



**NEDBANK  
INSURANCE**

# UNDERSTANDING INSURANCE FRAUD

Insurance fraud costs insurance companies millions of rands every year. Having a better understanding of what it is can help you avoid the trap and spread the word.

## WHAT IS INSURANCE FRAUD?

Insurance fraud is any act committed to defraud an insurance process and takes place across all areas of insurance. It occurs when the person making a claim (the claimant) attempts to obtain some benefit or advantage they are not entitled to. The key motive is financial gain.

## WHY IS IT IMPORTANT TO COMBAT INSURANCE FRAUD?

Fraudulent activities often affect the lives of innocent people – either directly (for example, through accidental or intentional injury or damage) or indirectly through having to pay higher insurance premiums. Insurance fraud poses a significant problem, and it's vital that insurers, clients and other industry organisations stand together to fight fraud.

## DIFFERENT TYPES OF INSURANCE FRAUD

There are different types of insurance fraud, and the size/scope of fraudulent insurance claims is also diverse. Fraud can mainly be classified as either hard or soft fraud.



### Hard fraud

There are mainly two types of hard fraud:

- 1 when someone deliberately plans or invents a loss that is covered by their policy, such as a collision or a fire so that they can claim damages, or
- 2 when someone frames a non-insured event in such a way to make it look like an event covered by their insurance policy.

Hard fraud schemes often involve professional criminals and can lead to significant losses for insurance companies. In fact, many criminals view insurance fraud as a low-risk, lucrative enterprise. In addition to being 'safer' than other crimes, sentences for insurance fraud are often lenient, and the punishment not as severe as for other crimes.

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## Soft fraud

Soft fraud (also referred to as opportunistic fraud) is far more common, and also falls into two main categories:

- 1 when policyholders exaggerate what would otherwise be a legitimate claim, for example, if the person is the victim of a house burglary, they would claim for a bigger loss than what actually occurred, or
- 2 when someone insures property for more than its real value, so that they can get a bigger payout (which often leads to them destroying the property or asset themselves to access the payout).

In the health insurance industry, soft fraud can also occur when someone provides false information, or withholds information about any existing or previous conditions, so that their premium is lower.

## WHAT HAPPENS IF YOU ARE FOUND GUILTY OF INSURANCE FRAUD?

Your policy terms and conditions will stipulate what will happen if you are found guilty of having committed insurance fraud. It is important to understand that it's not only you as the main policyholder who can be found guilty – anyone claiming under your policy can be held liable for fraud.

If you or anyone claiming under your policy submits a fraudulent claim, we may:

- reject the entire claim, which means you won't receive any payout, even if some part of the claim was legitimate,
- recover any payments already made to you in relation to the fraudulent or dishonest claim, or
- cancel your policy, without refunding any premiums that you have already paid.

## ALLOWING US TO SHARE YOUR INFORMATION HELPS REDUCE FRAUDULENT CLAIMS

When you take out a policy with us (or any other insurer), you give us permission to share any information connected to your policy - and to any claims you make - with any registered insurance company, its agent or any service provider, to verify the information you supply to us. This helps reduce the risk of fraudulent claims across the industry, since it helps avoid the scenario where an insurer takes on a client who has committed fraud previously, leading to more losses.

## PLEASE SHARE THIS INFORMATION WITH YOUR FAMILY, FRIENDS AND COLLEAGUES

Nedbank Insurance has zero tolerance for fraud, and we are committed to educating as many people as possible about insurance fraud since we can all play a part in combatting fraud.

If you have any questions or want to report any suspicious behaviour, please:

- call us on 0860 333 111; or
- email us at [insurance@nedbank.co.za](mailto:insurance@nedbank.co.za).



### Contact us for expert insurance advice

To talk to a risk advisor or consultant about your insurance needs, complete our [online contact form](#) and we'll call you back.

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