



# Claims Fraud & Investigation Services

11 NOVEMBER 2024





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*Insurance Fraud & Investigation Services  
Loss Adjusting Services*

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# AGENDA

1. Introduction
2. Market Commentary
3. Global Insurance Fraud Perspective
4. Crime Statistics Overview
5. Fraud & Money Laundering
6. Types of Insurance Fraud
7. Case Studies
8. Detection & Investigation
9. Questions





## Long Term Cover - South Africa

4 287 fraudulent death claims during 2021

2 618 fraudulent death claims during 2022

**2022 - 8 931 fraudulent claims**

R77 million in losses

R1.1 billion of fraudulent claims prevented

## 2023

Denmark - €33m (US\$37m) detected fraud

Finland - 5% to 10% of claims investigated

Norway - €41m (US\$47m) detected fraud

Sweden - €50m (US\$56m) detected fraud

# 2

**GROWING APPETITE TO TACKLE FRAUD:**  
international and local market insurers

# 3

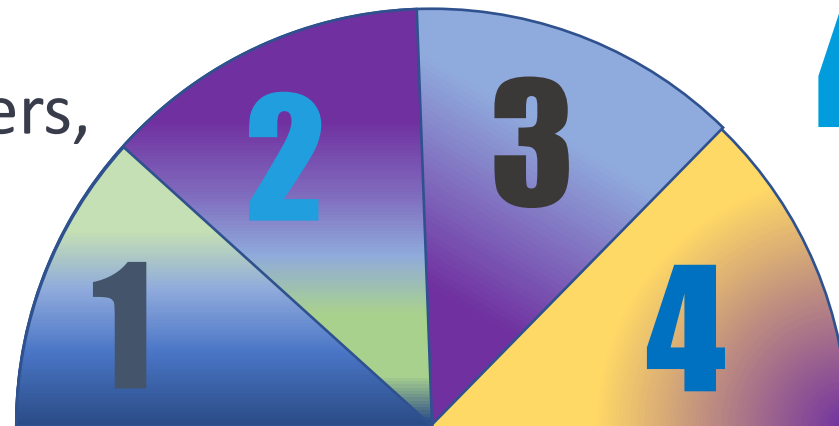
**NEEDS:** detection and containment services across all product lines, in-country and cross border

