

MAY 2009

SOUTH AFRICAN INSURANCE CRIME BUREAU

ISSUE 3 : 2009

## IN BRIEF....

### Reports received in May 2009

-16 Tracker lists were received with 345 vehicle details - 140 hits on Memex

- 28 SAPS 13 lists have been received with 759 vehicle details listed - 87 hits on Memex

- 11 Fraudline reports were received and sent to the industry for follow up.

## INSIDE THIS ISSUE...

SAICB UPDATE 1

FRAUDLINE

GUEST ARTICLES 2-6

MODUS OPERANDI 3  
(SIDEBAR)

FRAUD AWARE-  
NESS CAMPAIGN 4

STAFF DISHON-  
ESTY DATABASE 5

3RD PARTY AND  
SERVICE PRO-  
VIDER DATABASE 6

CONTACT 6

## SAICB UPDATE

Hugo van Zyl recently visited the UK and Sweden, from 4 May 2009 to 13 May 2009, where he attended meetings and established relationships with their insurance fraud organisations.

Organisations visited included : the UK Insurance Fraud Bureau (IFB), Prudential PLC, Insurance Fraud Investigators Group (IFIG), CIFAS, which is The UK's fraud prevention service and the City of London Polices' newly formed Financial Intelligence Development Teams offices of the Financial Intelligence and Information Centre in London, which has been established to investigate and collate information on all financial related crimes and Fraud within the UK .

In Sweden he met with LARMTJANST AB, who are tasked to develop and main-

tain good contacts with authorities and other organisations, especially the police, nationally and internationally on behalf of the Swedish Insurance Industry in order to recover stolen insured property.

They are mainly involved in vehicle and boat recovery and identification. They do experience the exact same problems in motor theft but do not experience any car-jackings. They are however, experiencing similar problems with stolen vehicles going across their borders.

Hugo also met with LANSFORSÅKRINGAR: This is the 3rd biggest insurer in Sweden and consists of 34 smaller MUA's. Hugo met with their National Claims Manager, who is also the Vice Chairman of the International Association of Special Investigation Units (IASIU) and she has re-

quested that Hugo join the organisation as they have no African contact.

Hugo also visited INTERPOL/EUROPOL to discuss the sharing of information with them, and they are very keen to establish a relationship with the SAICB to share information.

The aim of Hugo's trip to visit the UK IFB and LARMTJANST AB was to establish and concentrate on future relationships and sharing of information with these organisations. He also introduced and has driven the issue to start an International Insurance Fraud Bureau and the interest in this is overwhelming. Hugo has been tasked to prepare a document in this regard for further discussion internationally.

A very successful and encouraging trip that has shown the SAICB to have the best information sharing model in the fraud arena, but with lessons for the SAICB and the international organisations to learn from.

## FRAUDLINE

In April 2009, **186** reports were received of which 11 were for the short term insurance industry.

Since 2002, **24630** reports have been received of which **719** reports were for the short term industry **115** re-

ports for the brokers and **312** reports were for the life industry.

For the full report with all the statistics, please contact Melanie Pillay on [melaniep@saicb.co.za](mailto:melaniep@saicb.co.za)



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## MEMBERS

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 SA (BACSA)  
 TRANSUNION  
 FRAUDLINE  
 MEMEX

## GUEST ARTICLES

### **ARTICLE CONTRIBUTED BY BUSINESS AGAINST CRIME SOUTH AFRICA (BACSA)**

The key challenge facing law enforcement remains the need to improve the identification of motor vehicles.

Investigations have proved that in almost all serious vehicle-related crimes and in many road traffic offences, primary and secondary identifiers (Licence number, Vehicle Identification Number (VIN), Engine number and covert identifiers) have been altered or removed in order to conceal the crime and identity of the vehicle.

The high percentage of unrecovered, stolen and hijacked vehicles and the high percentage of unidentified recovered vehicles (i.e., unidentified by police and by staff of the Original Equipment Manufacturers (OEMs)) prove the inadequacy of the current vehicle identification methods.

The improvement of the identification of motor vehicles has been a priority of Business Against Crime South Africa and its partners. Many alternatives have been assessed. During the many assessments done by Business Against Crime South Africa, Microdot technology emerged as being head and

shoulders above the others in securing (or preserving) the identity of a vehicle and as such can be used as an important tool to combat vehicle crimes, including the illicit sale of stolen vehicle parts.

Microdot technology entails the application (fitment) of in the region of 10 000 (or a similar number determined by the manufacturer in the event of OEM fitment) small polyester or metal dots. These dots are laser-etched at a microscopic level and contain multiple lines of the Vehicle Identification Number (VIN) (for new vehicles) or a Personal Identification Number (PIN) (for used vehicles). The dots are applied in at least 88 different positions (or a similar number determined by the manufacturer in event of OEM fitment) on the vehicle.

