

## THE INTENTION OF CUSTOMER INSURANCE FRAUD AND ABUSE

TARJO TARJO<sup>1\*</sup>, PRASETYONO PRASETYONO<sup>2</sup>, RITA YULIANA<sup>3</sup>, ALEXANDER ANGGONO<sup>4</sup>, MUHAMMAD SYAM KUSUFI<sup>5</sup>, RUKMAWATI RUKMAWATI<sup>6</sup> and IKAPUTERI AMALIA<sup>7</sup>

<sup>1</sup>Associate Professor, Department of Accounting, Faculty of Economics and Business, University of Trunojoyo Madura \*tarjo@trunojoyo.ac.id  
<sup>2,3,4,5,6,7</sup>Department of Accounting, Faculty of Economics and Business, University of Trunojoyo Madura

### Abstract:

**Purpose:** This study focuses on examining and analyzing the impact of the degree of consequences, the social consensus, the principle of justice, the probability effect, the effect of proximity, the concentration effect, spirituality, the type of insurance fraud, and abuse against the attitude of ethical, as well as to test the attitude of ethical against the intention of customers of insurance for doing insurance fraud and abuse.

**Design/methodology/approach:** The sample in research is a practitioner of accounting who works as an employee in an office consultant management and office public accountant in Surabaya.

**Findings:** This study found that the principle of fairness influences the intention of customers to do fraud insurance, and the attitude of ethical affect to the intention of customers to do fraud insurance.

**Practical implication:** Research is carried out to knowing factors of what that influences the intention of customers to do fraud insurance.

**Originality/value:** Consumer insurance fraud and abuse (CIFA) becomes the attention of managerial, regulatory, and judicial considerably. Thus, this study is important because to know the intention of customer to do insurance fraud, so the insurance company can mitigate its risk.

**Keywords:** Consumer insurance fraud and abuse, ethical attitude, principle of justice.

**JEL code:** M4, G2, L4

**Paper type:** Research article.

### 1. Introduction

A finding of the Association of Certified Fraud Examiners (ACFE) survey during 2020 indicated that insurance fraud is expected to increase by 81% due to the effects of the COVID-19 pandemic (ACFE, 2020). Therefore, the problem of fraud in insurance has been widely studied. Several studies on insurance fraud have discussed insurance claims (Ajemunigbohun et al., 2019; Tarr, 2019), culture (Zourrig and Park, 2019), the impact of economic problems (Siemering, 2020), insurance policies (Stenström, 2019), collusion (Picard et al., 2019), and natural disasters (Benali and Feki, 2017). In addition, several studies have tried to examine ways to reduce insurance fraud, such as taking prevention measures (Akomea-Frimpong et al., 2016; Chepkoech and Rotich, 2017), detection (Sahni et al., 2020; Sowah et al., 2019; Subudhi and Panigrahi, 2020), and

investigations(Patil, 2020). However, from various previous research topics,(Tseng, 2019)suggested researching insurance fraud from the consumer side.

Insurance fraud committed by consumers is motivated by the ethical attitude of consumers or individuals(Sweeney and Costello, 2009). Jones' research (1991) states that six factors cause individuals to choose to behave ethically: the degree of consequences, the temporal proximity, the social consensus, the probability effect, the effect of proximity, and concentration. (Barnett, 2001; Valentine and Hollingworth, 2012)indicating the extent of consequences, the probability effect, and the social consensus positively affect the ethical attitudes.In addition, (Pauli and May, 2002; Stein and Ahmad, 2009)found the magnitude of the consequences can affect the decision to behave ethically. (Husser et al., 2019)that the degree of the consequences, temporal proximity, social consensus, and concentration of effects affect ethical attitudes. Moreover, (Bateman et al., 2013)signified impact of social consensus towards ethical attitudes. However, some researchers have different views, such as research(Peslak, 2007)which states that the magnitude of the consequences encourages unethical attitudes.(Wang et al., 2020)find it interesting that high social consensus does not impact ethical attitudes. Still, on the contrary, when social consensus is in a low state, it will impact unethical attitudes. (Barnett, 2001; Valentine and Hollingworth, 2012)suggested that immediacy and temporal proximity had no impact to the ethical decision making. (Husser et al., 2019)provided evidence that the probability effect did not affect ethical attitudes. Another study conducted by(Tseng et al., 2014; Tseng and Kuo, 2014) suggested that the justice obtained by individuals will also affect ethical attitude decisions.

On the other hand,(Tseng, 2019)proves that in general, the magnitude of the consequences, effect probability, social consensus, temporal proximity, and proximity encourage consumers to commit insurance fraud. Still, the concentration of effects is not a driving factor for consumers to commit insurance fraud. More specifically, (Tseng, 2019)also examines the effect of gender, education, age, marriage, and homeowners insurance and finds that the effect of the degree of consequences, the probability effect, the social consensus, the temporal proximity, the proximity and concentration effects are the drivers of insurance fraud committed. by consumers, except that temporal proximity and proximity do not encourage homeowners insurance to commit fraud. (Tseng, 2019; Tseng et al., 2014; Tseng and Kuo, 2014)found other evidence, namely types of fraud, principles of justice and ethical attitudes, can be factors for consumers to commit fraud. (Salleh et al., 2018)found evidence that the injustice received by consumers can encourage consumers to commit fraud. (Lesch and Brinkmann, 2011)stated that consumer ethics could also be a driving factor for insurance fraud.

The novelty of this research is the addition of spirituality factors. This was done because previous research did not include the spiritual side. Furthermore, the spirituality factor was added because this research was conducted in Indonesia, closely related to religious elements. Therefore, the spirituality factor will impact every decision made by each individual. This argument is supported by with the addition of spirituality. It is hoped that it can answer the development of previous research models(Tseng, 2019).

This study is expected contributing to literature on fraud insurance from a consumer point of view. In addition, this research is expected to reduce the risk of loss for insurance companies. Furthermore, this study also refines the previously developed model(Tseng, 2019). Finally, this research will provide research opportunities for future researchers.

