

FEBRUARY 2010

SOUTH AFRICAN INSURANCE CRIME BUREAU

ISSUE 2 : 2010

**INFORMATION UP-
DATE**

Dräger

Hits: 232

Records: 700

Number of lists: 8

SAPS13

Hits: 10

Records: 37

Number of lists: 4

Tracker

Hits: 54

Records: 281

Number of lists: 11

Enquiries

Enquiries: 67

Replies: 169

**Approx. R5.3 million
saved by industry to
date.**

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SAICB UPDATE

January 2010 has proven to be another productive month for the SAICB. After the successful arrests late last year, January saw a second set of arrests taking place in a case under investigation by the SAICB. Specific details in both cases have been withheld from the industry and media as we expect more arrests in both cases, but the SAICB Board has been kept informed on all developments.

The first EXCO meeting for the year is scheduled for early March and the SAICB Annual General Meeting for April.

The SAICB processes and Memex systems are now fully functional with only the occasional tweaking being done, and the results being seen bear witness to this.

Memex Update

The Memex system has been streamlined over the last few months to provide reports on all activities for our Board executive summary and feedback to the industry. This function has proven to be of huge benefit to the SAICB as it allows us to give real time feedback to our Board and members, while allowing us to track the inquiries and information being added to the system.

The rules are being analysed daily, with some interesting results coming to the fore. One of the major issues is still data integrity and as the rules are processed and our analytics applied, we are sorting the good from the bad, all the while gaining operational experience and a better understanding of our clients, the insurers and brokers. Using the rules we have managed to identify everything from cloned vehicles to further hits on existing cases, incorrectly registered claims and leads for new cases.

Reporting is also being improved upon, whereby it will be possible to effectively and efficiently monitor the enquiries made to and by the SAICB. This allows us to close enquiries when the enquiry is finalised or no further information is available, as well as to ensure that each enquire is finalised timeously, and according to the internal

FRAUDLINE

In January 2010, **158** reports were received of which 14 reports were for the short term insurance industry and 1 report for the life industry

Since 2002, **25813** reports have been received of which **805** reports were for the

short term industry **124** reports for the brokers and **321** reports were for the life industry.

For the full report with all the statistics, please contact Melanie Pillay on melaniep@saicb.co.za

processes and protocols we have developed to handle queries and information through our systems.



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ARTICLE—SERVAMUS

ORGANISED CRIME - VEHICLE CRIME

Vehicle crime is a much broader concept than anyone can imagine. It is more than vehicle theft - it is organised crime, masterminded by organised crime syndicates. South Africa experiences one of the highest motor vehicle theft and hijacking rates in the world, which impacts negatively on the safety and security of our citizens and on the economy. Vehicle crime is one of Government's national priority crimes.

A vehicle is an essential tool to take a person from point A to point B. But it can also be used for its owner's pleasure and leisure, which could easily be brought to an end when a criminal takes it unlawfully from its owner. To some this is a crime, to others it is a business. It is not about the vehicle, but about the money and anyone (from the uneducated to the professional) in this business can make money as long as there is a market ... and as long as the police don't get hold of them.

Vehicle theft with the aim to make profit, the movement of vehicles across borders and the involvement of hijackers who operate in groups, can be regarded as organised crime. For vehicle crime to be classified as organised crime, it must be repeatedly committed by an organised criminal group over a period of time.

As mentioned earlier, vehicle theft is big business in South Africa with most vehicle thieves being part of extremely organised crime rings who know how to steal any vehicle they want. They are not scared off by locked doors and security systems and their modus operandi are developed and changed according to circumstances. A few years ago, it was very easy for thieves to simply break into parked vehicles, short circuit them and then drive off, or to steal a vehicle with a duplicate key.

In November 2009 Knowler reported that thieves have found an alarmingly novel way to bag themselves a car, freshly serviced and washed, and even with the key in the ignition. Simply drop by at your nearest friendly auto dealer and take one belonging to a customer. Imagine if you had taken your vehicle for a service only to be told by your service advisor later that day that they can't find your vehicle. Supt Liebenberg from the Vehicle Crime Unit in Isando told SERVAMUS that key swapping also happens. Someone with the wrong motives will visit a dealer to test drive a vehicle. When the person returns the vehicle, s/he will give the wrong key to the dealer and take the correct key with him/her. S/he will wait for another opportunity to take the vehicle.

