PROFILING OF WHITE-COLLAR CRIME PERPETRATORS IN THE SHORT-TERM INSURANCE INDUSTRY IN SOUTH AFRICA

by

DEANNE MOSTERT

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SUPERVISOR: Dr J S HORNE

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CERTIFICATE OF AUTHENTICITY

I hereby declare that the "**Profiling of white-collar crime perpetrators in the short-term insurance industry in South Africa**," submitted in partial fulfilment of the degree MTech: Forensic Investigations is my own work and that all sources consulted, as well as quotations, have been indicated and acknowledged, and included in the reference list. This research has not been submitted previously for a degree to any other university or for examination.

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21 February 2018

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I further state that I take no responsibility for any alterations and/or errors that were introduced to the document after I returned it to the author.

Thank you

(Mrs) Naómi AC Schulze

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ABSTRACT

In the context of violent crimes and criminal investigations, the effectiveness and proven success of offender or criminal profiling have been well documented. In reference to white-collar crime perpetrators offenders, this is a much less documented topic though.

For any organisation to function effectively and be profitable there is huge reliance placed on employees. There is an expectation that the employees will carry out their functions with honesty and integrity while having the employer's best interests in mind. Recent local and international published fraud surveys reported widely on the growing trend that has become known as the insider threat. This trend relates to the actual occurrence of misconduct by staff members and has increased proportionally over the years, i.e. from 55% in 2010 to a staggering 81% in 2015. The aim of this research was to determine how to profile staff members who commit white-collar crime in the South African short-term insurance industry. In addition, this research also focused on an introduction on the South African short-term insurance industry, as well as the suggested sources to consider when profiling staff as potential white-collar criminal perpetrators and the importance of making use of crime linkage analysis.

Results of this research include that the main objective of profiling will at all times be to perform a structured social and psychological assessment of the perpetrator and when conducting the profiling of potential white-collar criminal perpetrators, there are specific offender characteristics to consider, and detailed data will be required pertaining to certain categories.

KEY TERMS
Fraud, fraud risk management, fraud triangle, profiling, red flags, short-term insurance, white-collar crime

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ACRONYMS AND ABBREVIATIONS

ABI	Association of British Insurers
ACFE	Association of Certified Forensic Examiners
BBBEE	Broad-Based Black Economic Empowerment
BBM	BlackBerry Messenger
BC	*Before Christ*
BCom	Bachelor of Commerce
BI	Business Information
BIF	Business Integrity Framework
BTECH	Bachelor of Technology
BU	Business Unit
CAATs	Computer-assisted (aided) Audit Techniques (tools)
CCMA	Commission for Conciliation, Mediation and Arbitration
CEO	Chief Executive Officer
CFE	Certified Fraud Examiner
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CV	Curriculum Vitae
Deloitte	Deloitte Touche Tohmatsu Limited
DTI	Department of Trade and Industry
EY	Ernst & Young
FAIS	Financial Advisory and Intermediary Services
FBI	Federal Bureau of Investigation
FMCG	Fast-Moving Consumer Goods
FSB	Financial Services Board
FSP	Financial Service Provider(s)
GWP	Gross Written Premium
HR	Human Resources
ICB	Insurance Crime Bureau
IT	Information Technology
JSE	Johannesburg Stock Exchange
JV	Joint Venture

KPMG	Klynveld Peat Marwick Goerdeler
KROLL	Kroll Incorporated
MD	Managing Director
MO	Modus Operandi
MTech	*Magister Technologiae*
NDip	National Diploma
NPD	Narcissistic Personality Disorder
N/R	No specific Relationship
OSTI	Ombudsman for Short-Term Insurance
PDF	Portable Document Format
PPS	Professional Provident Society
PwC	PricewaterhouseCoopers
RMB	Rand Merchant Bank
SABRIC	South African Banking Risk Information Centre
SAIA	South African Insurance Association
SAICB	South African Insurance Crime Bureau
SAQA	South African Qualification Authority
SANTAM	South African National Trust and Assurance Company Limited
SAPS	South African Police Service
SCA	Single Case Agreements
SHA	Stalker Hutchison Admiral
SMS	Short Message Service
TEI	The Ethics Institute
TTT	Tone at the Top
UNISA	University of South Africa

CHAPTER 1
GENERAL ORIENTATION

1.1   INTRODUCTION

Costing South Africa an estimated R930 million a year, commercial and white-collar crime is on the rise in South Africa – especially among senior to top management. Internal crime is one of the most serious threats to the stability of a company, and despite employers' efforts to secure assets, the occurrence of these incidents is increasing. This type of crime does not necessarily occur instantaneously, but often it is a gradual process that, if done meticulously, may only be discovered at a later stage coinciding with irreversible financial damage. The rise in white-collar cases, coupled with low conviction rate, is placing the insurance industry under increasing pressure (Risk Benefit Solutions, 2014:1).

The researcher knows from experience, first as an internal auditor, and providing assistance in intelligence and analytics in investigative matters during the past thirteen years, that there are five (5) main categories of perpetrators as currently defined from a South African short-term insurance industry perspective, namely:

- Policyholders (clients)
- Suppliers
- Intermediaries (brokers)
- No specific relationship (n/r's)
- Staff (employees)

This research focused only on understanding the profiling of staff as white-collar crime perpetrators. Since this research focused mainly on white-collar crime from an internal perspective (i.e. staff) in the South African short-term insurance industry and not insurance fraud in general, it is important to take note of the estimated annual loss due to fraud as being 5% of annual revenues, (Association of Certified Fraud Examiners (ACFE, 2012:8). There have been several cases where insurers suffered huge financial losses due to various types of white-collar crime being committed by staff. Often these are not individual staff members that commit white-collar crime, but a number of staff members that work together.

