

Perspectives on KwaZulu-Natal

Life insurance fraud rampant in KwaZulu-Natal

Syndicates involved in fraud are costing the insurance industry hundreds of millions of rands every year. **David Stanley** writes that such fraud is rampant in KwaZulu-Natal and the Eastern Cape.

According to a death certificate issued by the department of home affairs in October 1998, 27-year-old Hilarius Muziwandile Ngcobo died of natural causes after he was "run over by a truck" in Umbilo, Durban. The certificate was the document of proof produced to an insurance company to claim life insurance of R100 000.

However, a subsequent investigation by a forensic investigator, who cannot be named because of the dangers of his profession, found a remarkably different story. The investigator found Ngcobo living in Mariannhill, completely unaware that his brother Sifiso had identified a body in the Gale Street police mortuary as his. Ngcobo also had no idea that his brother had attempted to claim on a policy that had been taken out using his particulars. Sifiso is now on the run. The investigator says that "the body used to fake the claim was badly mutilated, but the height and general features matched those of Ngcobo". It's not such an unusual scam. "Syndicates pay mortuary attendants for unidentifiable bodies like this so they can generate death certificates," the investigator said.

Mortuary attendants are not the only people who may be brought into the clutches of a syndicate. Former Life Offices Association claims convenor Hermie Hendrikse, who is employed as the Cape Town-based group forensic services senior manager at Metropolitan Life, says that "a typical syndicate will consist of members strategically placed at financial institutions, police mortuaries, ambulance services, home affairs and doctors (rooms)".

As a result of such techniques, sophisticated syndicates are capable of generating the documentation that usually makes fraudulent life insurance claims easier to detect. Investigators usually regard fraudulent life insurance claims as being easier to detect than fraudulent funeral policy claims because of the stringent medical checks and supporting documents that are required to substantiate them.

Hendrikse says that the syndicates create what are known in the industry as the 'living dead' - people who are alive, but have been certified dead on the computer system of the department of home affairs. As a result of the certification, the syndicate is issued with the death certificate that is required by insurance companies before they pay out on a funeral or life policy.

There is, however, a more sinister aspect to group and life insurance fraud than killing off people who are still alive, or creating lives and deaths on paper. Add murder to the terms 'the living dead' and 'ghosts' as ways in which attempts can be made to claim insurance money fraudulently.

A police sergeant from Empangeni, 37-year-old Thembinkosi Ndlovu is serving six life sentences

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after he hired two hitmen to kill his wife not long after insuring her life for over R550 000. He also took out a R20 000 funeral policy on her. The Mtubatuba Circuit Court recently convicted Ndlovu and his accomplices for the murder of six people. In total the judge handed down 13 life sentences. Of the six victims, Ndlovu's wife Doris and another woman, Thami Ngubane, were murdered in order to obtain a cash payment from their insurance policies. Ndlovu had another man killed because he threatened to turn him in. The court also heard that the other three victims were killed because they happened to be in the wrong place at the wrong time. Among these was a man who was sitting on the side of the road when he was asked for directions by the hitmen.

This case illustrates how far some people are prepared to go to defraud the insurance industry. In Ndlovu's case good police investigation secured a conviction and the claim was not paid out. But many cases involving 'the living dead' and 'ghosts' take much longer to get to trial, if they get there at all.

For the department of home affairs to issue a death certificate, it needs a BI-1663 form, which is signed by a doctor who certifies that the person is dead. But the forensic investigator in Ngcobo's case says that home affairs officials do not always verify that the doctors are legitimate. "A large number of doctors in the Durban area are signing BI-1663 forms without seeing the body. We are aware of a doctor who has signed over 200 of these forms in a couple of months. That's 200 of his patients who have 'apparently' died, and home affairs doesn't query this."

The department of home affairs, however, won't take responsibility for querying such actions by doctors. The department's acting regional director in KwaZulu-Natal, Graham Young, says that "the ethical conduct of doctors is controlled by the South African Medical and Dental Society". He adds: "Home affairs is precluded from questioning the integrity of doctors or authenticity of their findings."

Such an attitude causes great difficulties for those investigating life insurance fraud. "We struggle with home affairs," says Hendrikse. "We find what we think is a fake death certificate and phone them to verify it. They refuse to help us or answer our questions saying it is confidential information that they may not divulge. Insurance companies do not share this view."

However, Young emphasises that a fraud forum that was established last year involves stakeholders in insurance companies, the police service and the department of home affairs. It is largely aimed at closely monitoring the registration of deaths. Says Young: "The department is assisting insurance companies in every way possible."

