

What you need to know about Insurance fraud

Definition of Insurance Fraud:

Insurance fraud can be said to occur when an insured or someone in relation to an insurance process, knowingly makes a falsified claim or misrepresents facts/information in relation to an insurance claim or process, with the sole intention to obtain some benefit or advantage to which they are not otherwise entitled

Forms of Insurance Fraud:

FORM OF FRAUD	EXAMPLE
Premium Fraud	The agent or broker collects the premium, but doesn't remit the check to the insurance company. This technically means that the insured has no coverage. This exposes the insuring public.
Fictitious Death Claims	A driver stages a fake accident, and unscrupulous doctors and lawyers help "handle" associated medical claims and lawsuits.
Exaggerated Claims Amount	A driver and a body shop worker agree to inflate the claim and share the "profit."
Insuring terminally ill patient	Taking insurance for a patient that is already bed-ridden and seek insurance cover for their medication
Intermediary Fraud	This is fraud by agents and brokers against insurers and or policyholders
Internal/Employee Fraud	Conniving with external people to raise fraudulent claims

Ways in which insurance fraud can be committed:

Fraud may be committed by different parties involved in insurance transactions: applicants for insurance, policyholders, third-party claimants

and professionals who provide services and equipment to claimants. Common frauds include "padding," or inflating actual claims; misrepresenting facts on an insurance application; submitting claims for injuries or damage that never occurred, services never rendered or equipment never delivered; and "staging" accidents.

Impact of Insurance Fraud

Insurance fraud can affect policyholders, insurance companies, the insurance industry and economic development in various ways.

Some of the adverse effects of insurance fraud are:-

- It increases the cost of insurance to society as premiums are a function of claims experience.
- It depletes the insurance pool thereby exposing insurers to failure. Consequently, industry growth and profitability is put under serious pressure, which threatens sustainability of the industry.
- It discourages investment in the insurance sector.

Consequences of insurance fraud to policyholders;-

- Insurance companies will refuse to provide you with cover.
- They may also take legal action against you, which may be expensive for you in terms of legal representation and costs.
- You may also lose the right to be refunded your premiums paid.
- You may be blacklisted, making it impossible for you to take any other insurance policy in Zimbabwe.
- You may also be arrested and jailed if convicted. A number of culprits have been convicted for insurance fraud in Zimbabwe.

Is insurance fraud a crime?

- Insurance fraud is a serious offence in terms of the Criminal Law and codification Act of Zimbabwe.
- In terms of the Money Laundering and Proceeds of Crime Act Chapter 9:24 and international standards, fraud is a predicate offence. A predicate offence is an illegal offence, which has the potential to provide funds for money laundering and financing of terrorism.

The Commission's Position on Insurance Fraud:-

- All insurance fraud cases must be reported to the police and the Insurance and Pensions Commission
- Where a policy holder would have been implicated in insurance fraud, the Commission will be guided by the policy terms and conditions and may refer to a law enforcement agency.
- Further, we also strongly discourage policyholders and any other players to engage in any form of insurance fraud.
- Currently, a Crimes Bureau is being established to ensure that all insurance players can view the legal standing of all policyholders before and after providing insurance cover.

Please do not confuse insurance fraud with a dispute that you may have with an insurance company, for example, delays in customer payment, monetary disputes, policy cancellations and non-renewals. If you have a question, want to file a complaint against an insurance company or have an inquiry not involving fraud please contact IPEC.