

## Media Release

Association for Savings and Investment South Africa (ASISA)

6 November 2024

### Life insurers and investment companies report a 46% surge in fraud and dishonesty

South African life insurers and investment companies detected 13 074 cases of fraud and dishonesty in 2023, a 46% increase from the previous year when 8 931 cases were detected. The industry lost at least R175.9 million to fraud and dishonesty in 2023, a 128% increase from the R77 million lost in 2022. Early detection of fraud and dishonesty prevented losses worth R1.5 billion in 2023 compared to R1.1 billion in 2022.

This week, the Forensic Standing Committee of the Association for Savings and Investment South Africa (ASISA) released its second set of comprehensive fraud statistics for the industry. Following a complete overhaul last year, the statistics also cover fraud reported by investment companies in addition to the fraudulent and dishonest claims statistics reported by life insurers.

Jean van Niekerk, convenor of the ASISA Forensic Standing Committee, attributes the steep increase in fraud detected in 2023 to a combination of the following:

- Ongoing innovation of detection methods by forensic departments;
- Increasingly desperate consumers willing to commit a crime for extra money; and
- Criminal syndicates who see life insurers and investment companies as lucrative soft targets.

Van Niekerk says it is vital for the savings and investment industry to ensure that fraud remains in check to prevent fraud-related losses from spiralling out of control and higher claims rates from driving up premiums for honest policyholders.

"Seen in isolation, the fraud statistics paint a bleak picture. However, they should be considered as part of the bigger industry picture, which shows that the majority of policyholders and beneficiaries are honest. This is evidenced by the 95.9% payout rate in 2023 to the beneficiaries of 892 817 life and funeral cover policies to a value of R39.9 billion."

He adds that at the end of December 2023, ASISA members managed 43.8 million risk and savings policies and collective investment schemes assets worth R3.5 trillion.

Van Niekerk explains that many life insurers and investment companies have dedicated forensic departments focused on clamping down on fraud and dishonesty by identifying criminal trends as they emerge. "A loss of R175.9 million to fraud and dishonesty is significant, and our industry is focused on clamping down on criminal activity through continuous evolution and adaptation."

According to Van Niekerk, preventative measures deployed by life insurers and investment companies include using digital technology such as artificial intelligence, improved industry

collaboration, and enhanced authentication mechanisms such as biometric customer identification.

In addition, forensic departments share data on criminal activity via industry bodies geared to facilitate data sharing to combat fraud and financial crime, including the ASISA Forensic Standing Committee. The committee exists to curb fraud by analysing statistics to understand trends, hotspots, and emerging risks at an industry level. The committee also facilitates the industry's focused drive to partner with law enforcement agencies and regulators to ensure criminals are brought to book.

### Fraud and dishonesty in 2023

The ASISA fraud statistics are divided into five categories:

- **Remuneration fraud:** Fraudulent attempts by call centre agents, tied agents or independent financial advisers (IFAs) to benefit from commission and/or fees;
- **Fraudulent applications:** Fraud and dishonesty committed at the application stage through misrepresentation, non-disclosure, impersonation or identity theft;
- **Fraudulent and dishonest life insurance claims:** Fraudulent or dishonest attempts to claim benefits from risk policies such as life and disability cover;
- **Fraudulent withdrawals and disinvestments:** Accessing investments by fraudulent means from linked investment service providers (Lisps), collective investment schemes (CIS), and retirement funds; and
- **Other fraud:** Examples include fraudulent attempts to obtain investment policy benefits and bribery and corruption.

Van Niekerk says more than half of all fraud cases recorded by ASISA members in 2023 were classified as remuneration fraud, showing a steep upward trend from 2022. "A positive development is the small increase in actual losses, combined with a significant increase in prevented losses. This indicates that our industry's prevention methods are delivering results," comments Van Niekerk.

Fraudulent and dishonest life insurance claims were the second-highest contributors to fraud cases in 2023. "Unfortunately, losses jumped from R17 million in 2022 to R69.8 million in 2023 driven largely by fraudulent death claims," says Van Niekerk.

According to Van Niekerk, there was also some good news in the 2023 statistics. "The numbers show a welcome decline in fraudulent applications and actual losses. At the same time, the value of prevented losses was high, which means there was a real impact in preventing application fraud. This also indicates the persistent threat of fraud that the industry faces."

Van Niekerk also reports a decrease in fraudulent withdrawals and investments, but a concerning increase in actual losses recorded, which jumped from R23.7 million in 2022 to R40.5 million in 2023. "While the attack rate was lower, the value of prevented and actual fraud increased substantially in 2023," he comments.

