

OVERVIEW ON INSURANCE FRAUD

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**INSURANCE AGENTS
WORKSHOP**

BY : IFIU OFFICER

OUTLINE



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INTRODUCTION

The insurance business by its nature is susceptible to fraud.

Risk distribution system requires the accumulation of liquid assets which are in turn available to pay loss claims.

Insurance companies generates a large steady flow of cash through insurance premiums.

The accumulated liquid asset is very attractive and easily converted.

Hence insurance fraud!!

What is Fraud?

Willful misrepresentation of a material facts motivated by unfair and unjust advantage over others. (Jack Boolgna1984).

An act or Omission intended to gain dishonest or unlawful advantage for a party committing fraud or any other parties (IAIS).

Deceptive act or omission intended to gain advantage for a party committing the fraud (the fraudster) or for other parties. (Insurance Act 2015 Insurance Regulation on Fraud)

Components of Fraud

A false statement

Materiality

Knowledge of its falsity

Reliance on the false statement by the victim

Damages suffered.

FRAUD TRIANGLE

According to Donald R. Cressey; fraud is as a result of the the following:

- Motivation,
- Opportunity and
- Rationalization.

Management is responsible for the prevention and detection of fraud within an organization.

Fraud prevention requires a system of policies and procedures which in their aggregate:

- minimizes the likelihood of fraud occurring.
- maximizes the possibility of detecting any fraudulent.

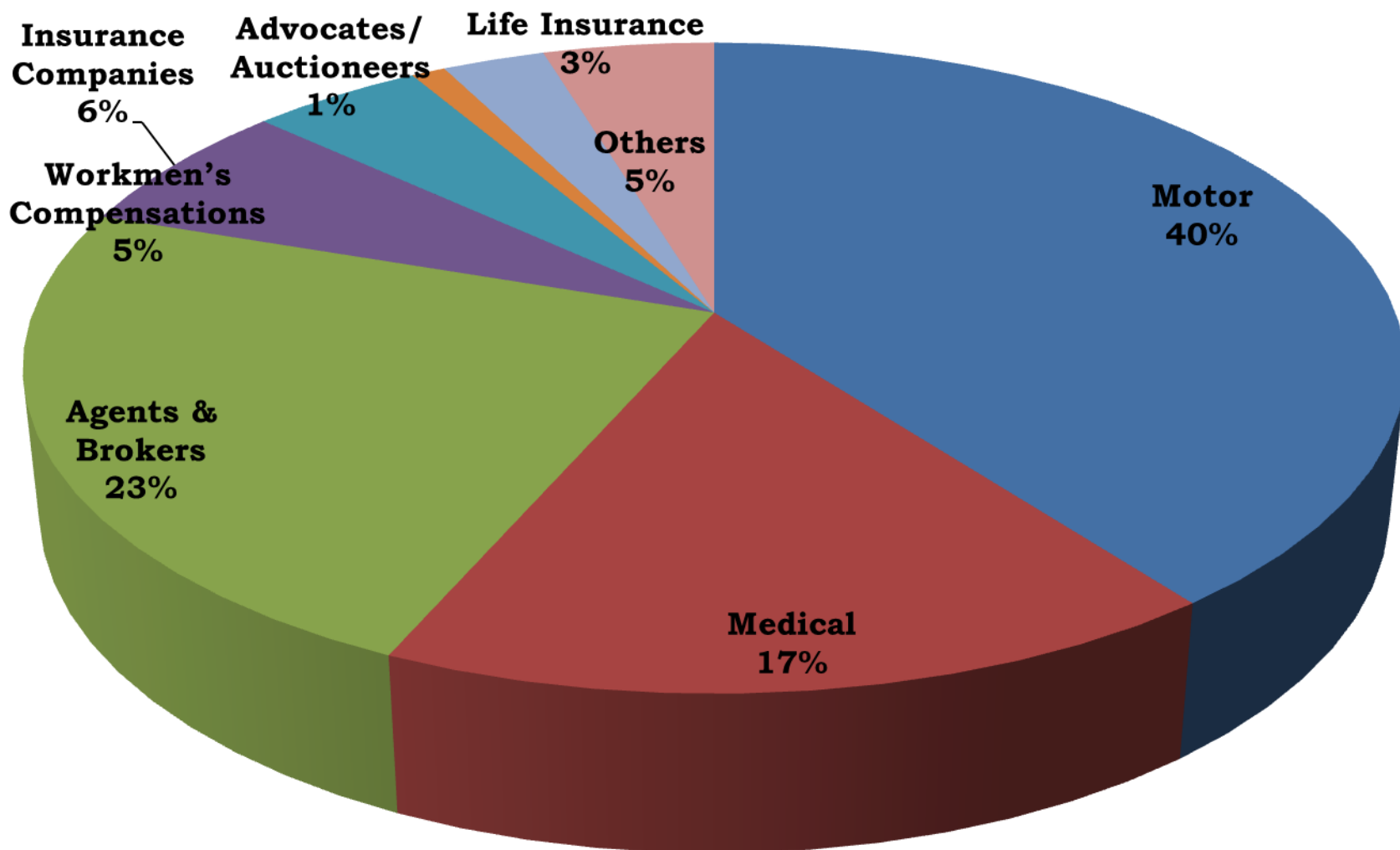
The potential of being caught most often persuade the likely perpetrators not to commit the fraud.

