

Report of the 29th A2ii – IAIS Consultation Call

Supervisory Responses to Fraud



The Consultation Calls are organised as a partnership between the Access to Insurance Initiative (A2ii) and the International Association of Insurance Supervisors (IAIS) to provide supervisors with a platform to exchange experiences and lessons learnt in expanding access to insurance.

Introduction

Insurance fraud is a phenomenon that every supervisory authority comes into contact with sooner or later, and if left unchecked it can seriously harm the health of the insurance market. On this consultation call, we welcomed a number of supervisors sharing their approach to dealing with fraud: they spoke about the current state of fraud in their market, how they monitor it, and what kind of measures they have taken to address it.

The supervisors who shared their approach were:

- Dmitry Chiknizov, Bank of Russia
- Damian Jaworski and Bartosz Bigaj, Polish Financial Oversight Commission (KNF), Poland
- Callum McVean and Kevin Bown, Financial Services Commission, Guernsey
- Younes Lammat, Autorité de Contrôle des Assurances et de la Prévoyance Sociale (ACAPS), Morocco
- A roundtable of French-speaking African supervisors also shared their insights, including the Democratic Republic of Congo, Cameroon, and Burkina Faso.
- From the side of the industry, we also had a presentation by Ricardo Tavares of the Brazilian insurance federation, CNseg.

In 2011, the IAIS developed an Application Paper on Detering, Preventing, Detecting, Reporting and Remedying Fraud in Insurance which can be found [here](#).

Presentation by Dmitry Chiknizov of the Bank of Russia

Dmitry Chiknizov of the department of consumer protection in the field of financial services Bank of Russia shared the Russian experience with fraud.

An overview of fraud in the Russian market

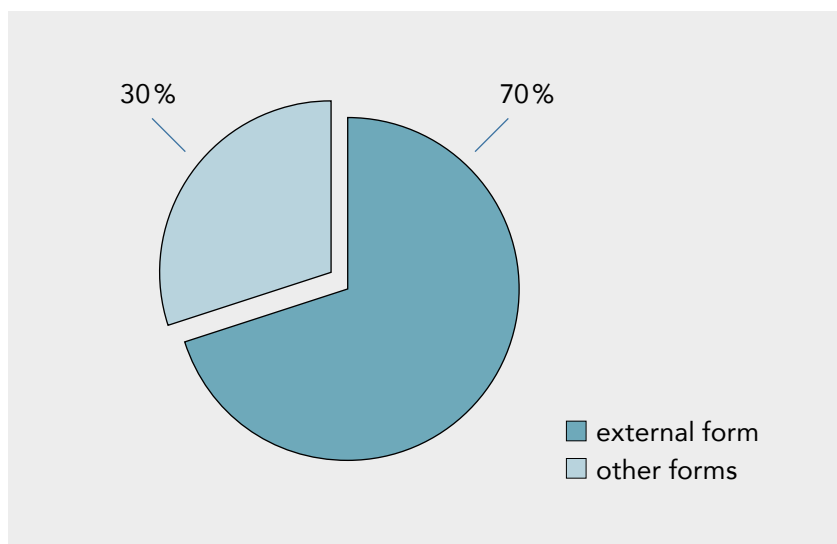
In Russia, the main segments of the insurance market are compulsory insurance of civil liability of vehicle owners (OSAGO), life and health insurance, property insurance, voluntary insurance of vehicles (CASCO), and voluntary medical insurance.

The Bank of Russia uses the following classification system to describe types of fraud:

- **Internal fraud:** Fraud committed by owner or employee of the insurance company.
- **External fraud on the part of the insured person:** Fraud committed by the direct subjects of the insurance contract and predominantly pursuing illegal receipt of insurance compensation, overstatement of insurance compensation, or illegal reduction of insurance premiums.
- **External fraud on the part of intermediaries:** Fraud committed by insurance agents or brokers and aimed primarily at obtaining unreasonable benefits (often, the appropriation of a part of insurance premiums) by providing poor information when concluding an insurance contract with the insured.
- **External fraud on the part of suppliers of good, works, services:** the main categories of counterparties are subjects of this type of fraudulent activity: partners of insurance companies (car service stations, medical institutions, medical and social expertise institutions); counterparties of insurance companies under contracts aimed at meeting the administrative and economic needs of insurers.
- **Mixed fraud:** Fraud that combines elements of internal fraud with elements of any of the above types of external fraud.

