

OCTOBER 2010

SOUTH AFRICAN INSURANCE CRIME BUREAU

ISSUE 10 : 2010

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## SAICB UPDATE

### SAICB UPDATE

The SAICB will host its "Year in Review" Breakfast on 3 November 2010 at the Johannesburg Country Club, Woodmead. The annual event serves as a platform to inform the industry and its partners and associates on the achievements and projects of the SAICB over the past financial year, and the projects and plans for the next year. The guest speaker at this year's event will be Commissioner Mzwandile Petros, the Provincial Commissioner of the South African Police Service, Gauteng.

The renovation at the SAICB is complete and the additional space will allow the SAICB to increase the staff by at least two new members as planned. The invoicing for the fixed portion of the budget has been sent out. The relationship building and membership drive meetings with our new Chairman of the Board, Mr Ronnie Napier has been arranged for November 2010.

The Memex addition has been installed and the loading of the information has begun, to be followed by the testing and running of the rules in early November. The lists and enquiries from the industry have been particularly successful over the last month as the information on our system continues to grow. The current initiatives and projects are all progressing well and two of the current cases are nearing completion from the SAICB side and it is anticipated that it will be presented to the NPA for review before the end of this year.

The vetting of service providers and associates for the industry as per the SAIA Code of Conduct is also beginning to pick up as the members begin to see the benefit of this process. The Staff Dishonesty database is also being populated by the members information and the SAICB anticipates that this will be a valuable tool going forward for the industry.

The next Newsletter—November 2010 edition, will be the last for the year and will contain the summary of the year's projects and cases and the plans for the coming year. The issue will also give feedback on the "Year in Review" Breakfast and a summary of the status of the cases going into the new year. 🐾

## FRAUDLINE

In September 2010, **141** reports were received of which 5 reports were for the short term insurance industry, 1 report was received for Brokers and 1 reports for the life industry.

Since 2002, **26990** reports have been received of which **891** reports were for the short term industry **135** reports for the brokers and **362** reports were for the life industry.

For further information on the statistics, please contact Melanie Pillay on [melaniep@saicb.co.za](mailto:melaniep@saicb.co.za) 🐾



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## MEMBERS

SANTAM  
 MUTUAL & FEDERAL  
 HOLLARD  
 LION OF AFRICA  
 REGENT  
 TELESURE  
 ABSA INSURANCE  
 STANDARD BANK  
 INSURANCE  
 OUTSURANCE  
 MOMENTUM  
 MIWAY

## PARTNERS

SOUTH AFRICAN  
 INSURANCE  
 ASSOCIATION (SAIA)  
 TRANSUNION  
 FRAUDLINE  
 MEMEX  
 SAFPS  
 UNICODE  
 BACSA  
 NEWORDER  
 DATADOT  
 CGC  
 SAVRALA

### INFORMATION UPDATE

#### DRÄGER

Hits : 826  
 Records: 1706  
 Number of lists: 8

#### SAPS 13

Hits : 160  
 Records: 965  
 Number of lists: 35

#### TRACKER

Hits : 97  
 Records: 320  
 Number of lists: 10

#### DATADOT

Hits : 203 Data Dot and 39 other  
 Records: 203  
 Number of lists: 2

#### ENQUIRIES

Enquiries: 56  
 Replies: 303

**APPROX R15,1 MILLION  
 SAVED TO DATE**

## ARTICLE—NEW INSURANCE CRITERIA

### NEW INSURANCE CRITERIA FOR VEHICLE SECURITY IN RUSSIA

During the Moscow Motor Show held in August 2010, Professional Association in Vehicle Risk Prevention (PAIRP\*), the Russian Anti-theft organisation announced that they would be introducing a new insurance criteria for assessing vehicle security in Russia.

The criteria will assess four different areas:

- Protection against Theft From the vehicle
- Protection against Theft Of the vehicle
- Vehicle and Component Identification
- Stolen Vehicle Tracking and Immobilisation

#### Russia specific security requirements

PAIRP's decision to develop their own set of passenger car security requirements comes after almost three years of research into the success of different requirements in other countries.