FUNCTIONS OF IFIU

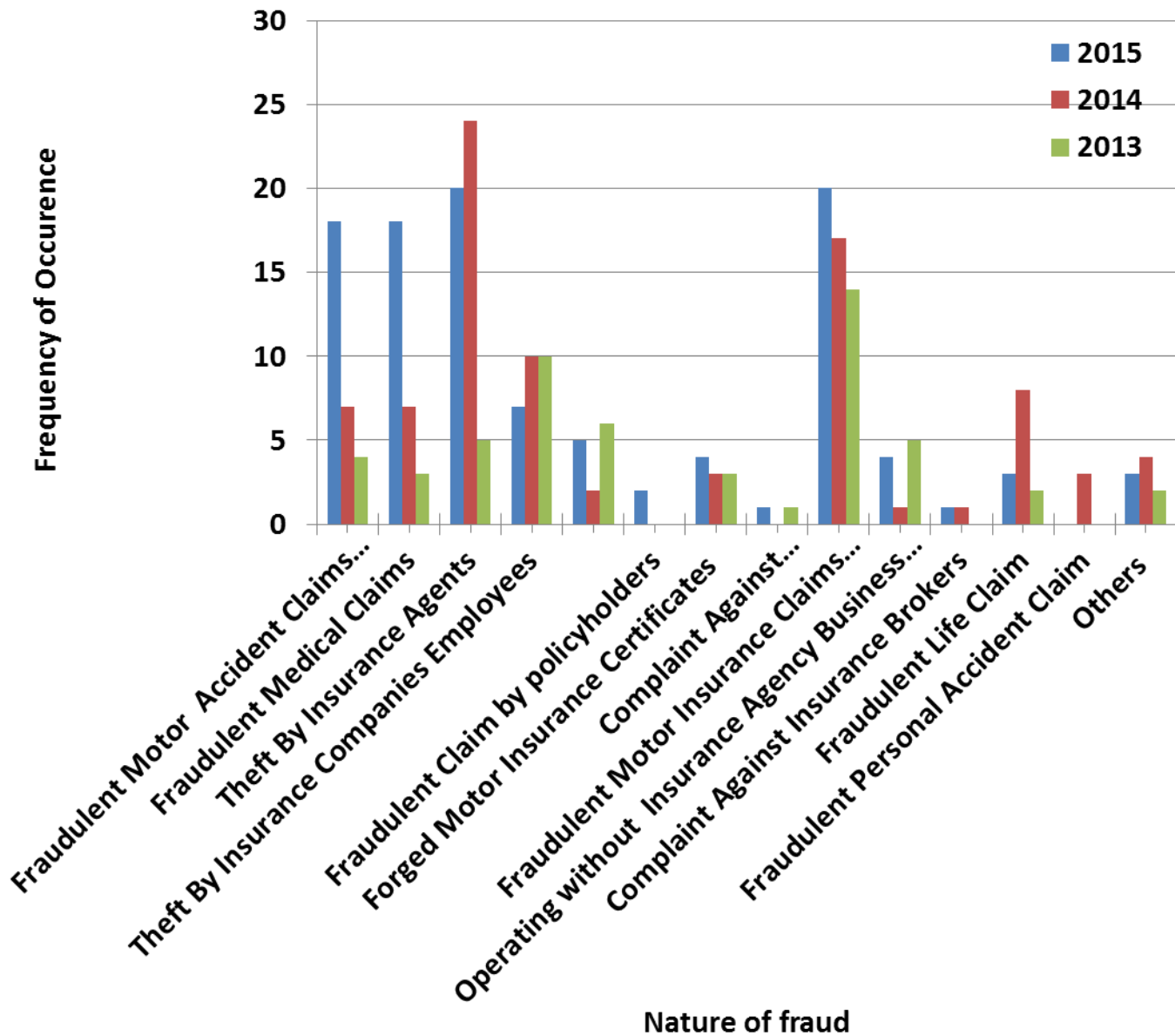
- Receive reports of suspected insurance fraud.
- Investigate Insurance Fraud related crimes.
- Fraud awareness
- Advice management on ways of mitigating fraud
- Intelligence Collection dissemination
- Coordinate investigation with other law Enforcement Agencies.
- Prepare investigation reports for Prosecution and Administrative action.
- Arrest and support prosecution of suspects in court