The most common form of insurance fraud in Russia is external, committed by insured persons and beneficiaries, accounting to about 70% of all recorded fraud cases. The smallest proportion of recorded fraud is violation on the part of suppliers of good, services, and work.

In recent years, motor insurance is considered one of the most problematic segments of the Russian insurance market in terms of susceptibility to fraud.



There are many ways in which fraud occurs in motor insurance, including the following:

- Dramatization of a traffic accident;
- Deliberate increase in the degree of damage to the vehicle;
- Provision of false information when concluding an insurance contract;
- Staged hijacking of the vehicle;
- Falsification of the documents on road accidents provided to the insurer when confirming the occurrence of an insured event;
- The conclusion of the insurance contract after the occurrence of the insured event (The frequency of the use of this scheme has grown after the mandatory sales of OSAGO policies in electronic form since January 2017). The speedy processing of OSAGO policies through the Internet allows unfair insurers to minimize the time lag between the road accident and the conclusion of the insurance contract;
- Use of counterfeit insurance policies;
- Increase in the amount of insurance compensation with the participation of “motor lawyers”.

Responses to counter the fraud

There are regulatory measures aimed at identifying and preventing insurance fraud and combating it, including the adoption of relevant regulatory legal acts, the establishment of mechanisms for monitoring and supervising compliance by market participants with these acts. The Bank of Russia also establishes mechanisms for interaction with other regulators and law enforcement agencies to improve the effectiveness of measures counteraction to fraud.

There are also measures taken at the level of professional organizations and associations, and domestic policies and measures to counter fraud at the level of individual insurance companies.

Despite the fact that the Bank of Russia does not have a formal right to legislative initiative, the regulator repeatedly made proposals on introducing changes to the current legislation on insurance, mainly in compulsory motor insurance. While much of the initiative is not directed directly at countering fraud, it has an indirect effect on reducing the prevalence of fraudulent schemes.

The Bank of Russia operates in three main areas:

1. Introduction of the priority of the repair of the damaged vehicle over the insurance payment in the segment of compulsory motor insurance in 2017. This initiative implies a shift in the focus of the attention of motor-lawyers from claims for obtaining insurance compensation to claims for compensation for poor repair and thereby reduce the interest of fraudsters to the segment of compulsory motor insurance by removing the monetary component
2. The Bank of Russia initiative to establish a delay in the beginning of the validity of the electronic compulsory motor policy for 72 hours from the moment: this measure will allow to fight against fraudsters who buy an insurance policy in hindsight after an accident;

3. Proposal of the Bank of Russia on the marking of websites of legal insurers in the segment of compulsory motor insurance: in the Russian search engine Yandex will be marked the websites of insurers, which officially sell electronic policies. This measure will allow fighting against Internet scammers who create “clones” of insurance companies’ sites and carry out the sale of fake policies.

Coordinating and information functions

The Bank of Russia undertakes several initiatives to further the coordinated fight against fraud:

1. It interacts with various players in the insurance market, including professional associations of insurers and individual insurers, as well as law enforcement and government agencies to counter insurance fraud.
2. It cooperates with law enforcement agencies and executive bodies mainly in the format of interdepartmental meetings, as well as through the exchange of experience and conducting training seminars and lectures on the problems of insurance fraud.
3. It also conducts coordination work with judicial bodies, taking part in meetings of regional courts and exchanging experience on grounds of insurance fraud, as well as participating in the work of the Supreme Court in explaining and interpreting the law on insurance.

The regulator takes actions to inform policyholders about the problems of insurance fraud.

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 For any questions about the presentation of Mr Dmitry Chiknizov, please direct them to chiknizovdv@cbr.ru
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Presentation by Damian Jaworski and Bartosz Bigaj of the KNF Poland

The KNF is an integrated authority responsible for the supervision of the entire financial market, located outside of the Polish Central Bank. Mr Jaworski is responsible for international cooperation, particularly for insurance. Mr Jaworski also holds the position of a coordinator for the IAIS for the region of Central, Eastern Europe, and Transcaucasia. Mr. Bigaj is an expert in the Analyses and International Department Unit responsible for the insurance sector.