## **2. Theoretical foundations and hypotheses**

### **2.1 Planned Behaviour Theory**

The Theory of Planned Behavior (TPB) is suggested by Ajzen and Feshebian in 1975 as an improvement of the Theory of Reasoned Action (TRA), and still refined until 1980 (Ajzen, 1991). The theory of planned behavior consist of three facets(Ajzen, 1991). The first is an attitude towards a particular behaviour, which a person distinguish something into favourable and unfavourable. The second is known as subjective norm referring to the perceived social pressures whether to take action or not. Thus, the three antecedents of intention are perceived levels of behavioural control regarding easiness or difficulty in performing a behaviour. In addition, they reflect on past experiences in anticipation of obstacles and the obstacles.

The central factor of individual behaviour is influenced by the behaviour intention to do a particular behaviour. The behavioural intention is affected by three factors, i.e. (1) attitude, (2) subjective norm and (3) perceived behaviour control. An individual may have various beliefs to behave, but only a few of these beliefs arise to influence behaviour when faced with a particular event. It means that few beliefs influence individual's behaviour(Ajzen, 1991). Those beliefs can be characterised into behaviour beliefs, which indicate individual beliefs about the behaviour's results and evaluate the results. Behavioural beliefs will be affecting attitudes toward behaviour. The second is normative belief referring to meet the normative expectations of others such as family, friends and co-workers. The normative expectation will form the subjective norm of behaviour. Meanwhile, the third factor is a control belief, which is the individual's belief concerning some things that support or hinder a particular behaviour and perception (Ajzen, 1991).

## 2.2 Hypothesis Development

### 2.2.1 The impact of the degree of consequences on the ethical attitude of customers

Consequences are the final result or impact of an action carried out on the impact that occurs when a decision is taken. (Jones, 1991) pointed out that the magnitude of consequence is the overall loss born by the victim because of an ethical decision making. If it is associated with TPB, the consequences enter into social factors (Ajzen, 1991). The magnitude of the consequences that individuals receive will impact ethical attitudes (Barnett, 2001; Husser et al., 2019; Pauli and May, 2002; Stein and Ahmad, 2009; Valentine and Hollingworth, 2012). Then the ethical attitude of consumers caused by the magnitude of the consequences received by consumers will impact the decision to commit fraud or not (Tseng, 2019). So, it can be stated that the magnitude of the consequences received by consumers will affect decisions to behave ethically and commit fraud. Based on these arguments, the proposed hypothesis is:

**H1:** The magnitude of the consequences will affect the ethical attitude in the intention to commit fraud. The customer will judge the behaviour as ethical if all losses are caused by behaviour that is considered negligible (trivial).

### 2.2.2 Effect of social consensus on customer ethical attitudes

Social consensus is an agreement about social acceptance or rejection of the outcomes of an ethical decision making (Jones, 1991). The greater the level of social consensus or social agreement in society that insurance fraud is ethical or unethical, it will affect a person's intention to commit fraud. Based on the TPB, social consensus is included in the antecedent part of the intention. The justification is due to fraud committed in the past, so social consensus will affect ethical decision making. Several previous studies have proven that social consensus affects ethical attitudes (Barnett, 2001; Bateman et al., 2013; Husser et al., 2019; Valentine and Hollingworth, 2012).

Furthermore, justification for insurance fraud can provide opportunities for consumers to commit insurance fraud (Ribeiro et al., 2020). That social consensus will impact ethical decisions and will ultimately have an impact on decisions to commit fraud. So, it can be concluded that social consensus on insurance fraud will affect consumers' ethical attitudes (Tseng, 2019). Suppose insurance fraud is considered one of the wrong actions. In that case, social consensus will consider insurance fraud to be wrong to reduce consumers' intention to commit insurance fraud. Based on these arguments, the proposed hypothesis is:

**H2:** Social Consensus affects ethical attitudes. The social consensus that considers that insurance fraud is ethical will encourage someone to commit insurance fraud.

### **2.2.3 Effect of probability effect on customer's ethical attitude**

The probability effect of an ethical decision-making is closely related to the possible impact on the victim of the ethical decision (Jones, 1991). According to TPB, the probability of the effect is included in the attitude side because the probability of the effect is related to the consideration of profit and loss (Ajzen, 1991). If the benefits are more when committing fraud, then there is a possibility that consumers will choose to commit fraud. The finding supports this argument that the probability effect will affect consumers' ethical attitudes and decisions to commit insurance fraud (Tseng, 2019). Furthermore, there is evidence that the probability effect positively affects ethical attitudes (Barnett, 2001; Valentine and Hollingworth, 2012). So it can be stated that the consumer's ethical attitude decision and the decision to commit insurance fraud depend on how much profit will be obtained. Based on these arguments, the proposed hypothesis is:

**H3:** Probability effect can affect ethical attitude. Insurance customers will consider insurance fraud ethical when the probability of the effect is negligible.

### **2.2.4 Effect of temporal proximity on customers' ethical attitudes**

The temporal proximity can be defined as the time span between the present and the negative impact of an action emerged. If the time frame between the action and the consequences of the action is short; it is considered as an unethical behaviour. On the contrary, if the time between the action and its consequences is long enough, it reduces the possibility that the action will harm directly (Jones, 1991). According to TPB, temporal proximity is part of the antecedent of intention. The fraudulent act will receive ethical recognition when justification that the action is said to be ethical (Ajzen, 1991). Temporal proximity will have an impact on individual ethical attitudes (Sweeney and Costello, 2009).

On the other hand, there is evidence that temporal proximity affects ethical decision making and fraud (Tseng, 2019). So it can be stated that fraud policies with long temporal proximity will be considered normal so that fraud has been justified and will impact ethical decisions and consumer fraud. Based on these arguments, the proposed hypothesis is:

**H4:** Temporal proximity affects ethical attitudes. Insurance customers will consider insurance fraud ethical if the losses (consequences) obtained do not come quickly.

