

Learning Unit 18: Identity Theft



learning outcomes

Learning Outcomes

Upon completion of this learning unit, it is expected that you will be able to:

- Understand and provide definitions for terminology.
- List who we insure for identity theft.
- Describe what we insure under identity theft.
- Identify what we do not insure (exclusions) under identity theft.
- Identify the underwriting rules relevant to the insurance of identity theft.



Introduction

In this day and age, where many aspects of our lives are linked to the electronic media, identify theft is on the increase.

Identity theft – also referred to as **i-jacking** – is a crime in which an individual obtains key pieces of personal information (such as a person’s identity number or driver's license number) in order to pretend to be someone else. This is called impersonation.

The information can be used to obtain credit, merchandise, and/or services in the name of the victim, or to provide the thief with false credentials. In addition to running up debt, an imposter might provide false identification to police, creating a criminal record or leaving outstanding arrest warrants for the person whose identity has been stolen.



The Internet has made it easier for an identity thief to use the information they've stolen because transactions can be made without any personal interaction.


Although an identity thief might crack into a database to obtain personal information, experts say it's more likely the thief would obtain information by using old-fashioned methods. Consider these two examples.

Retrieving personal paperwork and discarded mail from trash dumpsters is one of the easiest ways for an identity thief to get information.

Another popular method to get information is “shoulder surfing” - the identity thief simply stands next to someone at a public office, such as the Motor Licensing Department and watches as the person fills out personal information on a form.

Identity theft can be categorised in two ways:

<p>True name identity theft</p>	<p>This means that the thief uses personal information to open new accounts. The thief might open a new credit card account, establish cellular phone service, or open a new cheque account in order to obtain blank cheques.</p>
<p>Account takeover identity theft</p>	<p>The imposter uses personal information to gain access to the person's existing accounts. Typically, the thief will change the mailing address on an account and run up a huge bill before the person whose identity has been</p>

	<p>stolen realises there is a problem.</p>
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To prevent identity theft, experts recommend that you:

- Regularly check your credit report with major credit bureaux;
- Follow up with creditors if your bills do not arrive on time;
- Destroy unsolicited credit applications; and
- Protect yourself by not giving out any personal information in response to unsolicited e-mail.

18.1 Definitions

Word or phrase used	Definition and description
you, (your, yourself)	The phrase you refers to the policyholder and other people we insure under this section.
we (us, our)	This is Mutual & Federal Insurance Company Ltd. Registration No: 1970/006619/06.
civil proceedings	<p>Civil proceedings set out the rules and standards that courts follow in that country when adjudicating civil cases (as opposed to procedures in criminal law matters).</p> <p>In the context of this section it would obviously be related to civil proceedings because of the identity theft.</p> <p>These rules govern the following:</p> <ul style="list-style-type: none"> • How a lawsuit or case may be commenced; • What kind of service or process is required; • The types of pleadings, motions or applications, and orders allowed in civil cases; • The timing and manner of obtaining witness’s statements, findings and admission; • The conduct of trials; • The process for judgment; • Various available remedies; • How the courts and clerks are to function.

Word or phrase used	Definition and description
criminal proceedings	Criminal proceedings refer to the adjudication process of the criminal law. While criminal procedures can differ dramatically, the process generally begins with a formal criminal charge and results in the conviction or acquittal of the defendant.
debtor	Person or organisation owing money to another person or organisation.
excess	The first amount payable which the policyholder will be expected to pay in the event of a claim. The excess amount is shown in the policy schedule for this section.
exclusion	<p>An exclusion is a condition in the policy that more accurately defines the risk accepted by the insurer and excludes liability for loss not intended to be covered.</p> <p>Exclusions in the policy relieve an insurer of liability for those issues not intended to be covered.</p>
financially dependent	An individual who relies on another person to provide finances is termed "financially dependent" on the person providing the money. For example, if a working mother has a child, the child is financially dependent on the mother. Likewise, if a man is taking care of his father in his old age, the father is financial dependent on his son.
impersonation	<p>To assume the character or appearance of someone, especially fraudulently.</p> <p>The crime of pretending to be another individual in order to deceive others and gain some advantage.</p>
income	The amount of money or its equivalent, received during a period of time in exchange for labour or services, from the sale of goods or property, or as profit from financial investments. In this context, income is referred to as in exchange for labour or services.
legal costs	<p>The costs the insured would legally be responsible to pay.</p> <p>Normally the charges fixed for litigation are payable by the losing party.</p>
notary	A lawyer or person with legal training who is licensed by the state to perform acts in legal affairs, in particular witnessing signatures on documents.
special conditions	<p>Special conditions state the position or circumstances relating to the rights and duties of both the insured and insurer. Conditions will usually state what must or must not be done before the start of the policy cover or before a loss occurs or, on occasion, after a loss has occurred.</p> <p>Breach of a condition, which is a general condition, could result in a section or even the entire policy being rendered voidable. General conditions will apply to all sections of the</p>

Word or phrase used	Definition and description
	<p>policy.</p> <p>Special conditions only apply to the section in which they are stated. These override general conditions, but only the section of the policy where those special conditions appear.</p>
unpaid leave	<p>Time off from work which is provided without pay. When an employee takes or is given unpaid leave, he/she retains a position in a company and may keep employment benefits, but the employee does not receive a salary.</p>

18.2 Who we insure

The policyholder, his/her spouse and any family members named in the schedule.