The market for stolen vehicles is the reason for vehicle-related crime, and is divided into three segments:

- * Chop-shops where the vehicle is disassembled and the parts are sold;
- * cross-border where vehicles are exported across the border into Africa or even to the rest of the world; and
- * re-registration and resale of vehicles in South Africa. This is apparently the biggest segment in the market.

As said earlier organised criminal groups are involved in the majority of vehicle theft and hijacking in South Africa. Vehicles are sometimes trafficked to finance other crimes. According to Interpol these vehicles can also be used as bomb carriers or in the commissioning of other crimes. Not all hijackings or theft of vehicles constitute organised crime.

Fraud also plays a huge role in vehicle crime. The incidents of reinstatement of wrecks or when a vehicle receives a duplicate identity, are widespread ways of tampering with a vehicle once it has been stolen. Here, it is significant that in the course of being reinstated as a wreck, the stolen vehicle is given the identity of a scrapped car, including the legal/original vehicle's registration papers belonging to it. Giving a vehicle a duplicate identity, on the other hand, is a way of changing the identity of a vehicle by using the data of a legally registered vehicle of similar type. The corresponding vehicle's registration papers are of course forgeries.

ARTICLE—SERVAMUS CONT...

Every year, hundreds of unsuspecting consumers buy stolen cars only to have these seized later by the police, and anyone who has unknowingly purchased a stolen car has no recourse, neither will s/he be refunded except where the thief has been traced. In such a case, the victim may institute a civil claim against the thief or wait for conviction and request that the court issue an order in terms of section 300 of the Criminal Procedure Act 51 of 1977.

SAPS announced in 2008 that more than 90 000 vehicles with an estimated value of approximately R4.9 billion are stolen annually. Insurance companies claim that about 20% of all insured vehicles are recovered, but only about a third of the vehicles on the road are insured. In June 2009 Business Against Crime South Africa (BACSA) said that 50% of stolen and hijacked vehicles are relicensed in the country, returning to our roads; 30% are chopped up and sold for parts, and 20% are exported to neighbouring countries.

Some of the secrets to success to those involved in vehicle crime are to stay anonymous and to take advantage of a divided approach and the lack of control. They know that there is nothing that money cannot buy, so it is easy to get other people to do all the work.

Vehicle crime - a global problem

Years ago vehicles were stolen and sold in another town or city, but today stolen vehicles are sold all over the globe. As early as 1971 organised vehicle theft was identified as a growing concern in New York. As a result of this an "Auto Crime Unit" was established in that same year.

Who is involved in vehicle crime?

As touched on earlier, those involved in stealing or hijacking vehicles range from groups of petty criminals to highly sophisticated organised criminal groups with extensive local and transnational links. The latter often operate in terms of "orders" for specific makes or models of vehicles from buyers both within South Africa and outside its borders. Similarly, those who take possession of illegally acquired vehicles range from legitimate used car dealers and their customers, who may not be aware the vehicle is stolen; to chop-shop owners, and to sophisticated groups involved in transnational vehicle smuggling. Vehicles transported to other countries are either sold on the local market there, or swapped for drugs or other illicit commodities, or transported even further afield.

In Africa, it appears that the initial groups involved in illegal vehicle smuggling were South African networks, which linked up with both foreigners in South Africa and criminal networks from other African countries. These groups later developed into more sophisticated organised crime networks. However, the foot soldiers that carry out the actual hijackings or steal the cars are still predominantly South African.

Crime syndicates have a network of information in South Africa, the only African country where vehicles are built. One of the motivating factors for vehicles being stolen in South Africa (the country with the majority of vehicles on the continent) is because of orders from our neighbouring countries and for export. There is a virtual menu from which a prospective buyer can choose the make, model and colour of the vehicle. Information will reach the crime syndicate in South Africa, who will dispatch thieves to steal or hijack that particular vehicle.

The organised crime chain

It is believed that the criminal gangs involved in vehicle crime are organised into well-developed structures. Once a vehicle has been stolen or hijacked by the foot soldier, other members of the gang who specialise in the falsification and production of vehicle registration and identity papers will start doing their job. Others will follow to falsify or change the chassis number, production number, etc. Thereafter the couriers are "hired" to take the vehicles from one country to the next. The receivers, who organise the sale of the vehicles are at the end of the chain. In several cases it has been discovered that the gangs

ARTICLE—SERVAMUS *CONT...*

consisted of different nationalities and that their members often did not know one another.

