

AI steps up the fight against insurance fraud

Insurance fraud isn't a victimless crime as highlighted a few weeks ago by the arrest of a 49-year-old woman in Mmabatho for the murder of family members, including her husband and three children, to cash out insurance policies.



Source: © 123rf [123rf](#) Despite fraud cases dominating the news cycle, there has been a decrease in fraudulent and dishonest life insurance claims

South Africa is also still reeling from revelations relating to Thabo Bester and his alleged lover, Dr Nandipha Magudumana, who were arrested in April. Magudumana is said to have collected life insurance for an amount of more than R3m on three unclaimed bodies at Free State mortuaries, alleging they were family members.

More recently, the true-crime documentary *Rosemary's Hitlist* has highlighted Nomia Rosemary Ndlovu's murder of her live-in partner and five relatives to live off their life and funeral insurance policies. She received six life terms for the murders.



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GroundUp Staff 12 Oct 2023



A reduction in cases of life insurance fraud

Despite fraud cases dominating the news cycle, there has been a decrease in fraudulent and dishonest life insurance claims over the past year, according to the Association for Savings and Investment South Africa (ASISA).

The organisation says 2,618 such claims were made in 2022, as against the 4,287 recorded in 2021. They nevertheless accounted for 29% of the total 8,931 cases of fraud and dishonesty recorded in 2022.

Top fraud insurance claims include:

1. Funeral insurance - 1,922 claims
2. Death cover – 399 claims
3. Disability cover – 164 claims
4. Hospital cash plans – 98 claims
5. Retrenchment/loss of income benefit cover - 35 claims.

The rand value of these claims collectively exceeded that of other categories, amounting to R770.5m in losses prevented, with actual losses totalling R17m.

Most fraudulent and dishonest claims came from KwaZulu-Natal, followed by Gauteng, the Eastern Cape, and the Western Cape.

Overall the industry reported a R77m loss due to fraud and dishonesty, although losses amounting to R1.1bn were prevented overall.



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Committing fraud inadvertently

Around a third of insurance claims in the country have some dishonesty to them, although cases that make the front pages are extreme examples, says Craig Baker, CEO of MiWayLife.

“Most people are not wilfully dishonest – however, their claims may have been repudiated if they’ve failed to disclose material information when claiming against a new policy, for example,” he points out.

MiWayLife and its forensic team uncovered that 8% of claims contained cases of wilful misrepresentations and fraudulent claims since 2020, all of which have been repudiated.

“Notably, the Covid-19 pandemic contributed to a rise in anti-selective behaviour,” says Baker.

Not only policyholders

Yazeed Adams, head of risk and compliance at MiWayLife, notes that it’s not only policyholders who commit fraud. “Sales representatives across the industry can sometimes be lured into partaking in illegal activity.

“It goes to the extent of tricking members of the public to be involved in criminal schemes for financial gain, with and without their knowledge,” he warns.

“The public needs to be careful about getting caught in the web of illicit activity, even where the offer is lucrative and purported to be foolproof.

“Often attempts to get people involved present offers that are too good to be true, if it feels that way to you then it is probably a scam of some sort,” he adds.



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AI steps up the fight against criminality

Where policyholders are intentionally dishonest, the fight against fraud has been stepped up with the help of AI, to ensure that perpetrators are brought to book.

“We will catch fraudsters, even if they think they can get away with it,” says Garth de Klerk, CEO of the Insurance Crime Bureau (ICB).

“We estimate that fraud cases are increasing as people look at how to gain monetary benefit from financial products. “However, such an increase is difficult to quantify, because we only know what we can see. Some insurers claim fraud accounts for less than 3% of claims, but medical and life fraud can reach double digits.”

The ICB said its ROI has increased from 350% in 2017 to around 860% this year, indicating a high success rate in the collective fight against fraud. “Our membership has doubled in the past three years, with the industry seeing the benefit of collaboration,” he notes.

“The fact that we’re becoming more efficient at tackling crime is because we’re not only using sophisticated AI tools – we’re also training people to develop at the same pace as the systems we are using.”



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Crime in South Africa is a contact sport

While the industry is careful not to be anti-competitive, it is legally permitted to share information relevant to uncovering or prosecuting fraud, which speaks to an understanding of what it takes to smash those syndicates behind much criminality in the country.

Despite the encouraging fact that the industry is getting better at tackling fraud, the increase in criminal activity and the associated sophistication thereof should make the public vigilant.

“Crime in South Africa is a contact sport, even when it comes to fraud,” de Klerk notes.

“We urge people to be alert, treat strangers with the necessary caution, and question anything that sounds too good to be true. Fraudsters are often well-dressed, charismatic individuals who win trust easily.”

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