Insurance fraud schemes is quite common across CEET jurisdictions, so the general KNF’s experiences should be applicable to other countries as well.

There is no general or universal definition of fraud. However, there is a definition that was developed by the Comite Europeen des Assurances (CEA) as following:
Act or omission relating to the conclusion of an insurance contract or to a claim aimed at gaining unjustified enrichment for the fraudster or another party, or causing a loss to another party.

Later, after CEA was developed into Insurance Europe, the definition was also updated and split into three different types of fraud to better differentiate its nature:

- *providing false or incomplete information in applications for insurance or answers on an insurance proposal form;*
- *submitting a claim for a loss based on misleading or false facts, including exaggerating a genuine claim; and*
- *otherwise being misleading or untruthful in dealings with an insurer with the intention of gaining a benefit under the insurance contract*

Insurance fraud applies both to life and non-life insurance, and can be committed by practically all parties involved in the insurance process (consumers, 3rd parties, intermediaries, insurance company employees, etc.)

Fraud affects all parts of the market negatively:

- For **insurers**: it increases the amount of compensation paid, it reduces insurer's financial liquidity, it carries reputation risks, and impedes its ability to service genuine claims quickly and accurately.
- For **clients**: it leads to higher premiums and longer settlement procedures.
- For **society**: it means these funds may be used for other criminal activities, it increases the costs of investigations and prosecution, and generally raises the insecurity.

In the CEET region, there are some challenges in developing a clear picture of insurance fraud, as there are no complete statistics. Some sources of statistics do not post them publically. However, the data that is available suggests that the challenges of fraud are somewhat similar in all CEET countries.

We observe in Poland an overall decrease a 2016-2017 fall of around 28% in non-life and 12% in life insurance fraud. However, value of claims has increased due to motor insurance prices, repair costs, and insurance crimes becoming more sophisticated so a move to higher single gains per incident, rather than the number of cases.

There is higher rate of frauds in non-life insurance (approx. 8x more cases) than in life insurance. In life, the most typical is insurance fraud is related to cause of death (i.e. reporting a different cause of death than the real one). In non-life 50% of the insurance frauds is related to motor insurance, which is 30% compulsory and 20% voluntary insurance.

Two examples of the insurance frauds of large-scale were presented: There was widespread fraud committed by insurance agents, where agents would conclude contracts on life insurance with acquaintances to get the commission from the insurers, and then the insured person ceases to pay the premium. The Polish government passed an Act on the Business of Insurance and Reinsurance of 2015, which requires insurers to spread its expenses relating to agent's commission over time in life insurances with insurance capital funds. This resulted in a decreased crime rate.

Another example is a single incident where a compensation was sought on a fire of a tow truck that allegedly contained luxury cars. This claim for 40 million PLN was rejected once further inspection uncovered that the cars had already been wrecks before the fire.

In motor insurance, the following fraud patterns are very frequent:

1. Traffic accidents caused deliberately by drivers acting in concert (the compensation to be paid is expected to be higher than the loss)
2. Use of a damaged vehicle that serves as evidence of an alleged accident, which in fact is staged
3. Fictitious or unjustified costs relating to the accident
4. Submitting an application for payment of compensation under the accident and theft insurance after fictitious car theft
5. Reporting the same car damage to two insurance companies (despite the fact that the Polish law does not allow for multiple MTPL insurance contracts). This has now been mitigated through a common database.

