

South African Insurance Crime Bureau

Organised Crime

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South Africa: The war on commercial crime

Imagine the scenario: you have invited several members of your family round to your house for a barbecue for a lovely day catching up with the kids playing in the garden. Then imagine as all your guests are enjoying themselves a gang of criminals rush in pointing guns at your family, threatening and terrifying everyone, stealing all their personal belongings, ransacking the house and leaving with the vehicles of the home owners and the guests. Now imagine someone argues back to protect their family and gets shot. Just for the car. Unfortunately, this is not uncommon in South Africa where many people are the victims of organised crime gangs.

As hosts to the 2010 FIFA World Cup, the world's media spotlight is firmly placed on South Africa, however despite the country's efforts to tackle these issues, many reports are focusing on the negative with the country's poor reputation for organised and violent crime. Crimes such as burglary and theft are an issue but a key area of concern is car jacking such as the incident described, which, unlike in the UK, is often violent and has a major impact on society in South Africa with many people losing lives as a result. The crime is extremely hazardous, threatening the physical safety of both the carjacker and the victim. To secure the car, the carjacker may sometimes shoot the victim or physically push/pull the victim out of the driver's seat to force him or her out of the car.

Tackling these crimes is now a priority for the South African government, which has recently taken further steps to do so with the appointment of a new National Police Commissioner on 1st August 2009. A new specialised police unit called the Directorate for Priority Crime Investigation (DPCI), to be known as the Hawks, has also been set up to target organised crime, economic crime, corruption, and other serious crime referred to it by the National Commissioner of the South African Police Service (SAPS). The DPCI replaces the National Prosecuting Authority's Directorate of Special Operations, which was known as the Scorpions, and has formed a close working relationship with various organisations, including the Department of Home Affairs, as part of an integrated and multi-disciplinary approach to fighting crime.

South Africa's high crime level also has large financial implications and adversely affects the short-term insurance industry because the higher the incidence of crime, the more insurance companies have to pay out in claims. One insurance company estimates that it costs them 360 million rands (approx. £27 million) and the overall South African economy 2 billion rands (approx. £150 million) annually. In the UK, the Association of British Insurers (ABI) estimates that around £1.6bn of fraudulent insurance claims are made each year. Of this figure, up to £200m is lost to organised insurance crime. But the impact of crime extends far beyond the bottom-lines of insurance companies. Crime has a significant impact on the price that consumers pay for cover. In fact, crime is one of the three main factors influencing the cost of short-term insurance and in the UK adds up to £40 onto the cost of each policy purchased. However, after taking guidance from the UK

IFB (Insurance Fraud Bureau) and Swedish Fraud Bureau, a number of insurance companies in South Africa have joined forces to share information with the aim of helping to tackle insurance fraud and crime.

The South African Insurance Crime Bureau (SAICB), which was set up in July 2008 and represents 90% of South Africa's short term insurance market, aims to address insurance crime and fraud within the industry, specifically syndicated and repeat offenders, as well as fraudsters that target multiple insurance companies. Its role is to make it easier for member companies to share criminal intelligence by working together as "fusion centres" with a centralised information management system from Memex, similar to that typically used in the law enforcement community. Working closely with local police, prosecuting authorities and the commercial courts, the SAICB ensures insurance companies collect and manage all the necessary information to assist with investigations and to help prosecute offenders who are involved in crimes which affect the insurance companies.

The SAICB currently has eleven member companies on board including Santam, Mutual & Federal, Hollard, Zurich, Lion of Africa, Regent, OUTsurance, Absa Insurance, Standard Insurance, Telesure and MiWay and is in negotiations with several other companies. While the SAICB was originally formed to address fraud and crime in the short term industry, it has received numerous enquiries about how to expand the function to include other organisations in the financial industry such as life assurance, banking and health insurance. Companies have realised the benefits of sharing information and expanding their database of intelligence and are in talks with the bureau with a view to joining in the future.

Hugo Van Zyl, the Chief Operating Officer at the SAICB, believes that adopting a joint approach with South Africa's law enforcement and business communities, and using a centralised IT system is the best way forward in being able to tackle serious organised crime in the country. He says: "It is vital for South Africa to show the world that it is committed to tackling the serious and organised crime that has plagued the country for so long, making for a safer environment for residents and visitors alike."

