

ANNEXURE “L”

FRAUD AND FORENSIC STATISTICS

1 PURPOSES OF STATISTICAL ACTIVITIES

1.1 The purposes of the fraud and forensic statistical activities set out in this **Annexure “L”** include:

1.1.1 providing, in respect of the insurance and savings and investment sector, industry level data and analysis in respect of Fraud that, amongst other things:

1.1.1.1 enable early detection and pattern recognition of Fraud, Misrepresentation and Non-disclosure;

1.1.1.2 illustrate the financial impact of Fraud, Misrepresentation and Non-disclosure in the industry;

1.1.1.3 identify systemic issues of Fraud, Misrepresentation and Non-disclosure in the industry;

1.1.1.4 enables prevention of Fraud, Misrepresentation and Non-disclosure;

1.1.1.5 identify how Fraud, Misrepresentation and Non-disclosure is propagated and by which types of perpetrators and trends;

1.1.2 developing cooperation mechanisms at an industry level for evaluating the effectiveness of counter Fraud, Misrepresentation and Non-disclosure mechanisms;

1.1.3 complementing the work done by and engaging with fraud detection/prevention agencies such as SAPS, HPCSA and SABRIC and

raising awareness that Fraud in the industry is a priority crime;

- 1.1.4 providing a cost effective, centralised source of industry Fraud, Misrepresentation and Non-disclosure information to facilitate ease of access by the public, industry participants and other interested parties;
 - 1.1.5 raising awareness amongst consumers around Fraud, Misrepresentation and Non-disclosure in the industry;
 - 1.1.6 identifying and prioritising Fraud, Misrepresentation and Non-disclosure related issues to be addressed by the ASISA Forensic Standing Committee.
- 1.2 By collaborating and sharing the information contemplated in the statistical activity set out in this **Annexure “L”**, it is also envisioned that economic efficiency, competition and consumer wellbeing in the insurance, savings and investment market will be enhanced.

2 PARTICIPATING MEMBERS

- 2.1 All ASISA members may choose to participate.

3 PROCESS

- 3.1 Participating Members must submit the required statistics in the required format to ASISA or its Third-Party Service Provider in respect of the previous year by the end of February each year (or such date as specified by ASISA from time to time).
- 3.2 ASISA or its Third-Party Service Provider will collect and collate the Individual-Level Data and generate the Collated Statistics.

4 SCOPE AND INTERPRETATION

Definitions and interpretation

- 4.1 For purposes of this **Annexure “L”** and the statistical templates:
 - 4.1.1 “**Advisor**” refers to a Representative or an Independent Financial Service

Provider, as the case may be;

- 4.1.2 “**Fraud**” means an intentionally deceptive action to provide the perpetrator with an unlawful gain and/or create a loss for or deny a right to another;
- 4.1.3 “**Fraudulent Documentation**” refers to any document that is counterfeit or has been falsely altered in any manner or obtained through fraud or unlawful means, including documentation containing forged signatures;
- 4.1.4 “**Independent Financial Service Provider**” means an independent financial service provider who is contracted to the Participating Member to distribute the products of the Participating Member;
- 4.1.5 “**Misrepresentation**” means a false representation made verbally, in writing or by conduct, or concealment and for the purpose of deceiving, defrauding, or causing another to rely on it detrimentally, including to deliberately state information or facts in a wrongful or misleading way;
- 4.1.6 “**Non-disclosure**” refers to the deliberate failure by the customer to disclose facts or information that is material to the assessment, acceptance and/or management of the risk being covered or the claim being paid out, or the investment or the disinvestment/withdrawal being approved ;
- 4.1.7 **Misrepresentation** and **Non-disclosure** only involve material Misrepresentation and material Non-disclosure. For purposes of this **Annexure “L”**, Misrepresentation and Non-disclosure are specifically defined separately from Fraud, given that Misrepresentation and Non-disclosure may not always constitute Fraud and given further that separate statistics are to be produced in respect of Misrepresentation and Non-disclosure;
- 4.1.8 “**Representative**” means an employee or mandated financial advisor who renders financial services on behalf of the Participating Member;
- 4.1.9 “**Syndicate**” means a collaboration of persons or enterprises engaging in any pattern of Fraud;
- 4.1.10 The words “include”, “includes”, “including” or any derivations of them must

be construed to include the words “but not limited to” after them.