Combating insurance fraud

In Poland the following approaches are taken

Training initiatives	<ul style="list-style-type: none"> › Regular nationwide seminar „Cooperation between Police, insurance companies and other insurance market institutions in the field of prevention, disclosure and combating insurance crime” for representatives of police, national and local authorities, KNF, financial institutions, etc.
Exchange of information	<ul style="list-style-type: none"> › Europol and Interpol, as well as liaison officers of law enforcement agencies in third countries
Insurance Guarantee Fund Platform	<ul style="list-style-type: none"> › Currently at its pilot stage, data is being collected from the insurance sector, to be launched this year › Industry-wide, all market participants may join the platform (provide and receive data) › Exchange of information on the risks of insurance contracts and claims settlement i.e. prevention of multiple claims regarding the same accident
KNF	<ul style="list-style-type: none"> › Carrying out surveys on insurance fraud in cooperation with insurers › Education Centre for Market Participants CEDUR – lectures for financial institutions › Supervision over the organisation of the internal control system and internal audit unit in insurance companies › As part of BION (RAF – Risk Assessment Framework), the KNF addresses insurance fraud rate in the total result of the assessment. In case of issues revealed, the KNF requests corrective actions.
Polish Chamber of Insurance	<ul style="list-style-type: none"> › The Polish Chamber of Insurance carries out studies on insurance fraud › Reports on insurance fraud are published annually › The survey covers all insurance companies (those based in Poland, and branches of foreign insurance companies) › In 2016, answers were sent by almost all insurance companies operating in Poland

For the future, the KNF anticipates a significant change of consumer habits due to the virtual economy, which will also mean there are new challenges for supervision in terms of combating insurance fraud:

- Use of social networks, sharing economy, or so called Usage – Based Insurance
- New communication channels between insurers and policyholders
- Cybersecurity, e.g. theft of policyholders’ identity
- New anti-fraud solutions
- New requirements for insurance companies

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Any questions about FCA’s discussion paper and pilot studies including the datasets can be posted to Mr. Damian Jaworski at Jaworski Damian <Damian.Jaworski@knf.gov.pl> or Bartosz Bigaj <Bartosz.Bigaj@knf.gov.pl>
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Presentation by Callum McVean and Kevin Bown of the Guernsey Financial Services Commission

Callum McVean (Deputy Director, Enforcement) and Kevin Bown (Deputy Director, Intelligence) presented on the experiences of the Guernsey Financial Services Commission (GFSC). The main question that they have focused on is “How do you tackle fraud if you have no criminal powers?”

The GFSC has no criminal powers to investigate or prosecute criminal offences (neither external fraud by customers, nor internal fraud against customers). What the GFSC does do, is investigate whether insurance companies have relevant controls in place to prevent, identify and mitigate fraud when it arises. The GFSC also investigates companies when these controls have failed. As such, it uses civil powers to sanction both companies and individuals. These sanctions include financial penalties and prohibition orders.

The GFSC assists police by liaising directly with them regarding specific information on fraud; and also shares information more widely through the national Financial Crime Information Network.

The GFSC alerts the public re fraud by issuing warning notices (see below for further details) on their website when they identify trends in fraud – which typically have been identified following thematic reviews of firms, looking at potential gaps in their fraud prevention controls.

When fraud occurs in firms, the GFSC considers the controls and mechanisms in place at the firm, and whether these were appropriate to prevent fraud. In parallel to the criminal investigations that may be running against suspects of fraud, the GFSC performs civil investigations. For instance, a director sentenced for fraud will be prohibited from acting as a director in the future.

In liaising with law enforcement, the GSFC has an MOU with Financial Intelligence Unit (FIU) to share information regarding suspected financial crime. They have set up a joint committee with the FIU to discuss cases of mutual interest, including suspected fraudulent conduct. This provides a more complete picture of fraud and prevents duplicating efforts where the same investigations are done by two authorities.

The Financial Crime Information Network is a UK network hosted by the Financial Conduct Authority, which has many UK law enforcement agencies and regulators. It provides an early warning to other members about potential new fraud taking place, and about specific cases. Information can be shared there about different types of fraud taking place.

The GFSC issues warning notices via its website to alert consumers about fictitious companies or individuals who are soliciting information or claiming to offer services. They also issue generic warnings to warn people of different classes of frauds, such as “phone spoofing” and others.

The Thematic reviews that the GFSC performs are used to identify whether firms are vulnerable in specific areas, such as exposure to financial crime. The lessons from these reviews are then used to educate firms to help them improve their systems and controls.

Mr McVean also elaborated on two case studies that the GSFC encountered:

Case study 1

A local fiduciary company identified a director had committed fraud over a 3 year period, working with client money without sufficient checks on the money transfers. The person was eventually caught by colleagues. The director was dealt with by Law Enforcement and sentenced to 2 years imprisonment. The GFSC conducted an onsite visit to the fiduciary company in order to assess the firm’s policies and procedures. No further incidents were identified, but there were poor systems and controls in place which also led to widespread regulatory failings. The firm was fined 70,000 GBP and had to undertake substantial remedial work.