Once such example during 2015 led to extensive business disruption at a major South African short-term insurance firm while the investigation was in progress, and a number of staff across various levels of management had to be suspended (Moneyweb, 2015:1).

From informal discussions at conferences and industry networking sessions, the researcher came to the realisation that in specific-to-staff (employee) investigative matters in the South African short-term insurance industry, most of the emphasis is on transactional analysis and only for finding proof or applicable evidence. Very little thought or consideration is currently given to the potential use of profiling from either an investigative or proactive white-collar crime perspective.

This research has therefore been undertaken in order to understand what profiling entails. In addition, this research includes a critical assessment of the suggested steps to follow when profiling staff (employees) who commit white-collar crime in the South African short-term insurance industry.

1.2 RATIONALE FOR RESEARCH (PROBLEM STATEMENT)

Mouton (2001:53) states that real-life problems ask questions based on observation or experiences instead of theory or logic, and he adds that research involves collecting information. The analysis and interpretation of the detail collected will subsequently take place. Leedy and Ormrod (2010:44) are, however, of the opinion that the research problem could be considered the heart of any research and must be stated precisely and plainly.

The researcher, during the past thirteen years, while providing intelligence and analytical assistance in support of investigative matters at her employer in the short-term insurance industry, found that understanding the profile of a white-collar perpetrator is an additional and often invaluable tool for the investigator. This deeper understanding could potentially be beneficial in the implementing of proactive strategies to prevent a recurrence of the related white-collar crime. Understanding the profile of a typical white-collar crime perpetrator in the South African short-term insurance industry could provide additional valuable insight when recruiting staff, in order to prevent future white-collar crime.

Staff play a pivotal role in the operations of the South African short-term insurance industry in order to deliver service and assistance when a policyholder suffers a loss. The further issue that short-term insurance is not a tangible product and is based on trust means that all staff throughout the South African short-term insurance industry must display the highest degree of integrity at all times.

The South African short-term insurance industry is a highly regulated industry, which means that the various insurers must ensure that they employ the correct calibre staff, since failure to do so could result in the loss of consumer trust or business, or even the imposition of fines by various regulatory bodies. Regulatory bodies particularly applicable to the South African short-term insurance include the Financial Services Board (FSB), which fulfils the role of registrar of insurance, as defined in the Short-term Insurance Act, 1998.

A South African insurer, in addition, has to be a registered South African public company, or alternatively, a registered Lloyd's Underwriter, and in all instances has to operate in accordance with an active Financial Services Provider (FSP) license, known in general terminology as the FSP license number. It is furthermore required that all intermediaries (brokers), as well as all individuals providing financial services advice are authorised to perform these duties, as specified under the regulatory provisions of Financial Advisory and Intermediary Services Act (FAIS), 2002 (Dinnie, Bracher & Rodriques, 2013:1).

A scan of available literary sources indicated that there is limited knowledge within the South African short-term insurance industry on how to profile staff as potential perpetrators of white-collar crime. The researcher observed potential weaknesses from a short-term insurance industry point of view when serving on a sub-committee of the South African Insurance Crime Bureau (SAICB). During the terms served, the researcher noticed that only staff names, surnames and, in limited instances, identity numbers of perpetrators employed in the South African short-term insurance industry were collected and shared among member companies. The lack of further meaningful data accompanying the circulation of the alleged staff perpetrator detail resulted in a less effective exercise and limited overall results.

The SAICB was founded in September 2008 as a sub-committee of the South African Insurance Association (SAIA). The SAICB was established with the overall purpose of assisting the South African short-term insurance industry with the detection and investigation of organised short-term insurance crime.

Following a strategic session in June 2017, the SAICB decided to re-brand and will in future be known only as the Insurance Crime Bureau (ICB). Therefore, it will be referred to as ICB in this research. On 2 October 2017, the ICB had their official re-launch, and extensive coverage in the media subsequently followed (COVER, 2017:1).

1.3 AIM OF THE RESEARCH

According to Kothari (2004:3), when basic research is conducted, the aim could be defined as collating information that has an extensive number of applications and in the process contributes to already available research. The aim of this research is to determine how to profile staff members who commit white-collar crime in the South African short-term insurance industry.

1.4 PURPOSE OF THE RESEARCH

Creswell (2009:111) stated that the purpose of a research proposal is most important, since it summarises and condenses the overall study to a few sentences. Babbie (2010:17) is further of the opinion that the purpose of research could be explanatory or exploratory. If the research is conducted from an explanatory perspective, it strives to provide reasons for everyday trends or "phenomena." General answers may often be available for such trends, but such answers may not necessarily be trustworthy, therefore additional research may be deemed necessary. On the flip side, should the research being conducted take on more of an exploratory angle, it helps to define a specific topic that might evolve into further future studies, or could merely assist in dispelling typical "misconceptions" about the specific topic being explored as part of the research.

Although the description by Denscombe (2002:26), for the purpose of research, aligns with that of Creswell (2009:111), definite focus areas as part of any research proposal are advised. These suggested focus areas to be considered are

"evaluation, exploration, application and empowerment." The researcher incorporated these four suggested areas throughout this research, and below is more detail of how this was achieved.

1.4.1 Evaluation

The researcher studied available detail in respect of a number of staff-specific matters that had been investigated at the largest South African short-term insurer. On the one hand, this was useful for identifying typical data field descriptions that may have to be noted or captured when investigating staff that commit white-collar crime anywhere in the South African short-term insurance industry, while in addition it also helped the researcher to identify crucial "missing" data field descriptions that are required to complete related profiling steps. In addition, it highlighted important additional data field descriptions that had to be included but that the researcher had previously missed.