PAIRP was established in late 2006 and for the past two years they have worked closely with vehicle security experts from Thatcham in the UK. Together they have conducted vehicle specific testing on a total of 32 different cars on sale in Russia. This led many observers to predict that PAIRP would adopt the UK NVSA because of its status as a globally recognised standard for security; a move that would mirror the action taken by the Swedish Insurance Association (TFF) who adopted the NVSA at the beginning of 2009.

However, the car theft situation in Russia is unique and unlike any other market in the world. Organised gangs are prevalent, and they have a highly skilled network of gang members skilled in different aspects of car theft – electronic specialists capable of overcoming the majority of OEM security systems through to gang members who are skilled in changing the identity of a car once it has been stolen. This has resulted in PAIRP deciding that the best approach is to develop unique security requirements for the Russian market.

Mr Igor Yamov, President of PAIRP outlined the associations reasoning behind introducing a new insurance security criteria and explained how it would be presented to the public. Each vehicle will be assessed in the areas described above and awarded points depending on its performance against the criteria with a maximum of 1000 points available for the most secure

## ARTICLE—NEW INSURANCE CRITERIA *CONT...*

vehicles. The total number of points will then relate to a 'shield' rating.

0-200	1 SHIELD
201-400	2 SHIELDS
401 – 600	3 SHIELDS
601 – 800	4 SHIELDS
801 – 1000	5 SHIELDS

**Currently, there are no details of how the vehicle security criteria would be applied by Russian Insurance companies and the detailed requirements of the criteria have not been announced. SBD will continue to monitor the situation over the coming months and will release information here on our website ([www.sbd.co.uk](http://www.sbd.co.uk)) as it becomes available.**

During the International Road Safety Forum held in Moscow on Wednesday 18 November 2009 the PAIRP and their non-commercial partner Intelligent Transportation Systems Russia (ITS – Russia) announced the official results of security testing conducted in July 2009 on popular, foreign branded passenger cars currently on sale in Russia.

### 2009 security test results

PAIRP tested 21 passenger cars from 13 different foreign vehicle manufacturers. Most of the cars were chosen to be tested because they are considered to be the most "at risk" of being stolen by the Russian insurers.

The cars were assessed using the UK New Vehicle Security Assessment (NVSA) criteria and the testing was supported by vehicle security engineers from Thatcham. PAIRP used the results of the NVSA to calculate star ratings for the theft of and theft from performance for each car. The star ratings for the Russian models have been compared to the star ratings for the equivalent UK cars to assess the gap between the Russian LHD models and the UK RHD ones.

None of the 21 Russian cars tested in July 2009 had the same level of security features as the equivalent UK models – every single car tested that had a UK equivalent received a lower rating. The Audi A8L and the Volkswagen Touareg were the top performers; both scoring 5 stars for theft of and 3 stars for theft from. The European brands out-performed all the other manufacturers by some way – an indication that the global security strategies of the European manufacturers could be much stronger than the strategies of brands from the USA and Asia. 🐞

\*PAIRP were previously known as the Professional Association for the Risk Prevention of Vehicle Theft (PARP)

[2009 PAIRP security test results.pdf \(157.35 kb\)](#)

**THANK YOU TO JUANITA APPLEBY, MARKETING ANALYST FROM SBD FOR PERMISSION TO USE THESE ARTICLES. FOR FURTHER INFORMATION - [www.sbd.co.uk](http://www.sbd.co.uk)**

**SBD is an independent, technical consultancy specialising in the design and development of vehicle security, low speed crash, telematics and ITS systems. From technical trends reports to conducting end user surveys, SBD has over 15 years of experience of providing strategic advice, insight and expertise to the automotive and associated industries.**

## ARTICLE—BUSA ANTI-CORRUPTION SEMINARS

The following is the second article in the series on the BUSA anti corruption seminars. This article looks at the South African and international laws and policies that govern dealing with Corruption.

### BUSA ANTI-CORRUPTION SEMINARS

South African anti-corruption legislative framework and international and regional conventions and treaties

#### Prevention and Combating of Corrupt Activities Act of 2004

The Prevention and Combating of Corrupt Activities Act creates a general crime of corruption which applies to everyone in the private and public sector. Specific forms of corruption is also addressed e.g. corruption in the tender process.