### **2.2.5 The effect of proximity on the ethical attitude of customers**

Proximity refers the relationship established between the decision-maker and the victim of the decision (Jones, 1991). The closer relationship, the greater moral intensity. This means that social care will be more excellent physically and psychologically if you have a close relationship. According to TPB, closeness is part of the normative trust, where ethical attitude decisions arise from the individual's proximity to other individuals, such as family, friends, and co-workers (Ajzen, 1991). Other findings show that proximity affects ethical attitudes taken by individuals (Sweeney and Costello, 2009). Then proximity affects ethical decision making and consumer fraud (Sweeney and Costello, 2009). So it can be stated that consumers who are close to the victim (insurance company) will easily make decisions to commit insurance fraud. Based on these arguments, the proposed hypothesis is:

**H5:** Proximity affects ethical attitudes. Customers will consider insurance fraud unethical if they have a close relationship with the victim (insurance company).

### **2.2. 6 The effect of concentration on customers' ethical attitudes**

Jones (1991) described that the concentration effect as an inverse function of people who suffered loss. For example, the total losses in the two cases are the same, but in the first case, the victims were 100 while the other case was 500. According to both cases, the concentration of effects was more significant on the losses felt by the victims, who were less than 100 people. According to TPB, the concentration of effects is part of the antecedent of intention, where ethical decisions are made based on past ethical attitude decisions (Ajzen, 1991). Individual ethical attitude decisions are influenced by the concentration of effects (Husser et al., 2019). Then it is also stated that the concentration of effects will affect the consumer's decision to commit insurance fraud (Tseng, 2019). So it can be stated that the concentration of effects will affect the decision making to behave ethically and commit insurance fraud. Based on these arguments, the proposed hypothesis is:

**H6:** Concentration of effect affects ethical attitude. Customers will consider insurance fraud unethical if a small number of people feels the losses incurred.

### **2.2. 7 The effect of the principle of fairness on the ethical attitude of customers**

Previous studies on perceptions of fairness towards customers' ethical attitudes in insurance fraud (Tseng and Kuo, 2014; Tseng et al., 2014) indicate that the fraudulence in insurance industry is more acceptable for customers as an ethical behaviour if the insurance transaction is considered unfair. The perception of fairness will increase the obligation and responsibility of insurance companies to provide claims services. When viewed from the perspective of TPB, it refers to social factors, where consumers will justify the decision to commit fraud because of the pressure received by

consumers(Ajzen, 1991). Insurance fraud is caused by a lack of justice received by consumers (Tseng, 2019). So it can be stated that the justice received by consumers will affect the decision to be ethical and the decision to commit insurance fraud. Based on these arguments, the proposed hypothesis is:

**H7a:** The principle of justice affects ethical attitudes, where customers tend to consider insurance fraud as ethical behaviour if it believes that it is fair to the insurance company.

**H7b:** customers are more likely to commit insurance fraud if it is fair to the insurance company.

### **2.2.8 The influence of spiritual intelligence on the ethical attitudes**

TPB spiritual intelligence is part of a trust, where spiritual intelligence depends on individual beliefs(Ajzen, 1991). Spiritual intelligence allows humans to be creative, change rules and situations. Spiritual intelligence gives us the ability to discern. Spiritual intelligence gives us a sense of morality, in conformance with rules along with understanding and love. In addition, the equal ability is intended to notice when love and understanding have reach their limits(Tikollah et al., 2006). An individual's ethical behaviour is classified into three aspects: individual aspects (spirituality intelligence, religiosity, emotional intelligence, gender, individual ethical climate, personal traits, and beliefs that others are more unethical). Organizational aspects (organizational ethical atmosphere, and organizational atmosphere). Environmental aspects(Tikollah et al., 2006).Spiritual intelligence will affect ethical attitudes and decisions to commit fraud(Said et al., 2018; Singhapakdi et al., 2013). So, spiritual intelligence influencesthe customers' ethical attitudes, where through spiritual intelligence allows customers to know more about taking good and right actions based on conscience. Hence, the spiritual intelligence is regarded as a basis for considering an ethical action or not to do.A Moral attitude that is considered lofty by the perpetrator. Based on these arguments, the proposed hypothesis is:

**H8:** Spiritual intelligence affects ethical attitudes. Someone who has high spirituality in himself will tend to consider an ethical action or not.

### **2.2.9 The effect of the type of fraud on the ethical attitude of customers**

Research findings indicated that an opportunistic insurance fraud is much more common than intentional insurance fraud, such as overstating the amount claimed to insurance companies(Tseng, 2019). Based on the claim, the insurance company is more confident even though the customer exaggerated the information for the claim submission process. The type of fraud defines a situational context of an insurance fraud (Weisberg and Derrig, 1998). Other studies suggested that intention is closely related to a particular context of the ethical dilemmas(Singhapakdi et al., 1996;

Sweeney and Costello, 2009). Everyone's intention to do something is certainly different, and some think that opportunistic insurance fraud is ethical, and others think that planned insurance fraud is ethical. According to TPB, fraud is caused by trust (intentions), justification (antecedent intentions), and pressure (social factors). Therefore, insurance fraud will impact ethical attitudes and insurance fraud (Tseng, 2019). Based on these arguments, the proposed hypothesis is:

**H9a:** The type of insurance fraud affects ethical attitudes. Customers tend to judge that an insurance fraud as an ethical when the fraud is considered as an opportunistic insurance fraud rather than a planned insurance fraud.

**H9b:** The type of fraud affects the customer's intention to commit insurance fraud. Customers tend to commit an insurance fraud when it is perceived as an opportunistic insurance fraud, not planned insurance fraud.