To be insured, the person must permanently live with the policyholder and be financially dependent on the policyholder.

18.3 What we insure

The cover could include the following:

You must have cover at the time of the identity theft

The policyholder will only be compensated under this section when both of the following conditions are met:

- The Identity Theft (as described below) happens.
- A claim is brought against the policyholder by a creditor or collection agency or someone acting on their behalf or the policyholder becomes aware of a possible claim under this section.

The policyholder may claim for Identity Theft that took place any time from the start date of this section to one year after the end date of this section of the policy.

We need to understand the terms used in this type of claim.



Creditor means an entity, person or institution that extends credit by giving another entity permission to borrow money, provided it is paid back at a later date.

Creditors can be classified as either "personal" or "real."

- Those people who loan money to friends or family are personal creditors.
- Real creditors, for example a bank or finance company, have legal contracts with the borrower granting the lender the right to claim any of the debtor's real assets, such as real estate or a car, if he or she fails to pay back the loan.

When creditors are notified of bankruptcy proceedings, they have a couple of options with respect to their claim against the debtor.

- They can share in any distribution from the bankruptcy estate according to the priority of their claim. Most unsecured, non-wage claims come low on the priority list.
- They can take the debtor to court and challenge a debtor's discharge (the right not to pay back) due to bankruptcy protection.

A Collection Agency is a company hired by lenders (or a division of the lending company) to recover funds that are past due, or accounts that are in default. This organisation is often hired after a company has made multiple attempts to collect what is owed to them.



Usually, the collection agency earns a percentage of the funds or assets it recovers for the lender. Some collection agencies will actually purchase the debts from the lender at a discount, in which case the collection agency receives the full amount of whatever money it manages to collect.

Unless a collection agency has won a lawsuit against a debtor, it cannot legally seize assets from a debtor, or physically harm or threaten a debtor to make payment.

Identity theft for a loan or account

Cover is afforded only if another person or entity assumes the insured's identity to:

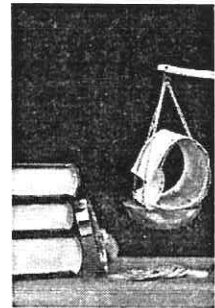
- Get a loan;
- Open a credit account;
- Take over an existing account.



Loan means the act of giving money, property or other material goods to another party in exchange for future repayment of the principal amount, along with interest or other finance charges. A loan may be for a specific, one-time amount or can be available as open-ended credit up to a specified ceiling amount. Most loans have legal stipulations regarding the maximum amount of interest that can be charged, as well as other conditions such as the length of time before repayment is required. Loans can come from individuals, corporations, financial institutions and governments.



Credit account means an account which a customer has with a shop, which allows him or her to buy goods and pay for them later. It is an agreement based largely on trust under which goods, services, or money is exchanged against a promise to pay later. It is also called commercial credit.



Existing account is an account which has already been opened by the policyholder.

Reasonable costs that we insure for identity theft

Legal expenses in certain situations

The insurer will cover the insured for reasonable legal costs for defending any legal action brought against the insured by a creditor or collection agency or someone acting on their behalf. This includes both:

- Civil proceedings because of identity theft;
- Criminal proceedings where the insured is charged with illegal acts someone else has committed while using the insured's identity.

We compensate the insured for:

- Removing any civil or criminal judgments wrongfully taken against the insured as the result of identity theft;
- Challenging the accuracy or completeness of any information in the insured's consumer credit report. This is if wrong information was given to the credit agency or financial institution.

Income you have lost due to time off work

This section of the policy states when the insurer will compensate the policyholder for income lost due to time off work.

The policyholder will be compensated for unpaid leave from his/her job or profession if the only reason that the unpaid leave had to be taken was due to the identity theft;

The policyholder will be compensated for lost income because of workdays he/she took off whilst there was insurance under this section, or within 12 months of the end date of this policy.



There are certain conditions where the policyholder will not be compensated for income lost due to time off work as follows:

- Leave days or sick days;
- If the policyholder is self-employed.

Amounts you have to pay to a creditor

The insurer will compensate the policyholder for the actual loss from a legal liability to pay a creditor. The compensation in terms of the policy wording would only be done if any of the cards or accounts listed below were opened in the policyholder's name, without their permission.