Types of vehicle crime

Various types of vehicle crime, some of which have already briefly been mentioned exist. Some of these will be discussed in more detail over the next few months.

Sen Supt Jakes van Zyl, Commander: International Vehicle Crime Unit said that it also happens that people who emigrate from South Africa try to ship their vehicles, which are still on hire-purchase agreement, in a container in an attempt to take them out of the country.

Armed robbery/car hijacking

The rapid advance in anti-theft technology has made it difficult to steal a vehicle. Armed robbery however, makes it much easier to remove the vehicle from the driver through violent means, sometimes resulting in fatal consequences for the owner or driver.

Stealing a vehicle and not changing the identification

This involves the theft and sale of vehicles without changing any identification numbers. It is possible for a professional thief to steal a vehicle and without making any changes to its identification, sell it to make a profit. There are a number of ways a criminal can operate in this way.

* Registering a stolen vehicle without changes: An easy way for a criminal to register a stolen vehicle and not change its identification is to register the vehicle prior to it being recorded as stolen. It is possible for an offender to steal a vehicle, immediately drive it to the registration authority and register the vehicle by using fraudulent proof of purchase documents. This is especially true in the movement of vehicles between different provinces. Unless the registration authority conducts a retrospective search of new registrations against stolen vehicles, in certain circumstances criminals can register a stolen vehicle with little chance of detection.

* Another option available to professional vehicle offenders is the ability to abuse public access systems containing registration particulars to obtain the identification numbers and the location of a particular vehicle.

Fraudulent documents

Fraudulent documents are exclusively used by professional vehicle thieves across and within our borders. It involves the sale of stolen vehicles using fraudulent bills of entry and counterfeit registration documents. Criminals have circumvented the registration system by having a stolen vehicle inspected by a careless authorised officer by changing the identification number on the registration documentation.

The buy-back method

Buy-back is a term used to describe where offenders steal a vehicle, remove many of the valuable components from it and place these components in storage. The remainder of the body shell is dumped. The offenders expect police to locate the dumped body shell and return it to the insurance company. After the insurance has satisfied the insurance claim, the insurance company usually sells the body at an auction. This gives the criminal the opportunity to "legally" purchase the body shell cheaply, replace all the stolen parts where after they sell the vehicle as a whole vehicle. The vehicle now has a "clean" identity and is no longer recorded as stolen. The introduction of a "wreck register" should greatly reduce this method as stripped vehicles will have their VIN cancelled.

"False trail" method

False trail is a method similar to "buy-back" but in a more ingenious manner. With this method the offenders will steal a vehicle and store it without changing the identity. The offenders then purchase a wrecked body shell of the same model and col-

ARTICLE—SERVAMUS *CONT...*

our as that of the stolen vehicle. The chassis number on the wrecked body shell is then changed to that of the stolen car and the wreck is then dumped for the police to find. The offenders hope that, once found, the police will mistakenly identify the wreck as the stolen vehicle. The stolen vehicle is shown to be "recovered" on the SAPS' Vehicles of Interest System/Vehicle Circulation System and once this is done the offenders can dispose of the vehicle.

The salvage switch method

This method involves the purchasing of a wreck from a salvage company. The wreck is dismantled and the VIN-plate retained for use on another vehicle. The same make and model vehicle is stolen and the wreck's identifiers are transferred onto the stolen vehicle. The remainder of the wreck is disposed of or simply abandoned.

The theft of parts

Vehicles are stolen for their component parts and these parts are often used to repair other vehicles. Professional vehicle theft operations of this nature are commonly called "chop-shop" operations. This is one of the most difficult types of offences to investigate because it is difficult to identify individual parts and ascertain whether they had been stolen or not. Most vehicle components do not have any identification numbers on them, once a part is removed it cannot be identified with certainty to the standard required in criminal hearings, unless those parts have been microdotted with a unique number.

Professional fraud

Professional fraud involving vehicles appears to be not as prevalent as other forms of professional vehicle theft, but offenders can be ingenious enough to profit from this type of offence. Offenders usually profit by defrauding insurance or finance companies.

One of the most ingenious modus operandi is called "fraud through floor plan".