Case study 2

As part of a thematic review, an onsite visit of a local insurance broker was conducted. This initially identified serious concerns regarding the switching of clients between products with little rationale for doing so. The matter was then referred to the GFSC Enforcement Division for investigation. After reviewing client files, it became clear that a director of the broker had taken money from clients for products, but had not purchased the products and had taken the money for himself instead. This information was passed on to law enforcement.

A decision was made to continue to investigate regulatory failings of the broker, and so Law enforcement did a criminal investigation and the GFSC did a civil investigation. The GFSC has noted that if one instance of fraud is identified in a firm, it is often an indicator of other matters of concern.

The director was sentenced to 4 years imprisonment for fraud. The same director was found to have mis-sold financial products and given financial advice based on his own personal motives. The director was banned for life from being a director of any financial institution.

Conclusion

In conclusion the experience of the GFSC centres around the following lessons:

1. Fraud can be tackled by regulators without criminal powers.
2. Where a fraud has occurred there are often other regulatory failings.
3. Information sharing between regulator, Law Enforcement and firms is essential.

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Any questions about the GFSC presentation can be emailed to Mr Callum McVean or Mr Kevin Bown at cmcvean@gfsc.gg or kdown@gfsc.gg
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Presentation by Mr Younes Lammat of ACAPS, Morocco

With the development of the motor insurance sector in Morocco, ACAPS has Morocco has seen a corresponding growth in fraud cases. As such, it has become a topic of focus for ACAPS. Early informal investigations say that possibly up to 21% of losses in motor insurance could be from fraudulent claims.

ACAPs has looked for a definition, and has settled on using the IAIS definition, namely that it is a voluntary action, which allows people to profit illegitimately from an insurance contract. Fraud touches all parts of the insurance value chain, starting from the underwriting. Fraud can be internal (where employees enact or enable fraud), or external (with customers trying to commit fraud themselves).

Legally, fraud relies on two legal concepts: forgery and scams (“escroquerie”). In Moroccan law these two types of crimes are heavily punished, either through fines, or through criminal prosecution including prison sentences. Recidivism is also punished more heavily. If anybody is demonstrated to have lied on their contracts, the insurer always has the right to cancel contracts.

The role of the insurer is fundamental to the ACAPS approach, as they are the primary actor in the fight against fraud. All companies in the market need to organise themselves to share high

quality information across the market. The insurers need to put in place measures to prevent, detect and combat fraud, and an essential part in this is having robust IT systems to allow for the necessary investigations.

Internal controls are also required, by law, for all insurers. This internal function must monitor all risks that could manifest themselves, of which fraud is a substantial part. When mapping risks, insurers must also demonstrate what they are doing to fight fraud. Fraud is part of the operational risk framework of a company.

Training and informing the partner companies of insurers is also very important. All actors in the value chain must understand where the risks are, but also they must be aware of what the consequences are of committing fraud, and to be given strategies to identify and prevent fraud.

The supervisory authority has a big role in fighting fraud. The supervisor must investigate to see if insurers are well equipped to combat fraud, if they realise its importance, and if they have the necessary tools to prevent it. The supervisor must investigate the internal controls, and test their rigorousness. The supervisor can also instigate corrective measures, insisting that a company improve its systems. They can also put a database in place to gather data on fraud cases.

The fight against fraud is also important to avoid that consumers must pay higher premiums for this criminal behaviour. However, the fight against fraud must not harm legitimate customers, for instance by refusing to pay claims when there are suspicions (which may not be substantiated).

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 For further questions about the ACAPS approach to fraud, please contact Mr Lammat at younes.lammat@acaps.ma.
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Fraud roundtable from French-speaking African countries

Robert Matungala (Democratic Republic of Congo, DRC): There are many risks in DRC that are currently underwritten outside of DRC, but not by entities that are licensed in DRC. One of ARCA's priorities is to fight this, and is seeking to end such a practice, which it considers fraud. All risks should instead be covered by the DRC national insurance company. ARCA does not have any information on the extent of fraud conform with the IAIS definition of fraud.