Microdots are mainly used as a forensic tool by police services to determine the identity of the vehicle. The investigation process followed by the police when using microdots to determine the identity of a vehicle or a part thereof does not differ from the process followed when using the current VIN, Engine number or covert markings. However, due to the fact that the dots cannot be detected by the naked

eye, an appropriate low-tech magnifier is used to reveal the dots and confirm the information etched into the dots.

Due to the importance of microdot technology and the need to be able to refer to the technology in legislation and Government tenders, the Department of Transport and the South African Police Service requested that a South Africa National Standard be developed. As a result of this, a consultative process involving industry stakeholders co-ordinated by BACSA resulted in the creation of the standard (SANS 534-1). This standard was finalised during December 2008.

The standard, SANS 534-1 (i.e., in full: Vehicle Security-Whole of Vehicle Marking Part 1: Microdot Systems), describes the characteristics and methods of application of the unique identification carriers, called microdots, to vehicles, as well as the processes required to ensure the integrity, authenticity and confidentiality of the entire microdot production, supply, storage and application system. The standard defines the minimum performance requirements of the adhesive used to affix the microdots to vehicles and prescribes requirements for the after-

## MODUS OPERANDI

### Cloning of vehicles

In a recent article on how easy it is to clone vehicles, the following modus operandi was noted:

A vehicle was stolen and within hours was already being transformed into another vehicle, when police came upon the operation.

A windscreen etched with the chassis number of a wrecked vehicle was being fitted to the stolen vehicle and it was planned that all the vehicles parts with serial numbers were to be transplanted into the stolen vehicle.

If the police had not come upon the thieves, it would have been almost impossible to recognize the vehicle as stolen, once the transformation had been completed.

Please see the article on Microdotting from BACSA in this edition addressing how to deal with and possibly eventually eliminate this method of cloning.

## GUEST ARTICLES

*Continued from page 2....*

market installation of microdots on vehicles, including surface preparation.

To promote the use of microdots and the standard, on 20 May 2009, in Kroonstad, on the South African National Defence Force (SANDF) Military Base, a once-off live vehicle explosion was conducted by BACSA in conjunction with stakeholders including the South African Police Service (SAPS), the Department of Transport (DoT), the South African Bureau of Standards (SABS), the Vehicle Security Association of South Africa (VESA), Nissan South Africa (Nissan SA), four Microdot suppliers in South Africa (Datadot, Holomatrix, Impimpi and Recoveri) and others did very much the same thing with explosive results.

A SAPS boarded vehicle was loaded by the bomb disposal unit with high explosives and detonated at 7800 metres per second with a resultant heat of 3,000 degrees Celsius. The purpose of this test in front of a number of select media, business representatives and service providers was to prove the resilience of the microdot technology as a form of durable whole-

vehicle marking and vehicle identification.

Fouche Burgers, BACSA Project Manager within the Violent Organised Crime (VOC) workgroup with a focus on vehicle crimes and vehicle robberies in particular, explains the benefits of the technology as an effective component within a comprehensive strategy to reduce the unacceptably high level of vehicle theft and hijacking in the country.

“Traditionally, a vehicle is identified through its Vehicle Identification Number (VIN) and/or chassis number, however, given the illicit market for stolen vehicle and parts, the original number can easily be filed off and changed. This allows stolen or hijacked vehicles to be re-licensed under a new identity, or the parts to be sold illicitly or the vehicle to be exported. Currently 50% of stolen or hijacked vehicles are re-licensed in the country and back on our roads, 30% are chopped up and sold for parts and 20% are exported to neighbouring countries. Of great concern is that more than 12,000 recovered but unidentified vehicles, worth more than R1 billion, are annually destroyed by the SAPS. These vehicles could have been returned to the legal owners”, says Fouche.

“At BACSA, we strongly believe that the widespread application of the Microdot technology on vehicles can assist to change this picture significantly, recover stolen vehicle and parts and close down the market for these. Today’s test has served to prove the resilience of the technology through extreme conditions”, says Fouche.

Louise Taljaard, General Manager of the Vehicle Security Association of South Africa (VESA), says “the future of preventing vehicle crime through a much fuller take-up of this technology is promising and VESA looks forward with its members and industry participation to preventing and combating vehicle crimes in the country.”

Mike Witfield, Managing Director of Nissan South Africa, says that “Nissan SA is committed to fighting crime and we have demonstrated this through the application of the microdot technology in all our vehicles.”

“What today’s test has confirmed is that once a vehicle is wholly marked with the microdot technology, the unique identity of the vehicle is practically unchangeable. Criminals and organised crime syndicates wanting to change the identity of a mi

COMING SOON....

## FRAUDLINE AWARENESS CAMPAIGN

The SAICB in partnership with Hotline has been running the Insurance Fraudline since January 2009.

