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A Stitch In Time Saves Nine

Effective due diligence is necessary before buying policies



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The general insurance industry is linked to various sectors like automobile, health, property, manufacturing, agriculture, and plays an important role in safeguarding these industries from mishaps. Irrespective of its importance in the overall growth of these sectors, the penetration of insurance is as low as 0.93 per cent in India. One of the main reasons is frauds. Since 2001, very few insurance companies have been able to report a healthy combined ratio i.e. below 100 per cent, as it is difficult to sustain profitability due to the leakages (fraudulent claims), which potentially amount to approximately Rs. 3,000 crore every year. These frauds are detrimental to both the industry and society at large. They act as a hindrance to deliver benefits of insurance to those in need.

Parties involved in such insurance frauds include internal employees, intermediaries and even policyholders. Data leakage and misuse of authority are some of the causes of internal frauds. Some of the instances of external frauds include exaggerating damages or loss, staging the occurrence of incidents, reporting and claiming of fictitious damage or loss, fraudulent death claims under personal accident policies and managing medical tests.

Insurance frauds pose a heavy threat to the society and well-being of the industry. They drive up insurers' costs, drain their resources and may end up increasing the prices that legitimate customers may have to pay due to fraudulent activities by few. Investigating frauds also have an impact on insurers' ability to deal with genuine claims quickly. Although, insurers strive to simplify the processes and upgrade their services, such frauds dampen an insurer's image, who then may be negatively perceived as a company. This leads to a lack of trust amongst customers.

While fraudsters are coming up with innovative ways to dupe innocent people, it's crucial for customers to be wary of such frauds so that they do not fall prey to fraudsters' machinations. They need to do their own checks before buying a policy by checking

the background of the insurance company and the channel that they are buying from. Verify whether the website on, which they are making payment to buy a policy is authentic and in case if they are buying from any intermediary, ask for their identity proof if in doubt. In case, a person suspects fraud, they must immediately inform the insurance company so that timely action can be taken. All insurance companies as directed by the regulator have a mechanism to verify the authenticity of the policy. Customers can enter the policy number on the companies' websites, scan the QR code or call at the company call centre to check if their policy is genuine.

Insurance industry, government and regulator are working hard to curb this menace. They are conducting various awareness campaigns like collaborating with RTO's to help policemen check authenticity of motor TP policy. Additionally, the General Insurance Council has enabled data sharing and experience sharing platforms, which allows insurers to list fraudulent claims. This approach helps other insurers to be careful if they come across a similar fraud pattern while assessing the claims.

I feel more needs to be done to restrict these fraudsters from misusing insurance. A centralised digital KYC database can be created, which can help insurers validate a customers' authenticity. Integration with UIDAI, RTO, CCTNS, Court records, Medical Council, will help insurers receive an early intimation of claims leading to faster claim settlement and reduce litigation.

Standard medical protocols and treatment guidelines are required that will reduce false line of treatment and exaggerations on claim amount. Additionally, there are no accreditations for investigators, guidelines for the same will equip insurers with qualified manpower to tackle with frauds.

Awareness, prompt action along with instant resolution will help all the stakeholders deal with frauds in an effective manner. If you happen to come across any such fraud happening around you, whether impacting you directly or not, I would urge you to report the same to the authorities. This will go a long way towards the greater good of society. □

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Prompt Action Along With Instant Resolution Is Required