The ambit of the Prevention and Combating of Corrupt Activities Act is much wider than that of the previous Corruption Act of 1992. The common-law offence of bribery (which applied only to public officials) was reinstated in the new Act.

The Act criminalises corruption in the public and private sectors for action or inaction in the future (unlike the Corruption Act of 1992, which also applied to past acts, for example, to compensate a person for something already done).

Corruption may include any form of gratification and refers to any donation, gift, contract of employment or service and the avoidance of punishment or loss.

The Prevention and Combating of Corrupt Activities Act provides that South African businesses which try to corrupt officials of foreign countries will be guilty of corruption. The corruptor may be prosecuted and sentenced in South Africa - extra-territorial jurisdiction applies.

The act of influencing a decision maker may require the decision maker to perform an act or an omission that results in a benefit accruing to the person providing the benefit or to a third party connected to such person.

The person making the offer is always guilty of corruption even if the offer is not accepted. If the offer is accepted, BOTH parties will be guilty of corruption entering into a corrupt relationship, as will any third parties who knowingly were part of such a relationship.

#### Promotion of Access to Information Act of 2000

The Promotion of Access to Information Act enables people to obtain information from government and business and may be used to verify whether corruption has taken place.

#### Promotion of Administrative Justice Act of 2000

The Promotion of Administrative Justice Act requires government to follow fair procedures when making decisions that affect the public or an individual. In terms of this Act, individuals may request written reasons for decisions with which they disagree. This may enable a person to determine whether corruption influenced a decision.

### INTERNATIONAL AND REGIONAL CONVENTIONS, TREATIES AND LEGISLATION

#### Instruments to which South Africa subscribes

South Africa has ratified and acceded to various regional and international anti-corruption legal instruments.

## ARTICLE—BUSI ANTI-CORRUPTION SEMINARS *CONT...*

These instruments include the:

- SADC Protocol against Corruption;
- African Union Convention on Preventing and Combating Corruption;
- United Nations Convention against Corruption (UNCAC); and
- OECD Convention on Preventing Bribery of Foreign Public Officials in International Business Transactions.

### SADC Protocol

**The SADC Protocol against Corruption was adopted by the SADC Heads of State and Government at their August 2001 Summit, held in Malawi.**

- The SADC Protocol was the first sub-regional anti-corruption treaty in Africa.
- The SADC Protocol provides both preventive and enforcement mechanisms and demonstrates a degree of political will in the region to combat corruption
- The SADC Protocol provides for the development of a code of conduct for public officials, transparency in public procurement of goods and services and establishment of anti-corruption agencies, amongst other preventative measures and mechanisms.

### AU Convention

- The African Union Convention on Preventing and Combating Corruption provides a comprehensive framework for fighting corruption in all sectors of societies.
- The AU Convention contains mandatory provisions with respect to private-to-public corruption and on transparency in political party funding.
- Other strong points of the AU Convention are mandatory requirements of declaration of assets by designated public officials and restrictions on immunity for public officials. The AU Convention also gives particular attention to the need for the media to have access to information.

**The AU Convention was adopted in July 2003, signed by South Africa in March 2004 and ratified in November 2005.**

### UNCAC

- The United Nations drew up the United Nations Convention Against Corruption (UNCAC) in 2003.
- The UNCAC deals with the prevention of corruption in public and private sectors, criminalisation, international cooperation, asset recovery and implementation mechanisms.

**South Africa ratified the UNCAC in November 2004, and it came into effect in December 2005. South Africa complies with the mandatory requirements of the UNCAC.**

The UNCAC obliges State Parties to implement a wide and detailed range of anti-corruption measures. The Conference of the State Parties is responsible for reviewing implementation of the UNCAC.

### OECD Convention

- The OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions establishes legally binding standard to criminalise bribery of foreign public officials in international business transactions and provides for a host of related measures to make this effective.
- The OECD Convention is the first and only international anti-Corruption instrument focused on the supply side 'of the bribery transaction.

## ARTICLE—BUSI ANTI-CORRUPTION SEMINARS *CONT...*

The 38 signatory countries (including South Africa) have agreed to put in place new measures to reinforce their efforts to prevent, detect and investigate foreign bribery.