The Fraudline has always been and continues to be an important link between the public and the short term insurance industry when it comes to the reporting of alleged fraud and crime in the industry.

The SAICB and Hotline will be launching an awareness campaign in both the media, to reach the general public, and in the industry to reintroduce the Fraudline under the SAICB banner.

This campaign is aimed at re-affirming the importance of the Fraudline and its benefit to the industry as well as to introduce where we would like to take this initiative going forward, with the industry's assistance and participation.

Melanie Pillay from the SAICB and Michelle Jooste from Hotline will be contacting the members soon with more information, or if you wish to find out more, please email on [melaniep@saicb.co.za](mailto:melaniep@saicb.co.za)


## GUEST ARTICLES

*continued from page 3...*

croddotted stolen or hijacked vehicle would literally have to go to such extremes in the attempt to change the identity of that vehicle that they would in the process destroy the value of the vehicle and all its parts. Without this profit, the very motive for the crime is disrupted and illicit markets closed down. As an indelible fingerprint for a vehicle and all its parts, the microdotting of vehicles helps to close down the loopholes which allowed criminals and syndicates previously to conceal a vehicle's identity."

"Given that legal compliance becomes very much the only option for a microdotted vehicle, a broader take-up of the technology by manufacturers, consumers, insurance companies and others has the potential to make the country's licensing systems, vehicle crime strategy and investigations and handling of road accidents that more robust. We hope that today's test has helped to draw attention to the potential of this technology in enabling citizens and businesses to keep one step ahead of criminals", says Fouche.

An investigations officer from the SAPS dealing with vehicle crimes has had the fol-

lowing to say with regard to the microdotting technology, "The criminals have to remove 10,000 dots, but I only have to find one, so to us this technology is a major breakthrough." 

**Thank you to Dr Graham Wright and Lorinda Nel from BACSA for the informative article**

### ARTICLE CONTRIBUTED BY LEGALWISE ON WHO THEY ARE AND WHAT THEY DO...

#### Who we are.

LegalWise was established in 1984. We pioneered the concept of legal expenses insurance in South Africa and have now grown to include 78 branches country-wide. We are registered as an insurance company with the Financial Services Board.

#### What we do?

Inequality and disregard for individual rights arise when there is an imbalance of bargaining power. LegalWise brings that balance of power to the dispute. Our reputation is such that one phone call to our Legal Counsellors is usually sufficient to bring most transgressors to their senses. When we have to

act, we act with our full resources and win or lose, we cover the cost for our members.

We have two LegalWise policies: R54 per month for your legal costs up to R54 000 per insured matter and R78 per month for your legal costs up to R95 000 per insured matter.

The LegalWise policy covers legal expenses (lawyer's fees) in relation to many matters including but not limited to:

- o Job related problems e.g. Unfair dismissals;
- o Homeowner problems e.g. defective building work;
- o Motor vehicle problems e.g. guarantees or poor repairs;
- o Motor vehicle accidents;
- o Third party claims;
- o Problems when buying or selling a house;
- o Consumer related problems e.g. buying faulty products;
- o Criminal charges against you or your family (Subject to terms and conditions);
- o Unfairly rejected insurance related cases e.g.

## STAFF DISHONESTY DATABASE

One of the areas of particular interest to the industry at the moment, is the movement of dishonest staff members from one company to another, and continuing their dishonest behavior.

The SAICB has been asked to create and maintain a Staff Dishonesty Database to address this problem. This initiative will hopefully ensure that those staff members that are committing or helping criminals commit fraud and crime against our member companies, are kept out of our industry.

Our recent partnership with the South African Fraud Prevention Services (SAFPS) has also allowed us to have access to information on dishonest employees outside our industry that are committing fraud. This information will only help to enhance our current data and ensure that staff committing fraud is reduced in our industry.

The SAICB will soon begin setting up appointments with the relevant people in our member companies to finalise the template for the submission and use of this data.

## GUEST ARTICLES

*continued from page 4...*

Non-payment of claims.

### We provide more than Insurance.

Our policyholders are members of our organisation. We manage the legal matter on behalf of our member, deal with the attorney, follow up on the matter, handle the bills and generally ensure that dealings with the attorneys are as efficient as possible. No worries about complicated legal terms and jargon - we are with our members every step of the way.

We pride ourselves in the fact that we do not only assist members with covered matters as above but we also assist members with non-covered matters.

A member can telephonically contact a Legal Counsellor at any of our branches or meet with a Legal Counsellor for a one on one consultation at any of our branches countrywide on any legal matter whether covered in terms of the policy or not. We provide more than just pure legal advice, we intervene and get involved to resolve the members problem.

Our branches are open during working hours, we have a 24 hour, 7 days a week call centre and we have a 24 hour, 7 days a week online

legal advice service to our members.

