



cutting through complexity

INSURANCE

Forensic services

Helping to protect your business
from fraud, misconduct and
non-compliance

ADVISORY

kpmg.com/in





The insurance industry has been growing at a fast pace in India. To differentiate themselves from their competitors, insurance companies have been introducing innovative products, fast and streamlined claims processing and multiple distribution channels including bank-assurance, sales agents and the internet. The sheer number of stakeholders, high volume of transactions and complexity of the business environment make it highly susceptible to fraud and misconduct of various types, often resulting in financial losses, loss of reputation and possibly regulatory action. The Insurance Information Institute estimates that fraud accounts for 10 percent of the property/casualty insurance industry's incurred losses and loss adjustment expenses. However, like any other business risk, fraud can be effectively controlled through an appropriate risk management strategy.

KPMG's Forensic team can help

KPMG Forensic helps clients protect their business from fraud, misconduct and non-compliance, which in turn helps organisations reduce reputation risk and commercial loss. We do this by providing independent, proactive and responsive services through our investigative, accounting and technology capabilities. Our team has more than 680 professionals, each one bringing in not only rich and extensive experience but also competitive and specific skill sets.

Do you suspect that fraud or other financial loss has taken place in your company?

Claims investigation

The Insurance sector has always been prone to fraud by policy holders and agents. Cheating an insurance company is a common and widely prevalent form of crime. Sometimes policy holders (with/ without the assistance of agents) facilitate inflated claims or misrepresent facts to get insurance money based on an eventuality which might not have taken place. KPMG Forensic can help companies conduct field investigations to collect evidence of fraud, if any, in claims by policy holders.

Fraud and misconduct investigation

The KPMG India Fraud Survey 2012 identified Financial Services as being the most vulnerable to fraud, with over 59 percent of the respondents having suggested that their organisation had experienced fraud in the last two years. With the insurance sector being vulnerable to various risks such as policyholder and claims fraud, intermediary fraud, internal fraud etc., organisations need to be extremely vigilant.

KPMG in India's Forensic team has undertaken some of the largest financial fraud investigations across industry sectors and assisted organisations in solving a range of fraud and misconduct situations. We are one of the largest investigative teams in the country and using our experience and the knowledge of your organisation's particular circumstances, we can conduct event-led investigations by gathering and analysing data to help identify instances of impropriety, the parties involved as well as uncover the modus operandi. We also help gather evidence that can be presented in a court of law and assist the client in litigation.

Claims Fraud Analytics

One of the main challenges in detecting fraud in an insurance company is the sheer volume of claims that are processed every year and it is simply not practical to review every single one manually for suspicious activity. Finding fraudulent claims can be like looking for needles in a haystack. Forensic data analysis can help insurers analyse vast volumes of data to identify underlying trends relating to customers, surveyors and others involved in the insurance claim process.

Fraud loss management

KPMG Forensic can support insurance clients in their continuous efforts to prevent, detect and respond to fraud and misconduct through the designing, implementation and evaluation of antifraud programmes and controls. With our extensive industry knowledge and experience with fraud schemes we can develop the preventive framework and proactive programmes required to detect misconduct. We can also assist in educating employees through our fraud awareness workshops.

Data theft: Detection and prevention

A large number of processes in any insurance company deal with sensitive information. This may be customer information, transactions information or data relating to proposed investments or trades. Any leakage of such information could result in legal suits costing crores of rupees as well as loss of reputation and business. KPMG Forensic can help you with the detection of and prevention of data theft.

Mystery shopping

Over-zealous sales agents often state and sell facts contrary to the terms of the insurance contract. It is essential that such misrepresentations are controlled in order to mitigate reputation loss or compliance risk. KPMG Forensic can help gather specific information around the sales activity and help organisations identify such misrepresentations. Mystery shoppers posing as normal customers perform specific tasks - such as purchasing an insurance policy, asking questions, registering complaints or behaving in a certain way and then providing the insurance company with detailed reports or feedback about their experiences.