# 1

**GOALS:** protect reputation, keep genuine customers, save money

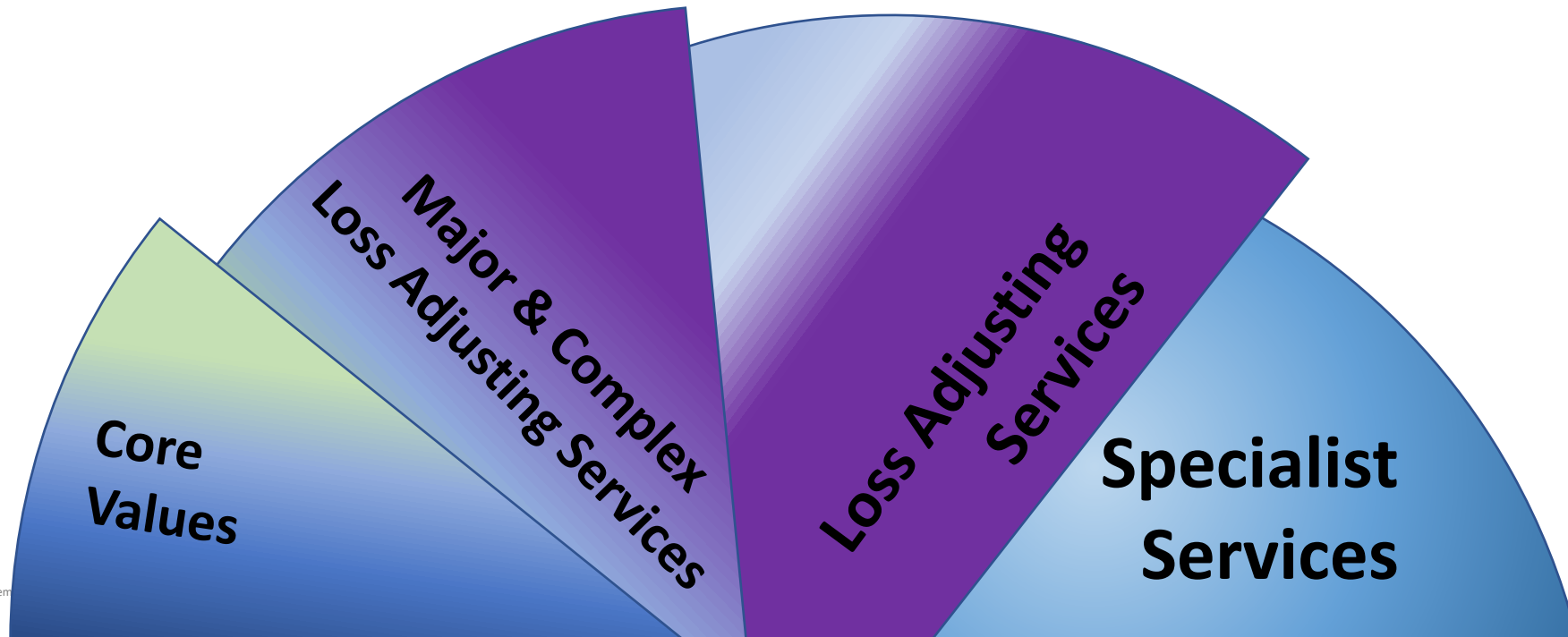
# 4

**ASPIRATION:**  
Integrate technology,  
Collaborate - Inter Agency / Insurer





# SEDGWICK SOUTH AFRICA & MAURITIUS





# SEDGWICK SOUTH AFRICA & MAURITIUS



Property, Engineering Liability  
Marine, Rail Road, Financial  
Lines Jewellers Block

