 1] [hereinafter referred to as "Guideline No. TIU/G-4/2018/9"].

1.2. This Notice shall also be read in conjunction with the following:

1.2.1. Notice on Corporate Governance for Insurance Companies and Takaful Operators [Notice No. TIU/N-3/2017/7];

1.2.2. Guidelines on Risk Management and Internal Controls for Insurance Companies and Takaful Operators [Guidelines No. TIU/G-3/2018/8];

1.2.3. Guidance Paper to Financial Institutions for the Obligation to Submit a Suspicious Transaction Report (STR) under Section 15 of Criminal Asset Recovery Order, 2012 ("CARO") and Section 47 of Anti-Terrorism Order, 2011;

1.2.4. Paragraph 4.5(ii) of the Notice on Market Conduct [Notice No. FCI/N2/2021/1]; and

1.2.5. any other notices, directives or guidelines, which the Authority may issue from time to time.

1.3. This Notice shall take immediate effect.

2. DEFINITIONS

2.1. For the purpose of this Notice:

2.1.1. "authorised communication channel" refers to email, mobile phone, letter or other channels that have been agreed between the Authority and the insurer;

2.1.2. "Authority" means Brunei Darussalam Central Bank as defined by the Brunei Darussalam Central Bank Order, 2010 ("BDCB Order");

2.1.3. "Board" means the Board of Directors of the insurer;

2.1.4. "Financial Intelligence Unit" means the agency responsible for receiving, requesting, analysing and disseminating information concerning money-laundering, suspected proceeds of crime and terrorist financing;

2.1.5. "fraud" can be defined as an act or omission intended to gain dishonest or unlawful advantage for the party committing the fraud or for other related parties. In the case of insurance fraud, this would usually involve an exaggeration of an otherwise legitimate claim, premeditated fabrication of a claim or fraudulent misrepresentation of material information;

2.1.6. "insurance" includes takaful;

2.1.7. "insurer" means a registered insurance company under the IO and a registered takaful operator under the TO, unless it is otherwise specified;

2.1.8. "Key Persons in Control Function" means a person principally accountable or responsible, whether solely or jointly with other persons, for monitoring the appropriateness, adequacy and effectiveness of the insurer's internal controls, risk management and compliance systems and processes, and includes:

a) Chief Internal Auditor;

b) Head of Risk Management;

c) Head of Compliance;

d) Chief Financial Officer; and

e) Appointed Actuary.

2.1.9. "Key Responsible Persons" means a person whose activity is regulated by the Authority under the Orders, and refers to senior persons that are accountable or responsible for the management and oversight of the insurers of which they may hold controlled functions in executive positions; and

2.1.10. "senior management" shall have the same meaning as senior management defined in Notice on Corporate Governance for Insurance Companies and Takaful Operators [Notice No. N-3/2017/7].

3. INSURANCE FRAUD RISK MANAGEMENT PRACTICES

3.1. An insurer shall establish insurance fraud risk management practices provided in Notice No. TIU/N-3/2017/7 approved by the Board (for insurers incorporated in Brunei Darussalam) or the group/regional office or its equivalent oversight function for the operations in Brunei Darussalam (for insurers incorporated outside Brunei Darussalam). This is to ensure that adequate and effective preventive policies, procedures and controls are in place to deter, prevent, detect, report and remedy fraud including forged insurance policies and takaful certificates.

3.2. Preventive policies, procedures and controls for each broad category of fraud identified pursuant to Guidelines No. TIU/G-4/2018/9 shall include, but are not limited to:

3.2.1. Establishing a proper internal control involving sales, cover note, internal policies and takaful certificates;

3.2.2. Maintaining adequate supervision of management and other staff;

3.2.3. Establishing clear reporting lines and communication procedures;

3.2.4. Establishing a transparent and consistent policy in dealing with internal fraud by the Board, senior management and other staff, including policy on notification to the relevant law enforcement agency; or

3.2.5. Establishing a clear dismissal policy for internal fraud cases in order to deter other potential perpetrators.

3.3. The practices shall be subject to a periodic review by the insurer at least biennially, and upon detection of suspected or confirmed fraud cases.

4. REPORTING REQUIREMENTS

4.1. An insurer shall report any suspected or confirmed fraud cases to the Authority in the following manner via an authorised communication channel[1]:

4.1.1. **No later than 1 working day** upon detection and confirmation;

4.1.2. **No later than 5 working days** or such longer period as the Authority may allow, upon the detection and confirmation using the reporting form in **Appendix 1**. Any reference to the reporting form shall be construed as reference to the current version of Appendix 1 which is displayed on the Authority's website at www.bdcb.gov.bn;

4.1.3. the reporting form shall be certified by the relevant Key Persons in Control Function or Key Responsible Persons; and

4.1.4. submit a brief summary detailing the necessary actions[2] and duration taken to resolve the case **no later than 10 working days** upon resolution of such case.

