

Bron nr 0 4 9 3	Datum 25 03 06	Onderwerp nr 086	Klas nr 2658 A
-----------------------	-------------------	------------------------	----------------------

The Sunday Star Jg..... Nr..... P..... 3 Dat. 85 3. - 3.

Special survey: short term insurance

# Fraudulent claims hit insurers

THE SOUTH African Insurance Brokers' Association is concerned about the serious consequences of a marked increase in the number and size of fraudulent claims.

Countrywide enquiries among our members and senior claims officials of leading insurance companies all confirm the alarming extent of this trend.

The tendency for people to exaggerate and inflate claims is apparent not only with domestic insurance but also in industry and commerce.

In the experience of at least one major insurer, the manipulation of claims is known to be occurring at all levels of seniority with an increasing degree of sophistication. It appears that some top people are abusing their position of influence to the detriment of their insurers.

Where domestic insurances are concerned, fraudulent claims for loss or damage of motor vehicles of all kinds are serious, but very substantial claims for alleged losses of jewellery, Persian rugs,

David Alston  
Director, SAIBA

electronic equipment and other high priced personal belongings, whilst arousing suspicion, are very often difficult to disprove.

Under the obvious pressures of inflation and a deepening recessionary economic climate, the temptation to exploit the already over-stretched claims administra-

tion and loss adjusting resources of the industry are increasing.

Many consider that worse is still to come as these pressures build up. Among examples cited is the tendency for some businessmen to claim for the recovery of pay-rolls allegedly lost in "hold-ups."

Although the insurance broker's first duty is to his client, SAIBA considers it important that its members are alive to

the implications of this disturbing trend.

Quite clearly, the broker has a legal responsibility to the insurer not to withhold any material information or act in any manner which might be tantamount to becoming a party to or condoning a fraudulent claim.

Apart from the legal aspect, a SAIBA broker is also bound by a strict code of conduct which he would breach if he were knowingly to support a fraudulent claim in any way.

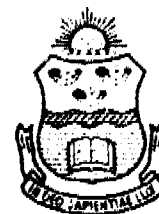
The trend of fraudulent claims clearly follows the experience of the insurance market in other parts of the world, notably in Britain and

TREFWOORDE

1. Corrigat...
2. S.A.I.B.A...
3. Deur te klomp
4. Versoeking
5. B. C. Leeuwarts
6. W. Van der Merwe
7. ...
8. ...
9. ...
10. ...

# INSTITUUT VIR EIETDSE GESKIEDENIS

Die Universiteit van die Oranje-Vrystaat



Bron nr 0 4 9 3	Datum 8 5 0 3 0 3 0 6 2	Onderwerp nr 0 8 6	Kluisel nr 2 6 5 8 B
-----------------------	----------------------------	--------------------------	----------------------------

**The Sunday Star**

Jg..... Nr..... P. 3 Dat. 85 3. - 3.

Australia.

Although most industry spokesmen here are understandably reticent to divulge identifiable evidence of insurance abuses, the Insurance Council of Australia conservatively estimates that fraud costs the Australian insurance industry at least Australian \$120-million annually.

SAIBA believes there should be far greater public

awareness of this cost to the industry and its many perfectly honest policyholders and of the extent to which abuse by the few is increasing the general level of premium costs to the majority.

We perceive this to be an industry problem which should be tackled head-on by insurers, loss adjustors and brokers, who should co-operate fully with the authorities in an effort to catch the "fidlers".

There must be renewed efforts all round to improve the education, training and efficiency of claims staff at all levels. This should lead to improved client education and greater efficiency in the day to day scrutiny and monitoring of claims details.

Where practicable valid claims should be settled to a greater extent on the basis of physical replacement rather than payment in cash provided the client secures full indemnity in terms of his policy.

If approved wholesalers and retailers could be used to a greater extent, the possibility of complicity with fraudulent claimants should be minimised.

Insurers need to act at all times in the best interests of public policy, not only in repudiating fraudulent claims but also in instituting legal action where sufficient evidence is available.

Perhaps the South African Insurance Association, as the representative body of short term insurers in South Africa,

should consider setting up a suitable "data bank" of insurance claims information provided by the industry as a whole, aimed, inter alia, at the detection of fraud through the speedy identification of "known offenders".

It has been done successfully elsewhere. Why not in South Africa?

## TREFWOORDE

- 1 .....
- 2 .....
- 3 .....
- 4 .....
- 5 .....
- 6 .....
- 7 .....
- 8 .....
- 9 .....
- 10 .....