#### **2.2.10 The effect of an ethical attitudes towards customers' intentions committing an insurance fraud**

If a person intends to choose a particular alternative, he is likely to behave according to that intention (Hunt and Vitell, 1986). Ethical judgment of whether or not a person leads directly to the intention to do something. The idea of an ethical attitude is how a problem or behaviour is perceived as an ethical and unethical attitude (Tseng, 2019). Intention refers to a person's willingness to do something that is said to be ethical or unethical. This means that a person is choosing to do something is based on the intention in him. This intention can be a desire to do an ethical attitude or an unethical attitude. Ethical attitudes are related to the values and morals that a specific community group believes. In contrast, unethical attitudes violate the values or norms that apply in that community group.

Ethical attitudes are subjective, so behaviour considered ethical in particular community groups is not necessarily ethical in other community groups. A person deciding to conduct ethical or unethical behaviour in a community group is influenced by his inner intentions. For example, in a group of people who have the perception that insurance companies often commit fraud or cheat, they will consider defrauding insurance companies to be natural or ethical, and vice versa. The finding supports the above argument that an individual's ethical attitude significantly affects the intention to commit fraud (Said et al., 2017; Sweeney and Costello, 2009). Based on this explanation, the hypotheses that can be formulated are as follows:

**H10:** The ethical attitude of the customer affects the intention to commit fraud. Insurance customers will tend to commit insurance fraud if they perceive that this is ethical behaviour.



## **Research methods**

### **3.1 Research Instruments**

The research instrument used to collect the research data was a questionnaire. A questionnaire is a research tool or survey consisting of a series of written questions to obtain responses from a selected group of people. Previous studies also used questionnaires as an instrument of data collection in a fraud insurance (Cummins and Tennyson, 1996; Tseng, 2019)

### **3.2 Research Sample**

The sample of this research is accounting practitioners who work as employees in management consulting offices and public accounting firms in Surabaya. The sample selection was made because the practitioners already had insurance, such as health insurance, vehicle insurance, etc. During the study, the participants, which is randomly selected, were notified about the objectives of this survey and assigned to fill out the questions.

### **3.3 Research Scenarios**

This study employed two scenarios questionnaire, which each questionnaire contains a specific type of insurance fraud scenario. For example, scenario version A is opportunistic insurance fraud, and scenario version B is intentional fraud. Each respondent is randomly assigned to a scenario version A or scenario version B envelope. The scenarios are listed in the following Table (Tseng, 2019) :

#### **Scenario Version A (Opportunistic)**

Aurora buys travel insurance for her vacation to Tokyo, Japan. Arriving in Tokyo, Aurora's sore throat recurred and required her to be treated at a hospital. However, Aurora even included fake documents for payment receipts for lymph node swelling surgery when claiming insurance. For this report, Aurora received a compensation of \$4000 or the equivalent of Rp. 56,000,000 even though the treatment for strep throat was only \$400 or the equivalent of Rp. 5,600,000.

#### **Scenario Version B (Planned)**

Bianca bought travel insurance for her vacation to Paris, France. Arriving in Paris, Bianca bought a fake channel bag that was the same as the original for \$400 or the equivalent of Rp. 5,600,000 and admitted to losing the item. Bianca then claimed the loss of the goods to the insurance company and admitted that the branded goods she bought were genuine goods by including a forged payment note and certificate and a fake police report. Bianca then received a replacement for the branded goods for as much as \$4000 or the equivalent of Rp. 56,000,000.

Ethical Attitude	I think Aurora and Bianca's actions are correct.
	I think Aurora and Bianca's actions are ethical.
A list of questions	Ethical Intentions If I were Aurora and Bianca, I might do the same thing.
	If I were in Aurora and Bianca's situation, I might do the same thing.
Spirituality	I often do things similar to Aurora and Bianca for profit.
The magnitude of the Consequences	The losses caused by Aurora and Bianca's actions are minimal.
	I think Bianca and Aurora's actions are not dangerous at all.
The Social Consensus	Most people agree that Aurora and Bianca's actions are correct.
	Most people agree that Aurora and Bianca's actions are ethical
The Probability Effect	There is a minimal chance that Aurora and Bianca's actions will cause harm
	There is no possibility that Aurora and Bianca's actions will cause harm
Temporal Proximity	Aurora and Bianca's actions won't cause any harm anytime soon.
	I think Aurora and Bianca's actions won't be dangerous anytime soon
Closeness	If Aurora and Bianca have a close relationship with an insurance company, that's wrong.
	If Aurora and Bianca's relationship is very close to the insurance company, the action is wrong.
Effect Concentration	Aurora and Bianca's Action Effects will hurt quite a few people.
	I think Aurora and Bianca's actions will harm a few people.
Perceptions of Fairness	What Aurora and Bianca did was fair to the insurance company
	I think Aurora and Bianca treat insurance companies fairly

All items of questionnaire in this study were determined using a 5-point Likert scale in which assortment from perception of strongly agree (SS) to strongly disagree (STS). Firstly, the participants were requested to read cautiously the scenarios. Then, they were inquired to respond based on their perceptions by answering these questions.

### Data Analysis Results

#### 4.1 Evaluation of the Outer Model

The outer model, which is known also as the external relation or identified as the measurement model, specifies the interrelationship between the observed variables with their indicators.