* Fraud through floor plan

Many car dealerships operate a system called floor plan. This is where the dealership will align itself with a finance company and many of the vehicles, if not all in the dealership, are owned by the finance company. In floor plan, the dealer acts as an agent for the finance company and will sign up customer for credit on behalf of the finance company. A group was using "floor plan" to steal motor vehicles. The investigation found that this group would purchase vehicles on finance using false identities. In some instances the dealers were even offering to pay the first six months' instalments on luxury vehicles to attract customers. The offender got his vehicle, whilst the dealership made the sale. The finance company is left with the bad debt.

* General vehicle fraud offences

Many general fraud offences relating to vehicles are also committed and are often included in the professional vehicle theft category, including:

- Insurance fraud (false complaints of vehicle theft and hijacking).
- Hoola-Hoop: A vehicle of which the owner can no longer afford the monthly instalments is taken across the border by syndicate members and sold using fraudulent papers and registered in another country. After registration the vehicle is then reported stolen in the country where it was stolen and an insurance claim will be registered. This is called the Hoola-Hoop as double money is claimed by the owner of the vehicle as s/he receives money for the vehicle from the syndicate as well as from the insurance. In SARPCCO member countries, registration of these vehicles will not be possible without the collusion of officials as a SARPCCO Clearance Certificate is required as proof of legitimate export.
- The purchase of vehicles with dishonoured cheques or credit cards.
- Changing of birth dates (manufacturing dates) of stolen vehicles.

ARTICLE—SERVAMUS CONT...

- Altered vehicle identification numbers

VIN plates are removed from parked and unattended newer model vehicles or VIN plates are stolen from the factory. A similar make and model vehicle is stolen and the stolen identifiers are affixed to the stolen vehicle. The stolen vehicle is registered by means of forged documents.

In the 2008/2009 financial year, the Organised Crime Component of the Directorate for Priority Crime Investigations (DPCI) also known as The Hawks has terminated eight organised crime projects. Investigations involving motor vehicles enabled the Component to crush the backbones of 23 members of organised criminal groups. They have also arrested 301 suspects for motor vehicle crime which include 73 arrests in truck hijacking cases. They have further secured the conviction of 23 accused. In addition, 499 vehicles which were recovered in SARPCCO member countries were repatriated back to South Africa. 🖱️

Article by Kotie Geldenhuys, originally published in SERVAMUS: Community-based Safety and Security Magazine - January 2010. Tel: (012) 345 4660 WEBSITE: www.servamus.co.za

ARTICLE—HI-TECH SECURITY SOLUTIONS

MANAGING A WAR FRAUGHT WITH CHALLENGES ...

Hi-Tech Security Solutions spoke to the Chief Operating Officer of the South African Insurance Crime Bureau, Hugo van Zyl. In a bid to address the matter of short term insurance fraud in South Africa, the South African Insurance Crime Bureau (SAICB) came into being in July 2008. In the short 18 months since its inception, the bureau can give testimony to the fact that organised crime and fraud are rife in the industry.

Hi-Tech Security Solutions: Can you expand on the challenges that you have had to face as well as the rewards?

Hugo van Zyl: The acquisition of data has been the biggest challenge. However, we have put in place measures to ensure that we will have the necessary data in our system by early 2010.

The cooperation of the member companies and industry as well as the policing organisations has been phenomenal. We are seeing results with savings for the industry topping the R2 million mark already in preventive measures and cases to the approximate value of R60 million to date.

Hi-Tech SS: What is the role that the SAICB's 11 member companies play and who else have you partnered with?

HvZ: The SAICB was formed to address the problem of syndicated and repeat offenders committing fraud in the insurance market, ie, organised crime. The need to adopt a unique approach was essential, because multiple companies are normally involved in this kind of fraudulent activity.

The SAICB is a not-for-profit company so funding comes entirely from its member companies. Our data comes from the member companies who share their underwriting and claims information with us. In addition, we have other information partners like Tracker, South African Police Service (SAPS), Johannesburg Metropolitan Police Department (JMPD), National Prosecuting Authority (NPA), South African Fraud Prevention Society (SAFPS) plus others that work with us by sharing information to assist with investigations.

ARTICLE—HI-TECH SECURITY SOLUTIONS *CONT...*

We also work closely with the South African Banking Risk Information Centre (SABRIC), the South African Insurance Association (SAIA), the Financial Intermediaries Association of South Africa (FIA), who are important in ensuring that we can make a difference in the fight against crime and fraud.

