

EXTENT AND EFFECT INSURANCE FRAUD

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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.

KENYA MOTOR INSURANCE LEGISLATION

CAP 405

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: ifu@ira.go.ke

Team Work