Are you sure about the credibility of your employees, policyholder and/ or agent?

Know your customer

Insurance companies face the maximum threat of fraud and misconduct from policyholders. Know Your Customer (KYC) guidelines not only assist the insurance companies in complying with regulatory requirements, but also provide a wealth of information on prospective policy holders. KPMG Forensic can help companies conduct background checks on their prospective customers to help ensure the credibility of information submitted including the address check, verification of documents, etc.

Integrity due diligence on high value policy holders

Entering into any kind of relationship without an appreciation of the possible downside can expose organisations to financial and reputation risks. KPMG Forensic can help insurance companies in identifying any hidden factors or red flags by gathering intelligence from public and non-public sources. This will put them in a better position to make informed decisions on high value policy holders.

Know your vendor

We can provide investigative due diligence to organisations seeking to screen prospective vendors for red flags. Awareness of the background, past performance, reputation and history of vendors can help organisations proactively decide or plan their relationship with them. By hiring vendors who conduct themselves ethically and lay emphasis on quality in their performance and behaviour, organisations can help reduce their own exposure to liability, litigation, audits, financial loss and government investigations.

Pre-employment screening

An identified issue for all insurance companies continues to be verifying the credentials of employees they hire. Often, due to the pressures of large scale recruitment, especially in terms of sales-force, companies are not able to conduct a thorough verification. KPMG conducts professional and impartial background checks on employment candidates without violating their privacy. We help you base your hiring decisions on facts and not on job seekers' representations or disclosures. These checks include employment checks, education checks, reference checks, criminal checks, etc.

Are you concerned about regulatory compliance?

Anti Money Laundering (AML) compliance

Insurance companies have a new significant role to play in preventing money laundering. Money launderers use insurance products with cash surrender value to mask the movement of criminal proceeds and finance crime and terrorism. General insurance is also susceptible to money laundering through fraudulent claims. KPMG Forensic can help insurance companies meet their responsibilities to prevent, detect, and respond to money laundering through the development of a robust AML infrastructure. Our professionals can work with you to identify customers and activities associated with your products; monitor cash-outs, redemptions, and transfers; and investigate suspicious activities.

Anti-Bribery and corruption and US FCPA/ UK Bribery Act compliance

Compliance with the US Foreign Corrupt Practices Act (FCPA)/ UK Bribery Act is challenging in developing countries and especially in countries where corruption is prevalent. We help clients develop and implement effective compliance programmes to prevent, detect and to respond to issues related to anti-corruption noncompliance. KPMG has successfully investigated various engagements involving bribery/corruption issues. We have helped clients in due diligence in mergers and acquisitions and conducted integrity due diligence on third parties and employees.

Is your company embroiled in a commercial dispute?

Knowing strengths and weaknesses

We work closely with clients and legal teams from the outset to give a realistic and authoritative assessment on key accounting issues and/or quantum in dispute. This helps you to make decisions about the case and negotiate from a position of strength.

Evaluating, documenting and presenting your case

We can provide compelling and easy to understand reporting of facts, opinions and conclusions supported by credible, robust oral evidence. We have testified as expert witnesses and have been cross examined in various litigation cases and legal proceedings.

Collecting and reviewing evidence

KPMG's e-discovery capabilities can help ensure immediate and convenient access to evidence for review by legal teams and clients, irrespective of format and volume. We collect, manage and process paper and electronic records. We also provide a variety of review tools to enable fast and cost effective review of relevant material.



Our value proposition



Vast experience

We have investigated over 850 cases of economic crime of various kinds including some of the most high profile cases featured in leading financial dailies. Our services are proactive and reactive, addressing a wide range of issues including kickbacks and bribes, financial misrepresentations, accounting frauds, fraud in malicious emails, data theft, internet fraud and funds siphoning.