1.4.2 Exploration

From an explorative research perspective, the researcher reviewed available local and international research literature in order to understand the suggested steps that must be taken when conducting profiling. Due to the limited information available regarding the profiling of staff as perpetrators, and the value it could contribute to the prevention of white-collar crime, the researcher embarked on this research in order to profile staff as white-collar crime perpetrators in the short-term insurance industry.

1.4.3 Application

Relying on past experience, the researcher identified a growing need in the short-term insurance industry regarding the use of profiling for staff that commit white-collar crime. The researcher therefore strove to establish a suggested best practice for profiling staff that commit white-collar crime throughout the short-term insurance industry. Further potential benefits from a preventive or proactive white-collar crime-fighting angle may follow from this research.

1.4.4   Empowerment

By conducting this research, the researcher aimed for an improved overall understanding of what profiling entails, as well as a critical assessment of the suggested steps to follow when profiling staff committing white-collar crime in the short-term insurance industry. Once this research has been approved, the results gathered will be shared throughout the short-term insurance industry in South Africa. The future sharing will take place by means of contact with various stakeholders and industry bodies such as the ICB, networking sessions, as well as conferences. Sharing could benefit white-collar crime investigation strategies for the entire South African short-term insurance industry.

1.5   RESEARCH OBJECTIVES

Kothari (2004:15) explains that research objectives could be defined as the relevant steps to get "answers to questions, through the application of scientific procedures." This author emphasises that research is aimed at what has not been uncovered yet, and that research objectives could mostly be grouped into the following four categories:

- Exploratory or formative research studies – when attempting to achieve new insight.
- Descriptive research studies – when providing accurate feedback regarding the characteristics of a particular individual, situation or a group.
- Diagnostic research studies - to report back on the frequency at which something occurs.
- Hypothesis-testing research studies – when testing for causal relationship between variables.

The specific research objectives of this study are to:

- Explore and describe the concept of profiling.
- Determine the steps to be taken to profile staff committing white-collar crime in the short-term insurance industry.

This research could contribute to a better understanding of white-collar crime perpetrators within specific organisations of employment in the South African short-

term insurance industry. It is also foreseen that the research will represent an original contribution to the profiling of the perpetrators of white-collar crime. The data relating to historic investigative matters have been sourced from the researcher's employer, which is the largest South African short-term insurer (PricewaterhouseCoopers, 2015:22).

1.6 RESEARCH QUESTIONS

Creswell, Ebersöhn, Eloff, Ferreira, Ivankova, Jansen, Niewenhuis, Pietersen, Plano Clark and Van der Westhuizen (2007:33) assert that a good research question directs the researcher towards relevant literary sources, and provides focus for data collection. In addition, these authors state that the research questions eventually become the basis of the research for which a researcher strives to find answers. Welman, Kruger and Mitchell (2005:15) instead found that a useful way to identify research problems is to ask good questions, which consist of the following elements:

- Describe relationship(s) between two or more variants.
- Easy to understand, and clear on what is asked.

For the purpose of this study, the researcher limited and focused the research on the following research questions:

- What does profiling entail?
- Which steps should be taken to profile employees committing white-collar crime in the short-term insurance industry?

1.7 DEMARCATION OF THE STUDY

The researcher is currently employed as the manager responsible for the team conducting data-mining and analytics, and providing intelligence assistance to the in-house investigation team at the largest short-term insurer in South Africa (PricewaterhouseCoopers, 2015:22). As part of their role, this team supports the in-house forensic team in all investigative matters, with dedicated focus on internal staff matters, which include investigative cases across the African continent. For the purpose of this research, all non-South African internal investigative staff matters

have been excluded and do not form part of the final analysis of specific trends or potential areas for improvement.

In addition to all the information collated as part of the literature review, the researcher has over the past thirteen years provided assistance in respect of forensic investigative matters in the South African short-term insurance industry from an intelligence and analytic perspective. Although five perpetrator groups form the basis of all the investigative matters in the industry, this research focused on the perpetrator group that consists of staff (employees). The research therefore focused on the internal white-collar crime perpetrator, from a South African short-term insurance perspective.

1.8 KEY THEORETICAL CONCEPTS

Leedy and Ormrod (2010:293) emphasise the fact that any term or key concept that has to be interpreted in a "specialised sense" throughout a research proposal must be defined to ensure that the "researcher and the reader have the same orientation." Denscombe (2003:291) adds that key concepts act mainly as "identifiers" of these specific words, and capture the overall "essence" of the research. These keywords are most important when the researcher cross-references during library searches. The theoretical concepts described below therefore relate to the key components of this research.

1.8.1 Short-term insurance

In terms of the Short-term Insurance Act 53 of 1998, it is stated that short-term insurance refers to the "business of providing or undertaking to provide policy benefits under short-term policies." Furthermore, a short-term policy is defined as any of the following- "engineering policy, guarantee policy, liability policy, accident, health, property or transportation policy or a contract comprising a combination of any of these policies."

1.8.2 Profiling

This is also often referred to as "criminal offender profiling," and according to Padgett (2015:61) can be described as "collating various pieces of information and data or intelligence in reference to a crime or crime offender."

1.8.3 White-collar crime

As first described by Sutherland (1947:9), this is a crime "committed by a person of respectability and high social status in the course of his occupation."

1.8.4 Red flags

A red flag, or also often called "fraud warning signs," can according to Padgett (2015:71) be described as "an event or set of circumstances, most often unusual in nature and that should alert an organization to the presence of risk."

1.8.5 Fraud

The definition of fraud is defined as follows by Snyman (2002:520) "the unlawful and intentional making of a misrepresentation which causes actual prejudice or which is potentially prejudicial to another."

1.8.6 Fraud triangle

The fraud triangle was developed by Cressey (1973:30) and he explained that "three fundamentals" have to be in existence for there to be fraud. These are "incentive/pressure," "opportunity," and "rationalization."

