

Press Release

LCQ14: Establishing insurance claims database to assist in combating fraudulent insurance claims

Wednesday, July 12, 2017

Following is a question by the Hon Chan Kin-por and a written reply by the Secretary for Financial Services and the Treasury, Mr James Lau, in the Legislative Council today (July 12):

Question:

After making reference to the relevant practices in countries such as the United Kingdom, the United States and Singapore, the Hong Kong Federation of Insurers (HKFI) has decided to establish an insurance claims database to collect and analyse claims data with a view to identifying fraudulent insurance claims at an early stage. HKFI will, at the initial stage, focus on collecting claims data on three categories of insurance, namely vehicle, medical and accident insurance, and will commence data collection in the second half of this year. Moreover, HKFI intends to employ the latest information technology to establish a database with a high degree of efficiency and a high level of security. In this connection, will the Government inform this Council:

- (1) of the number of reports, received by the Police in each of the past three years, on suspected fraudulent insurance claims, and the number of prosecutions instituted against the persons concerned, together with a breakdown by category of insurance involved;
- (2) whether the authorities will render assistance to the insurance industry in employing the latest information technology (such as the blockchain technology) to establish the aforesaid database; if so, of the details; if not, the reasons for that; and
- (3) as the statutory functions of the Insurance Authority (IA) include the promotion of the sustainable development of the insurance market and the enhancement of the competitiveness of Hong Kong's insurance industry in the global insurance market, whether the authorities know how IA will assist Hong Kong's insurance industry in combating fraudulent insurance claims?

Reply:

President,

Our response to the various parts of the question is as follows:

(1) The number of reports, received by the Police in each of the past three years, on suspected fraudulent insurance claims, and the number of prosecutions instituted against the persons concerned are as follows:

Year	Number of reports	Number of prosecutions
2014	7	1
2015	4	0
2016	8	1

The Police does not have a breakdown by category of insurance in respect of the above cases.

(2) The Government has been encouraging the industry to develop and apply financial technology. We understand that the Hong Kong Federation of Insurers (HKFI) will establish a centralised Insurance Claims Database for the Prevention of Fraud. Big data analytics technology will be used to analyse and examine the data collected so as to enable the industry to detect patterns of fraudulent insurance claims and take early preventive measures where appropriate. The HKFI has completed the proof-of-concept exercise for the relevant technology and is finalising the implementation details with a view to commencing the operation of the database as soon as possible. The Government and the Insurance Authority (IA) welcome the establishment of the database as it will help combat insurance fraud, thereby protecting the interests of policy holders. The Government and the IA will maintain dialogue with the HKFI and the insurance industry, monitor the establishment of the database closely, and provide assistance and support as appropriate.

(3) Fraud is a crime. Insurance fraud can cause insurance companies to suffer unnecessary underwriting loss, drive up premiums, and ultimately affect consumers and undermine the sustainable development of the insurance

industry. The insurance sector has an important gate-keeping role in the fight against insurance fraud. The establishment of internal control and insurance intermediaries management systems enable insurance companies to identify and report insurance fraud at an early stage.

The IA has taken over the regulatory functions of the former Office of the Commissioner of Insurance with effect from June 26, 2017. The IA will continue to work closely with the Commercial Crime Bureau of the Police and maintain close liaison with the insurance industry, so as to keep track of the trend of insurance-related crimes for timely implementation of corresponding preventive measures and collaboration in combating fraudulent insurance claims. Moreover, the IA will, through publicity and public education, enhance public understanding of insurance fraud and the severity of the crime.

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