Table 1. Results for Outer Loadings

	original sample estimate	mean of subsamples	Standard deviation	T- Statistic
B. Consequences (X1)				
x1.1	0.846	0.848	0.062	13.732
x1.2	0.841	0.832	0.100	8.412
Social consensus (X2)				
x2.1	0.924	0.925	0.030	30.606
x2.2	0.891	0.887	0.061	14.524
Probability of effect (X3)				
x3.1	0.891	0.897	0.057	15.523
x3.2	0.736	0.703	0.181	4.076
Temporal proximity (X4)				
X4.1	0.847	0.854	0.079	10.691
X4.2	0.715	0.680	0.235	3.035
Proximity (X5)				
X5.1	0.773	0.636	0.389	1.988
X5.2	0.850	0.749	0.309	2.748
Effect concentration (X6)				
X6.1	0.920	0.918	0.039	23.706
X6.2	0.886	0.872	0.078	11.372
The principle of justice (x7)				
X7.1	0.955	0.958	0.017	57.752
X7.2	0.884	0.861	0.091	9.720
Spirituality (x8)				
X8.2	0.860	0.845	0.095	9.033
X8.4	0.896	0.871	0.137	6.559
X8.5	0.896	0.875	0.132	6.781
Fraud type (x9)				
X9.1	1.000	1.000	0.000	
Ethical attitude (Y)				
Y1.1	0.842	0.833	0.134	6.268
Y1.2	0.896	0.910	0.048	18.822
Intention to commit insurance fraud (Y2)				
Y2.1	0.870	0.866	0.052	16.795
Y2.2	0.937	0.934	0.023	41.616

### **Convergent Validity**

The convergent validity of a model along with reflexive indicators is shown by the correlation between the scores of item/indicator and the construct. In the PLS model, the convergent validity is assumed as a valid when the loading value is in between 0.5 to 0.6 (Ghazali, 2013). The correlations between the indicators and its constructs are presented in Table 1.

The analysis results show that the significant consequence variable (X1), which is measured using two indicators, shows that all of the indicators are valid because all variables have convergent validity values above 0.5. Then, as measured by two indicators, the social consensus variable (X2) has a validity value above 0.5 indicating that the indicators are valid. The effect probability variable (X3), measured by two indicators, also has a validity value over 0.5. It means the indicators are valid. The temporal proximity variable (X4), measured by two indicators, also has a validity value higher than 0.5, which indicate the indicators are valid. Finally, proximity (X5) as measured by two indicators also has a concurrent validity value over 0.5, indicating those indicators are valid.

Furthermore, the effect concentration variable (X6) has a value of convergent validity more than 0.5. Therefore, it can be determined as a valid. Likewise, the principle of justice variable (X7) has a value of convergent validity over 0.5; hence, it is valid. Furthermore, the spirituality variable (X8) has a convergent validity value that is more than 0.5, which indicate as valid. Likewise, ethical attitude (Y1), measured by two indicators, has a concurrent validity value above 0.5, and the intention to commit insurance fraud variable (Y2), which has a concurrent validity value above 0.5 in which all indicators can be declared as valid.

### **Discriminant Validity**

In an examination of the discriminant validity, the requirement is the value of AVE must be above 0.50, which is shown in detailed in the following table 2:

Table 2. Average Variance Extracted (AVE)

	Average Variance Extracted (AVE)
Consequences	0.711
Social consensus	0.824
Effect probability	0.668
Temporal proximity	0.614
Proximity	0.660
Effect concentration	0.816
The principle of justice	0.847
Spirituality	0.782
Type of fraud	1.000
Ethical attitude	0.756
Intention to commit fraud	0.818

Referring to the table 2, the Average Variance Extracted (AVE) value of the significant consequence variable (X1) is 0.711, the social consensus variable (X2) is 0.824, the effect probability variable (X3) is 0.668, the temporal proximity variable (X4) is 0.614, the proximity variable (X5) is 0.660, the effect concentration (X6) is 0.816, the principle of justice variable (X7) is 0.847, the spirituality variable (X8) is 0.782, the ethical attitude variable (Y1) is 0.756, and the variable intention to commit fraud (Y2) of 0.818. In addition, the value of average variance extracted (AVE) of these variables, which shows more than 0.50 respectively, it can be concluded that the AVE has met discriminant validity.

The discriminant validity can also be seen from the cross-loading output as shown in Table 3 as follow:

Table 3  
Cross Loading

	Consequences (X1)	Social consensus (X2)	Probability of effect (X3)	Temporal proximity (X4)	Proximity (X5)	Effect concentration (X6)	Principle of justice (X7)	Spirituality (X8)	Type of fraud (X9)	Ethical attitude	Intention to commit fraud
X1.1	0.846	0.625	0.579	0.404	0.395	0.680	0.434	0.286	-0.205	0.548	0.529
X1.2	0.841	0.487	0.543	0.590	0.399	0.626	0.596	0.361	-0.155	0.540	0.601
X2.1	0.501	0.924	0.656	0.678	0.241	0.497	0.528	0.509	0.182	0.608	0.647
X2.2	0.716	0.891	0.765	0.431	0.326	0.586	0.472	0.491	0.014	0.513	0.625
X3.1	0.534	0.614	0.891	0.387	0.181	0.446	0.510	0.388	0.021	0.619	0.563
X3.2	0.578	0.688	0.736	0.447	0.215	0.585	0.469	0.441	-0.060	0.414	0.584
X4.1	0.624	0.626	0.576	0.847	0.278	0.561	0.589	0.320	0.055	0.502	0.579
X4.2	0.256	0.313	0.149	0.715	0.410	0.012	0.145	0.143	0.151	0.382	0.225
X5.1	0.264	0.036	-0.046	0.348	0.773	0.114	0.078	0.193	-0.031	0.191	0.032
X5.2	0.483	0.430	0.389	0.343	0.850	0.507	0.259	0.506	-0.082	0.230	0.314
X6.1	0.706	0.476	0.490	0.372	0.492	0.920	0.560	0.335	-0.210	0.497	0.417
X6.2	0.695	0.605	0.617	0.371	0.214	0.886	0.643	0.467	-0.195	0.419	0.689
X7.1	0.608	0.601	0.636	0.563	0.256	0.667	0.955	0.495	-0.131	0.608	0.623
X7.2	0.498	0.372	0.420	0.313	0.114	0.529	0.884	0.480	-0.343	0.369	0.406
X8.2	0.152	0.417	0.347	0.269	0.442	0.219	0.455	0.860	-0.246	0.413	0.336
X8.4	0.462	0.591	0.544	0.320	0.417	0.533	0.547	0.896	-0.258	0.457	0.451
X8.5	0.385	0.448	0.410	0.229	0.331	0.392	0.398	0.896	-0.258	0.457	0.346
X9	-0.214	0.116	-0.014	0.122	-0.072	-0.224	-0.230	-0.287	1.000	-0.125	0.021
Y1.1	0.578	0.534	0.319	0.549	0.346	0.513	0.479	0.455	-0.148	0.842	0.580
Y1.2	0.549	0.547	0.766	0.454	0.130	0.388	0.489	0.422	-0.076	0.896	0.698
Y2.1	0.639	0.632	0.598	0.407	0.148	0.611	0.466	0.393	-0.141	0.564	0.870
Y2.2	0.588	0.641	0.647	0.549	0.250	0.497	0.573	0.387	0.132	0.750	0.937