Dedicated and trained resources

Our team comprises of management professionals with in depth experience in the financial industry, certified fraud examiners, former police officers, chartered accountants, certified public accountants, business ethics professionals, social workers, technology professionals and analysts. They are supported by our on-site investigation team that verifies facts in person, thereby increasing the credibility of our services.

Technology-backed solutions

We produce accurate and objective reports with fast turnaround time, by using Proprietary technology tools. Our dedicated forensic technology laboratory can mine and analyse large volumes of data in paper and electronic formats in minutes and effectively support on-site investigations.

Select credentials

Fake application documents

A multinational bank engaged KPMG Forensic to investigate allegations of loans being granted to customers, based on falsified application documents. We conducted a loan portfolio analysis and scrutinised some loan applications to identify issues. Physical and digital evidence relating to forgery by the sales teams was recovered through search and seizure and through the use of forensic technology.

Investigation into financial misconduct

Our client suspected that their financial controller was involved in financial impropriety. KPMG Forensic was engaged to validate whether their suspicions were justified. Our cross functional team of accountants, former police officers and forensic technology helped the client identify instances of misconduct as well as in the estimation of the losses incurred by them.

Know your customer (KYC) advisory

A large financial institution with operations in over 45 countries engaged KPMG Forensic as a run up to the deployment of Anti Money Laundering (AML) policies. This also included assistance in development of a risk assessment process for the product and customer portfolios. We reviewed the steps taken to identify the customers and beneficiaries. A review of the suspicious activity reporting process was also conducted.

Regulatory compliance review

KPMG Forensic was mandated by the banking regulator in India to assess the compliance to regulations for the foreign exchange trading desk of a leading financial institution. The systems, process, individual transactions and trading relationships were reviewed, analysed and assessed for compliance.

Fraud by senior management

A leading financial institution engaged us to investigate allegations that the CEO had entered into securities transactions resulting in losses for the company and personal gain for himself. Numerous transactions, not in accordance with stock exchange rules, resulting in diversion of funds were identified. There were also indicators of attempts by the CEO to misrepresent the financial status of the company to the Board of Directors.

Dispute advisory

Our client alleged breach of contract by its partner in the field of control, testing and measurement of information systems. There were also allegations of infringement of Intellectual Property Rights. KPMG Forensic assisted in establishing breach of contract and assessment of due losses. We also appeared as an independent expert witness in the court of law in the pursuant legal arbitration.

Fraud risk management

We were engaged by a leading financial institution listed on the NYSE to assess their preparedness in the prevention and detection of fraud. Our involvement included definition of extent of management oversight, role of audit committee, internal audit and the fraud control unit. Potential risks and the adequacy of existing preventive and detective controls were assessed. We also assisted in the development of a remediation plan to help ensure reporting compliance.

Asset tracing

KPMG Forensic was engaged to assist in location of hidden assets and to establish the modus operandi used for diversion of funds by some of the major defaulting borrowers. Evidence of selling and moving of hypothecated properties and links of relatives and associates involved were obtained. The financial institution initiated legal action and used our findings as a tool to negotiate a settlement with the defaulting borrowers.

Procurement fraud and background check

A private general Insurance company suspected improper awarding of contracts, in return of kickbacks, for procurement and printing of health cards in their company. On conducting an investigation, we found out that the company policy for competitive bidding was not followed. Field visits revealed that one of the vendors did not exist and another vendor was not into the business of printing health cards. Different versions of the same meeting were provided during interviews with four different key personnel involved in the selection of the vendor. Finally, a background check on two of the employees led to critical negative information being revealed by their ex-colleagues.

Fraud Investigation

Our client suspected alleged fraudulent activities taking place involving an employee of an outsourced vendor who was working with them. We helped identify and analyse the control failures that led to the fraud. In addition, we obtained and reviewed documents to identify if any other vendors/ employees were involved in the alleged fraud.



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