1.8.7 Fraud risk management

Fraud risk management can be described as "activities aimed at identifying and developing actions for the organization to reduce risks arising from the actual or potential cases of fraud (KPMG, 2010:2)." It most often includes a combination of the following components, namely "prevention; detection; response."

1.9 RESEARCH APPROACH AND DESIGN

Mouton and Marais (1996:32) describe research design as the alignment of the overall "research goal with the practical considerations and limitations of the project." These authors further explain that the most important steps to consider from a research design perspective are the steps related to "design" and "plan." These two steps will subsequently form the overall foundation of the research project in the end. Mouton and Marais (1996:33) emphasise that irrespective of whether a more "structured versus unstructured" approach is followed by the researcher, the most critical and decisive factor is constant, "rational decision

making." These authors believe that rational decision-making is crucial for ensuring that valid results can be reported on throughout the process of conducting the research.

Babbie (2010:24), on the other hand, is of the opinion that the difference in approaches could be linked back to "numerical" (quantitative) versus "non-numerical" (qualitative) type of data. Babbie (2010:24) elaborates on the advantages and disadvantages of both approaches, and asserts that qualitative approach positives could include a deeper meaning, but then a potential negative could be the subsequent, mere "verbal description" only. A qualitative approach may be described as a bottom-up method resulting in a theory being formed, based on the information that was gathered, additional knowledge that was obtained, and feedback that was received from participants. When data is collated as part of research, it is most important to ensure that it is explained within the context, and the "accuracy of findings" is confirmed (Creswell 2009:18).

The researcher made use of a qualitative approach throughout this research, which has been exploratory in nature and aimed at determining how to profile staff who commit white-collar crimes in the South African short-term insurance industry. A non-empirical research design was applied throughout this research, and the researcher incorporated the non-empirical design type that is described as a "systematic review." As explained by Gough, Oliver and Thomas (2012:2), systematic review can be described as "a review of research literature using systematic and explicit, accountable methods." These authors warn that, although the concept of systematic reviews may be deemed "simple, but with a profound impact," the difficulty in executing the reviews and the exact process for carrying out such have created much debate (Gough et al., 2012:7).

The information required for the purpose of this qualitative research was obtained by combining a literature review, the researcher's own experience gained, and knowledge sharing within the South African short-term insurance industry. The researcher as far as possible made use of information from primary data sources.

Due to the files pertaining to staff investigative matters forming the basis of this qualitative research, the data was collected and analysed from this secondary data source.

1.10   POPULATION AND SAMPLING

1.10.1   Population

In the opinion of Richie and Lewis (2003:86), a researcher must first define the so-called "parent population," regardless of the number of units of analysis. This then represents the overall population when a sample has to be selected. These authors suggest that three crucial questions have to be asked in order to define the population for a research study (Richie & Lewis, 2003:87). These questions must flow from the research question, and are defined below. If they are not assessed properly, they may have an influence on the eventual outcome of the research:

- It must be confirmed whether a certain "group or sub-population is of central interest to the research."
- Due to the prevalence of certain scenarios or experiences, one has to establish whether any specific "sub-sets of the population need to be excluded."
- It must also be ascertained whether any additional sub-populations need to be included.

For the purpose of this qualitative research study, the parent population was identified as the available and relevant 326 investigative files pertaining to staff that had committed white-collar crime at the largest short-term insurer. The files that formed the parent population represented staff investigative matters pertaining to white-collar crime transgressions covering the period 2003 until 2016, and specifically in the South African short-term insurance industry. These staff investigative matters consist of closed files, of which the internal investigations have been completed, but the criminal prosecution may still be in process, since the finalisation of criminal prosecution can on average take up to five (5) years. Written permission was obtained from the employer of the researcher via the Head: Group Internal Audit and Group Business Integrity. The relevant letter of permission is attached as Annexure A.

1.10.2 Sampling

Maree (2007:79) describes sampling as the "process used to select a portion of the population" for the research proposal. The author differentiates between "non-probability" and "purposive" sampling. The latter refers to when "participants are selected because of some defining characteristics." Such criteria mean that these participants are "holders of the data" needed for the research proposal. Maree (2007:80) further explains that due to the lack of "random selection of population elements," it is advisable to not make use of "non-probability" sampling when conducting research. The opinions of the authors Bachman and Schutt (2014:108-109) differ and they explain that there are two (2) sampling methodologies that should be considered. These are:

- Probability
- Non-probability

The first of the sampling methodologies refers to when the probability of the chosen population elements has not yet been identified. As part of this research, the method of non-probability sampling was selected and incorporated throughout. Bachman and Schutt (2014:109) also assert that purposive sampling is another known non-probability technique that can be used when selecting a sample, and Lanier and Briggs (2014:206) emphasise that for non-probability sampling, no action in the form of random selection need be applied when choosing a research sample.

This qualitative research did not deal with specific individuals; instead, data was obtained from the relevant staff investigative files and in accordance with the "purposive sampling method," covering the period 2003 to 2016. All the staff investigative matters were South African-specific, totalling 326 files that subsequently formed the base data set of this research. The 326 staff investigative files analysed for this study consisted of the following list of misconduct categories which are categorised by the specific short-term insurance company as white-collar criminal transgressions:

- Misconduct - Company policy
- Misconduct – Code of ethics
- Misconduct – HR policies
- Bribery or Kickbacks
- Fraud (include false 3rd party and EFT payments)
- Misconduct – IT policy
- False Claims
- Theft – Company property (include salvage, premiums & petty cash)
- Abuse of company resources (exclude company credit card and tool of trade vehicle)
- False claims information
- Theft (at previous employer or at 3rd party service provider)
- N/R's (no direct relation perpetrator)
- Misconduct –intermediary (broker related)
- Failure to disclose conflict of interest
- Disclosing confidential company information
- Failure to disclose previous criminal conviction
- False underwriting / manipulation of underwriting stats
- Dishonesty
- Abuse pertaining to company credit card spend
- Substance abuse (i.e. narcotics) offences
- Corruption
- Inflated Claims
- Sexual harassment offences
- Driving under the influence
- Gross negligence matters
- Accessing sexual explicit material (pornography)
- Moonlighting
- Nepotism

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- Cyber-crime offence (include attempting hacking)
- False sick note information provided
- Forgery
- Plagiarism

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The researcher purposively selected a base data set that covered a thirteen-year period, based on the following rationale:

- Coverage of staff investigative matters applicable to all job-grade levels in the organisation was covered. Since white-collar crime investigative matters are more complicated when involving senior management, these cases could take longer to be completed, and the subsequent criminal prosecution could take an additional period of three (3) to five (5) years.
- The purposively selected 326 files relating to staff who had committed white-collar crime in the South African short-term insurance industry, and forming the base data set of this research, were closed files, with the internal investigations having been completed, but the criminal prosecution may still be on-going.
- Available data covering more than ten (10) years were included in this research and could be beneficial when potential future concerns are addressed that the base data set covered only a short or limited period.
- The available data covering more than ten (10) years, as included in this research, ensured potentially increased coverage of information pertaining to the outcome of the South African Police Service (SAPS) criminal matters, where applicable, due to the extensive time that criminal prosecution may take prior to finalisation and sentencing.
- The overall base data set, together with the thirteen-year period of coverage, ensure that white-collar criminal transgressions are all included in accordance with changing legislation, as well as regulatory and governance reforms. This combination therefore lessens the possibility of trends being skewed or already deemed outdated by potential critics of this research.
- This selected base data and period of coverage will ensure that available data applicable to internal white-collar crime perpetrators are analysed in reference to their involvement from both an opportunistic and an organised crime

perspective, since in the earlier years, staff committed white-collar crime more often from their own initiative, while in recent years they are more likely to have been approached by syndicates.

The researcher has in addition selected only South African-based staff investigative matters, since this research specifically focused on the South African short-term insurance.

A hard-copy file is available for each of the investigative matters at either of the two offices based in Cape Town and Johannesburg. Investigative files older than twelve months are indexed, scanned and safely stored at a company specialising in document warehousing. All relevant details from staff investigative files are captured electronically on a continuous basis. The electronic database being used for this purpose is the E-solve application. Various readily available, automated reports are available to enable extraction of all captured data fields. These reports are run from BI (Business Information) and Qlikview platforms but can be extracted into other standard applications such as Ms Excel or Adobe Acrobat (PDF). In alignment with the aim of this research and the research questions as defined, the following fields have been identified as crucial from an accuracy and completeness perspective for purposes of this qualitative research:

- Age
- Gender
- Marital status
- Highest level of education
- Job-grade level in the organisation at the time of the investigation
- Specific department of employment in the organisation at the time of the investigation
- Years of service
- Previous employer (if applicable)
- Manner in which the white-collar crime detail was received, e.g. fraud hotline, direct report, audit, analytics etc.

- Time that elapsed since first action/ transaction being committed until the white-collar crime offence was discovered or an allegation received

- Description of the type of offence

- Description of specific white-collar crime-type category

- Outcome of internal disciplinary hearing

- Outcome of SAPS criminal matter, if finalised already

- Monetary value of transgression upon finalisation of the investigation

1.11   DATA COLLECTION

According to Leedy and Ormrod (2010:105), the decisions on how and from where to collect the information, and the further interpretation once the data has been collected, have to be clarified and decided on before a researcher starts to write a research proposal. There are four (4) fundamental questions, as described by these authors, that have to be asked when deciding on the most appropriate data collection method(s). The four questions are as follows:

- What data are needed?

- Where are the data located?

- How will the data be obtained?

- How will the data be interpreted?

Kumar (2011:35) elaborates that although, in broad terms, there are similarities between quantitative and qualitative research applicable to data collection, different approaches are required. In addition, Richie and Lewis (2003:109) specifically mention the absence of standard questions and interviews when following a qualitative research approach, but emphasise that there is still a crucial need for "in-depth fieldwork," which requires detailed planning. Richie and Lewis (2003:200) assert that less definite or clear-cut rules or procedures apply when making use of qualitative research. This leads to a number of different terms or approaches, which in turn largely depend on the main focus or aim of the analytical process. Most applicable to the qualitative approach of this research study is the term "content analysis," as described by Richie and Lewis (2003:214). This term refers to when "both the content and the context of documents are analysed." Additional themes

may be identified and the researcher then focuses on the frequency of these themes or specific occurrences.

The researcher, in accordance with the terminology and elements defined by Richie and Lewis (2003:214) in respect of the topic of "content analysis," selected a total of 326 staff investigative files that formed the basis for data collection and further analysis throughout this qualitative research study. The overall parent population pertained to internal staff investigative matters at the largest South African short-term insurer. These were completed cases, either with criminal prosecution finalised or still in progress, and covering the period 2003 until 2016. In addition to the detail being available in the hard-copy files, the most crucial data fields relevant to this research were captured continuously in an electronic database. Readily available reports can be extracted, and regular back-ups of this database are standard procedure. The available reports were useful from a quality review perspective, as well as for the identification of potentially crucial missing information required for the profiling of staff as potential white-collar crime perpetrators working in the South African short-term insurance industry.