The discriminant validity indicates the potency of each indicator is distinct amongst constructs. However, if an indicator is affected by other constructs, it indicates that the discriminant validity is not good.

### Composite Reliability

Further examination is to measure the composite reliability of indicators block in determining the construct (Ghazali, 2013). The results of the examination of composite reliability is presented in the Table 4 below.

Table 4. Composite Reliability

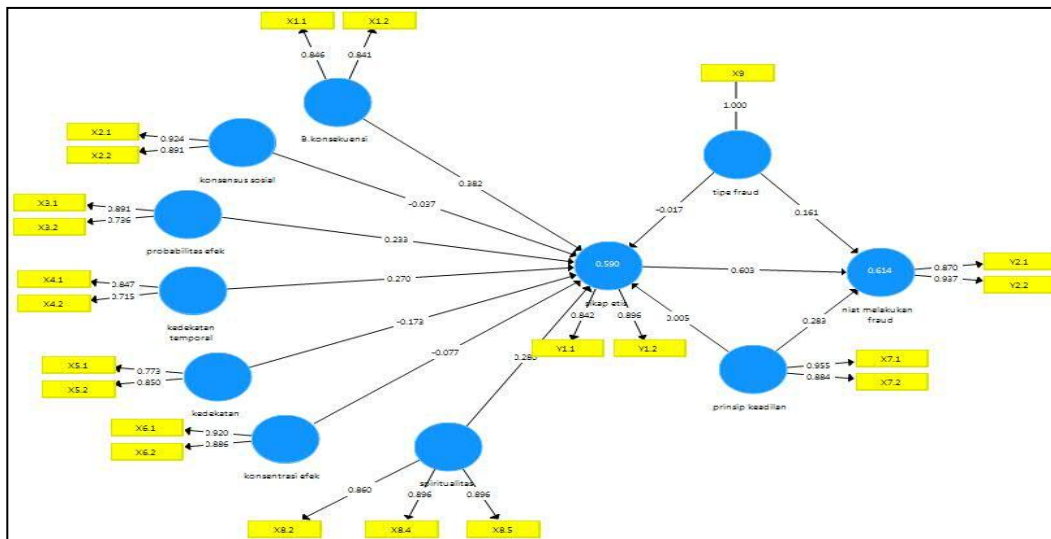
	Composite Reliability
Consequences	0.831
Social consensus	0.904
Effect probability	0.800
Temporal proximity	0.760
Proximity	0.795
Effect concentration	0.899
The principle of justice	0.917
Spirituality	0.915
Type of fraud	1.000
Ethical attitude	0.861
Intention to commit fraud	0.900

Based on Table 4 shows that all research variables have shown to be fit gauges. This means that all the question items used to measure each variable are reliable.

#### 4.2 The Evaluation of Inner Model

The Examination of Inner Model or Structural Model

The examination is employed to examine the existence of relationship amongst the latent constructs as hypothesized. Result of the examination is presented in the following figure:



The results of the inner weight value of Figure 4.1 show that the intention to commit fraud is influenced by ethical attitudes, principles of justice, and the type of fraud as shown in the following hypothesis testing.

### Hypothesis test

The examination of the research hypothesis comes up with the t-statistics output that is presented in the following table:

**Table 5 Relationships Between Constructs**

	original sample estimate	mean of subsamples	Standard deviation	T-Statistic
consequences (X1) -> ethical attitude (Y1)	0.382	0.368	0.411	0.930
social consensus (X2)-> ethical attitude (Y1)	-0.037	0.024	0.362	0.102
effect probability (X3)-> ethical attitude (Y1)	0.233	0.224	0.408	0.572
temporal proximity (X4)-> ethical attitude (Y1)	0.270	0.235	0.230	1.174
Proximity (X5) -> ethical attitude (Y1)	-0.173	-0.082	0.262	0.661
concentration effect (X6) -> ethical attitude (Y1)	-0.077	-0.139	0.387	0.198
Spirituality (X8) -> ethical attitude (Y1)	0.280	0.234	0.217	1.294
principle of justice (X7) -> ethical attitude (Y1)	0.005	0.091	0.306	0.017
principle of justice (X7) -> intention to commit fraud (Y2)	0.283	0.298	0.141	2.011
fraud type (X9) -> ethical attitude (Y1)	-0.017	-0.016	0.198	0.084
type of fraud (X9) -> intention to commit fraud (Y2)	0.161	0.148	0.118	1.362
ethical attitude (Y1)-> intention to commit fraud (Y2)	0.603	0.585	0.153	3.946
		R Square		
Intention to commit fraud		0.614		
Ethical attitude		0.590		



### **4.3 Discussion**

#### **The effect of the magnitude of the consequences on ethical attitudes in the intention to commit insurance fraud**

The findings of this study suggest that the degree of consequences does not affect to the ethical attitudes significantly. It refers to the value of t-statistic of 0.930, which is less than 1.96. Therefore, the hypothesis "the magnitude of the consequences will have a significant effect on ethical attitudes in the intention to commit fraud" is not accepted.

