Media Release
Association for Savings and Investment South Africa (ASISA)
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Fraud worth R1.1 billion prevented by life and investment companies in 2022

South African life insurers and investment companies detected 8 931 cases of fraud and dishonesty in 2022. While losses worth R1.1 billion were prevented, the industry lost R77 million to fraud in 2022.

This week, the Forensic Standing Committee of the Association for Savings and Investment South Africa (ASISA) released its most comprehensive set of fraud statistics yet, which for the first time includes fraud reported by investment companies and a new category for sales fraud. Previously, ASISA released only fraudulent and dishonest claims statistics reported by life insurers.

Jean van Niekerk, convenor of the ASISA Forensic Standing Committee, explains that the detailed fraud statistics provide a better overview of the magnitude of the problem the industry is grappling with. The statistics also send a strong message that the industry's preventative measures to combat fraud are working.

He says the committee significantly increased its focus on data collection and trend analysis in the past year because early detection of changing trends is key in the fight against fraud and dishonesty.

Furthermore, collaboration by the forensics departments of life insurers and investment companies with other crime prevention initiatives is delivering promising results, says Van Niekerk. The Fraud Symposium, with representation from the financial sector and law enforcement, is one initiative committed to addressing crime in the financial sector as a priority.

According to Van Niekerk, other successful preventative measures deployed by life insurers and investment companies include the use of big data, machine learning, artificial intelligence, improved data sharing, and enhanced authentication mechanisms such as biometric customer identification.

He warns that the consequences of being caught for fraud are severe and can result in criminal charges and potential jail time.

The new ASISA fraud statistics are divided into five categories, as outlined in the table below:

ASISA Fraud Statistics for 2022

Category	Number of detected incidents	Prevented amount	Actual loss
Sales fraud *(fraudulent attempts by call centre agents, tied agents and independent financial advisers to benefit from commission/fees)*	5 095	R719 688 (R0.7 million)	R14.1 million
Fraudulent applications *(misrepresentation, non-disclosure, impersonation, identity theft)*	314	R84.4 million	R11.3 million
Fraudulent and dishonest life insurance claims *(fraudulent and dishonest attempts to claim benefits from risk policies)*	2 618	R770.5 million	R17 million
Fraudulent withdrawals and disinvestments *(linked investment service providers, collective investment schemes, retirement funds)*	709	R182.1 million	R23.7 million
Other fraud *(fraudulent attempts to obtain investment policy benefits and bribery and corruption)*	195	R28.2 million	R11 million
Total	**8 931**	**R1 065.9 million (R1.1 billion)**	**R77 million**

Sales fraud

Over half (57%) of all fraud cases recorded by ASISA members in 2022 were classified as sales fraud. Sales fraud worth only R719 688 was prevented and companies lost R14.1 million. Van Niekerk explains that since ASISA members published their sales fraud figures for the first time in 2023, trends will only emerge in 2024.

According to Van Niekerk, deliberate attempts by sales agents (call centre agents and tied agents) and independent financial advisers to benefit financially through the earning of commission and fees instead of acting in the customer's best interests are considered extremely serious by the industry.

He explains that sales fraud involves dishonest intermediaries writing up policies for clients without their knowledge to earn commission from the life insurer. He says in some cases, dishonest intermediaries colluded with human resources staff to obtain employee payment information. He adds that there have also been cases where fraudulent business was written using existing customer details.

He says actions taken against dishonest sales agents include the debarring of advisers by the Financial Sector Conduct Authority (FSCA), dismissal, the cancellation of broker contracts and criminal charges.

Fraudulent and dishonest claims

Fraudulent and dishonest life insurance claims (2 618) comprised 29% of total cases in 2022. However, the Rand value of these claims significantly exceeded all other fraud categories in 2022, with R770.5 million in losses prevented and actual losses of R17 million recorded.

By comparison, honest policyholders and beneficiaries received claims and benefits payments worth R578 billion from South African life insurers in 2022. The payments included claims against life, disability, critical illness and income protection policies, and retirement annuity and endowment policy benefits.

Van Niekerk says that compared to 2021, when 4 287 cases were detected, there has been a significant decrease in fraudulent and dishonest life insurance claims. However, the value of losses prevented remained sizeable, dropping off only slightly from the R787.6 million thwarted in 2021 across all lines of risk business.

According to Van Niekerk, the drop in claims fraud in 2022 is aligned with slower sales of new policies. Some 1.2 million fewer recurring premium policies were sold in 2022 than in 2021.

Van Niekerk reports that funeral insurance once again attracted the highest incidence of fraud and dishonesty in 2022, followed by death cover, disability cover, hospital cash plans and retrenchment/loss of income benefit cover.

He notes with interest the increase in the value of fraudulent and dishonest disability as well as retrenchment and loss of income benefit claims. While the number of dishonest disability

claims was lower in 2022 than in the previous year, the value of the losses prevented increased by R68.6 million. Similarly, the value of fraudulent and dishonest retrenchment and income benefit claims jumped from R1 million in 2021 to R99.7 million in 2022.

Van Niekerk says these risk products are often targeted during times of economic hardship by desperate policyholders. He says retrenchment and loss of income claims are flagged as fraudulent when submitted even when there was no retrenchment or loss of income.

Loss of income benefit products are relatively new on the market and, says Van Niekerk, were created to help entrepreneurs protect themselves against sudden loss of income. These products have increased in popularity since the pandemic, but have unfortunately also attracted fraud and dishonesty, according to Van Niekerk.

"We have seen cases where opportunistic self-employed individuals and entrepreneurs selectively provide information relating to loss of income to make it appear as if they have suffered a complete loss of income," says Van Niekerk.

Fraudulent and dishonest claims statistics

	2022			2021		
	Cases	**Prevented amount**	**Actual loss**	**Cases**	**Prevented amount**	**Actual loss**
Funeral claims	1 922	R90.7 million	R3.8 million	3 268	R104.1 million	R24.1 million
Death claims	399	R322.3 million	R12.9 million	452	R455.2 million	R5.2 million
Disability claims	164	R255.1 million	0	352	R186.5 million	R9.4 million
Hospital cash plan claims	98	R2.8 million	R316 043 (R0.3 million)	204	R2.1 million	0
Retrenchment/ loss of income benefit claims	35	R99.7 million	0	11	R1 million	0
Total	**2 618**	**R770.5 million**	**R17 million**	**4 287**	**R748.9 million**	**R38.7 million**

Fraudulent withdrawals and disinvestments

The third-highest number of fraud cases was recorded for withdrawals and disinvestments from linked investment service providers (LISPS), collective investment schemes (CIS), and retirement funds. These cases comprised 8% of the total number reported for 2022, with a value of R182.1 million prevented and R23.7 million lost.

Fraudulent and dishonest claims across the provinces

Most fraudulent and dishonest claims were uncovered in KwaZulu-Natal (KZN), followed by Gauteng, the Eastern Cape and the Western Cape.

Province	Number of Cases	Percentage
KZN	3 122	34.96%
Gauteng	1 711	19.16%
Eastern Cape	1 319	14.77%
Western Cape	1 020	11.42%
Free State	440	4.93%
North West	327	3.66%
Limpopo	310	3.47%
Northern Cape	258	2.89%
Mpumalanga	209	2.34%
International	194	2.17%
Uncategorised	21	0.24%
TOTAL	**8 931**	**100%**

Ends

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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.