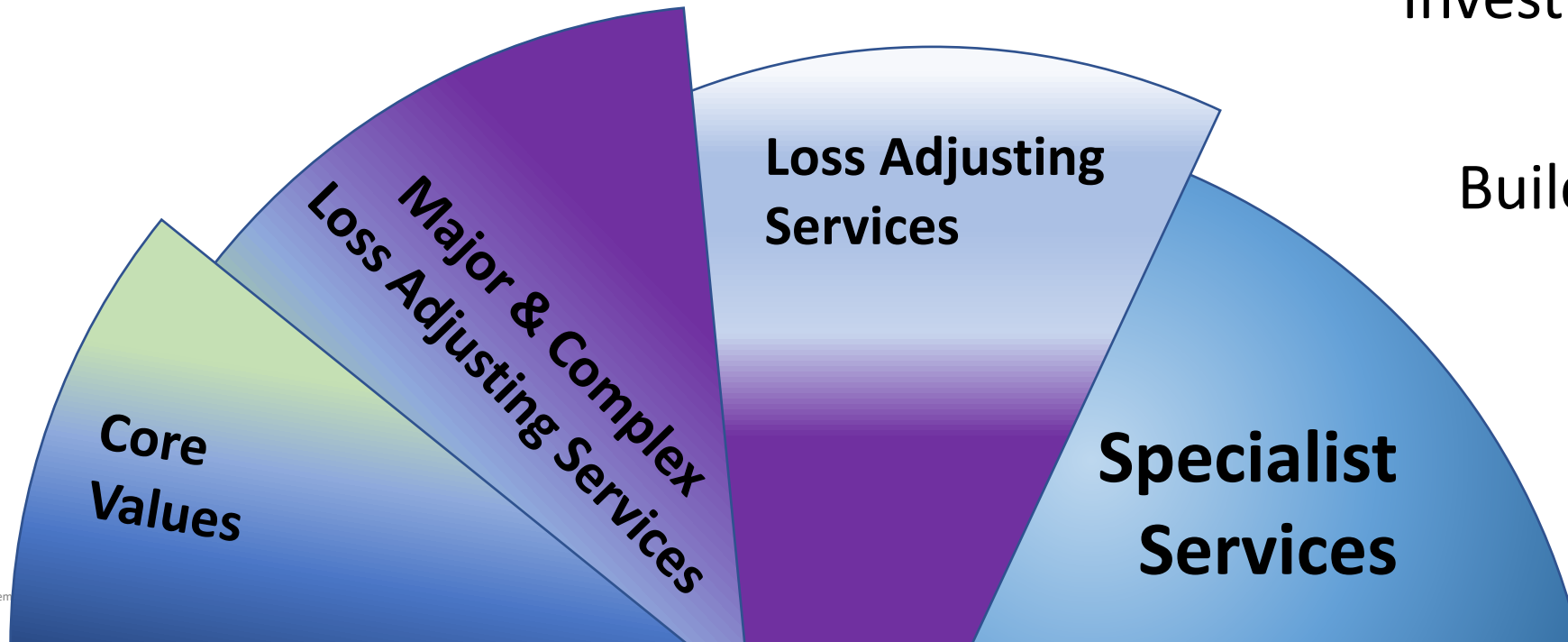
Small Commercial &  
Domestic Claims

Claims Fraud &  
Investigation Services

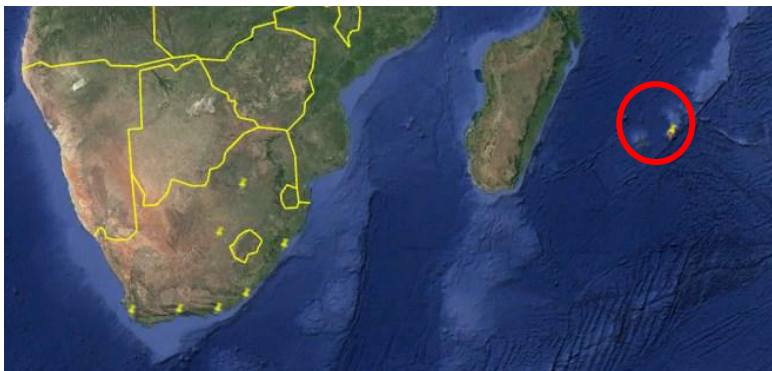
Building Consultant  
Services

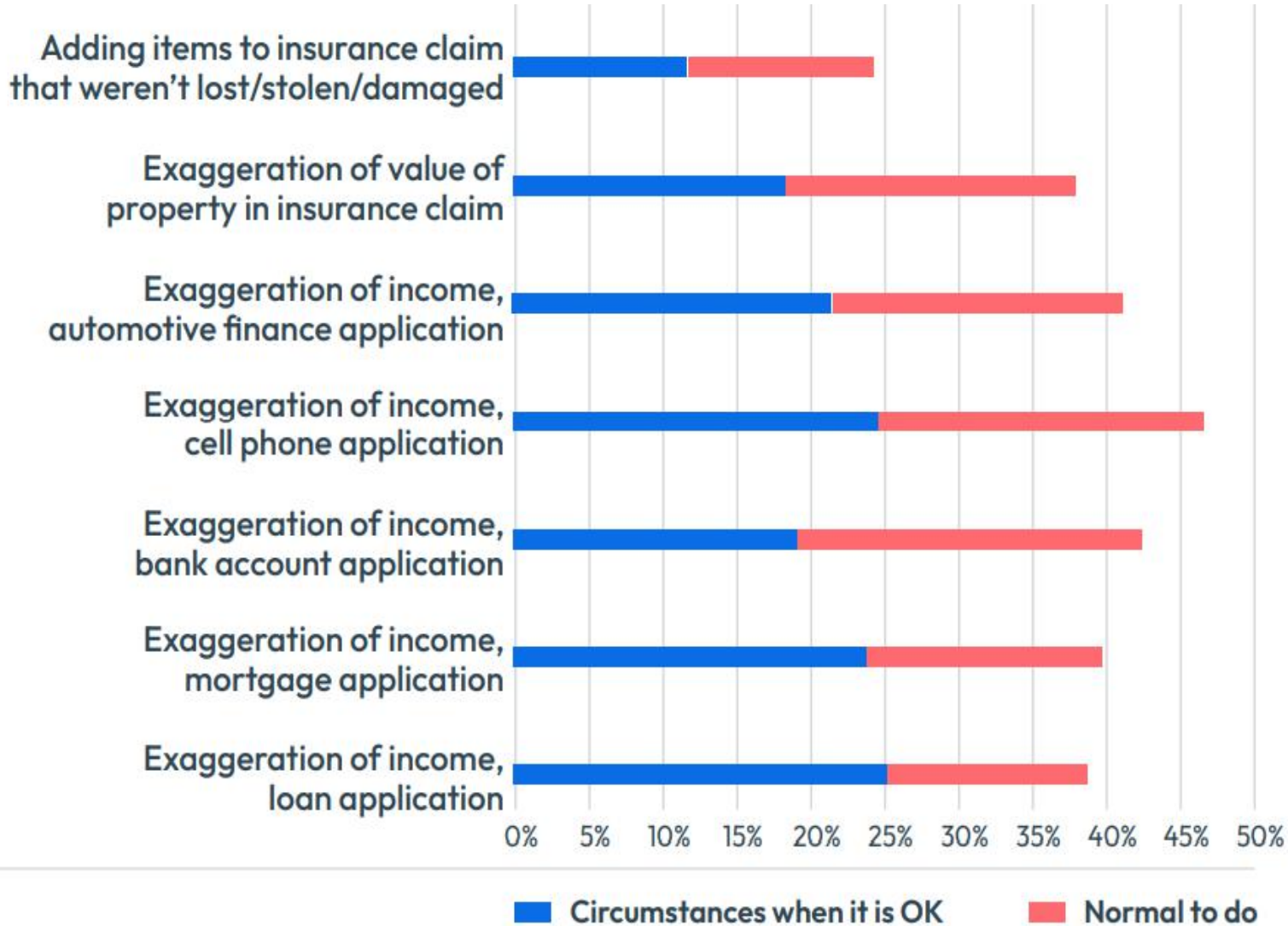
EFI Global

Caring  
counts



- Johannesburg (65)
- Bloemfontein (5)
- Cape Town (14)
- Durban (10)
- East London (3)
- George (3)
- Port Elizabeth (3)
- Nelspruit (1)
  - +EFI JHB (17)
- Mauritius