### PACI Principles

- The Partnering Against Corruption-Principles for Countering Bribery (PACI) were developed by a multi-national task-force of companies working with the World Economic Forum, Transparency International, and the Basel Institute on Governance.
- The aim of the PACI Principles is to provide a frame work for good business practices and risk-management strategies for countering bribery. The PACI Principles are intended to assist enterprises to:
  - ◆ Eliminate bribery;
  - ◆ Demonstrate their commitment to countering bribery; and
  - ◆ Make a positive contribution to improving business standards of integrity, transparency accountability wherever they operate.
- The PACI Principles commit signatory companies to two basic actions:
  - ◆ Adoption of a zero-tolerance policy on bribery; and
  - ◆ Development of a practical and effective internal programme for implementing that policy.
- The PACI Principles are designed to provide companies of all sizes with practical guidance rather than to be prescriptive, for developing their own policy statements and programmes for combating bribery and other forms of corruption in international business. In so doing, they contribute to the goals of good governance and economic development and give practical effect to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and other similar governmental and private-sector initiatives.

### UN Global Compact

The UN Global Compact is a framework for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, the environment and anti-corruption.

Principle 10 of the UN Global Compact: “Businesses should work against corruption in all its forms, including extortion and bribery”.

### Objectives:

Adoption of the tenth principle commits UN Global Compact participants not only to avoiding bribery, extortion and other forms of corruption, but also to developing policies and concrete programmes to address corruption. Companies are challenged to join governments, UN agencies and civil society to realise a more transparent global economy.

### World Bank and International Monetary Fund

- The World Bank and the International Monetary Fund have become much more demanding before granting aid money and loans.
- The World Bank has set new guidelines in an attempt to limit corruption.
- These guidelines are aimed at the three major parties involved in such transactions, namely:
  - ◆ Recipient counties who have to eliminate bribes being received by their officials;
  - ◆ Suppliers who may no longer bribe officials; and
  - ◆ Chief executive officers of successful tenders.

## ARTICLE—BUS A ANTI-CORRUPTION SEMINARS *CONT...*

### UK Bribery Act

- On 8 April 2010, the United Kingdom Parliament enacted the Bribery Act 2010 (the UK Bribery Act) into law, thereby establishing one of the most far-reaching anti-corruption initiatives in the world.
- The broad scope of the UK Bribery Act exposes any company with an office in the United Kingdom to potential criminal liability for acts of bribery committed by an employee or agent anywhere in the world.
- The UK Bribery Act provides for strict criminal liability for companies that negligently fail to prevent their employees or agents from engaging in bribery. This is the position even when the company management had no knowledge of the corruption, fraud or bribery. In these circumstances, management needs to demonstrate that they have an adequate fraud, bribery and prevention scheme, or adequate procedures to prevent bribery.

**SOURCE: Bowman Gilfillan's Forensic & White-collar Crime Department**

### IMPERATIVES FOR FIGHTING CORRUPTION

#### TI 2009 Corruption Barometer

- Transparency International (TI) regularly publishes a corruption barometer. TI's Global Corruption Barometer of 2009 presents the main findings of a public – opinion survey, which explores the general public's views of corruption, as well as experiences of bribery around the world.
- The study assesses the extent to which key institutions and public services are perceived to be corrupt, measures citizens views on government efforts to fight corruption and, in 2009, for the first time, included questions about the level of state corruption and peoples willingness to pay a premium for clean corporate behaviour.
- The 2009 Corruption Barometer showed that corruption in and by the private sector is of growing concern to the general public:
  - ◆ The private sector is perceived to be corrupt by half of those interviewed: a notable increase of eight percentage points over 2004.
  - ◆ Corruption matters to consumers. Half of those interviewed expressed a willingness to pay a premium to buy from a company that is "corruption-free".

#### TI Corruption Perception Index

- Transparency International performs regular corruption perception indexes on countries.
- South Africa was ranked **55<sup>th</sup> out of 180** countries in TI's 2009 Corruption Perception Index, published in November 2009.
- South Africa scored **4.7** on a scale awarding 10 points for a corruption-free country.
- A poor corruption index has an inevitably unfavourable influence on the investment climate for a country.
- Many organisations refuse to do business in countries with a score of below **4.6**.

