

Motor Car Insurance Fraud

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The motor car insurance fraud to be tackled here refers to those committed against insurance companies. Although there are issues that have been raised alleging fraud on the part of insurers, such will be tackled separately.

As of 2017, motor car (including motorcycles) insurance claims total about Php 7 billion annually. Industry leaders estimate that about 10 percent of these claims are fraudulent. There are no figures, though, to support this estimate. Insurance companies are defrauded through various modus operandi. These would include fabricated claims, staged or contrived accidents, fake carnappings, and others. The figures on fraudulent claims are alarming. Fraudulent claims cause significant damage to the insurance industry. More damaging are the fraudulent claims that have not been detected. In other words, insurers paid for losses that are fictional.

The figures would be more significant if we consider that motor car insurance business is a large part of the total non-life insurance business. Motor car insurance premiums in 2014, for example, account for Php 18 billion out of the Php 55 billion total premiums of the non-life business for that year.

In terms of vehicular accidents, in 2014, MMDA reported a total of 90,258 road accidents or an average of 248 accidents per day.

Let us take a look at the carnapping figures. In 2014, the total carnapping incidents were at 8,013. This figure increased to 10,556 in 2015. 90 percent of this figures involved motorcycles. The PNP-HPG reported in November 2015 that an average of three four-wheeled vehicles and six motorcycles are stolen every day. The PNP recorded that there have been 27,434 carnapping incidents between 2009 and 2015, representing an annual average increase of 66 percent. However, for the first half 2016 (January to June), carnapping incidents decreased from 6,302 to 5,087 for the same period of 2015. The claims ratio was between 40 to 45 percent with the highest annual claims reaching almost Php 7 billion.

The question that begs to be answered is: How many of these are fraudulent? Whatever the figure is, it is definitely significant.

Detecting fraud has become a challenge for insurers and the entire industry. It is also important to ferret out professional fraudsters extorting from the insurance industry. In this regard, insurers must have an internal anti-fraud mechanism.

One initiative of the industry is by coming up with the Motorcar Claims Information System (MCIS) which monitors the vehicles that have been reported as total loss (stolen, carnapped or totally wrecked) as a measure against paying fictitious claims for the same vehicles. The system also prevents alleged totally lost vehicles from being resurrected. The MCIS was initiated by the Association of Insurance Claimsmen, Inc. (AICI) and the then Insurance & Surety Association of the Philippines (ISAP, now PIRA) on May 14, 1996. The MCIS called for a monthly reporting by insurance companies. MCIS is now online and 24/7. On May 31, 2016, PIRA and the PNP Highway Patrol Group entered into a Memorandum of Agreement where PIRA agreed to provide information generated by the MCIS to the PNP-HPG. There is proposal to integrate the MCIS with the Confirmation of Cover Authentication Facility (COCAF).

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