Hi-Tech SS: How does the SAICB and its partners intend to change the dynamic of fraud in the sector?

HvZ: Through the sharing of information, we are able to identify and track fraudulent activities and syndicates over multiple companies. Through our investigative unit we can coordinate the resultant investigations incorporating all the relevant companies and policing authorities.

The investigations are coordinated from investigation stage through the policing authorities and prosecution, with our investigators overseeing the whole process to ensure all the relevant information is submitted to facilitate successful prosecutions. We have very close ties with the relevant SAPS divisions and the NPA to help us achieve this.

Our approach is aimed at discouraging fraud syndicates from operating in the insurance and financial space, by letting them know that we can and will identify their activities and that we will prosecute to the full extent of the law. The industry is very serious about zero tolerance when it comes to fraud, and even though the SAICB is focused on serial offenders and syndicates, we are also assisting the member companies in identifying opportunistic fraudsters.

Hi-Tech SS: How has the sharing of criminal intelligence with the central information management system worked out?

HvZ: We are using Memex, which is an intelligence data mining system that is able to take information in multiple formats, but allows you to search for very specific information.

The SAICB has written about 50 business rules, which allows us to search the information for very specific trends that we know indicate syndicated behaviour. The resultant information is analysed by our analysts and verified by the member companies. Our investigators then take over the cases to coordinate the investigation and collection of the relevant information; they liaise with the relevant policing and prosecution organisations once the cases have reached the stage of prosecution.

Hi-Tech SS: Is the technology effective?

HvZ: The technology is effective because it is able to take in data in any format. Because of how it searches the information, it allows us to very effectively check our information and identify the patterns and trends that indicate fraudulent activity. It then allows us to map the links between the parties involved, to build the cases in Memex, so we can show how the case developed, plus its auditing process allows us to justify the processes.

All in all, the whole process ensures that we can build the whole case in Memex, ready for hand over to the police and prosecutors for finalisation.

Hi-Tech SS: What is the technology revealing?

HvZ: This technology shows that the problem of insurance fraud is as far reaching and elaborate as we expected it to be, and that it needs to be addressed as a matter of urgency.

Hi-Tech Security Solutions: Are companies responding well to this?

HvZ: The cooperation received so far has been extraordinary.

FEBRUARY 2010

SOUTH AFRICAN INSURANCE CRIME BUREAU

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 MUTUAL & FEDERAL
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 UNICODE
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 DATADOT
 CGC

ARTICLE—HI-TECH SECURITY SOLUTIONS *CONT...*

Hi-Tech SS: What else has the SAICB initiated to curb fraud?

HvZ: We have begun to receive commercial information and will be receiving life information shortly. We are also developing a staff dishonesty database to identify staff members involved in assisting fraudsters with their activities.

Hi-Tech SS: What are insurance companies themselves doing to control the problem?

HvZ: Most insurance companies have their own internal investigative units that deal with opportunistic fraud. Syndicated and repeat offenders require a different approach because multiple companies are normally involved. This was why the SAICB was formed, to address this specific problem.

Hi-Tech SS: So often we talk of fraud committed by policyholders. But are brokers and insurance companies not sometimes also guilty of perpetuating fraud? Is the law doing what it should be doing with regards to irregular activities within institutions?

HvZ: We cannot answer this, but the involvement of brokers and staff are definitely investigated and to some extent form part of our investigations.

Hi-Tech SS: Does this crime run far deeper into the tentacles of organised crime and big business than meets the eye?

HvZ: We are currently busy with investigations into this issue and will only be able to answer this during the near future.

Hi-Tech SS: What impact is fraud having on the insurance industry in this current economic downturn?

HvZ: Fraud is having a very bad impact on the industry at present. Some member companies experienced a 27% to 36% increase in fraudulent burglary/robbery claims, an increase of up to 12% in fraudulent hijacking and vehicle theft claims and about a 10% to 15% increase in the so-called smaller claims (theft of cell phones, laptops, cameras, binoculars, jewellery, watches, etc).

This interview appeared in the February 2010 edition of Hi-Tech Security Solutions – Thank you to Leigh Yorke-Smith for permission to use this article. For further information please contact her on : yorkesmith@worldonline.co.za –

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