

It's Dead Man Walking for insurers as fraud cases rise

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NEW DELHI: Heard of a deceased person getting a life insurance cover?

Forty-year-old GA Parmar (name changed) "opted" for a basic life cover of ₹6.5 lakh from a leading private insurer. The policy was issued on June 17, 2015, and the benefit claimed on April 26, 2016. The claimant registered the date of death of the policy holder as October 10, 2015. Sounds like a normal case of claim settlement? Except that in this case, the policyholder had died a month before the date of purchase of the insurance cover!

Parmar's is just one among a rising number of cases of such, hold on, "dead" people who are buying insurance products.

Frauds in the country's under-penetrated insurance segment—both life and non life—have grown manifold in the last couple of years. According to industry estimates, there has been an over 40% rise in such fraud attempts.

Insurance companies have approached the Insurance Regulatory and Development Authority of India and other anti-

graft agencies, including the Central Vigilance Commission (CVC), regarding the issue.

"Whether life, health or general, frauds are rampant and are on the rise...it is extremely easy to get certificates that do not state facts, and especially in case of life insurance, it is even simpler...typically a person can easily purchase a product for her father without stating that he is already dead and then claim the benefits in just a few months," said Jagvinder Brar, partner, forensic services, KPMG.

According to KPMG's internal analysis, frauds in the insurance sector are "much more rampant than those at banks."

A CVC insider, who did not wish to be identified, admitted that there has been a huge rise in the number of fraud cases in the

insurance sector. "The trend is disturbing, especially since India is an under-penetrated market and there is an immense need to raise insurance cover."

Insurers, meanwhile, have started linking Aadhaar accounts with policies to address the situation. Companies are also planning to introduce biometric 'know your customer' (KYC) norms to arrest the trend—At the time of purchase of a policy, the policyholder would have to provide her finger prints.

"There has been a rise in frauds...what we are planning to do is to move towards a biometric system to ensure that policies are given out to genuine people," said RM Vishakha, MD and chief executive officer, IndiaFirst Life Insurance.

"We use propensity based analytics for fraud management and post issuance risk management... this

has helped us identify and address such fraudulent claims. Whenever we get to know such claims, the concerned persons are terminated and FIRs are filed, wherever required" a Reliance Capital spokesperson said.



Illustration: ABHIMANYU SINHA