

## **Press Release**

### **LCQ4: Fraudulent insurance claims involving loss adjusters**

Wednesday, October 22, 2014

Following is a question by the Hon Frankie Yick and a reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (October 22):

Question:

It has been reported that some loss adjusters and recovery agents have conspired to make fraudulent insurance claims on traffic accidents. Such loss adjusters, dedicated to the provision of one-stop services in making claims for car owners involved in traffic accidents, exaggerate in their reports the property losses caused and the degree of injuries sustained by the injured in traffic accidents so as to get larger sums of compensation, while the recovery agents are engaged in champerty. The Police have earlier cracked down on a syndicate of such type. In this connection, will the Government inform this Council:

(1) of the authorities' new measures to eradicate such illegal acts and to prevent members of the public from unknowingly becoming an accomplice of frauds;

(2) of the penalties imposed in the past three years by the court on persons engaged by loss adjusters who had engaged in frauds; and

(3) whether it has investigated the current number of loss adjusters in Hong Kong dedicated to the provision of services for making traffic accident claims, and whether it has verified the qualifications of the professionals employed by such firms; whether the authorities will consider stepping up the regulation of loss adjusters, including the qualifications required for establishing loss adjuster firms, the qualifications of the professionals employed by such firms, their standard fees and charges, as well as the responsibility to be borne by such firms for the reports they issued; if they will consider, of the details; if not, the reasons for that?

Reply:

President,

(1) Fraud is a crime. The Office of the Commissioner of Insurance (OCI), the Hong Kong Federation of Insurers (HKFI) and the Commercial Crime Bureau of the Police (CCB) have been working closely to combat fraudulent insurance claims in relation to traffic accidents. In December 2011, the CCB established a dedicated team to follow up such suspected fraudulent claims referred by the HKFI.

To strengthen public education, the Police has made use of the "Decoding Commercial Crimes" series on the "Police Magazine" television programme to raise public awareness of the severe consequences of insurance frauds and related criminal activities. In addition, the Police has been liaising closely with the insurance industry through the HKFI to keep track of the trend of insurance-related crimes so as to mount corresponding preventive measures.

(2) According to information provided by the HKFI, there were four successful prosecutions against fraudulent claims in relation to traffic accidents in the past three years. None of them involved loss adjusters.

(3) According to information provided by the insurance industry, there are about 40 active loss adjusters engaging in insurance claims assessment and claims management business in Hong Kong. About 10 of them specialise in motor vehicle surveying or medical claims assessment services. Loss adjusters offer a claims management service by evaluating the extent of damage and recommending the amount for settlement. The service fee to be charged depends on the service required. Both the insurer and the claimant may appoint a loss adjuster to handle claims management matters.

On whether and how loss adjusters should be regulated, there are different practices internationally. Different jurisdictions have their own arrangement based on market situation. For example, loss adjusters are not regulated in Australia. In the United Kingdom, there is no regulatory regime for loss adjusters though certain types of loss adjusters are required to be registered.

A loss adjuster commits a crime if it engages in any fraud. As mentioned above, the Administration will continue to collaborate with the insurance industry to combat such illegal activities.

Over the past three years, OCI has received eight complaints against insurers on handling of claims which has involved the service of a loss adjuster. The subject matter of these complaints is dispute over the settlement amount. In seven cases, the complainant did not provide OCI with further information for follow-up, possibly because they had settled with the insurer. The remaining case is being heard by the Small Claims Tribunal.

The Administration will review the current practice from time to time in the light of market development and overseas experience.

Ends