Scope

4.2 Statistics must only be provided in respect of cases of Fraud, Misrepresentation and Non-disclosure where the relevant Participating Member, after having conducted an internal investigation in response to evidence of an allegation of Fraud, Misrepresentation or Non-disclosure in accordance with the Participating Member's internal processes and protocols, found that Fraud, Misrepresentation or Non-disclosure had occurred and the case merited reporting or being reflected in statistics presented to the relevant risk or other oversight committee/s of the Participating Member.

5 RISK EVENTS: SALES FRAUD

5.1 Representatives

5.1.1 This refers to product sales by Representatives with a deliberate intention to benefit themselves financially through the earning of commission and/or fees as opposed to acting in the customer's best interests.

5.2 Independent Financial Service Providers

5.2.1 This refers to product sales by Independent Financial Service Providers contracted to the Participating Member with a deliberate intention to benefit themselves financially through the earning of commission and/or fees as opposed to acting in the best interest of the customer.

6 RISK EVENT: APPLICATIONS

6.1 Applicants

6.1.1 This refers to the applicant, when applying for a product committing:

6.1.1.1 Fraud, including identify Fraud or impersonation, e.g. applying for a new product using stolen or synthetic identifies or Fraudulent Documentation; or

6.1.1.2 an act of Misrepresentation or Non-disclosure, including the use of Fraudulent Documentation.

6.2 **Advisors**

6.2.1 This refers to instances where an Advisor commits an act of Fraud, Misrepresentation or Non-disclosure in the course of the application process, but excludes sales fraud as indicated under clause 5.

7 **RISK EVENT: INSURANCE CLAIMS**

Categories of insurance claims

7.1 **Disability claims**

7.1.1 This includes all claims in respect of disability policies as contemplated in the Insurance Act, including the following disability benefits: capital disability, loss of income, temporary disability, permanent disability, dread disease/critical illness and functional and physical impairment.

7.2 **Death claims**

7.2.1 This includes all death benefit claims, including those with minimum underwriting requirements (such as declarations of health, pre-existing conditions exemptions, limited medical questions or limited medical testing). This also includes accelerated funeral death benefits.

7.3 **Funeral claims**

7.3.1 This includes funeral claims in respect of funeral policies as contemplated in the Insurance Act where there is no underwriting at all and risk is managed by means of waiting periods.

7.4 Health claims

7.4.1 This includes claims in respect of individual health life insurance policies as contemplated in the Insurance Act, including hospital cash plans and gap cover.

7.5 Retrenchment/loss of income claims

7.5.1 This includes claims in respect of all long-term insurance products with retrenchment or other income protection benefits. The benefit must be reported as the sum insured, using the full number of months of cover, for example 6 or 12 months multiplied by the Rand amount.

Types of Fraud, Misrepresentation and Non-disclosure

7.6 Advisor involvement

7.6.1 This refers to instances where an Advisor commits an act of Fraud, Misrepresentation or Non-disclosure in relation to a claim, including by providing false customer information or instructions to the Participating Member.

7.7 Customer involvement

7.7.1 This refers to Fraud, Misrepresentation or Non-disclosure committed by the customer in respect of a claim, including through the use of Fraudulent Documentation, including padding or inflating of claims and submitting claims for events that did not actually occur.

7.8 Syndicate involvement

7.8.1 This refers to instances where Syndicates are involved in insurance claims, including by creating fictitious policies and claims by forgery, often involving persons such as doctors, funeral parlours, Home Affairs officials, employees of the insurer, Advisors, customers or hospital personnel.

