

## **Protect yourself against insurance fraud**

### **Introduction**

This booklet aims to provide you with an understanding of what insurance fraud is and how fraud may impact the cost and availability of insurance. It gives you basic information so that you can protect yourself against insurance fraud.

### **What is insurance fraud?**

Insurance fraud or takaful fraud is any deliberate deception/dishonesty committed against or by an insurance company or takaful operator, insurance or takaful agent, or consumer for unjustified financial gain. It occurs and may be committed at different points in the transaction by different parties such as policy owners, third-party claimants, intermediaries and professionals who provide services to claimants. The nature of these frauds may vary from an inflated/exaggerated value of a legitimate claim to a completely fabricated or bogus claim where losses never really occurred.

The essential components of an insurance fraud are:-

- Intent to deceive
- Desire to induce insurance company or takaful operator to pay more than it otherwise would.

### **Examples of insurance fraud**

Fraud occurs in all classes of insurance. Examples of insurance fraud include:-

#### **Creating a fraudulent claim:**

- Staged accidents – e.g. by 'oil spillage' or staged chain-collision - to get the custody of the vehicle(s) for repairs.
- Bogus claim for an accident or injury that has never happened.
- Claiming against a personal accident insurance policy for self-inflicted injuries.
- Staged slip and fall accidents.
- False claim of foreign object in food or drink.
- Faking a death to collect benefits or filing a false death claim.
- Staged burglary, theft or vandalism.
- Arson.
- Staged motor theft.
- Staged homeowner accidents.

#### **Overstating amount of loss**

- Inflated or 'padded' claim where the extent of damage or injury sustained in a genuine accident is exaggerated
- Inflating value of items taken during a burglary/theft
- Medical service providers inflating medical bills.

#### **Misrepresenting facts to receive payment**

- Making multiple claims by having multiple insurance covers with different insurance companies or takaful operators for one vehicle and for a particular accident.
- Claiming prior damage occurred in the current accident.
- Claiming a partial or total disability for a minor injury.
- Receiving disability payments while working elsewhere and conducting same or similar work duties.

- Medical service providers charging for services not rendered.
- Claiming false disability.
- Medical service providers giving unnecessary medical treatment.
- Charging for non-provided medical tests.

### **Bogus agents/Sale of forged cover notes**

- Sale of insurance by an unlicensed insurance company or takaful operator or someone purporting to be an agent of an insurance company or takaful operator.
- Sale of forged cover notes by touts or organised syndicates to those who, knowingly or unknowingly, purchase the cover notes for the purpose of securing road tax for their motor vehicles.

### **Why should you care about insurance fraud?**

It is a misconception to regard insurance fraud as a 'victimless' or 'hidden' crime because, in reality, it costs everyone. Insurance fraud results in:-

- **Higher premiums and higher prices for goods and services**  
The costs incurred by insurance companies or takaful operators to combat and pay fraudulent claims will ultimately be passed on to the insuring public in the form of higher premiums. Insurance fraud also results in higher prices for goods and services as businesses pass the higher cost of insuring their property and stock to their customers.
- **Reduced availability of insurance**  
Insurance companies or takaful operators may impose stricter underwriting requirements and restrict their scope of coverage to cap losses due to fraud. Insurance companies or takaful operators may also withdraw cover for sectors that are fraught with insurance fraud.
- **Delayed settlement of genuine claims**  
Insurance companies or takaful operators are wary of fraud and will carry out thorough investigation where fraud is suspected. The stringent claims settlement procedures put in place by insurance companies or takaful operators to weed out fraud may inevitably result in the delayed settlement of genuine claims.

As a consumer, you can play a role to combat fraud. Make sure that you do not knowingly commit fraud or assist others to commit fraud. The insurance company or takaful operator has the right to deny liability and reject your claim if there are elements of fraud established in your claim.

### **How do you protect yourself?**

- Be wary of unregistered insurance agents. Before purchasing insurance, contact your insurance company or takaful operator or Persatuan Insuran Am Malaysia (PIAM), the Life Insurance Association of Malaysia (LIAM) or the Malaysian Takaful Association (MTA) to ensure the agent is an authorised agent.
- Avoid paying premiums in cash. Opt to pay for premiums by cheque or money order. Made payable to the insurance company or takaful operator instead of the agent.
- Make sure you receive a written policy after payment of your first premium.
- Immediately examine your insurance policy to ensure the coverage is what you have requested for and ensure that the premium amount paid is reflected in the cover note/policy. Request for a receipt as evidence of payment of premium.

- Do not sign a blank insurance or takaful application, or insurance or takaful claim form.
- Be suspicious if the price of insurance or takaful seems suspiciously low from other insurance companies or takaful operators.
- If you meet with an accident, be careful of strangers who offer you quick cash or urge you to deal with specific workshops, medical clinic or law firm. They could be part of a fraud syndicate.
- Insist on detailed bills for repairs and medical services rendered and check for accuracy.
- Discreetly contact your insurance company or takaful operator, PIAM/LIAM/MTA or the police if you are being defrauded or have been/are being persuaded to take part in a fraud. Provide as many details as possible about the incident - name of the individual(s) involved, amount, date(s), and type of fraud.

### **How to lodge a complaint and the redress avenues available**

(Reminder: The following information is relevant to complaints not related to fraud. All fraud cases should be reported immediately to the police.)

- If you have a complaint about the product or services of your insurance company or if you are not satisfied with the rejection or offer of settlement of a claim, you should first try to resolve the complaint with the Complaints Unit of the insurance company concerned.
- If you are still not satisfied with the decision, you can write either to the [Financial Mediation Bureau](#) (FMB) or [Bank Negara Malaysia](#) (BNM), which will handle your complaints free of charge. You may wish to check with the officer of the Complaints Unit of the insurance company on the proper avenues for dealing with your complaint.
- If you need to submit your complaint to FMB, it must be done within six months from the date of the insurance company's final decision. The FMB handles disputes between claimants and their own or third party insurance company.
- The FMB is an independent body that provides consumers with fast, convenient and efficient avenue to refer their complaints or disputes for resolution as an alternative to the courts.
- The FMB, however, will not handle disputes involving pricing of insurance products and underwriting issues, fraud cases and cases that have been or are referred to the court.
  - In addition, complaints referred to the FMB are limited to the following:-
    - RM200,000 for motor and fire insurance policies
    - RM100,000 for other type of insurance policies
    - RM5,000 for third party property damage

For cases not within the purview of the FMB, you may refer them to BNM.

Detailed information on how to lodge a complaint is available under the General Information topic entitled '[Fundamentals of Insurance and Takaful](#)'.