## A surprising number of South Africans think it's okay to commit fraud

Staff Writer 16 November 2022

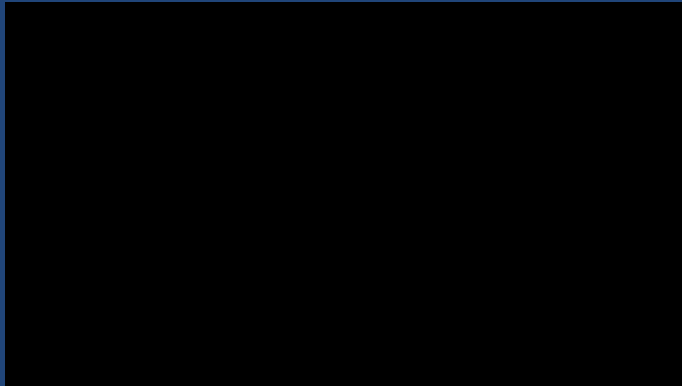


***“42% of South Africans believe it is ok to commit fraud”***

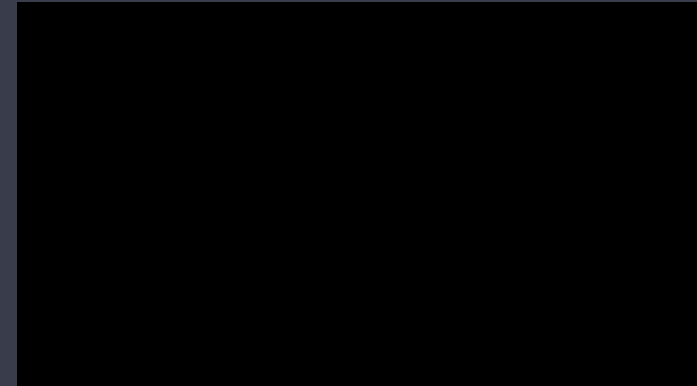


## Where in the World?

**SOUND 1**



**SOUND 2**





# SOUND 1 – UKRAINE (2023)



'Tihiy" cam2

DA VINCI WORLD  
GONOR.GROUP



Ukraine



# SOUND 2 – SOUTH AFRICA (2023)



sedgwick.



# Global & African Crime Statistics comparison

$$\text{Crime Rate} = \frac{\text{Reported crime(s)}}{\text{Population}} \times 100,000$$

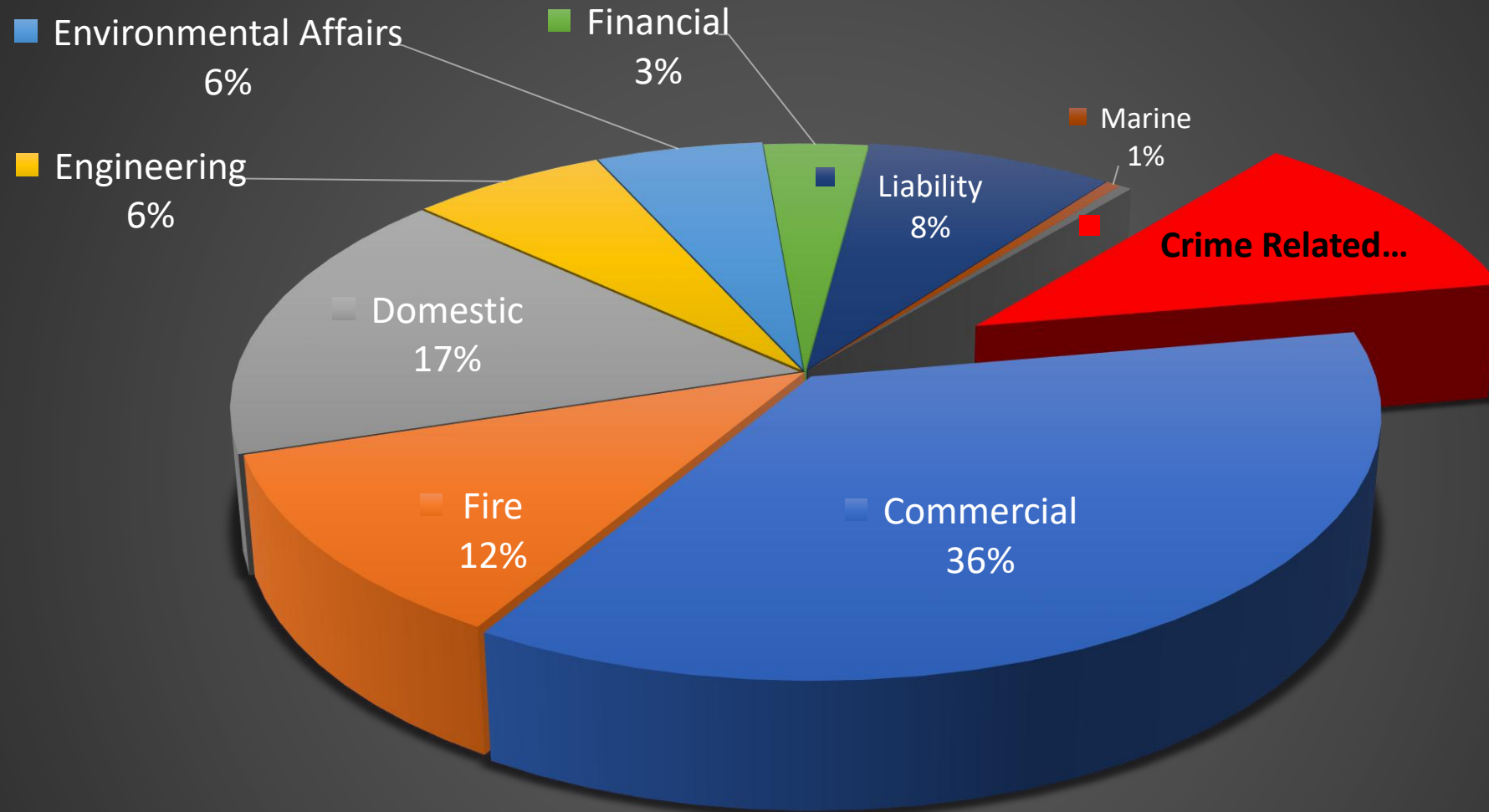
Crime Statistics by African City - Mid 2024			
Rank	City	Country	Crime Index
1	Pietermaritzburg	South Africa	82.5
2	Pretoria	South Africa	81.9
3	Johannesburg	South Africa	80.8
4	Durban	South Africa	80.6
5	Port Elizabeth	South Africa	77.7
6	Cape Town	South Africa	73.8
7	Lagos	Nigeria	68.4
8	Windhoek	Namibia	67.3
9	Harare	Zimbabwe	61.3
10	Nairobi	Kenya	59.5

