

Consumer Education Media Release
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Stop life insurance fraud by guarding your personal details

In times of economic hardship the forensic departments of life insurance companies go on high alert. Years of experience have taught internal investigators that fraudulent activity against life insurance companies and their clients is likely to increase as earning money the honest way becomes harder.

Peter Dempsey, deputy CEO of the Association for Savings and Investment South Africa (ASISA), says not only are criminals becoming more desperate, they are also becoming more sophisticated.

He adds that insurance fraud is often considered a low-risk, high-reward game for criminals, far safer than other crimes like drug trafficking or armed robbery.

“Insurance companies have always been targeted by criminals, but during periods of economic hardship defrauding life companies becomes even more tempting,” says Dempsey.

Fraudulent identity

Life companies regularly encounter cases where the personal information of unsuspecting consumers is used by criminals to take out life policies in their name with the aim of submitting fraudulent death claims later or for the purposes of collecting commission.

Dempsey says while life companies are continuously updating their fraud detection methods to remain abreast of the latest techniques applied by criminals, an increased awareness among consumers is needed to successfully combat the problem of insurance fraud.

“Consumers need to guard their personal information as they would any other valuable possession. Not only will this help life insurance companies, but it will also protect consumers against financial loss and the endless administrative hassles involved when having to reclaim their identity from criminals.”

A scary thought: a document such as a pay slip or a bank statement can provide an experienced identity thief with enough information to perpetrate fraud in your name.

A case that made headlines last year involved a Kenyan syndicate that operated in South Africa. This syndicate managed to acquire boxes filled with salary slips of government employees in Kwa Zulu Natal and the North-West Province. These salary slips were sold to unscrupulous financial advisers who used the details on the salary slips, together with a forged signature, to write policies for people without their knowledge.

Because the salary slips provided the fraudsters with real banking details and identity numbers, the small premiums were then deducted from the salaries of the government employees targeted. This case was only exposed when a cleaner at a school complained about the premium being deducted from her salary every month.

Dempsey says it is important that you regularly check you pay slip and bank account statements to make sure that all deductions are authorized. If you come across any suspicious deductions, immediately notify your employer, the life insurer making the deductions, and your bank.

The good news is that most large financial services companies have dedicated forensic departments that will assist with the speedy investigation and prosecution of these fraudsters.

If it sounds too good to be true....

Dempsey says life companies are not the only victims of opportunistic criminals.

“Unfortunately consumers often find it hard to resist the promise of outstanding investment returns. However, if the promised return sounds too good to be true, it probably is.”

He says consumers should be cautious when promised investment returns that allegedly outperform all other asset classes. “Be particularly cautious when offered a product that is not backed by a company you know or trust,” he adds.

Dempsey says a good way of checking on the integrity of the person selling the investment is by finding out whether the intermediary is registered with the Financial Services Board (FSB) to sell the financial product or service. If the intermediary works for a financial services provider, check with this company whether the product being offered is in fact backed by the company.

Vigilant protection

You can protect yourself and your insurance company from becoming a victim of fraud by following these basic steps:

- Never provide anyone with copies of your pay slip, identity document, passport, driver’s license or any other type of document containing your personal information unless there is a valid reason and you have verified the credentials of that person.
- If you receive an unsolicited phone call or e-mail requesting personal information for verification purposes your alarm bells should start ringing. A financial institution will only request you to verify your personal details if you have requested information or a financial transaction telephonically.
- Always dispose of your personal information in a secure manner such as shredding.
- Don’t leave personal information lying around on your office desk or even at home.
- Never sign blank documentation or applications for insurance and always make sure you know what you are signing for. When told that you do not need to complete certain fields, draw a line through the field or ensure that “n/a” is clearly written in the fields.
- Make sure that you provide all your correct contact details when completing forms to enable the service provider to confirm your contract with you.
- If you don’t receive your pay slip in a particular month, notify your payroll department immediately and also check the next pay slips you receive in order to verify deductions.
- Check your bank statements on a regular basis for unauthorized deductions.
- When paying premiums or investing money, make sure that you pay the money directly to the insurance company or the investment house.
- Make sure that you receive policy and investment statements directly from the financial institution and make a point of checking all your policies and investments at least once a year. Warning bells should ring if you do not receive annual statements and transactional history directly from your life insurer or investment company.
- Something simple, which children should be taught as well, is to ensure that you have a signature that is difficult to forge. Signatures that are scribbled and do not show the person’s name are the easiest to forge. Handwriting experts find it easier to identify discrepancies in signatures that are similar to a person’s normal handwriting.

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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. ASISA was formed in 2008 by members of the Association of Collective Investments (ACI), the Investment Management Association of South Africa (IMASA), the Linked Investment Service Providers Association (LISPA) and the Life Offices' Association (LOA).