This result is in line with research(Peslak, 2007)which found that the degree of consequences was not associated with the ethical attitudes of consumers. This study also found that, on average, the respondents answered that the losses from the two scenarios were considered minor and not significant. Based on TPB's point of view, these results show that the scenario created is considered unethical behaviour so that consumers do not do the trick. So, based on the argument above, it proves that the magnitude of the consequences received by consumers does not affect ethical attitudes.

#### **The effect of social consensus on ethical attitudes in the intention to commit insurance fraud**

Based on the study results, the social consensus does not have a significant effect to the ethical attitudes that is confirmed with the t-statistic value of 0.102that is smaller than the t-table 1.96. Hence, the hypothesis of "Social consensus will have a significant effect on ethical attitudes in the intention to commit fraud" can be determined as unacceptable.

The research data shows a high value of social consensus; so that it does not affect ethical attitudes. These results align with research(Wang et al., 2020)that high social consensus will not affect consumers' ethical attitude decisions. Therefore, based on the TPB, high social consensus causes the policy to be deemed unethical or unethical. So, based on the above argument, the social consensus accepted by consumers does not affect ethical attitudes.

#### **The effect of probability effect on ethical attitude in intention to commit insurance fraud**

Examination of this study found that the probability effect does not significantly affect to the ethical attitudes. It is indicated by the value of t-statistic of 0.572 in which is fewer than the t-table 1.96. Hence, the hypothesis "Probability effect will have a significant effect on ethical attitudes in the intention to commit fraud" can be determined as unacceptable.

The research data shows that the probability of the effect has a small value, which means that the scenario used is considered harmless so that it does not have an impact on consumer ethical attitudes. This finding is in congruence with the research of (Husser et al., 2019) that the probability effect is not significant on ethical attitudes. Based on the TPB, a small probability value makes no profit to be received by consumers so that consumers decide not to commit insurance fraud.

### **The effect of temporal proximity on ethical attitudes in intention to commit insurance fraud**

The result of examination found that temporal proximity does not significantly affect to the ethical attitudes. It is signified by the value of t-statistic 1.174, which is lesser than the value of t-table 1.96. So that the hypothesis of "Temporal proximity will significantly affect ethical attitudes in the intention to commit fraud" can be stated as unacceptable.

The research data shows that, on average, respondents think that this scenario will cause losses shortly, so there is no need for an ethical decision. These results align with research (Barnett, 2001; Valentine and Hollingworth, 2012) that temporal proximity is not significant to ethical attitudes. Based on the TPB, most of the respondents consider this scenario detrimental to insurance companies so that people choose not to commit fraud and have no effect on ethical attitudes.

### **The effect of proximity to ethical attitudes in the intention to commit insurance fraud**

Based on the study result, the proximity does not significantly affect to the ethical attitudes. It can be determined from the value of t-statistic 0.661 in which is smaller than 1.96 as t-table. Thus the hypothesis "Proximity will have a significant effect on ethical attitudes in the intention to commit fraud". Therefore, it can be declared unacceptable.

Research data shows that the average respondent does not have closeness with insurance companies, so the study results show insignificant results. These results align with research (Barnett, 2001; Valentine and Hollingworth, 2012) that proximity is not significant to ethical attitudes. Based on the TPB, respondents do not have a close relationship with insurance companies. Therefore, there is no close relationship between consumers and insurance companies not to commit insurance fraud.

### **The concentration effect on ethical attitude in intention committing insurance fraud**

The examination indicated that the concentration of effects does not have significant effect to the ethical attitudes as shown by the t-statistic value of 1.124, which is smaller

than the value of t-table 1.96. Thus, the hypothesis "The concentration of effects will significantly affect ethical attitudes in the intention to commit fraud". Therefore, it can be declared unacceptable.

The research data shows that the concentration of effects has a small value, meaning that the scenario used is detrimental to many people. However, it does not affect ethical attitudes and intentions to commit insurance fraud. From TPB's point of view, this scenario is considered unethical and wrong, so consumers will not do it. These results align with research (Culiberg, 2014; Sheng and Chen, 2010) that concentration of effects is not significant to the ethical attitudes. So, based on the argument above, the concentration of effects that are very detrimental to many people has no significant effect to the ethical attitudes.

### **The influence of spirituality on ethical attitudes in the intention to commit insurance fraud**

Based on the study results, the spirituality variable does not affect significantly to the ethical attitudes. It is indicated by the value of t-statistic 1.294, which is lower than 1.96. Thus the hypothesis of "Spirituality will have a significant effect on ethical attitudes in the intention to commit fraud" can be concluded as unacceptable.

Based on research data proves that the value of spirituality has a small value. This result is because respondents consider the actions shown in the scenario to be considered wrong and unethical. From the TPB's point of view, it is considered a sinful act. Therefore, consumers' belief in these actions makes consumers never do these actions. (Rodriguez-Rad and Ramos-Hidalgo, 2018) that spirituality is not significant to ethical attitudes. So, based on the above argument, spirituality does not affect significantly to the ethical attitudes.

### **The influence of spirituality on ethical attitudes in the intention to commit insurance fraud**

Based on the study results, the spirituality has no significant effect to the ethical attitudes. It refers to the t-statistic value of 1.294, which is less than the value of t-table 1.96. Hence, the hypothesis of "Spirituality will have a significant effect on ethical attitudes in the intention to commit fraud". Therefore, it can be declared unacceptable.

Based on research data proves that the value of spirituality has a small value. This result is because respondents consider the actions shown in the scenario to be considered wrong and unethical. From the TPB's point of view, it is considered a sinful act. Therefore, consumers' belief in these actions makes consumers never do these

actions. (Rodriguez-Rad and Ramos-Hidalgo, 2018; Stack and Kposowa, 2006) that spirituality is not significant to ethical attitudes and commit insurance fraud. So, based on the above argument, spirituality has no significant effect to the ethical attitudes and commit insurance fraud.

