

# Investigating Insurance Insolvency and Fraud

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## Abstract

Insurance fraud is clearly a significant and costly problem, which has lately attracted a lot of research. It is generally defined as any fraud committed by a policyholder, an agent or an insurance company for the purpose of illegal financial gain. There is an extensive literature concerning policyholder's fraud against an insurance company, but there is not much concerning insurance fraud against policyholder or against government. An insurance company to perform its business needs equity in order to overcome adverse fluctuations of its yearly result (risk capital or contingency reserve) and to satisfy its solvency and other legal requirements. However, financial statements of some insurance companies do not reflect their true economical status. The purpose of this work is to find those insurance companies are in danger and investigate fraud perpetrated by an insurance company against policyholders or government. We investigate the case of Greece by applying advanced statistical and risk methodologies in order to find fraud and insurance business insolvency.

**Keywords:** Risk Capital, equity, solvency margins, cash flow.

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