1.11.1   Literature

Kumar (2011:46) describes the literature review as one of the most "essential" steps in conducting research. This step initially consists of reviewing the available information, or alternatively its absence, and then conducting a high-level analysis and/or research of the relevant topic. Kumar elaborates on the potential future benefits of performing a literature review. Such benefits may include enabling the researcher to refer back to already available information, and to integrate his/her own findings and experience with the available literature from other authors or experts on the topic of interest.

The researcher conducted extensive research and, found 27 randomly or partially matching research studies as well as journals and/or books in respect of the topic of this research. The random and partially matching details found, pertained only to specific parts of the topic of this research. No exact matching research could be traced in either a local or an international context as having been conducted to date.

The literature found included a significant number of books (printed and online), journals and White Papers, as well as other research studies having been published in respect of all the key search terms, as listed further on in this section, in both a South African and international context. Internet searches were conducted, using trusted library and research reference domains. Other sources used for information gathering included newspaper articles, industry publications, local and international fraud surveys, and intelligence sharing within the South African short-term insurance industry. Information obtained during commercial, industry-specific and professional conferences was considered during the literature review for this dissertation.

Most of the available research and the relevant statistics for the short-term insurance industry are very specific with regard to all the types of insurance crimes, rather than the various types of white-collar crimes. This available information most often forms part of annual surveys conducted by a number of reputable external audit firms, governing bodies or industry forums. The researcher therefore continued to expand the detailed literature review to include all the keywords below:

- Insurance fraud
- Short-term insurance fraud
- Profiling
- Profile of a fraudster
- White-collar crime
- White-collar criminal
- Pink-collar crime
- Pink–collar criminal
- Red-collar crime
- Red-collar criminal
- Fraud
- Fraudster
- Fraud triangle
- Fraud risk
- Fraud risk management

- Fraud red flags
- Fraud prevention
- Fraud deterrence
- Proactive crime prevention
- Corruption
- Occupational crime
- Opportunistic crime
- Organised crime
- Corporate crime
- Corporate psychopath

Based on the above-mentioned extended keyword search criteria, a significant further number of relevant literature sources such as books (printed and online), journals, White Papers, as well as published research from South African and international corporate sources were found. It was also found that there was less research on white-collar crime available in South Africa than internationally.

Limited literature was found regarding the above-mentioned search criteria in relation to short-term insurance. Potential relevant reasons for the "lack of research on corporate crime" could be as stated by Geis and Meier (1977:304) and supported by Clinard and Yeager (1978:255-272), as follows:

- The inexperience of social scientists in specialist fields such as law, finance and economics when studying corporate crime.
- The limited experience of criminologists, with specific reference to corporate violations involving administrative and civil sanction.
- Lack of general understanding when enforcement is carried out by state and federal (applicable to the USA) regulatory agencies, rather than the usual criminal justice agencies.
- Limited funding being made available for such studies.
- The nature of corporate crime is being made even more complex, due to the very complexity of corporations.
- Data to be made available for research are very tightly controlled by the corporate boardroom.

- Specialist challenges and problems arise from analysis and research objectivity when a researcher focuses on corporate crimes.

The researcher found the available research that has been conducted on "pink-collar criminal profiling" interesting. When studying the literature, the researcher noted that the term "pink-collar" was originally used in 1978 (Kapp Howe, 1978:5) and at the time was used to describe and define all types of jobs that women would have typically performed. Over the years, the term was often found to be derogatory towards women, but then became popular once again when used in 1999, though this time around more specifically to describe the term pink-collar criminal (Gottschalk & Glasø, 2013:2).

This term, as defined by these Norwegian researchers, refers to when women specifically commit white-collar crimes. Synonyms that are often used when referring to pink-collar criminals are "Gucci or Louis Vuitton" (Gottschalk & Glasø, 2013:3) criminals.

The researcher learned for the first time about the existence and prevalence of the term "red-collar criminal profiling" (Hansen, 2009:1). This term refers to white-collar criminals that have a tendency towards violence, e.g. the murder of business partners. Additional research on the topic of red-collar criminal profiling (Perri, 2015:2) found that red-collar criminals are strongly emerging as a sub-group of the traditional white-collar criminal. The biggest current difference between these two groups is that in the case of a "red-collar criminal," the dominant motive is to "prevent the detection and/or disclosure of their fraud [fraudulent] schemes through violence." This research on red-collar criminals provides additional background, in particular to risk factors that could contribute to the prevalence of this emerging sub-group. These risk factors include negative behavioural trends such as "narcissism and psychopathy."

On the topic of psychopathy, the researcher found it interesting that only a limited number of sources mention the various studies on "corporate psychopaths" (Babiak & Hare, 2006:8). After extensive research by Babiak and Hare (2006:10), they share their various findings on how the corporate world, specialising in "high risks and

high profits," attracts psychopaths like a magnet. Babiak and Hare (2006:9-12) explain in detail how such individuals are initially employed as a "rising star" or a "corporate saviour," but then, once inside a company, start to show their true colours and in the process, together with having no conscience, continue to leave a trail of destruction. This they do by abusing co-workers and manipulating management. The description used by these authors for psychopaths in the corporate world is "Snakes in Suits."

The researcher studied the ground-breaking research that defined the term "White-collar criminal" (Sutherland, 1947:9) together with "The Fraud Triangle" theory (Sutherland & Cressey, 1978:5). Touch-points between the original work of Sutherland and his subsequent collaboration with Cressey some thirty years later were that an individual learns criminal behaviour, whether through "interaction with other people or intimate personal groups," and that such behaviour is not "inherited."