### **The effect of the principle of justice on the intention to commit insurance fraud**

This study found that the principle of justice significantly affects to the fraud intentions, as indicated by the value of t-statistic 2011, which the value is higher than the value of t-table 1.96. Thus, the hypothesis "The principle of justice will significantly affect the intention to commit fraud". It can be declared acceptable.

Based on the data obtained, the principle of justice is considered unfair. This injustice makes some respondents have the intention to commit insurance fraud. The finding is inconsistent with the findings of (Salleh et al., 2018; Tseng, 2019) that the injustice experienced by consumers will make consumers tend to commit fraud insurance.

### **The effect of the type of fraud on ethical attitudes in the intention to commit insurance fraud**

Result of this study shows that the type of fraud has no significant effect to the ethical attitudes as indicated by the t-statistic value of 0.084, which is lower than the value of t-table 1.96. Consequently, the hypothesis of "Type will have a significant effect on ethical attitudes in the intention to commit fraud" can be concluded as unacceptable.

Based on research data, the type of fraud in the scenario is considered unethical. These results indicate that the fraud displayed in both scenarios is considered unethical so that it can be justified that the act is wrong. These results align with research (Rawwas et al., 2007) that type of fraud is not significant to the ethical attitudes. Hence, it can be determined that unethical actions in the eyes of all respondents had no effect.

### **The effect of the type of fraud on the intention committing fraud insurance**

The examination of this study indicated that the type of fraud does not significantly affect to the ethical attitudes. It is shown by the t-statistic value is 1.362, which is less than 1.96. Thus, the hypothesis "The type of planned fraud will significantly affect ethical attitudes in the intention to commit fraud". Therefore, it can be declared unacceptable.

Research data has shown that such actions are wrong and unethical. This result causes consumers not to commit insurance fraud because they already know the action is wrong. These results align with research (Rawwas et al., 2007; Šubelj et al., 2011) that

type of fraud is not significant to the intention committing insurance fraud. Therefore, it can be articulated that the type of fraud is not significant to the consumer's intention for committing insurance fraud.

### **The influence of ethical attitudes on the intention to commit insurance fraud**

This study found that the ethical attitudes indicate a significant effect to the fraud intentions, as shown by the value of t-statistic 3.964 in which is higher than the value of t-table of 1.96. Accordingly, the first hypothesis of "The ethical attitude will significantly affect the intention to commit fraud". Therefore, it can be declared acceptable.

The research data shows that the attitude shown in the scenario is considered unethical. This causes consumers to choose to be ethical and not to take such actions. This finding is consistent with the prior studies of (Lesch and Brinkmann, 2011; Sweeney and Costello, 2009; Tseng, 2019) that unethical actions will affect consumers' decisions not to commit insurance fraud. So, it can be concluded that the ethical attitude is significant to the consumer's intention to commit insurance fraud.

### **Structural Model Testing (Inner Model)**

The PLS examine the model by considering the R-Square of latent dependent variables respectively. Any changes of the value of R-Square are applied in assessing the substantive impact of particular independent latent variables to the latent dependent variable. For example, the endogenous latent variable that has an  $R^2$  of 0.67 is considered as a "good" model;  $R^2$  of 0.33 suggest that the model is "moderate";  $R^2$  of 0.19 is regarded as "weak" the model (Ghazali, 2013). The PLS output is described as following:

Based on Table 5, variable of the ethical attitude has an  $R^2$  of 0.590, which can be determined as a "Good" model. Meanwhile, the variable of intention to commit fraud (Y2) in the structural model has a value of  $R^2$  of 0.614 indicating the model is "moderate".

The fit structural model can be identified by the Q2, as follows:

$$\begin{aligned} Q^2 &= 1 - [(1 - R_1^2) (1 - R_2^2)] \\ &= 1 - [(1 - 0.590) (1 - 0.614)] \\ &= 1 - [(0.41) (0.386)] \\ &= 1 - [0.024] \\ &= 0.976 \end{aligned}$$

The value of Q2 is 0.976 meaning that the value of Q2 above zero and indicate that the model has a predictive relevance.

## **5. Conclusion**

The magnitude of the consequences has no significant effect to the ethical attitudes. This study proves that significant consequences have no impact on someone to judge

ethical attitudes. This also shows that the consequences do not necessarily affect ethical attitudes in committing insurance fraud. Social consensus does not significantly affect the ethical attitudes. This shows that other people's assessment of an ethical action does not necessarily influence other individuals to judge that the action is ethical. Effect probability has no significant effect to the ethical attitudes. This shows that the size of the consequences of the fraud does not affect the ethical attitude of the individual. Temporal proximity has no significant impact to the ethical attitudes. This shows that assessing the long-term consequences of an act of insurance fraud has no impact on a person's assessment of ethical attitudes. Proximity does not affect significantly to the ethical attitudes; this shows that the customer's proximity to the insurance entity does not affect the customer's ethical attitude in committing insurance fraud. Concentration-effect does not significantly affect the ethical attitudes. Spirituality has no significant effect to the ethical attitudes. This shows that individual spirituality does not necessarily impact ethical attitudes in the intention to commit insurance fraud. The principle of justice does not have significant effect to the ethical attitudes. The principle of justice has a significant effect on intentions. The type of intentional fraud has no significant impact to the ethical attitudes. This shows that the type of insurance fraud does not affect the ethical attitude of the individual in the intention to commit insurance fraud. Ethical attitude has a significant impact to the intention to commit insurance fraud. It indicates that this follows the results of Tseng's research (2019) which shows that the ethical attitudes affect customers' intentions for committing insurance fraud.

The limitation of this study is that the respondents used are only limited to auditors, and there are still elements that have not been included, namely the culture and local wisdom. These two variables need to be included to complete the uncompiled model. In addition, every country must have a unique culture and local wisdom and will impact individual behaviour. Future research suggests using more diverse respondents with a more significant number to get a better generalization. Further research is expected to add variables related to ethics that were not tested in this study, such as culture and local wisdom. Further research can also use a methodology different from this research and previous studies, for example, using the mixed method.

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