**FOR THE DATES, BOOKINGS AND FURTHER INFORMATION ON THE WORKSHOPS PLEASE CONTACT TERRANCE MUTAVHATSHINDI ON:**

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**THANK YOU TO DR JANETTE MINNAAR-VAN VEIJEREN FOR PERMISSION TO USE THIS INFORMATION IN OUR ARTICLE. FOR FURTHER INFORMATION OR TRAINING PLEASE CONTACT HER ON**

[Janette@ethicsa.org](mailto:Janette@ethicsa.org)

## ARTICLE— SA JUMPS 1 PLACE IN CORRUPTION INDEX

### SA JUMPS 1 PLACE IN CORRUPTION PERCEPTION INDEX

South Africa has advanced one position to 54th in the latest Corruption Perceptions Index (CPI) released by Transparency International (TI) on Tuesday.

South Africa scored 4.5 in 2010, in joint 54th position with Kuwait, compared with 55th position and a score of 4.7 the year before.

The highest ranked country in sub-Saharan Africa was Botswana, ranked 33rd overall with a score of 5.8, followed by Mauritius in 39th position with a score of 5.4 and Cape Verde, in 45th position with score of 5.1.

The highest scorers in the 2010 CPI are Denmark, New Zealand and Singapore - all at 9.3, followed by Finland and Sweden, both at 9.2, then Canada at 8.9.

With governments committing huge sums to tackle the world's most pressing problems, from the instability of financial markets to climate change and poverty, corruption remains an obstacle to achieving much needed progress, TI's 2010 Corruption Perceptions Index shows. The CPI is a measure of domestic and public sector corruption.

The 2010 CPI shows that nearly three quarters of the 178 countries in the index score below five, on a scale from 0 (perceived to be highly corrupt) to 10 (perceived to have low levels of corruption), indicating a serious corruption problem.

"These results signal that significantly greater efforts must go into strengthening governance across the globe. **With the livelihoods of so many at stake, governments' commitments to anti-corruption, transparency and accountability must speak through their actions.** Good governance is an essential part of the solution to the global policy challenges governments face today," said Huguette Labelle, Chair of TI.

To fully address these challenges, governments need to integrate anti-corruption measures in all spheres, from the responses to the financial crisis and climate change to commitments by the international community to eradicate poverty. For this reason TI advocates stricter implementation of the UN Convention against Corruption, the only global initiative that provides a framework for putting an end to corruption.

"Allowing corruption to continue is unacceptable; too many poor and vulnerable people continue to suffer its consequences around the world. We need to see more enforcement of existing rules and laws. There should be nowhere to hide for the corrupt or their money," said Labelle.

Unstable governments, often with a legacy of conflict, continue to dominate the bottom rungs of the CPI. Afghanistan and Myanmar share second to last place with a score of 1.4, with Somalia coming in last with a score of 1.1.

Where source surveys for individual countries remain the same, and where there is corroboration by more than half of those sources, real changes in perceptions can be ascertained. Using these criteria, it is possible to establish an improvement in scores from 2009 to 2010 for Bhutan, Chile, Ecuador, FYR Macedonia, Gambia, Haiti, Jamaica, Kuwait, and Qatar, TI said.

Similarly, a decline in scores from 2009 to 2010 can be identified for the Czech Republic, Greece, Hungary, Italy, Madagascar, Niger and the United States.

TI said that notable among decliners are some of the countries most affected by a financial crisis precipitated by transpar-

## ARTICLE— SA JUMPS 1 PLACE IN CORRUPTION INDEX *CONT...*


ency and integrity deficits. Among those improving, the general absence of OECD states underlines the fact that all nations need to bolster their good governance mechanisms.

TI's assessment of 36 industrialised countries party to the OECD anti-bribery convention, which forbids bribery of foreign officials, reveals that as many as 20 show little or no enforcement of the rules, sending the wrong signal about their commitment to curb corrupt practices.

While corruption continues to plague fledgling states, hampering their efforts to build and strengthen institutions, protect human rights and improve livelihoods, corrupt international flows continue to be considerable, it noted.