Rank	By Country 2023
1.	Venezuela
2.	Papua New Guinea
3.	Afghanistan
4.	Haiti
5.	South Africa
76.	Zimbabwe

**Zimbabwe Criminality Score**  
**76<sup>th</sup>** of 193 countries  
**25<sup>th</sup>** of 54 countries in Africa  
**4<sup>th</sup>** of 13 countries in Southern Africa

- **How many of you have been a victim of Crime?**
- **Most Insurance claims are Genuine**
- **Empathy & Dealing with a claim fairly**

<b>CRIMES AGAINST THE PERSON (1 792 per Day)</b>	<b>Total</b>	<b>%Change</b>	<b>Per Day</b>
Murder	27 494	9.2%	75
Sexual offences	53 498	1.5%	147
Attempted murder	25 131	13.7%	69
Assault with intent to inflict GBH	169 374	4.0%	464
Common assault	185 374	9.1%	508
Common robbery	47 057	13.1%	129
Robbery with aggravating circumstances	146 125	10.0%	400
<b>Some categories of aggravated robbery</b>			
Carjacking	22 702	8.5%	62
Robbery at residential premises	23 065	5.6%	63
Robbery at non-residential premises	20 054	0.2%	55
Robbery of cash in transit	238	0.0%	1
Bank robbery	4	-69.2%	0
Truck hijacking	1 995	14.6%	5



**Crime Related Insurance Claims – Reported January – June 2024**

# Crime Related Insurance Claims Statistics

Six months (January - June 2024)		
Category	Claim Category - Loss Type	Quantity
49	Commercial Burglary/Theft/Malicious Damage	200
50	Domestic Burglary/Theft/Malicious Damage	56
51	Financial & Fidelity Guarantee	36
52	Sasria – Violent Strike Action	5
	<b>Total - All Claim Categories</b>	<b>2 623</b>
	Crime related claims (Category no. 49 - 51)	297
	<b>Percentage of Claims due to crime when reported*</b>	<b>11.2%</b>

## THE ABOVE DATA EXCLUDES:

- Motor theft
- Unnatural death, murder (long term insurance)
- Arson (categorised under Fire Claims)
- Goods in Transit – Robbery
- Commercial/Residential – Crime related
- Direct Investigation Instructions
- Fraudulent claims



# FRAUD AND MONEY LAUNDERING CRIMINAL PROCEDURE AND EVIDENCE ACT



**Fraud:** *the unlawful and intentional making of a misrepresentation which causes actual and or potential prejudice to another*

## ELEMENTS OF FRAUD

1. Intention
2. Misrepresentation
3. Unlawfulness
4. Actual or potential prejudice

**Money Laundering:** *the process of illegally concealing the origin of money, obtained from illicit activities such as fraud, theft drug trafficking, corruption, embezzlement or gambling, by converting it into a legitimate source*

## ELEMENTS OF MONEY LAUNDERING

1. Proceeds of illicit activity
2. Intention
3. Conceal & Convert to legitimate Source
4. Unlawfulness



## Underwriting fraud

Providing false information to obtain cheaper insurance or to obtain cover that would not have been provided had the truth been told. This can lead to secondary claims fraud to conceal the initial underwriting fraud.

## Claims fraud:

- Organised crime & identity theft
- False / staged claims (no loss)
- Misrepresentation of circumstances (avoiding policy exclusions, excesses & limits)
- Opportunistic fraud (exaggerated claims)
- Injury / life cover & murder

- Claimant suffered a back injury at work
- Sourced a 'claims farmer' via a Google search – no win, no fee.
- Injury said to have been more serious than first thought.
- Continued to remain off work – chronic pain, getting worse, but lack of medical evidence.
- Process followed – concerns with documents.