- ATM cards, credit cards or debit card account;
- Bank account;
- Other credit accounts.



An **ATM card**, which is also known as a bank card, client card, key card or cash card, is a payment card provided by a financial institution to its customers which enables the customer to use an automated teller machine (ATM) for transactions such as: deposits, cash withdrawals, obtaining account information, and other types of banking transactions, often through interbank networks.

A **credit card** is a payment card issued to users as a system of payment. It allows the cardholder to pay for goods and services based on the holder's promise to pay for them. The issuer of the card creates a revolving account and grants a line of credit to the consumer (or the user) from which the user can borrow money for payment to a merchant or as a cash advance to the user.

A **debit card**, which is also known as a bank card or cheque card, is a plastic payment card that provides the cardholder electronic access to his or her bank account(s) at a financial institution. Some cards have a stored value with which a payment is made, while most relay a message to the cardholder's bank to withdraw funds from a payee's designated bank account. The card, where accepted, can be used instead of cash when making purchases. In some cases, the primary account number is assigned exclusively for use on the Internet and there is no physical card.

A **bank account** is a financial account between a bank customer and a financial institution. A bank account can be a deposit account, a credit card, or any other type of account offered by a financial institution. It is a fund that a customer has entrusted to a bank and from which the customer can make withdrawals.

The financial transactions which have taken place within a given period of time on a bank account are reported to the customer on a bank statement and the balance of the account at any point in time is the financial position of the customer with the institution.

Various other expenses

There are various other expenses that the policyholder would/could incur as a result of the identity theft having taken place, and, in terms of the policy wording, it is confirmed that the insurer will compensate the policyholder for the following expenses:

- Costs to re-submit applications for loans or other credit or debit accounts. It is important to note that this is if the lender rejected the application only because they received the incorrect information because of identity theft;
- Reasonable costs for getting a notary to check documents relating to the identity theft;
- Reasonable costs for long distance telephone calls and registered mail as a result of the policyholder's efforts to report an identity theft;
- Costs of disputing the accuracy or completeness of any information in the insured's credit history;
- Costs for a maximum of four credit reports per incident of identity theft, from an entity approved by the insurer. Such an entity is TransUnion where one can get a free credit report once a year but any request for a report thereafter comes at a cost. The policyholder must have asked for the credit reports during the 12 months after the discovery of the identity theft.





It is important to note that the word reasonable has been used in some cases. **Reasonable** can be defined as showing reason or sound judgment and not being excessive or extreme.

18.4 What we do not insure (exclusions)

In terms of the policy wording under this section the insurer will not compensate the policyholder if the following is in existence:

Identity theft dishonesty

Cover will not exist if it is found that the identity theft relates to any dishonest, criminal, malicious or fraudulent act of the policyholder or a family member not named in the schedule commits, had knowledge of or planned.

Loss that results from business

Cover will not exist for any loss that relates to the policyholder's business.

Costs for death, injuries or other losses

Cover will not exist for

- Death,
- Injury,
- Sickness,
- Disease,
- Disability,
- Shock,
- Mental anguish, or
- Mental injury

that results from identity theft. It further states that this includes any care the policyholder might need, or any other loss not specified as a cost being insured.

Credit card fees if you did not comply with terms, conditions and exclusions

If the policyholder did not comply with all the terms, conditions and exclusions under which the cards were issued, there will be no cover for credit card fees for the stolen credit cards.

18.5 Compensation

Limit of compensation

The policyholder will be compensated for each incident of identity theft up to the limit shown in the schedule.

Excess

There is an excess in the schedule for identity theft.

18.6 Special conditions

The special conditions that appear under this section are as follows:

The creditor must confirm information.

The creditor must confirm in writing any amount that the policyholder owes as a result of the identity theft.

You must cooperate with our investigation

This condition states that the policyholder must cooperate with the insurer during the investigation stage and give the insurer permission to inspect relevant books and financial records of the insured.

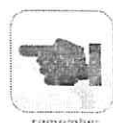
The insured must cooperate with and help the insurer to enforce any legal rights the policyholder or insurer has in relation to the policyholder's identity theft. This includes giving evidence or becoming involved in any legal proceeding or other proceeding necessary to resolve the identity theft.

You must take steps to avoid further identity theft

This condition states that the policyholder must take all reasonable action to prevent further loss from identity theft.

Notify the police and financial institutions within 24 hours

The policyholder must notify the police, his/her bank, the company that issued his/her ATM card, debit or credit card, financial institution, or any other relevant entity, of the identity theft within 24 hours of discovering it.



If the policyholder does not conform to this condition the insurer will not accept the claim.

18.7 Claiming

You must give us proof when you claim

There are certain conditions that the insurer has imposed on the policyholder in respect of loss of income and should the policyholder not adhere to these conditions the insurer will not accept the claim.