According to available literature and still referring to the term "white-collar criminal" and the theory related to the "The Fraud Triangle," the researcher found that even 37 years later, these terms and theories were still deemed by Geis and Goff (1986:5) to be "pioneering" and relevant. Geis and Goff concluded that they were in agreement with Sutherland regarding white-collar crime being a "real crime." This was due to criticism at the time that it is incorrect to define white-collar crime as such, since such incidents were largely dealt with in an administrative manner and not in courts that dealt with criminal transgressions such as murder. With regard to the earlier research by Sutherland (1947:9-45), the biggest single difference of opinion of these authors (Geis & Goff) was that they found that more emphasis had to be placed on the prevalence of individual white-collar criminals and not so much on the "violations of corporations" that formed the basis for most of Sutherland's research. Geis and Meier (2013:5) continued to play a significant role in introducing these terms to the public and the professionals that investigate white-collar crime.

Based on the above, the researcher does not agree with recent, renewed harsh criticism of the research and theories of Cressey (1973:30), Sutherland (1947:9), and subsequently Geis and Goff (1986:5). The researcher believes that none of the

current critics provides any real alternatives or new, ground-breaking research in respect of the investigation of white-collar crimes.

Although extensive literature on profiling, or, what is alternatively referred to as "offender profiling" was studied, this research literature largely pertained to violent types of crimes and the profiling of murderers, serial killers and rapists. The researcher took note of suggestions, best practice, as well as criticism of profiling techniques, objectives, and uses mentioned in this regard, but it must be emphasised that only limited offender profiling literature was found that specifically referred to non-violent white-collar crime criminals, especially when staff (employees) commit this type of offence. Most of the profiling literature that focuses on the crime scene and analysis of such, unfortunately does not apply to the focus of this research, namely profiling of staff as potential white-collar crime perpetrators.

1.11.2   Personal experience

In addition to details of the above-mentioned literature topics listed, the researcher made use of personal experience gained in the short-term insurance industry. The researcher has been a team member of the in-house investigating unit at the current leading short-term insurer for the past thirteen years, and is currently responsible for the team conducting data-mining and providing analytics and intelligence assistance to the investigation team. The researcher previously worked as an internal auditor in a number of medium to large corporates in the South African financial services, retail and Fast-moving Consumer Goods (FMCG) industries. Besides a number of in-house completed training and leadership courses, the researcher has to date completed a National Diploma (ND) Internal Audit and a Bachelor Technology (BTech) Forensic Investigations, and is a qualified Certified Fraud Examiner (CFE). The researcher is currently enrolled at Unisa for the Master's Degree in Forensic Investigation.

1.12   DATA ANALYSIS

Leedy and Ormrod (2010:142) are of the opinion that data analysis commences as soon as the researcher uses "categories to classify the data." As the research progresses and more data is collected, there is often a constant "moving back and

forth between data collection and data analysis." Creswell (2009:183) adds that data analysis is when the researcher makes sense "out of text and image data."

Leedy and Ormrod (2010:153) mention and describe in detail the suggested steps in accordance with the "data analysis spiral" method of Creswell that includes the following four major steps, namely "organisation," "perusal," "classification" and "synthesis." The researcher agrees with the suggested steps described above in order to take the data analysis from the initial process of starting with the "raw data" and eventually achieving the desired end-result of a "final report." A description is given below of the processes and how the researcher incorporated the above-mentioned suggested steps.

1.12.1 Organisation

The researcher carried out a data enquiry, using the database in which the majority of the fields in respect of internal staff investigative matters are captured. The data collected by means of this query then formed the base data.

1.12.2 Perusal

During this step, the researcher obtained initial high-level insight into available data, and general observations or trends that may already have emerged. In addition, further specific data fields were identified that had to be obtained from the physical investigation files.

1.12.3 Classification

During this step, the researcher proceeded with "grouping" the available data into specific or data-theme categories. Further meaningful observations and trends were considered during this phase, including trends that may have emerged following the previous "perusal" phase.

1.12.4 Synthesis

This is the step that requires the researcher to present the "hypothesis" or "propositions," and includes the presentation of the "massaged" data in the form of graphs or "tables," "diagrams" and "hierarchies." As part of this step, the researcher

incorporated specific graphic displays with year-on-year comparisons of the period 2003 to 2016.

In addition to all the above, and more specifically in respect of the analysis of qualitative data, it is argued by Pope, Ziebland and Mays (2000:114) that, contrary to the general belief, when conducting qualitative research, a vast number of data will be produced. These authors elaborate more on "analytical processes" and "sampling strategies," and they have applicable suggestions about the use of computer software programs that can be used for qualitative data analysis. Pope, Ziebland and Mays (2000:116) defined the so-called "Five stages of data analysis," which include:

- Familiarisation
- Identifying a thematic framework
- Indexing
- Charting; and finally
- Mapping and interpretation

As part of this qualitative research, once all the relevant data had been collected in respect of the crucial fields as identified, the researcher commenced with further indexing and analysis. All the steps followed were documented. The results, once verified, and similar to the original internal "Profile of a Fraudster" exercise at the researcher's employer, were communicated in a report, accompanied by relevant graphs, interpretations and notes. Relevant themes, if any, that may have emerged as part of the research and further analysis, were included, especially in the case of any new or emerging trends evident from the annual analyses during the period 2003 to 2016.

1.13   TRUSTWORTHINESS OF THE STUDY

1.13.1   Methods to ensure validity

Leedy and Ormrod (2010:97) describe validity as the overall "accuracy, meaningfulness and credibility" of the research proposal. In addition, these authors distinguished between internal and external validity. These two concepts are described as follows:

- Internal validity: the degree to which the layout and information forming the basis of the research proposal ensure that the researcher will "draw accurate conclusions."

- External validity: the degree to which the results of the research can be applied to "situations beyond the study itself." In addition, Kumar (2011:184) comments that one must distinguish between the significance and value of validity and reliability, depending on whether a quantitative or qualitative approach is applied to the research. Kumar elaborates that specifically in qualitative research, there are four suggested factors that ensure "trustworthiness." The suggested factors to consider are: credibility; transferability; dependability; and conformability.