Francis Yannick Zambo Zambo (Cameroon): In Cameroon, fraud has an impact on the companies and on the clients (in terms of loss of confidence). Motor insurance third party liability is compulsory in Cameroon, and its price has been fixed to a certain minimum according to actuarial standards. However, several actors in the market are selling this at a lower premium, in order to attract customers. Not only is this undercharging unfair competition, it also presents longer term problems with the financial soundness of the companies.

In addition, in there is also the same issue as in DRC, where many premiums go out of Cameroon to foreign companies. It happens through "fronting", where excessive reinsurance is charged internationally, but also through direct insurance where products are sold cross-border against

regulation. (More information about fronting can also be found in the A2ii Consultation Report on Reinsurance, which is here: [link](#))

In Cameroon it's also common to see false claims, or exaggerated claims, to commit fraud in the more classic sense.

Sylvie Carine Zongo (Burkina Faso): There is certainly fraud in Burkina Faso, but its scale has not yet been identified, as there have been no formal studies. It is particularly common in health insurance and motor insurance, and often takes the form of fraudulent claims. The supervisory authority, in the first place, is fighting this by communicating about fraud in the information to customers that encourages them to insure themselves. Then the supervisor also works with police (for motor insurance fraud), and asks intermediaries to clearly and explicitly denounce fraud wherever possible. When fraud is high, suspicion on the side of insurers will also negatively affect some people who have legitimate claims, which is clearly not desirable.

Presentation by Ricardo Tavares, Brazilian Insurance Confederation, CNseg

An overview of the Brazilian Insurance Confederation

The Brazilian Insurance Confederation (CNseg) is composed of four Federations: the Brazilian Federation of General Insurance (FenSeg); the Brazilian Federation of Private Open Pension Plans and Life Insurance (FenaPrevi); the Brazilian Federation of Supplementary Health Plans (FenaSaúde) and the Brazilian Federation of Capitalization (FenaCap).

In 2003, a consulting firm, A.T. Kearney was hired to make a general diagnosis of fraud in Brazil. The contract resulted in the development of a strategy to deal with the issue of fraud. There was a robust structure comprised of a director, three managers and several employees dedicated to this topic. This structure enabled activities like training brokers and insurance companies on the subject of fraud and its consequences, educational campaigns on fraud for the public that included posters with telephone numbers with hotlines to report fraud cases, in addition to booklets that had indicators of irregularities and recommendations to insurance companies for fraud prevention. Moreover, a system to quantify fraud was developed, fed by the insurers themselves, which generates indicators of frauds, such as detected frauds, investigated frauds and confirmed frauds. This system creates the possibility of measuring what is happening in the market.

A market survey conducted in 2004 and 2010 also revealed interesting patterns of the problem of fraud among the public. The aim of the survey was to identify the tendency of citizens to carry out fraud and how people who are insured viewed insurance and the behaviour of insurers.

In 2015, the FenSeg also achieved a key milestone in establishing a restructuring of the area through to prevent, and combat fraud that is still in existence until today.

Currently, this new structure – composed of a manager, a senior analyst, a semi-senior analyst, a junior analyst and an external advisor from the Criminal Legal Department – is linked to the

CNseg but has a direct subordination to the FenSeg. In terms of information, the structure is able to cross-check data using database records from:

- Police records of car accidents
- Electronic data from “*disque denuncia*”, a call number to report fraud in the state of Rio de Janeiro,
- National Claims Registry (RNS) which contains claims daily reported from insurers.
- National Motor Policies Registry (RNPA) which contains insurance policies daily written from insurers.
- Daily updates from the database of manufactured vehicles in Brazil.
- Historical data of investigated cases, among others.

This enables the analysts to identify whether a vehicle is irregular or not, in addition to database on stolen or returned vehicles recovered by the police.

Crossing information using the vehicle nameplate, the citizen’s personal security number (known as CPF) or the company identification number (known as CNPJ), and the VIN (vehicle identification number) helps any type of car fraud to be identified.

Groups are also monitored to identify if any of their element is trying to make profits or gain benefits with insurance in any other illegal scheme.

