

Media Release

Association for Savings and Investment South Africa (ASISA)

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Life insurers thwart fraudulent and dishonest claims worth almost R1 billion

The South African life industry reported a record increase in the value of fraudulent and dishonest long-term insurance claims to a total of R870.7 million in 2015. This is significantly higher than the irregular claims worth R755.2 million detected in 2014.

Claims fraud statistics for 2015 released this week by the Association for Savings and Investment South Africa (ASISA) reveal that while the number of cases of fraud and dishonesty uncovered almost halved from 8 306 cases in 2014 to 4 381 in 2015, the average value of these claims has risen substantially.

Peter Dempsey, deputy CEO of ASISA, points out that life insurers act as custodians of a significant portion of South Africa's savings, injecting much needed funds back into the economy with the payment of benefits.

"Through the prevention of fraud and dishonesty, insurers maintain the integrity of this savings pool for the benefit of honest policyholders," he explains.

He states that the statistics demonstrate the effectiveness of improved measures by insurance companies to detect instances of fraud and dishonesty, such as investigating claims vigorously, working with government institutions and medical schemes, and even using social media as a tool.

"With an economy under pressure, many policyholders are in dire financial straits and are being tempted into colluding with syndicates, committing fraud or making dishonest claims," he says.

"However, with the number of detection measures in place, fraudsters and dishonest policyholders are likely to be caught out, losing out on the value of their policy and risking criminal charges."

He notes that while the life industry prevented losses of R870.7 million last year through irregular claims, life insurers paid more than R45.7 billion to individuals who had experienced either death or disability in their family circle.

"Life and disability cover provide financial protection to families that could face financial ruin without it. Why risk losing this valuable cover by submitting a fraudulent or dishonest claim," asks Dempsey.

Death and funeral claims

The majority of irregular claims in 2015 involved death and funeral policies where 2 751 cases were foiled, a sharp decrease from the 7 360 cases reported the previous year.

However, the value of the claims was much higher, totalling R448.4 million as compared to R402.8 million in 2014.

Dempsey notes that continuing a trend from 2014, fraud continued to play a role in the majority of cases, with 1 311 cases detected to a total value of R62.6 million.

"In one case, a teacher, a nurse and a hawker in the Eastern Cape illegally obtained the body of a 24-year old male and claimed that he was a relative for the purpose of making life insurance claims from several companies. However, the attempted fraud was uncovered and the women were arrested," he says.

Dempsey points out that dishonesty through misrepresentation and non-disclosure also contributed strongly to the total value of irregular death and funeral claims, with 1 126 dishonest claims totalling a whopping R370.7 million.

Misrepresentation occurs when a policyholder deliberately provides misleading information to a life insurer. Material non-disclosure refers to the failure of policyholders to disclose important information about a medical condition or lifestyle.

He emphasises that the life industry honoured nearly 99% of claims made against fully underwritten life policies in 2015, demonstrating the value of being upfront with your insurer and paying the appropriate premium rather than risking losing the value of your policy.

"Disturbingly, we have also seen a particularly sharp increase in fraudulent death and funeral claims involving advisers and brokers, with 288 cases in 2015 compared to only nine instances in 2014," he adds.

He notes that in one example, a police officer laid a complaint after she found out that a broker was selling life cover on her life to people she did not know.

He explains that the police officer had every right to be concerned.

"You must be able to prove insurable interest before you are allowed to take out insurance cover on someone's life," he says.

Disability claims

Life insurers thwarted a total of 449 cases of fraudulent and dishonest disability claims in 2015 with a value of R412 million. Of these claims, 444 were declined owing to misrepresentation or material non-disclosure, and only five involved criminal intent or fraud.

In one instance, a life insurer reported that a client had laid a claim to the value of R3.2 million for a heart attack, but the insurer discovered that the information submitted by the client's doctor was false and the client could not produce any further documentation to support their claim. The claim was then denied.

Hospital cash plans

A total of 1 138 fraudulent and dishonest claims against hospital cash plans worth R8.9 million were declined in 2015. This is substantially higher than the 391 claims worth R4.6 million rejected in 2014.

Dempsey attributes the significant increase due to reporting from a life company that had not submitted statistics before.

He adds, however, that improved detection methods will also have played a role in pushing up the statistics for hospital cash plans since they continue to be targeted by syndicates.

Hospital cash plans pay policyholders a daily cash benefit for each day spent in hospital. This amount is paid irrespective of medical aid payments or sick leave benefits available to the person hospitalized.

The majority of these claims were rejected due to dishonesty rather than criminal intent.

He notes that in one case, a life insurer became suspicious when a teacher in Kwa-Zulu Natal made two claims on her hospital policy within the space of a year. She claimed to have suffered a severe neck injury following a motor accident, swerving into a lamppost at speed in order to avoid a collision with a taxi.

However, a witness at her school confessed that rather than suffering a major accident, she had merely bumped into his bonnet in the school parking lot. After she refused to allow the investigator to further examine her vehicle, she lost her insurance policy and criminal charges were launched against her.

Retrenchment benefit claims

Only 43 retrenchment claims laid in 2015 were declined, a slight increase from the 31 claims denied in 2014, largely owing to misrepresentation or material non-disclosure.

The value of these claims was substantially less than the previous year however, totalling only R1.3 million – nearly half that of the R2.4 million in 2014.

Most dishonest provinces

Dempsey reports that the highest number of fraudulent and dishonest claims was once again submitted in KZN with 39%, a significant increase from the previous year (32%).

This was followed by Gauteng and the Eastern Cape each with 17%, the Western Cape with 7% and the Free State at 6%. Other provinces were each responsible for 5% or less.

Fraudulent and dishonest policy claims statistics for 2015, compared to 2014

	2015		2014	
	Cases	Rand Value	Cases	Rand Value
Death & Funeral Claims	2751	448.4 million	7360	402.8 million
Misrepresentation/Material Non-Disclosure	1126	370.7 million	3551	296.2 million
Fraudulent Documentation	1311	62.6 million	3619	86.8 million
Syndicate Involvement	22	7.7 million	13	3.4 million
Beneficiary Involvement	4	3.9 million	168	16.2 million
Adviser/Broker Involvement	288	3.6 million	9	0.25 million
Disability Claims	449	412 million	524	345.4 million
Misrepresentation/Material Non-Disclosure	444	407.8 million	464	342.8 million
Fraudulent Documentation	5	4.2 million	60	2.6 million
Adviser/Broker Involvement	0	0	0	0
Health Business & Hospital Claims	1138	8.9 million	391	4.6 million
Misrepresentation/Material Non-Disclosure	1021	8.1 million	269	3.8 million
Fraudulent Documentation	117	0.9 million	122	0.8 million
Syndicate Involvement	0	0	0	0
Retrenchment Claims	43	1.3 million	31	2.4 million
Misrepresentation/Material Non-Disclosure	34	0.9 million	26	2.2 million
Fraudulent Documentation	9	0.42 million	5	0.24 million
Syndicate Involvement	0	0	0	0
Total	4381	870.7 million	8306	755.2 million

Figures have been rounded

Ends

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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. These members hold assets under management of more than R8.6 trillion.