FRAUD TRENDS

INDUSTRY FRAUD DISTRIBUTION FOR 2015



Comparison of cases reported during the year 2015, 2014, and 2013



TYPOLOGY OF INSURANCE FRAUD BY AGENTS

Premium Fraud

Commission fraud

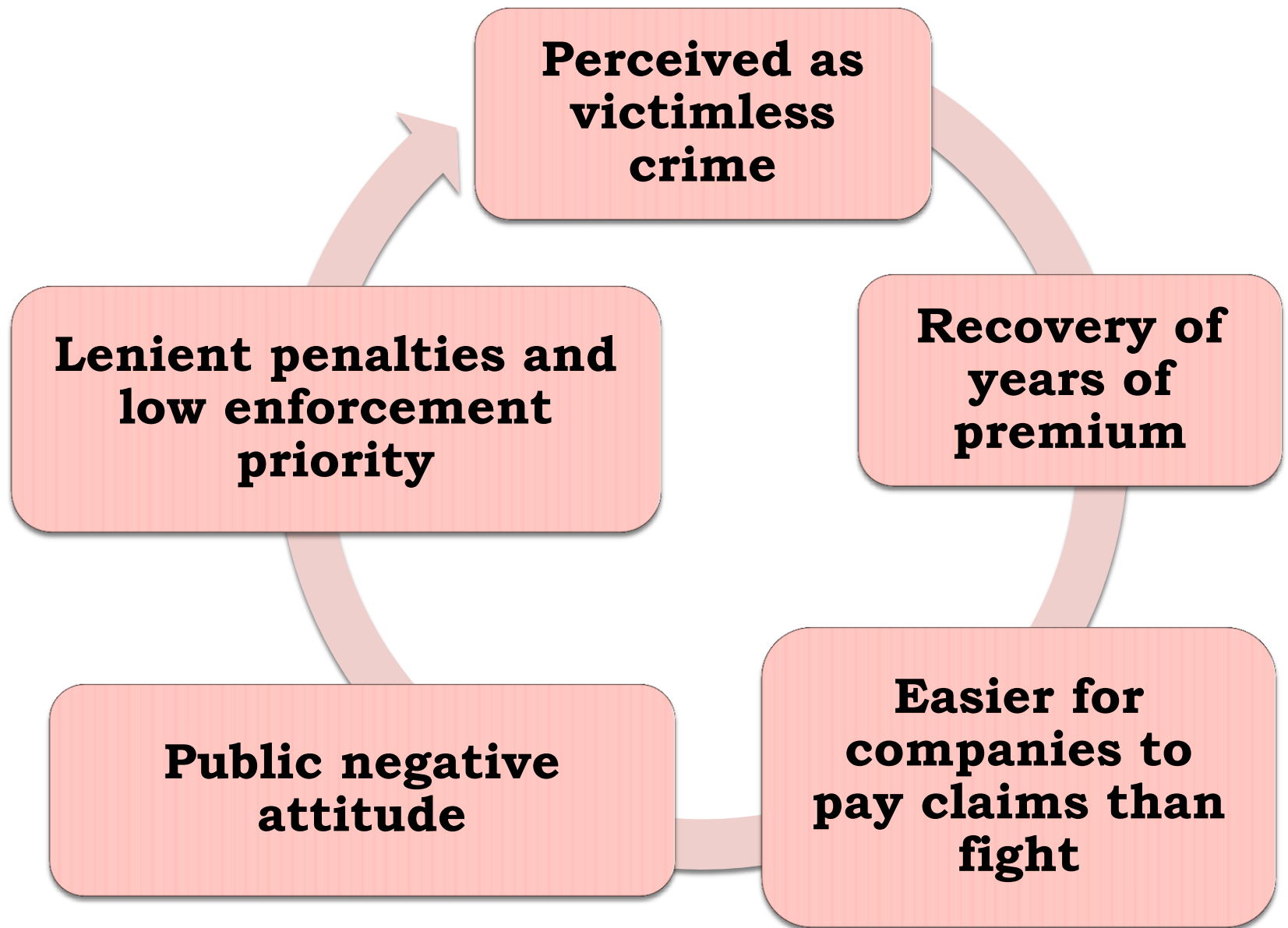
Forgery

Past-posting

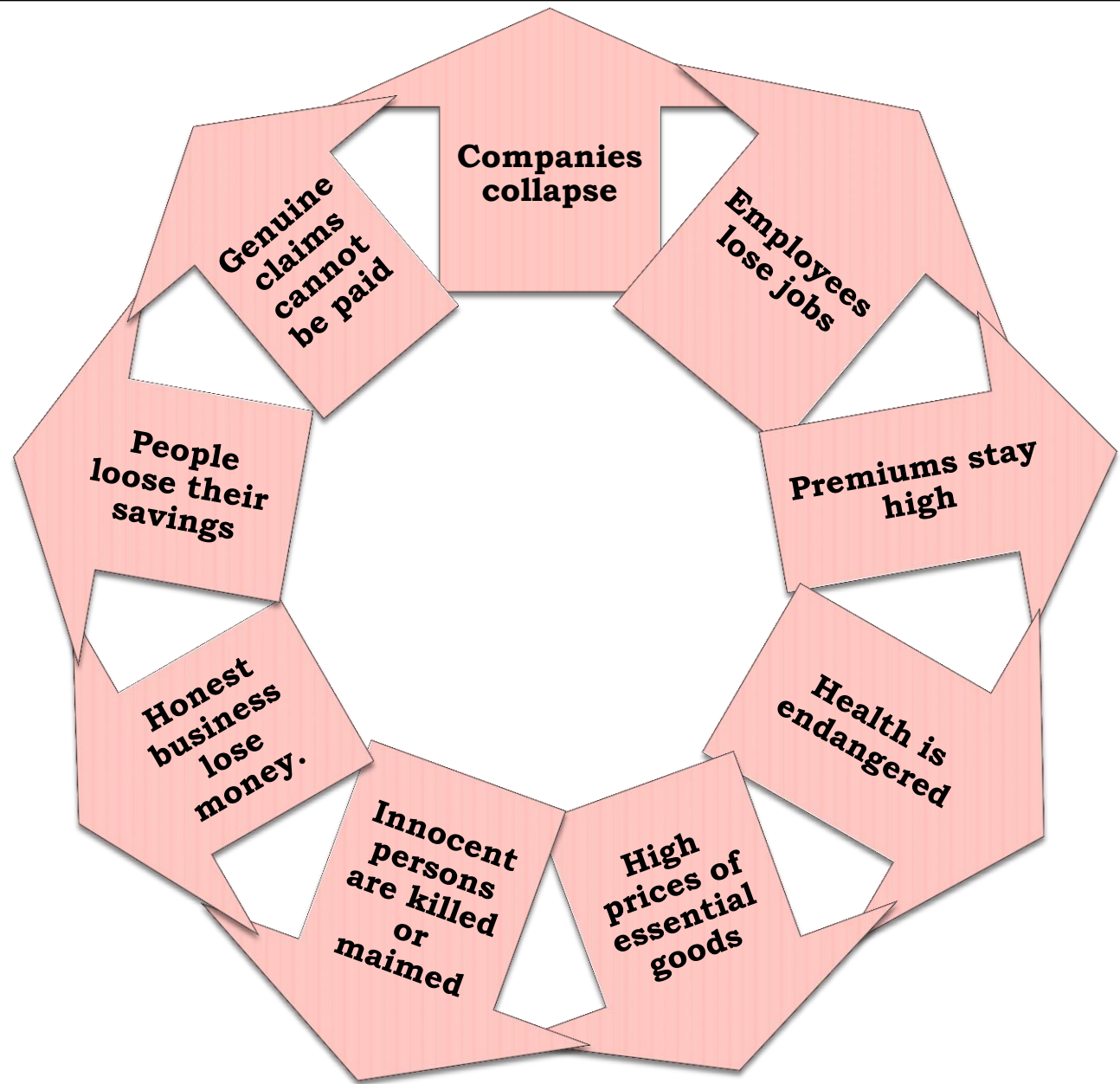
Over Insurance

**Transacting Insurance business as an Agent
without registration**

WHY PEOPLE COMMIT INSURANCE FRAUD



CONSEQUENCES



Reasons for managing Insurance Fraud

Direct Financial Impact

Reputational Risk

Supervisory Requirements

- IAIS – ICP 21 on Fraud
- IRA (June 2012) guidelines on fraud detection and prevention

Ethics

ALWAYS REMEMBER

Insurance fraud will disappear only when criminals realize fraud is a fast highway to jail, not an easy road to riches.