In terms of using technology to monitor fraud, CNseg invited five big technology providers in 2017 – IBM, SAS, Oracle, FICO and SAP to establish a fraud prediction tool. The SAS solution was the winner. Through a linkage between different networks and clusters, the system uses data mining to filter out information from the different databases to generate a list of suspicious claims. An investigative analysis is then carried about by the area to establish, with the insurers confirmation, which are fraud cases and those that are not. Suspicions of fraud are then shared with insurers and insurers return the information back, establishing a feedback loop where the same cycle is repeated when a new case arrives. Through artificial intelligence (machine learning) the tool can flag a claim that is being investigated or if a case is under consideration or marks the incident as fraud case. The tool itself will send an alarm warning when there is a great possibility of a claim to be a fraud.

As of 2017, the detection of confirmed frauds has increased in relative terms from 1.8% in 2016 to 2.2% in 2017.

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 For any questions about the presentation of Mr. Ricardo Tavares, please direct them to
ricardo.tavares@cnseg.org.br
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Questions from the audience

- › **Can you elaborate a bit more about the design of the Polish Insurance Guarantee Fund?**

The Insurance Guarantee Fund in Poland is a semi-governmental authority, established on the basis of the law which puts in place compulsory insurance, and it is mandated to serve as a guarantee fund for insurance undertakings, and also is an information-sharing platform.

One particular use of it is to address the situation when someone comes to bodily harm in a car accident but the perpetrator cannot be identified (such as in a hit-and-run scenario for instance) or the perpetrator was not insured then the guarantee fund will step in to cover the victim's expenses (both personal and property damage). As regards travel insurance, separate part of UFG funds is collected as part of the Tourism Guarantee Fund. This is part of a social effort from the state to protect people.

There are, however, limits in terms of amount and types which this fund covers. More information on this can be found [here](#).

- › **There is a very strong linkage between market conduct and fraud. How to you put controls in place to address this, particularly in the case of FinTech companies?**

The KNF evaluates market conduct issues as part of operational risk in its risk assessment framework, including its impact on the prudential side of the business. For FinTech, the KNF does on-site inspections with experts that look at their conduct to ensure their systems and tools are used in the way that prevents risks related to cyber crime.

GFSC achieves this by being part of the Financial Crimes Information Network, sharing information on new threats.

- › **Is insurance fraud outlined explicitly in the Criminal Code, or is fraud described more generally?**

In Guernsey, the offense of fraud is a general offense, not specifically related to insurance (such as misappropriation of funds, etc). However, as GFSC has no criminal powers they will always pursue civil channels.

In Poland, insurance fraud is part of a general stipulation in the criminal code. In addition, insurance fraud is penalized in Polish Act on the Business of Insurance and Reinsurance and Act on Insurance Mediation. There are also civil crimes such as agents not obeying their professional duties when acting on behalf of the insurers.

- › **How is the confidentiality of sensitive information shared by entities, guaranteed?**

CNseg as an entity that works together with insurers acknowledges the sensitivity of this issue. Employees have therefore signed a confidentiality agreement in order to allow sharing of data. Failure to comply with the confidentiality agreement will result to civil and criminal penalties. This guarantees data confidentiality among the entities involved. Furthermore, given the use of technology to detect fraud, CNSeg has ensured that transfer of data does not occur.

› **Are there any cases in Brazil where attempts have been made to try to modify the protection of information of clients?**

Recently, a new law on the protection of personal data has been approved by the Congress and sanctioned by the president. In addition, whether a case has been flagged as fraudulent or an individual has been suspected of fraud, exchange of information is not disclosed or used for risk underwriting. It is only when fraud is proven in trial is when it becomes a public matter. Beyond this, issues are dealt with internally within CNSeg.

› **Is there a disadvantage that insurers do not find it more economical to get a fraudster to desist from the loss than the cost that the investigation and judicial process of the fraud case may imply?**

It would be less cost for the insurer when a fraudster gives up the claim and therefore does not need to do any type of work that could result in costs for any insurer.

Furthermore, CNSeg aims to work on cases that involve a group affecting more than one insurer and not isolated cases involving a fraudster against an insurer.

The Initiative is a partnership between:

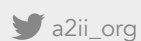


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