"The results of this year's CPI show again that corruption is a global problem that must be addressed in global policy reforms. It is commendable that the Group of 20 in pursuing financial reform has made strong commitments to transparency and integrity ahead of their November summit in Seoul," said Labelle. "But the process of reform itself must be accelerated."

TI called on the G20 to mandate greater government oversight and public transparency in all measures they take to reduce systemic risks and opportunities for corruption and fraud in the public as well as in the private sector.

"The message is clear: across the globe, transparency and accountability are critical to restoring trust and turning back the tide of corruption. Without them, global policy solutions to many global crises are at risk," it concluded. 

**I-Net Bridge – appeared in Business Report on 26 October 2010**

## ARTICLE— CYBER CRIME

### CYBER CRIME

For cyber criminals, corporate intellectual property (IP) tops the most wanted list, with attackers using techniques associated with advanced persistent threats, according to Charlie Stewart, director at SuperVision Biometric Systems.

Stewart believes attackers are not looking to grab just anything they come across, but IP and corporate secrets in particular.

Ernst & Young, in its report 'Insights on IT risk: Countering cyber attacks', says IP is "the most sought-after data type for attackers using techniques associated with persistent threats, whether it is protected formulae, seismic research data, technology designs, unreleased movies or music, or proprietary engineering schematics and designs".

Stewart sees this as particularly worrying for corporate SA, where economic crime is rampant and most of it is committed by insiders.

"This isn't an amateur hacker trying to get hold of relatively low-value credit card data or an accounts clerk making fraudulent EFT payments. These are sophisticated, organised and determined attempts to steal much more valuable data – corporate IP," says Stewart.

Forrester Consulting for SA and Microsoft in their joint 'Value of corporate secrets' report in March, refer to secrets

## ARTICLE— CYBER CRIME *CONT...*

as information that confers long-term competitive advantage, such as product plans, earnings forecasts and trade secrets.

The report defines custodial data as information that companies are compelled to protect by regulations – typically personal and identity information such as that relating to credit cards.

On the other hand, Stewart finds this separation of information of particular interest. “A key message from this report is that companies may be too focused on complying with regulations governing the protection of customers' personal information and are not sufficiently protecting their knowledge base.

“For example, financial services companies such as banks, medical schemes and insurers will have lots of personal info about you and they are increasingly required to provide for its security,” he explains.

However, he notes these companies also hold sensitive data that does not relate directly to individuals, including financial forecasts and earnings reports; product development plans; marketing strategies and associated research; pricing, margin and discounting policies; procurement and supplier information; and plans for expansion, mergers and acquisitions.

“But many companies hold little, if any, custodial data. A large mining, IT or pharmaceutical company is unlikely to keep much custodial data simply because they don't deal with individual consumers – their markets are often only other companies. But they will certainly have sensitive and proprietary information that underpins their competitive advantage,” says Stewart.


Describing the commercial effects of losing one's knowledge base, Stewart gives the example of the UK Financial Services Authority, which fined Zurich Insurance a record £2 275 000 (R24 960 909) in August this year after a back-up tape containing personal details of 46 000 policy holders was lost a year ago by the South African branch of the company.

The tape had personal information on general insurance customers, including identity details and some bank and credit card information.

“One implication of the fine is clear: lose that type of custodial data and it's going to cost you £50 per record in regulatory fines.

“But, what would Zurich have lost if a competitor acquired the data and then successfully sold its services to each and every one of the clients on the tape? The loss of 46 000 customers is far more significant than losing information about them. It's not a refined argument, but it does illustrate how the value of data can change according to who gets their hands on it,” says Stewart.

He adds the use of stolen access credentials is the top hacking method in data breaches. “Passwords are the number one usual suspect in IT-based crime. They are so frequently abused by insiders and outsiders because they are so simple to abuse.

“Any IT access credential based on cards, PINs or passwords is inherently insecure because they are all routinely lost, forgotten, shared, stolen and cracked,” he concludes. 

**THANK YOU TO MARTHINUS ENGELBRECHT FOR SUBMITTING THIS ARTICLE ORIGINALLY APPEARING ON IT-web**