4.2. For the avoidance of doubt, insurers shall continue to comply with the provisions of the Criminal Asset Recovery Order, 2012. In relation to insurers, this means that in addition to the requirements of paragraph 4.1 above, a Suspicious Transactions report shall be filed to the Financial Intelligence Unit of the Authority as required after a suspicion has been established[3].

5. PROVISIONS REPEALED

5.1. The provisions of any other notices, directives and policy documents issued by the Authority prior to this Notice and which are inconsistent with it are hereby repealed.

MANAGING DIRECTOR

BRUNEI DARUSSALAM CENTRAL BANK

Date: 14 Zulhijjah 1443H /14 July 2022M

[1] For guidance on authorised communication channel under paragraph 4.1 of the Notice, see Schedule 1.
[2] Refer to paragraph 4.5 of the Notice on Market Conduct, as may be revised from time to time.
[3] Please refer to Guidance paper to Financial Institutions for the Obligation to Submit a Suspicious Transaction Report (STR) under Section 15 of Criminal Asset Recovery Order and Section 47 of Anti-Terrorism Order.

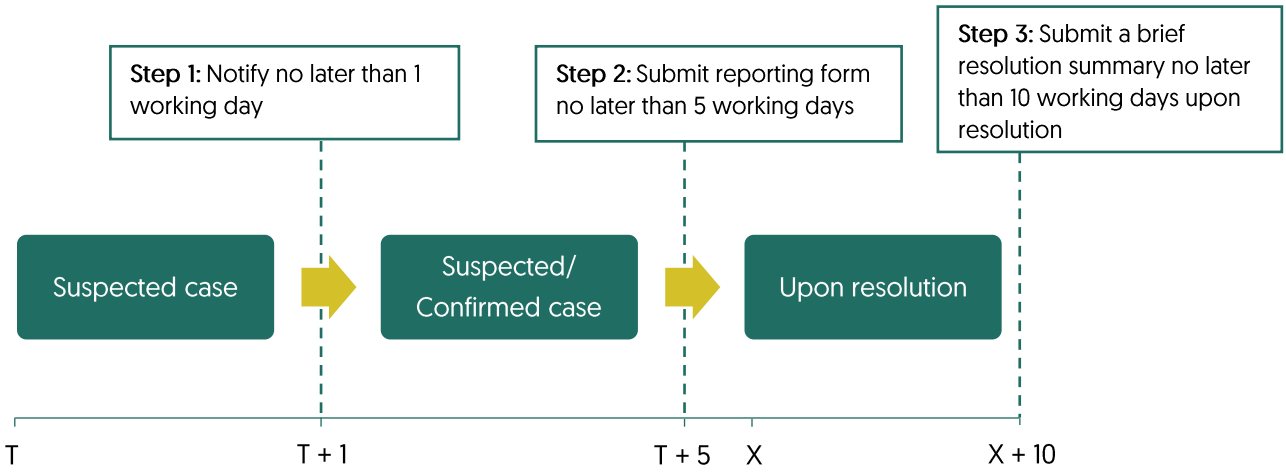
SCHEDULE 1

Please refer to the table and illustration below for the guidance relating to the Paragraph 4.1 of the Notice:-

Reporting Format	Timeline for submission	Minimum Information to be included	Authorised Communication Channel
Notification to Authority	No later than 1 working day	1. Date and time of the case was discovered 2. Type of fraud case 3. Optional: • Possible root cause of the case • Possible impact of the fraud case • Possible actions to be taken	Mandatory: • Email **To fulfill the requirements under this reporting, insurers shall report via email.** Other authorised communication channels are supplementary, and thus, will not replace the reporting via email. However, should there be exceptional circumstance such as internet connectivity outage, reporting via other authorised communication channels is considered sufficient.
Submit a reporting form	No later than 5 working days	As set out in Appendix 1 – Suspected or Confirmed Fraud Case(s) Reporting Form	Mandatory: • Email; or • Letter **To fulfill the requirements under this reporting, insurers shall report via email or letter.**
Submit a brief resolution summary	No later than 10 working days upon resolution of the incident	1. Duration taken to resolve fraud case including resolution date 2. Actions taken to resolve the fraud incident	

Note: Working days are from Monday to Friday, excluding official public holidays.

Illustration: Fraud reporting mechanism under paragraph of 4.1 of the Notice.



T = working day
X = the day a resolution to a fraud case is concluded