7.9 Beneficiary involvement in death

7.9.1 This refers to instances where a beneficiary was directly or indirectly being involved in the death of the life assured.

7.10 **Involvement of other parties**

7.10.1 This refers to Fraud or Misrepresentation in respect of a claim being committed by a party other than the customer or Advisor, including unlawfully accessing the product and changing ownership or named beneficiaries and the use of Fraudulent Documentation.

8 **RISK EVENT: WITHDRAWALS/DISINVESTMENTS**

8.1 **Advisor involvement**

8.1.1 This refers to instances where an Advisor commits an act of Fraud, Misrepresentation or Non-disclosure, including by providing false information or instructions to the Participating Member for purposes of withdrawals/disinvestments.

8.2 **Fraud and Misrepresentation**

8.2.1 This refers to Fraud or Misrepresentation committed by a customer or a third party in respect of a withdrawal/disinvestment, including through the use of Fraudulent Documentation, or by way of identity theft or impersonation.

8.3 **Syndicate involvement**

8.3.1 This refers to instances where Syndicates are involved in withdrawals/disinvestments involving Fraud or Misrepresentation.

9 **RISK EVENT: OTHER CATEGORIES**

9.1 **Payment and settlement fraud: Customers**

9.1.1 This refers to customer funds being misappropriated due to Fraud resulting in financial loss.

9.2 Surrenders/loans/maturities

9.2.1 This refers instances of external Fraud, Misrepresentation and Non-disclosure committed in relation to surrenders, policy loans or maturities, e.g. in respect of endowments.

10 REGIONAL DISTRIBUTION AND BUSINESS SEGMENT

10.1 In this section of the template the number of cases and not the Rand value must be included.

11 AMOUNTS REPORTED

11.1 Actual Amount - amount paid

11.1.1 This refers to the actual loss or amount that has been paid out due to Fraud, Misrepresentation or Non-disclosure.

11.1.2 In respect of PHI claims, this refers to the actual amount paid from when the claimant was found to be working or being capable of working until the date the payment ceased.

11.2 Potential Amount - amount prevented

11.2.1 This category includes the amount not paid out as a result of a finding of Fraud, Misrepresentation or Non-disclosure as a result of internal investigation.

11.2.2 If a funeral claim has been paid out, this amount would include the remainder of the life policy benefit that was not paid as a result of the investigation.

11.2.3 In respect of PHI claims, this includes the amount not paid out based on the reserve value of the claim after the date payment ceased for one quarter only (not the full reserve value until policy termination).

12 ACTIONS TAKEN

12.1 Participating Members are required to report on actions taken pursuant to the Fraud, Misrepresentation or Non-disclosure identified, e.g.:

12.1.1 reported the matter to SAPS;

12.1.2 broker contract cancelled;

12.1.3 Representative debarred by Participating Member;

12.1.4 Representative debarred by FSCA;

12.1.5 dismissal of employee;

12.1.6 employee left or resigned while under investigation;

12.1.7 claim repudiated or disinvestment rejected;

12.1.8 application refused;

12.1.9 product contract terminated;

12.1.10 attempting to stop/recover a payment.

13 COLLATED STATISTICS

13.1 From the Individual-level Data submitted, ASISA or its Third-Party Service Provider will produce Collated Statistics containing Aggregated Data only.

14 SHARING AND PUBLICATION

14.1 Collated Statistics will be published on the ASISA website annually.

14.2 A media release may be issued to the press on an annual basis after publication on the ASISA website.

15 ASISA COMMITTEES INVOLVED



Responsible Senior Policy Advisor	ASISA Point Person to the Life and Risk Board Committee ASISA Point Person to the Technical and Operations Board Committee
Responsible Board Committee	Life and Risk Board Committee Technical and Operations Board Committee
Responsible Standing Committee	Forensics Standing Committee

16 DOCUMENT HISTORY

Effective Date	31 July 2023
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Date of amendment	Nature of amendment