



Your Trusted Insurance Ally

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# INSURANCE FRAUD



**Insurance fraud** refers to any act committed with an intention to defraud an insurance process. It occurs when a claimant attempts to obtain some benefit or advantage they are not entitled to, or when an insurer knowingly denies some benefit that is due. The main reason people commit insurance fraud is for financial gain. It may be committed by applicants of a policy, policyholders, claimants, service providers, agents, brokers and insurance company employees.

Some of the reasons that people commit insurance fraud are;

- It is usually perceived as a victimless crime. The offenders rationalize the crime because it is not against a specific person as compared to a crime like a robbery where there is a direct victim.
- To recover the years of premium paid. Some realized that they have been paying premiums but have never had a claim hence they feel entitled to the premiums they have been paying.
- Public negative attitude towards the insurance sector due to bad publicity. People often feel that insurance companies are out to swindle them.
- There are lenient penalties and low enforcement priority for insurance fraud hence people are not deterred from committing the crime.

Insurance fraud affects insurers, policyholders, insurance customers and beneficiaries. Below are a few ways how;

- It increases the cost of accessing insurance as premiums are raised by the insurer.
- It restricts the quality of services offered by insurance companies because they have to allocate more resources to investigating claims.
- It affects the insurers' profitability as they end up paying for false claims.
- It shakes consumer confidence in the insurer hence people who need insurance may end up not taking policies.



Kenya has made advancements with the Insurance Regulatory Authority being formed in 2006. This brought structure in the insurance industry hence protecting both the consumer and the insurers. Through the Insurance Fraud Investigation Unit, the IRA looks into all matters involving insurance fraud.

When purchasing an insurance policy, it is always wise to check if the agent you are dealing with is registered by the Insurance Regulatory Authority (IRA). You can check this by visiting the IRA website at [ira.go.ke](http://ira.go.ke). Also always ensure that you get a policy document and a receipt showing your payment.

It is important to remember that when insurance fraud is committed, it is the purchaser of the insurance policy that suffers most from increased premiums. If you notice anything suspicious, it is best to report to the IRA as it will be for the benefit of all.