The director-general of the department of home affairs, Billy Masetlha, confirmed this co-operation when he said recently that discussions on fraud-related matters were being held with banks, insurance companies and other service providers who rely on the department for the positive identification of their clients. He had just announced that over 300 departmental officials were being investigated for the sale of fake identity documents from the department's headquarters in Pretoria.

While those documents were intended for illegal immigrants, the generation of false identity documents creates costly "ghosts" for insurance companies.

The forensic investigator who solved the Ngcobo case says that the production of such documents means that identities have been created for people who do not exist in real life. "We are investigating a case at Empangeni where a life insurance claim on a child, who we believe never

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existed, has been submitted."

The family claims that the child has been buried already but investigators can find no trace of her medical or school records. Since the insurance company began probing the matter, the claimant has disappeared. "The funeral parlour and hospital have the initials and surname of that child but you look closer and find that the first names are completely different. We cannot find, nor has the family provided us with, any records to indicate that this child ever lived. All we have is an ID number and a death certificate," says the investigator.

The vital identity documents and death certificates are relatively easy to obtain if a person has the right contacts. A birth register must be filled in at the department of home affairs. Then the document is placed on record and an identity number is generated. "Once they have that, they can then kill that child on the home affairs system," the investigator says. "They go to a doctor and ask him to fill out a BI-1663. With that, home affairs will issue a death certificate. Insurance companies are getting hit hard this way, there is no question about it."

The situation has now deteriorated to the extent that virtually every document submitted to substantiate a life insurance or funeral policy claim has to be scrutinised from a forensic perspective. This is not only expensive but leads to frustrations on the part of the honest claimant.

Estimates of fraudulent funeral policy claims range between 20% and 40%, while the level of life insurance claims that are fraudulent is more difficult to determine. Hendrikse says that well-connected syndicates are costing the industry hundreds of millions of rands every year.

The fraud is likely to be felt in various ways: It poses a threat to some companies, may lead to drastically reduced pay-outs on life insurance policies in some cases and could result in huge premium increases. Says Hendrikse: "Premiums may become unaffordable."

For the investigators who attempt to determine the validity of many of the claims submitted, the investigation is tough, but also poses dangers because of the high stakes involved. Many of the addresses given by policy holders are in rural areas that are difficult and costly to reach.

The investigator in the Ngcobo case has been chased and shot at while on investigations in rural areas and is concerned that he may be "taken out" if his identity is revealed. "Syndicates are making an incredible amount of money out of this type of fraud. They are not scared of the police and they are not scared of us," he says.

What concerns investigators further is the knowledge that contacts within the industry are passing information about them on to syndicates, making their job even more dangerous.

It is a profession that is not only dangerous, but leads to a seemingly never-ending maze of uncertainty. Investigations aim to establish whether the living are dead or the dead are in fact alive. Standing in the way of the final truth in an investigation lies a web of corrupt officials and those who honestly don't know better; doctors who - for a fee - will fill out a BI-1663 form for a body they have not seen or a patient that they have never met; mothers who create children on paper and then kill them for money; morgue attendants who will rent an unidentified body to as many as five different claimants before clearing it for a pauper's burial; syndicates who kill off living pensioners on paper, leaving them to convince the department of home affairs that they are actually alive; and then the Empangeni police sergeant, and those like him, who prefer the AK-47 to the subtleties of the paper trail.

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The Ngcobo case investigator says that his company has only managed to secure six convictions in the past two years. "Cases take too long to come to trial. No one is monitoring the performance of police investigators and when a case gets to court we often find that a junior state prosecutor stands up to a highly experienced defence attorney. They just lambaste them," he says.

But Hendrikse believes that there are solutions. "Strict measures have to be enforced by medical personnel when identifying bodies, determining the cause of death and completing documentation for a death certificate. This will eliminate the phenomenon of 'body switching' or even the renting out of bodies."

Hendrikse says that more co-operation from the department of home affairs is necessary as well as an agreement from the department that it will release the information that resulted in the issuing of a death certificate.

While such solutions may contribute to addressing life insurance fraud, it is the forensic investigator's response to the question of what motivates him that really offers hope to the industry.

"Why do I go to work? It's my contribution to my country: To do my best to fight crime. If this type of fraud is left unchecked it could become like a wildfire out of control. We don't want our companies collapsing: I just wish the state departments had the same outlook."

David Stanley is a journalist with East Coast Radio.