## Illustration of a Fraudster Chat GPT







# Case study #2 - Underwriting & Claims Fraud



## Claim Summary

**Cause:**  
***Cable Theft – April 2022***

**The Risk Addresses:**  
***Holiday Resort & Hotel***

**Circumstances:**  
***“Cables stolen during one night and not during various incidents”***

**Why so specific ?**  
**In a signed letter via their Broker to Insurers**

## The Policy

***Warranty: If unoccupied for more than 30 consecutive days, the insurance in respect of vandalism, theft of building & Malicious Damage is suspended...unless agreed in writing...with security measures...***

***Unoccupied Building Warranty: Must be a functioning alarm system with door & window contact triggers & indoor passives all linked to Armed Response, onsite security hotel***

***Excess: R150 000 per occurrence & R350 000 per occurrence if the agreed security measures were not implemented***

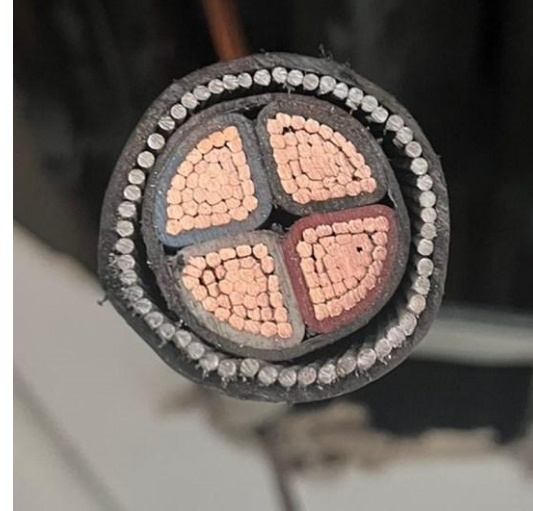
## The Investigation

**Actual Circumstances:**  
**Premises was unoccupied for more than 2 years prior to loss during and following the COVID-19 pandemic.**

**8 separate dockets during the three months leading up to the date of loss.**

**Broker claimed the Insured was not aware of multiple incidents and the misrepresentations by their employees. REPORT**

# Underwriting & Claims Fraud - Example



# Case Study #3 – Kenya (Buyers Protection) - Legwork



# Nairobi Central Genuine Police Stamps compared with Fraudulent Police Stamp

## Genuine Nairobi Central Police Stamps



*Officer Commanding Station Central Official Stamp*

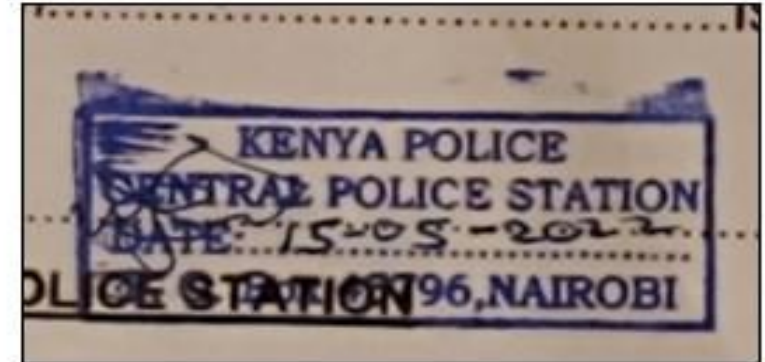


*Records Office Stamp*



*Abstracts Office Official Stamp*

## Fraudulent Nairobi Central Police Stamp



*Stamp on Abstract of Police Report purporting to be from Nairobi Central Police Station*



# Organised Crime, Fraud & Document Fraud in Kenya



26-11-23	26-01-23	97,315.00	2,724,154.00CR	FW.Sale* Laving0326 100206PRCR9411
26-11-23	26-01-23	1,000.00	2,725,154.00CR	KIT/PesaLink Payment From Owiti Were
26-11-23	26-11-23	5,000.00	2,730,154.00CR	KIT/PesaLink Payment From Owiti Were
31-11-23	31-11-23	7,604.00	2,737,758.00CR	POINTS EARNED FROM 31-DEC-20 TO 30-MAR-21

