EXTENT AND EFFECT INSURANCE FRAUD

PRESENTED BY:

DAVID SOME

ON 27-29 NOVEMBER, 2012
Introduction

- Fraud remains a major pollution and risk to the insurance industry in Kenya.

- Affects insurers, policyholders, insurance customers and beneficiaries;
  - Increases cost of accessing insurance
  - Restrict quality of services offered
  - Affects consumers choices
Introduction cont...

- Insurers’ profitability,
- Financial soundness,
- Public/consumer confidence in the insurer
- Reputation of the insurance sector is tainted.
No person shall use or cause or permit any other person to use motor vehicle on the road unless there:

- Is in force in relation to the user of the vehicle by that person a policy of insurance or
- Security in respect of third party risks as complies with requirements of this Act.

Anyone who contravenes this provision shall be guilty of an offence and liable to:

- A fine not exceeding Kshs. 10,000/= 
- Imprisonment for term not exceeding 2 years or both
WHAT IS INSURANCE FRAUD?

- Insurance fraud is an intentional deception committed by applicants, policyholders, claimants, service providers, agents, brokers, company employees.
- For financial gain
- May occur during the process of buying, using and underwriting insurance covers.
- Usually motivated by greed or financial distress
Extent of Insurance Fraud in Kenya

- It is estimated 25% of insurance industry income is fraudulently claimed.
- It is estimated 30% of the motor insurance claims are fraudulent.
- It is estimated that 35% of all medical claims are fraudulent.
Insurance Fraud Investigation Unit (IFIU)

- Was established 2011, as a unit under criminal investigation unit to work with IRA.
- Receive reports of suspected insurance fraud.
- Investigate Insurance Fraud related crimes
- Coordinate investigation with other law enforcement state agencies.
- Prepare comprehensive investigative reports for criminal investigation and administrative action.
- Arrest and prosecute suspects in court
Why people commit insurance fraud

- Perceived as victimless crime
- Recovery of years of premium
- Easier for companies to pay claims than fight
- Public negative attitude
- Lenient penalties and low enforcement priority
HOW TO AVOID FALLING A VICTIM OF INSURANCE FRAUD

• Ensure that the agent your dealing with is registered.
• If the premium offered is unreasonably low think twice.
• Ensure that you get the policy document and receipt of premium payment.
ALWAYS REMEMBER

- The real victim of insurance fraud are not insurance companies but you and other policyholders who will pay increased premiums.
- In case of any suspicious insurance transaction contact IFIU through the following office numbers and email:
  - Tel no. 0572503249, 0786598455, 0707598455
  - Email Address: ifiu@ira.go.ke
Team Work