Visit our website [www.Legalwise.co.za](http://www.Legalwise.co.za) for more information or contact Rika on 011 670 4500 to set up an appointment to introduce LegalWise to your organisation.

***Thank you to Riaan Cromhout for the attached article.***

### ARTICLE CONTRIBUTED ON FRAUD ISSUES BY SANTAM....

Fraud remains one of the greatest threats to the existence of any business and the insurance sector is most susceptible to this threat. In the 2007 PWC Biennial Global Economic Crime Survey, it was reported that the insurance sector reported the greatest direct losses from fraud. In South Africa, it is estimated that insurers lose billions of Rands each year through fraud.

Santam's Forensic Services have adopted a multidimensional model to fight fraud and other related offences. This model comprises of fraud deterrence, fraud prevention, fraud awareness, searching for fraud and fraud investigation.

Fraud deterrence consists of

measures or initiatives taken to discourage the perpetration of fraud. An important concept relating to fraud deterrence is the implementation of control measures and the primary responsibility for establishing and maintaining these controls rests with management. Santam subscribes to a zero tolerance approach which acts as a strong deterrent. In all cases where the conduct amounts to a criminal offence, Forensic Services will report such conduct to the relevant law enforcement agency. The fraud policy, code of ethics and the disciplinary code are all policies that also acts as strong deterrents.

Fraud prevention is a component of risk management and includes creating an environment which inhibits fraud. This is achieved by proper background and vetting processes.

Searching for fraud - there is no single method that can be implemented which will detect fraud the moment it is committed. However, it is possible to implement measures that will increase the chances of detecting fraud before it reaches significant levels. Effective use is made of technology in detecting fraud trends and patterns.

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## 3RD PARTY AND SERVICE PROVIDER DATABASE

After discussion with the industry on this initiative, it was decided to create a single template for both the 3rd party information and the Service provider information.

This information sharing database has been identified as another priority area because of the amount of fraud that is being committed in this sector.

Service provider information is already being shared through reports and inquiries, and this information is currently part of the Memex data, but a more structured format is required to achieve better results.

## CONTACT

For further information or if you wish to reproduce any of the articles in this Newsletter, please contact :

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 Melanie Pillay on  
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## GUEST ARTICLES

*continued from page 5...*

This aspect is further enhanced by building and maintaining strong networks with role-players. Our involvement and participation with the SAICB allows us to access these vast networks of these role-players.

Media scanning is crucial in identifying new fraud trends, convicted fraudsters and potential underwriting risks. Important and relevant information is documented and circulated as intelligence reports to management.

Fraud awareness initiatives are undertaken to ensure that staff members at all levels are aware of the risk of fraud at work, as well to understand their role in identifying, preventing and reporting incidents of fraud. Forensic Services has a dedicated web page that is available to all staff. This web page contains fraud related information. Santam holds a Fraud Awareness campaign annually where all staff are invited to participate in the various competitions. Regular training sessions are provided to staff. Santam has a fraud reporting incentive scheme for staff where staff could win R30 000 for reporting positive incidents of fraud or related

offences. This event is held twice a year.

Fraud investigation is a structured process which is focused on the gathering of sufficient reliable information to enable an investigator to either prove or disprove allegations received. The results of such an investigation will dictate further actions. Where the conduct which is the subject of investigation, amounts to a criminal offence, Santam's Forensic Services will lodge a complaint with the relevant law enforcement agency, and shall render to such agency such assistance as may be required to investigate, charge and prosecute the offending party.

Despite constant reassurance to staff about protecting their identity when they report fraud or other irregularities, they still seem to be reluctant to do so. This reluctance can be attributed to their fear of retribution for making such reports. In order to address this dilemma and encourage reporting, it is essential to adopt a policy that can offer protection to these reporters and such protection is offered by the Protected Disclosures Act or commonly known as the Whistle Blower's policy. This policy has been implemented and it is hoped that this policy will encourage staff to report all their suspicions of

fraud or other irregularities without any fear of retribution.

We also noted that there is this general perception that Forensic Investigators are the "bad guys" in an organisation and staff should stay away from them. This has prevented staff from approaching Forensic Services and reporting incidences of irregularities. In

order to overcome this, we embarked on a huge campaign rebranding Forensic Services as the Doctors of Santam. I guess if fraud is a disease, you would need a doctor to treat it. This rebranding has really helped and we receive a lot more direct reports from staff.

Santam's channels for reporting fraud or related offences to Forensic Services are as follows:

Sms: 31640

E-mail: [forensic.services@santam.co.za](mailto:forensic.services@santam.co.za)

South Africa Fraud Line: 0860 600 767

Namibia Fraud Line: 0800 00 20 20

Fax: 021 915 8197

Mail: Forensic Services, PO Box 3881, Tygervalley 7536