was

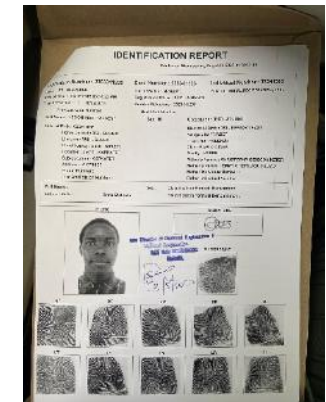
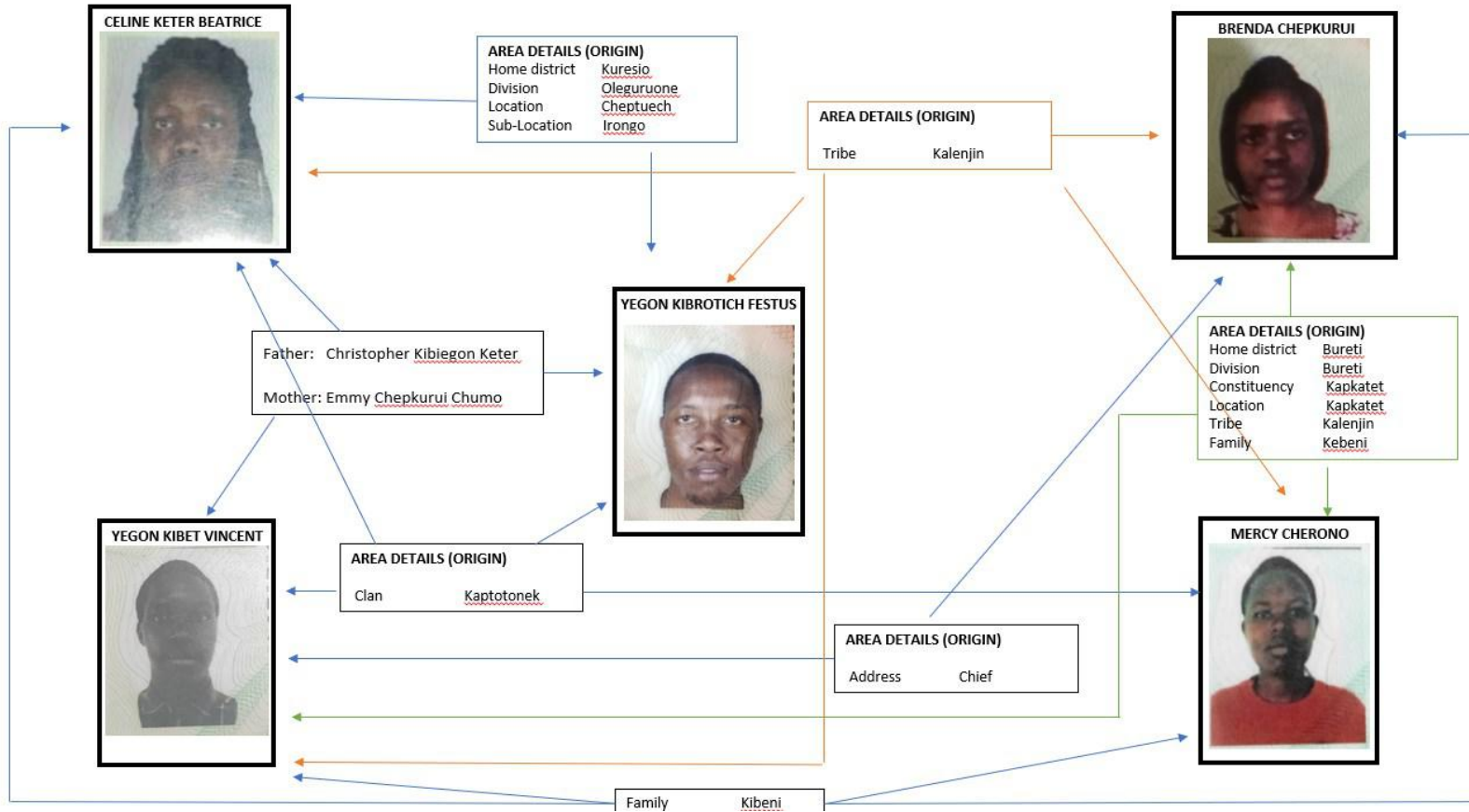
\*\*\*\*\* This is System Generated Email Attachment \*\*\*\*\*  
 © 2016 I&M Bank Electronic Messaging System. All rights reserved.  
 Terms & Conditions for Use of this Service.

**Account Name** WERE CHARLES OWITI  
**Account Number** 02003142292955  
**Account Type** TAYARI - LCY  
**Account Currency** KENYAN SHILLINGS

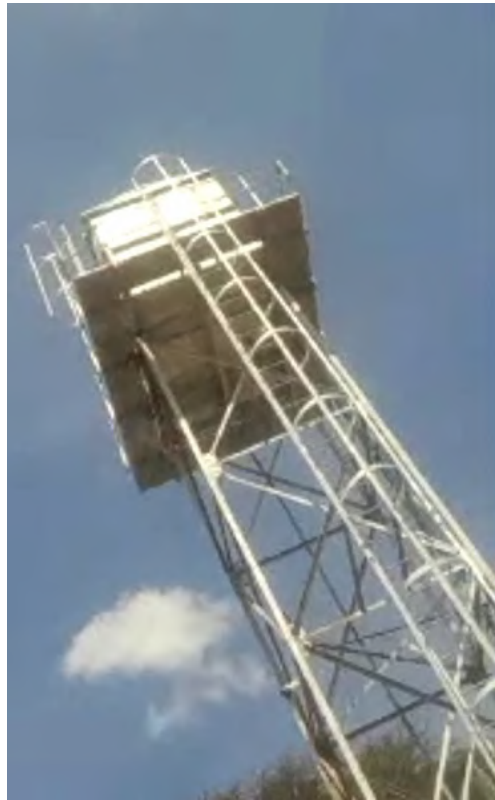
Page 2 of 2

		Statement Period	01-11-2023 To	31-11-2023
	Balance as of	31-11-2023		3,000,651.00 CR
	Cleared Balance as on	01-11-2023		3,087,651.00 CR
	Unclear Balance as on	01-11-2023		0.00 CR