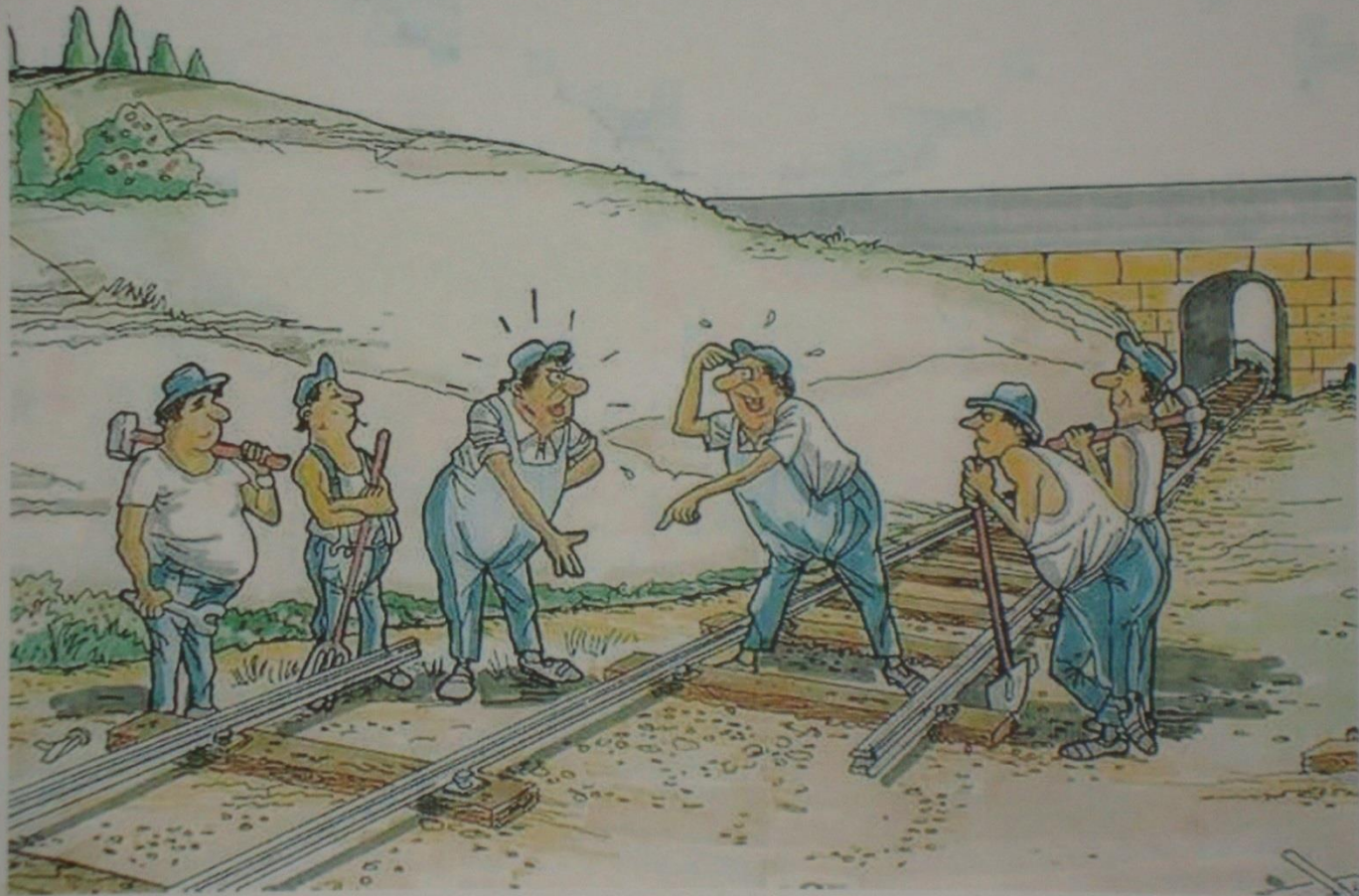
Fight against fraud starts and ends with you!

Are you part of this fight?

Insurance Fraud Investigation Unit contacts :

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- **Email Address: insurancefraud@ira.go.ke**

Team Work



Q&A