Hugo has been involved in the fight against organised crime for the last seven years of his 25 years in the South African Police Service. During his stay in the SAPS he was involved in criminal intelligence and detective work and since then he has worked for the short term insurer, OUTsurance as the National Forensic/Investigation Department Head. He joined the SAICB last year and oversees the bureau's current activities.

Hugo said: "The idea for the bureau came five years ago, as part of a joint effort between the SAIA (South African Insurance Association) Fraud Committee and Fraud Task Team, as a possible way of addressing the costly and ever present issue of insurance fraud. At the time, it was estimated that fraud from organised crime cost insurance companies around 2 billion Rands. The industry needed a shake up to tackle the issue and work together instead of against each other, which many were doing naturally as competitors. Organisations needed to realise that there were many non-competitive aspects of the industry where collaboration between companies would

improve working practices and how putting in place a central organisation to act as the facilitator could really help tackle fraud across South Africa's insurance industry and ultimately help reduce the incidence of dangerous crimes such as carjacking."

A voluntary task team went to the United Kingdom to visit the UK IFB, as well as to Sweden to visit Larmtjanst AB, the Swedish crime investigation unit. Hugo continues: "These two operations were selected because the UK IFB is a fairly recent operation that was established in July 2006, while the Swedish operation had been in place since 1961 in various formats. This combination offered lessons from a new operation as well as from an established operation and it was decided that the SAICB should combine the technological approach of the UK IFB with its collaborative data analysis, investigation and publicity, with the investigative approach of Larmtjanst."

Much of the first few months was dedicated to the set up of the not for profit organisation and the acquiring of premises and staff, while at the same time customising the central intelligence system to the special needs of the insurance environment, and the specific function of detecting possible fraudulent behaviour from the data.

The bureau uses a Memex solution enabling secure input, management, development and information sharing across organisations. Each insurance company within the bureau has its own share of the solution ensuring secure access to competitive company information. The Memex solution acts as a central store that takes unclassified information from each company and makes it available for access by all authorised users. This is based on an agreement between all the parties involved in the SAICB regarding what information they are willing to share. The final stages involved commencing industry interaction and the integration of data into the central intelligence system, which was thoroughly tested with each member company.

About the benefits of the system, Hugo says: "The bureau has configured the system so that it handles a number of cross reference searches including street names, identity numbers and postal addresses across each insurance company's database. One of the benefits of this system is that you are able to access all the information which is entered so something which may not be of relevance today could be of relevance tomorrow. Any information entered which does not follow a certain structure actually sends an alert to the bureau flagging a potential area for further investigation rather than being discarded."

As well as the central database, member companies have access to other services such as daily alerts, a monthly newsletter, website and the Insurance Fraudline, where members of the public can report suspected incidents of fraud. The bureau has also just recently launched a new initiative to create and maintain a staff dishonesty database, which will allow member companies to identify 'insiders' who are helping the crime syndicates as well as vet potential employees. It is working with various committees to finalise the structure and format of the database and is speaking to the member companies for input to ensure the industry is well informed on the purpose and value of the initiative.

Hugo continues: “We are funded by the industry, for the benefit of the industry and it’s important that we communicate what we are accomplishing. The newsletter – the SAICB Report – features updates on how the bureau is progressing, news on recent successes from committee members and a regular guest spot for partners and stakeholders to discuss current trends and issues within the industry.”

The success of the bureau is also evident with its inception having led to several leads in new and ongoing investigations, as well as the sharing of information with member companies on queries. It is also currently involved in several multi-insurance company investigations – just one of these investigations involves seven insurers with the estimated costs involved in the millions of Rands.

Hugo says: “We have received and assisted with over 400 alleged fraud investigations from member companies and through the Insurance Fraudline. We’ve assisted the South African Revenue Service (SARS), South African Police Service (SAPS) and the National Prosecuting Authority (NPA) on a variety of ongoing investigations, facilitated several vehicle recoveries and assisted member companies with information that has led to their investigations reaching police involvement stage and prosecution.”

Looking to the future, Hugo is optimistic that other industries will follow suit and the whole insurance industry in South Africa will eventually all be sharing information. He says: “It is well known that organisations which are not part of joint fraud investigation organisations such as the SAICB are often targeted because they will not have the information and resources at hand to fight fraud. Without all companies working together, both within the industry and in partnership with the police and National Prosecuting Authorities in their drive to tackle crime, the problem will continue to persist.”

For further information on the SAICB visit www.saicb.co.za.

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