# Case Study #2 – Kenya



Landmarks identified during video call with suspect

Site visit confirmed landmarks, vehicles and buildings





# Identifying & dealing with suspect claims (Your Process)



## DETECTION

1. Screening guarantee: identifying concerns
2. Colleague intervention: red flag indicators
3. External sources
4. Technology (AI)

## INVESTIGATION

1. Triaged claims, direct instructions
2. Focus areas: underwriting & background circumstances, quantum
3. Desktop and visit solutions
4. In-country and cross border
5. Other financial services investigations

## TRIAGE

1. In depth review of claims identified via detection as fraud risk
2. Enhanced analysis
3. Data and intelligence checks
4. Online research
5. Interpretation – each case own merits RAG status

## BENEFITS

1. Protect Insurers reputation
2. Help Insurers keep genuine customers
3. Saves money
4. Future underwriting requirements/ endorsement considerations (KYC)

## DETECTION

- ✓ Adjusters promptly gather and present relevant information, documents, images and evidence
- ✓ Most claims are genuine – but best practice includes identifying suspect claims, referring those with concerns to a counter-fraud specialist for triage

## TRIAGE:

- ✓ RAG analysis

**RED**

Concerns are valid, and investigation is recommended to insurer

**AMBER**

Some further adjuster action required – guidance provided

**GREEN**

Fraud concerns quickly resolved or incorrect, case returned to the adjuster

## First Response Unit / Adjuster reviews Red Flag Indicators

- One or two indicators = apply your own judgement, but refer if you have concerns
- Three or more indicators = a mandatory referral
- If you have fraud concerns outside of the indicators, please comment and refer

Policy / Insurance History	✓ / X
Checking insurance history reveals ambiguities in cover or previous adverse claims history	
Claim within 3 months of inception or after recent changes in cover	
Concerns with a material breach of a policy endorsement	
Similar claim circumstances presented previously or multiple times in the same area	
Claim Circumstances	
Stated circumstances are unbelievable and /or the damage caused is disproportionate or inconsistent	
Gaps in statement, change in evidence and / or circumstances as enquiries continue	
Failure of security - alarm(s) not set or locks do not comply with policy requirements	
Property unoccupied and / or unfurnished, is in a poor condition or undergoing redevelopment or renovation.	
Timing of incident. Late at night, early hours of the morning or on the weekend	
Delayed in reporting incident to the police, fire service during or following loss	
Lack of action taken to mitigate the loss	
Theft or arson with no forcible entry or exit	
Inconsistent weather reading and / or lack of similar damage in the vicinity	
Was the asset recently up for sale.	

## First Response Unit / Adjuster reviews Red Flag Indicators

- One or two indicators = apply your own judgement, but refer if you have concerns
- Three or more indicators = a mandatory referral
- If you have fraud concerns outside of the indicators, please comment and refer

Quantum / Proof of Loss	✓ / X
The loss is not in-keeping with the Insured's lifestyle or appears grossly overstated / exaggerated	
Concerns with ownership or <i>insurable interests</i> in the property / items claimed	
Multiple, large, or high value items and insured lacks knowledge of items claimed	
Lack of substantiation - items already replaced, repaired or <b>not available for inspection</b>	
The repair work was performed unusually quickly	
Unsatisfactory documents, photos, images, recordings handwritten valuations supplied instead of invoice. Invoices / quotes not in insured's name. Lack of images, videos, witnesses of incident or reluctance to share images	
Family or business relationship between repairers / suppliers and insured	
Behaviour / Attitude of Insured	
Unexpected use of " <i>insurance terminology</i> " or seems too familiar with the claims process	
Avoids written communication, only available by phone or in person	
Difficult to contact, uncooperative, vague, aggressive, may make unjustified complaints	
Constantly chasing the position of the claim or pressing for a quick settlement. Willing to accept an unfavorable offer	
Signs of financial stress / change in personal situation	
<b>Unusual Wealth - Presented or Real</b>	
<b>Police / Loss Adjusters/Fire Brigade or 'high ranking' official following up to force the claim</b>	
Any Other Concerns	
Please comment – this might just be your instinct	



Global Claims Fraud &  
Investigation Strategy

Thank- You

Questions



# 75

murders a day  
take place in  
South Africa

In comparison to other major events around the world

- The last 2 years saw **52 675** murders in South Africa.
- October 2023 – July 2024 the Gaza conflict,
- **42 300** Palestinians died.
- UN Human Rights Monitoring Mission in Ukraine said there were **30 457** civilian casualties from 24 February 2022 to July 2024.
- This comprised **10 582** killed and 19 875 injured.