



**SAIA**

**SOUTH AFRICAN INSURANCE ASSOCIATION**

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# SAICB Launch - Background

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*presented by*

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# **SAIA & fighting crime: Way back when**

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- **SAIA has long history in the fight against crime – clearly crime touches our industry directly**
- **Vehicle crime:**
  - Huge problem
  - SAIA involved before Business Against Crime's establishment
  - Transportation Action Group (TAG) chaired by SAIA
  - Handed over to Business Against Crime
  - Merged with National Vehicle Crime Project – in operation since 1997 under the auspices of the National Crime Prevention Strategy
  - Annual donation to Business Against Crime since 2002 – more than R1m per annum – R1.47m in 2007/8



# **SAIA & fighting crime: Way back when**

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- **Result – vehicle crime (although still too high) much reduced over time**
- **Business Against Crime South Africa reports that for the period 1996 (when vehicle hijackings were first identified as an emerging threat to society) to 2007:**
  - the motor vehicle population increased by 46%
  - the number of vehicles stolen and hijacked per year declined by 16,5%
  - vehicles recovered by the SAPS remained relatively consistent at around 44%; and
  - taking into account the growth in vehicle population, the vehicle theft and robberies rate declined from 17.3 to 9.9 per 1 000 vehicles registered. This represents a 43% reduction in total vehicle theft and robberies.



# **SAIA & fighting crime: Way back when**

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- **Other crime fighting areas and issues also important**
- **Latest trend re household and business robberies and burglaries:**
  - Household burglaries downward trend, robberies up
  - Business robberies still too high and costing the insurance industry directly
- **Other initiatives:**
  - Business Against Crime, including Violent and Organised Crime Working Group that deals with trio of crimes
  - Wreck management project
  - Detective training project
  - Fraud – Insurance Crime Bureau launch



# Fighting insurance fraud: A joint initiative (Background)

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- **An industry approach**
- **Different companies with different ways of doing things @ huge cost yet same approach (zero tolerance)**
- **Information sharing – IDS**
- **Going beyond information sharing**
- **Insurance Crime Bureau (ICB)**
- **Beginning with short-term insurance industry**
- **Ultimate dream!**
  - Life insurance industry
  - Banks
  - Medical Schemes



# **Fighting insurance fraud: A joint initiative (Background)**

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## **Why?**

- **Insurance fraud costs the industry billions of rands each year. It is internationally estimated that 30% of all insurance claims contain an element of fraud. In South Africa, at only 10% of claims, this translates into nearly R2 billion annually (Short-term industry only).**
- **Insurance fraud specialists, as well as the South African Police Service and other crime related agencies agree that a significant percentage of crime, including insurance fraud and other insurance related crimes, is highly organised and perpetrated by syndicates**
- **The UK IFB found that 40% of the insurance fraud its members previously believed to be opportunistic, was also organised**



# **Fighting insurance fraud: A joint initiative (Background)**

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## **History**

- **Over a period of approximately four years**
- **Fraud Committee and Fraud Task Team**
- **Study trip**
- **UK IFB**
- **Swedish insurance crime operation**
- **Recommendation**
- **Technology partner**
- **Business case**



# Fighting insurance fraud: A joint initiative (Background)

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## UK IFB

- **Proof of concept – Identified insurance fraud to the value of 48.5 million British pounds**
- **Real value end 2007:**
  - Industry is proactively managing risk and reducing costs
  - relationships with law enforcement agencies positive leading to high success rates
  - huge image and reputational benefits
  - organised criminals are increasingly deterred from insurance industry



# **Fighting insurance fraud: A joint initiative (Background)**

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## **UK IFB**

### ***Real return end 2007:***

- **16 police operations plus 13 ongoing**
- **81 arrests**
- **370 intelligence reports**
- **Tangible savings: 16 m pounds**
- **Rate of return: 10:1**



# Fighting insurance fraud: A joint initiative (Background)

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## Swedish Larmtjanst

- **Excellent relationship with authorities, especially Police.**
- **4 Joint committees with Swedish Police, i.e.**
  - Home burglary
  - Marine crime
  - Motor vehicle crime
  - Investigations
- **Joint initiative – joint budget**
- **Joint budget used for:**
  - Crime prevention
  - Info (pamphlets, security manuals etc)
  - Communication of crime trends, etc



# Fighting insurance fraud: A joint initiative (Background)

## Swedish Larmtjanst

- **Results in financial terms (2006):**
  - (R1.04 = 1SEK)
  - Goods recovered 53.5 million SEK
  - Vehicles recovered 20 million SEK
  - Vehicles international million SEK 6.6
  - Heavy equipment recovered 0.1 million SEK
  - Boats recovered 16.8 million SEK
  - Boats international 0.8 million SEK
  - Money saved through advertisements, tip-offs, website 16 million SEK
- **Cases investigated due to advertisements in 2006 1 183**
- **Cases investigated due to tip-offs 610**



# **Fighting insurance fraud: A joint initiative (Background)**

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## **Decision**

- **ICB**
- **ICB vs IFB**
- **Combine UK technological approach with Swedish investigative methods**
- **Proof of concept**
- **Fraudline**
- **Existing resources, IDS etc.**
- **Investigative unit**



# Fighting insurance fraud: A joint initiative (Background)

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## Technology partner

- **Terms of reference**
- **Product providers invited and proposals received**
- **Decision: Memex**
  - Used world wide
  - 25 year history
  - Perfect solution:
    - Very little customisation needed
    - Unstructured data
    - Multiple sources
    - Only software needed – cost-effective
    - Integrity and security of data



# **Fighting insurance fraud: A joint initiative (Background)**

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## **Proof of concept**

**Memex was given the following (very limited) data:**

- IDS claims data from 1 April 2007 to 31 October 2007 (414 434 records)**
- IDS policy data during this period from only two IDS members (275 487 records)**



# **Fighting insurance fraud: A joint initiative (Background)**

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- **Road show January 2008**
- **Confirmation of interest**
- **Inform SAIA Board in February 2008**
- **Board appointed, Board meetings, strat session**
- **Company registration finalised**
- **Banking, tax & VAT registration, tax exemption**
- **Head of operations and rest of staff**
- **Office in Midrand**
- **Project plan**
- **IT plus platform**
- **Corporate identity**
- **Fraudline**
- **Other industries**
- **SAICB vs IDS**
- **Launch**



# Fighting insurance fraud: A joint initiative (Background)

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- **Members:**

- Santam
- Zurich
- Hollard
- Mutual & Federal
- Telesure
- ABSA
- Lion of Africa
- OUTsurance
- Regent
- Standard Insurance
- Miway





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*Thank you!*