The following must be submitted:

- Proof from the employer that the insured took unpaid leave. A Commissioner of Oaths must certify this information;
- Proof that it was necessary to take time off work;
- Copies of any demands, notices, summonses, complaints or legal papers that relate to the identity.

Underwriting Rules

The underwriting rules relevant to this section are the following:

This section can only be selected together with a Household Goods or Motor section.

Cover for the policyholder is mandatory but family members living in the same residence may enjoy cover under this section.

Persons must be named in the schedule.

Only one limit per family is selected. Options available are R10 000, R20 000, R30 000, R40 000 and R50 000.

Cover is provided from the start date of the section to one year after the end date of this section of the policy.



ACTIVITIES

Activity 1

Mark Jackson shared a flat with John Black for a couple of months before he got married. Mark was not very good at keeping his information safe and made the mistake of leaving his ID and mail on a kitchen counter where anyone could have had access to it. It was approximately a year and a half later that Mark first noticed something was wrong when hundreds of Rands were drawn out of his bank account. He was advised by his bank that the money had been transferred electronically, to which Mark responded that he had never set up online banking. During this period Mark also received several calls from collection agents about year-old charges on several credit cards which he did not apply for. The bank determined that someone had listed Mark's former roommate as a bill payee and then transferred money into their own account at another bank.

What category of fraud would this case fall into?

Activity 2

The policyholder, Jack Black, is a CEO of an identity theft protection company. Jack Black was 100% confident in the services provided by his company that he starred in an advertising campaign based on sharing his actual identity number with the world. In this high-budget marketing ploy, Jack Black plastered his ID number on billboards and on television commercials. He dared the world to try and steal his identity and guess what - they did! It was determined that other people have used Jack Black's identity number under different names to obtain cash loans and to open credit accounts.

Would this loss be covered in terms of the policy wording, and why or why not?

Activity 3

Linda Jones went to work for Jane Freeman and, as part of the requirements for the job; she had to supply Jane with her identity number, date of birth, tax number and a copy of her driver's licence. Unbeknown to Linda, Jane obtained a cellular phone using Linda's personal details. Jane then went on to apply for credit cards in Linda's name. Jane used the credit cards and cellular phone for 5 months before Linda became aware of the fraud when she received a final notice for the outstanding payments.

What would be covered in terms of the Identity Theft policy wording?

Activity 4

Stacy Nest was pulled over for speeding, and then she was arrested and jailed for three days on mistaken identity. Apparently a judge had issued a warrant for Stacy Nest's arrest after another woman arrested for cocaine possession had given Stacy's name to the judge and then skipped her court date. Each time Stacy was mistakenly arrested, the police eventually figured it out and told her that the warrant would be corrected. However, nobody corrected this warrant and Stacy was arrested, jailed or detained seven times by the police for the same mistake. She had to sue the South African Police Services and finally a judge required that the warrant be corrected after almost four years.

Firstly, advise whether this is a civil or criminal issue.

Secondly, what would be covered in terms of the Identity Theft policy wording?



Summary

In a world where identity theft is increasing, it is important that your clients are made aware of the implications of this cover. This learning unit has addressed the concept of identity theft and how an individual can be covered for it. Several terms and concepts have been explained in detail in order to assist you to clarify these with your client. Special conditions aligned to this section of the policy have been spelt out, along with the exclusions which you need to be aware of. In closing, the South African Police Services suggest the following ways to prevent identity theft:

DO'S

- Manage your personal information wisely.
- Destroy personal financial information by tearing, shredding or burning personal and financial information before throwing it away.
- Store personal and financial documentation safely.
- Make it difficult for strangers to access your personal or financial information.
- Keep PINs safe.
- Pay attention to account cycles.

DON'TS

- Don't carry unnecessary information in your wallet or purse.
- Don't disclose personal information when asked to do so by e-mail.
- Don't write down PINs and passwords, and avoid obvious choices like birth dates and first names.

What if I have been a victim?

- Report the matter to the South African Police Service.
- Also remember to report a stolen ID book immediately; stolen ID books often pave the way for fraud.
- Alert the South African Fraud Prevention Services (SAFPS) IMMEDIATELY on 0860 101 248 - a unique service committed to combating fraud, offering you a way to protect yourself against impersonation and identity theft.

Source: www.saps.gov.za

Learning Unit 19: Home Employer's Labour Dispute



learning outcomes

Learning Outcomes

Upon completion of this learning unit, it is expected that you will be able to:

- Understand and provide definitions for terminology.
- List who we insure for home employer's labour dispute.
- Describe what we insure under home employer's labour dispute.
- Identify what we do not insure (exclusions) under home employer's labour dispute.
- Identify the underwriting rules relevant to the insurance of home employer's labour dispute.

