Date: 22.1.2020	**Publication:** The Economic Times
Page no: 9/11	**Edition:** Ahmedabad | Bangalore | Kolkata | Mumbai | New Delhi | Hyderabad

INSURANCE FRAUDS

Exorcising the Ghost

Bogus claims are as old as the industry itself. Despite insurers' best efforts, fraudsters have been mostly ahead of them. But with the rise in data analytics and rigorous checks, the industry at last appears to be close to eliminating such malpractices, says Shilpy Sinha

ANIRBAN BORA

On the pages of Gujarat officialdom, Manu Parmar became a footnote in the summer of 2015. The government register that notes births and deaths put Parmar down as a victim of drowning on June 27 at Parola village, Ahmedabad. A blood examination report from an established pathological lab certified the death as such.

But there was a twist in the tale. Of course, Manu was no longer in this world, but his departure from it actually happened four years ago – in 2011. According to an FIR, the insured was covered for ₹2.60 lakh in 2015, in case of natural death. Jagdish Parmar, the beneficiary, filed claims in May 2017. While the insurance company started investigating the claim, a letter from the sarpanch of the village exposed the fraud, saying that Manu Parmar had died in 2011.

This is not an isolated case. There are quite a few in which gram panchayats issued death certificates without doing much due diligence. That creates the dark web of elaborate deception, trapping companies that insure lives.

"Ghost applications and applications from terminally ill individuals constitute typical life insurance frauds," said Yusuf Pachmariwala, senior vice president and head of operations, Tata AIA Life Insurance. "Usually, they are executed by a coordinated team of racketeers and the sum insured involved is low."

DECEPTION MOST FOUL

Earlier, frauds were trigger-based and largely relied on intuition. Now that frauds are more organised, insurers can't depend completely on traditional practices to avoid escaping the trap.

Bajaj Allianz, for instance, recently got a motor insurance claim from Odisha, wherein a cleaner of a truck died as the truck collided with a tree in the early morning hours. The insurer investigated the claim that the truck driver had escaped the scene while the major damage was on the driver side of the truck.

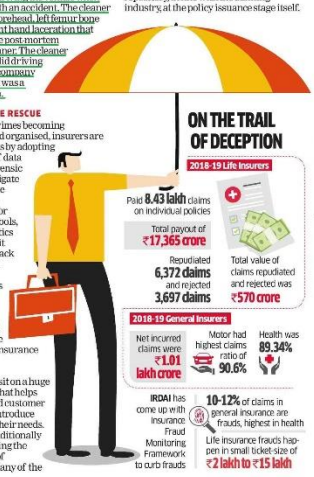
"To the company's surprise, the driver didn't have any injury due to the accident and instead the cleaner died. After the accident reconstruction, it was clear that the cleaner was driving the vehicle when the truck met with an accident. The cleaner had injuries on forehead, left femur bone fracture, and right hand laceration that matched with the post-mortem report of the cleaner. The cleaner did not have a valid driving licence, and the company concluded that it was a fraudulent claim.

BIG DATA TO THE RESCUE

With financial crimes becoming sophisticated and organised, insurers are contesting claims by adopting a combination of data analytics and forensic science to investigate frauds. Insurance companies have started looking for fraud detection tools, predictive analytics models and credit bureau data to track overall financial behaviour.

"If credit scores are good, generally the mortality is low. Those with good credit history are seen as reliable insurance seekers," said Pachmariwala.

Insurers today sit on a huge data repository that helps them understand customer behaviour and introduce products as per their needs. This database additionally helps in identifying the trends in terms of frauds as well. Many of the private insurers have come together and designed a common investigation portal to help investigate and create a claims probe-outcome repository. Private insurers are also working on creating an insurance data repository, in line with the banking industry, at the policy issuance stage itself.



Another nexus of motor insurance fraud was exposed in Rajasthan, which has been among the top 10 states in vehicle theft, government data showed. Bajaj Allianz General Insurance received multiple intimations for motor theft claims of heavy construction vehicles in Bharatpur district. While going through the preliminary investigations of stolen vehicles, their investigation team observed that, though all these vehicles were purchased by different owners just a year ago, the FIRs for stolen vehicles were registered through court by the same advocate.

Furthermore, the location of incident and narration of the given intimation were not matching. These findings raised questions and the team decided to meet the insured. Upon visiting the insured's location, Bajaj learnt that they were labourers who worked in the stone-breaking industry. The probability of these people affording such heavy construction machinery and vehicles or even securing loan to purchase such vehicles was low. This triggered a doubt of a huge nexus with the involvement of many people. The team shared the entire case and evidence with police authorities and requested their support for further investigation. The police then arrested the people involved and an FIR was lodged against them.

THE MODUS OPERANDI

The masterminds would look for people with low income, give them a lucrative offer in exchange of their details and then purchase a new vehicle using those details. Formalities of loan, RTO registration and insurance were also done by them. The insured had no control over the vehicle, except his name as registered owner. The insured were assured monthly rent of the vehicle and an assurance of repayment of EMI.

After a few days of purchase, the new vehicle was sent to a person in J&K and the intermediaries informed the insured that the vehicle was stolen and a claim needs to be registered. With the help of an advocate, the insured would lodge an FIR through court. The culprits further revealed that they had used similar practice with other insurance companies from the same location. The 'stolen' vehicles were then sent to people associated with the nexus in J&K and Mizoram.

"Accident reconstruction is a branch of forensics which helps determine how and why the accident happened," said Sanjiv Dwivedi, head - investigation & loss mitigation, Bajaj Allianz General Insurance. "It's not always possible that there will be eye witness or images of the accident that will help settle the claim immediately. It helps us analyse the impact of the accident and verify the authenticity of the claim made."

TIME LAPSE

On an average, the claim registration time for a motor claim from the date of accident is around 18 months. The more the time gap between the accident and claim registration, the lesser are the chances to get proper evidence about the claim. Insurance companies today share their respective fraud claims data with GIC. This helps them identify fraudsters who are hopping customers and make similar claims with various companies.

Insurers are identifying frauds at multiple stages — from underwriting stage to claim intimation — through the use of advanced analytics.

Insurers today are also exploring the geo-tagging option where a customer can send images of the damage or an investigator can click an image of the accident area by geo-tagging it. This increases the authenticity of the image shared with the insurer for claims.