

Answers to questions

“Countermeasures Against Motor Fraudulent Claims Taken by General Insurance Companies in Japan”

From: The General Insurance Association of Japan (GIAJ)

Questions	Answers
<p>Q.1 Thai motor insurance is assigned to the car, and any driver can claim. This means fraud gangs will use employees, friends, family to buy policies and avoid underwriting (UW) blacklists. How we fight this?</p>	<p>A.1 It is also possible in Japan to avoid underwriting checks by using, for example, a family member’s name as the policyholder. Given that such deceptive applications cannot be prevented only by underwriting, the importance of strengthening claim adjustment functions is becoming greater. It is useful to steadily accumulate ‘blacklist information’ (including information on accomplices) by establishing a filtering mechanism at the time of underwriting. Insurance companies need to establish claim adjustment practices which allow them to doubt and detect strange or suspicious accidents, and also use external research firms properly. For your information, in order to allow insurance companies to apply insurance premiums which properly reflect policyholders’ past claim histories, an Information Exchange System for sharing automobile insurance bonus-malus grades is operated in Japan. As it allows insurance companies to more clearly understand the risks that are to be underwritten, this system is considered to contribute to fraudulent claim prevention.</p>

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<p>Q.2 Realistically, how many days (end to end) does it take to properly investigate a fraud claim, for example a typical case versus a very complex case?</p>	<p>A.2 It takes 1-2 months for usual cases, and 3-6 months for very complex cases.</p>
<p>Q.3 Before we as an industry in Thailand can effectively prevent fraud, what key infrastructure is needed from insurers, regulations, and/or from criminal law and prosecution?</p>	<p>A.3 We believe that the most important aspect is the eagerness and determination to combat fraudulent claims as well as guidance by insurance company top management and the TGIA. Possible major countermeasures are as follows: 1) Enactment of special laws against insurance fraud, which reduces the insurer's burden of proof and enforces tougher penalties. 2) Improvements to / establishment of proper claim adjustment systems by respective insurance companies (including manuals). 3) Establishment of industry-wide handling and management methods of insurance contract and claim information. 4) Industry-wide exchange of insurance contract and claim information. Cooperation with the Police is also necessary in promoting the above.</p>

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<p>Q.4 Most of fraud cases found in Japan come from own damage (OD) or bodily injury (BI)?</p>	<p>Q.4 Please see Page 7 of the handouts. In terms of case numbers, 75% of the total are for automobile insurance. Two-third of automobile insurance (50% of the total) are for property damage, and one-third (25%) are for bodily injury.</p>
<p>Q.5 Can you give example of how underwriting (UW) can help detect, if the insurance is standard policy, e.g. motor?</p>	<p>A.5 The key point here is to prevent the underwriting of high-risk contracts. Rejection of such contracts can reduce the number of resultant fraudulent claims, thus reducing wasted time and the burden on claims adjustment staff. For this purpose, the TMNF accumulates information on people who have been involved in past fraudulent claims. In addition, understanding how the contract was concluded (i.e., whether or not the application was made by a first-time customer, etc.) is useful for judging the legitimacy of a claim at the time of claim adjustment. It is also important to change underwriting conditions as per the following: (Ex.) - Add a clause to the policy wording regarding the right to cancel</p>

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	<p>the contract,</p> <ul style="list-style-type: none"> - In certain situations, add a clause to place the burden-of- proof on compensation claimants, - Increase deductibles for repeated frequent claimants, and - Introduce a bonus-malus system to reflect claim histories.
<p>Q.6 Does Fraud claim impact to underwriting income (UI) or loss ratio (L/R)?</p>	<p>A.6 Yes, fraudulent claims naturally have an impact on Underwriting Income and Loss Ratio. As Mr. Kheedhej explained, 10% of the 4 billion dollars of claims paid is thought to have been improper ones due to fraud. If the profit ratio is 5%, this is equivalent to the profit to be gained from 800 billion dollars' worth of premiums. The situation is similar in Japan.</p>
<p>Q.7 185 fraud cases is how much percentage of total Claim?</p>	<p>A.7 In 2018, there were 430,000 traffic accidents in Japan (185 is just 0.05%). The cases where fraudulent claimants were arrested represent just the tip of the iceberg.</p>
<p>Q.8 Which is the majority part of fraudulent</p>	<p>A.8 As far as has been recognized, most fraudulent claims are made</p>

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<p>claims come from.. customer/ garage or claim staff ?</p>	<p>by customers. Some cases involve vehicle repair shops (garages) and physicians, but internal control systems make fraudulent acts by claims staff difficult.</p>
<p>Q.9 How Does GIAJ Information Exchange comply with the Act on the Protection of Personal Information?</p>	<p>A.9 Article 23 of the Act on Protection of Personal Information stipulates that: 1) a personal information handling operator shall not provide personal data to a third party without having obtained a principal's consent in advance, except in those cases set for the in the law. - cases based on laws and regulations - cases in which there is a need to protect a human life, body or fortune, and when it is difficult to obtain a principal's consent ... 2) a person receiving the provision of the personal data shall not fall under a third party. - cases in which personal data to be jointly utilized by a specified person is provided to the specified person, and when a principal has in advance been informed or a state has been in place where a principal can easily know to that effect</p>

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	<p>...</p> <p>Under the above, in Japan, insurance companies are allowed to exchange insurance contract and claim information through Information Exchange Systems operated by the GIAJ without obtaining a principal consent under the category of “Joint Use”. On its Website, the GIAJ discloses the outline, purpose, content and joint users of Information Exchange Systems, meaning that a state has been put in place where a principal can easily know such information.</p> <p>The GIAJ Guidelines (Guidelines on the Protection of Personal Information for General Insurance Companies) stipulate as follows:</p> <p>Article 7 (Provision of Personal Data to Third Parties)</p> <p>1. A General Insurance Company, etc. shall, when providing Personal Data to a third party, obtain the consent of the principal (in principle, in writing) after indicating the following matters, except in the cases listed in each item of Article 23, paragraph (1) and paragraph (2) of the Protection Act:</p> <p>(1) Third party to whom Personal Data is provided, (2) Purpose of use by the third party to whom the information was provided, and (3) Content of information to be provided to third parties.</p>