### ASISA Fraud Statistics: 2022 and 2023

Category	Number of detected incidents		Prevented amount		Actual loss	
	2022	2023	2022	2023	2022	2023
Remuneration fraud ( <i>fraudulent attempts by call centre agents, tied agents or independent financial advisers to benefit from commission/fees</i> )	5 095	7 962	R0.7m	R9.3m	R14.2m	R15.0m
Fraudulent applications ( <i>misrepresentation, non-disclosure, impersonation, identity theft</i> )	314	159	R84.4m	R139.1m	R11.3m	R9.1m
Fraudulent and dishonest life insurance claims ( <i>fraudulent and dishonest attempts to claim benefits from risk policies</i> )	2 618	4 130 <b>Murder:</b> 14 <b>Deceased estate fraud:</b> 20	R770.5m	R1 010.3m (R1.0bn) <b>Murder:</b> R2.1m <b>Deceased estate fraud:</b> R18 074	R17.0m	R69.8m <b>Murder:</b> R1.8m <b>Deceased estate fraud:</b> R1.9m
Fraudulent withdrawals and disinvestments ( <i>linked investment service providers, collective investment schemes, retirement funds</i> )	709	356 <b>Deceased estate fraud:</b> 34	R182.1m	R287.6m <b>Deceased estate fraud:</b> R146.3m	R23.7m	R40.5m <b>Deceased estate fraud:</b> R5m
Other fraud ( <i>fraudulent attempts to obtain investment policy benefits and bribery and corruption</i> )	195	467	R28.2m	R31.7m	R11.0m	R41.5m
<b>Total</b>	<b>8 931</b>	<b>13 074</b>	<b>R1065.9m (R1.1bn)</b>	<b>R1478.0m (R1.5bn)</b>	<b>R77.2m</b>	<b>R175.9m</b>

## **New and concerning trends**

Van Niekerk says two concerning trends that have emerged in recent years are murder for insurance payouts and deceased estate fraud. "We have requested ASISA members to report on these cases separately, starting with the 2023 statistics, to help our industry find ways to clamp down on these cases with urgency."

- **Murder for insurance payouts**

Van Niekerk says murder is an incredibly serious crime, and committing insurance fraud to benefit financially from someone's death is not only highly callous but also premeditated to the extreme.

He adds that while criminals often see insurance as a highly lucrative target, cases involving premeditated murder to benefit from an insurance payout are not that common. Out of the 4 130 insurance fraud cases reported for 2023, 14 cases related to the involvement of a beneficiary in the insured's death.

"Every death is one too many, and life companies are constantly updating their processes to ensure that risk policies are taken out only by honest policyholders to provide for their families. Unfortunately, someone with criminal intent will always find a way of cheating the system and hope to get away with it. Sadly, their modus operandi often involves family members or vulnerable or desperate members of society."

Van Niekerk points out that the recent case involving a police officer in Limpopo and others like the Rosemary Ndlovu case have shown that criminals are highly unlikely to get away with this type of crime. "While life companies pick up on this type of crime very quickly through their data-sharing initiatives, the process of gathering evidence and building a case that will stand up in court is often a slow process. While the Limpopo arrest has occurred recently, the investigation was prompted by an alert from life companies many months ago."

- **Deceased estate fraud**

Van Niekerk says life insurers and investment companies noticed a new trend whereby criminals target deceased estate benefits and investment accounts. In 2023, life insurers reported 20 cases and investment companies 34 cases.

He says deceased estate fraud is committed by impersonating legitimate parties and fabricating letters of executorship and other documents, as well as opening fraudulent bank accounts in the names of beneficiaries by impersonators and false executors.

## **Fraudulent and dishonest claims across the provinces**

Most fraudulent and dishonest claims in 2023 were uncovered in KwaZulu-Natal (KZN), followed by Gauteng, the Western Cape and the Eastern Cape. Van Niekerk says the biggest increase in cases was recorded in the Western Cape.

Province	Number of cases		Percentage change
	2022	2023	
KwaZulu-Natal	3 122	3 625	16.1%
Gauteng	1 711	2 301	34.5%
Eastern Cape	1 319	1 210	8.3%
Western Cape	1 020	1 633	60.1%
Free State	440	395	10.2%
North West	327	434	32.7%
Limpopo	310	396	27.7%
Northern Cape	258	194	24.8%
Mpumalanga	209	262	25.4%
International	194	342	76.3%
Region unknown	21	2282	10 766%
<b>Total</b>	<b>8 931</b>	<b>13 074</b>	<b>46.1%</b>

#### Ends

#### To set up interviews please contact:

Lucienne Fild  
 Independent Communications Consultant  
 082 567 1533  
 lucienne@fild.co

#### Issued on behalf of:

Jean van Niekerk  
 Convenor of the Forensic Standing Committee  
 The Association for Savings and Investment South Africa (ASISA)

*ASISA represents the majority of South Africa's asset managers, collective investment scheme management companies, linked investment service providers, multi-managers, and life insurance companies.*