The researcher applied a qualitative approach throughout the research. Creswell (2009:191) states that validity can be seen as a strength when a qualitative approach is applied, and he explains that it is based on ensuring that the outcome of the research is deemed "accurate from the standpoint of the researcher or readers." Throughout this research, the researcher ensured as far as possible that the accuracy of the various available data as recorded and analysed, corresponded to the actual detail of the 326 investigative files pertaining to staff that had committed white-collar crime in the short-term insurance industry during the period 2003 to 2016. The researcher ensured throughout this research that the findings and interpretation of the data analyses were tested with other senior management in the Group Business Integrity Unit at the leading short-term insurer in South Africa.

1.13.2   Credibility

Credibility can be defined as how believable or "true" the results of the research are (Lincoln & Guba, 1985:285). These authors suggest a number of techniques that can be applied to ensure that the desired results are achieved. Creswell (2009:191) elaborates on these techniques and is of the opinion that in order to ensure accurate and credible findings, the steps listed in paragraphs 1.13.1.1 to 1.13.1.6 below are deemed to be of the outmost importance. This is a further detailed discussion of how the researcher incorporated these various techniques and steps:

1.13.2.1   Triangulate various data sources

This refers to the scrutinising of results from all the various data sources in order to combine the results into a logical explanation of the respective applicable themes. The researcher studied the results following from the enquiry on the electronic database where the majority of details from the various investigative staff matters are captured and from which regular reporting and statistics are drawn. Certain specifically required data fields were identified as missing, and these were subsequently obtained from the actual physical investigative file or from the Human Resources (HR) department, where the standard employee files contain additional detail. The combined data set, including all the various updated information that was obtained, was maintained and entered onto an Excel-sheet in support of this research.

1.13.2.2   Making use of member-checking

Although this technique is, most often applied for verification of the preciseness of results of a participant (since no interviews or completion of questionnaires formed part of this research), it is suggested that dedicated topics or results from the various case analyses be reviewed for accuracy and that comments and suggestions in this regard are welcomed from outside "members." From a member-checking perspective, the researcher made use of a dedicated data analyst who works with these investigative-type files and statistics on a regular basis, to ensure that from a perspective of logic there are no errors. In addition, another senior manager in the department, as well as the Head of the Business Integrity Unit, were often asked to be available in order to present and verify the results that were found during analyses of the available data. This approach also relates to the suggested technique further described below as "peer-debriefing."

1.13.2.3   Identifying potential researcher bias

It is suggested that this technique be applied by means of "self-reflection by the researcher," since Creswell (2009:192) is of the opinion that it is an indication of defined qualitative research when the researcher mentions how he/she interprets the various research findings influenced by the following factors: "culture, history, gender and socio economic origin." The researcher took cognisance of this and at all times strove to be aware of the presence of research bias, but believes the

easiest way to counteract it is by regularly presenting and discussing the findings with other senior colleagues, including management outside the department, and with colleagues in the South African short-term insurance industry.

1.13.2.4 Presenting negative or discrepant information

A suggested advantage of applying this technique is that it ensures that research findings are potentially more "realistic and hence valid" (Creswell, 2009:192) when the researcher provides feedback on contradictory findings as regards what may be widespread viewpoints. As described above, and linked to the importance of spending "prolonged time in the field" mentioned below, the researcher is of the opinion that since one learns new things every day, experience certainly helped. The data analysis versus actual investigative detail may subsequently result in revealing trends of findings not previously noticed. Such detail has been noted throughout this research. One such revelation that followed from the analysis of the 326 staff investigative files was that there were more female staff perpetrators than previously thought. Another significant finding was that the female staff perpetrators committed white-collar crime with a higher R-value than the male perpetrators. This contradicts the results reported in the various surveys to date, from the ACFE and the "Big 4" external audit firms. Where explanations for such new trends or findings were found, they have been incorporated, but further research may be needed before such findings can be fully explained.

1.13.2.5 Importance of spending prolonged time in the field

As more experience is gained while working in a specific industry or job (and the researcher provides feedback on this throughout the research) it may result in creating a more "real setting," and potentially adding to the accuracy and validity of findings (Creswell, 2009:192).

1.13.2.6 Incorporating peer debriefing

This technique enhances the "accuracy" of the research findings and entails involving "a peer debriefer," who performs the role of reviewing and challenging the approach and findings throughout the qualitative research.

The researcher has incorporated and applied the techniques described above during this research by means of constant feedback in respect of all relevant themes that may have emerged or been proven. Actual experience gained by the researcher during the past thirteen years in the investigation of white-collar crime in the South African short-term insurance industry has been incorporated throughout this research. Although no dedicated interviews have been conducted as part of this qualitative research, the accuracy of the research findings, themes and the various case analyses will be subject to constant review by co-workers who have completed Master's or Doctoral degrees, or who are seasoned speakers at conferences and regarded as experts in the investigation of white-collar crimes in the South African short-term insurance industry. Five (5) so-called peer debriefers have been selected and approached by the researcher to solicit their future assistance in order to provide continuous critical feedback and to challenge the findings or themes throughout this qualitative research, which was done.

1.13.3   Transferability

Transferability is described by Lincoln and Guba (1985:288) as the ability to demonstrate that research findings can be applied in "other contexts." Leedy and Ormrod (2010:97) give a very similar explanation, although they define it as "external validity," but then continue to emphasise the extent to which the research results have to be applicable to "situations beyond the study itself." Schurink, Fouché and De Vos (in De Vos et al., 2011:420) emphasise the further requirement that it is expected of the researcher to challenge the application of the research results from one exact situation to another.

As part of this research, the researcher collected data from actual staff investigative files to white-collar crime committed in the South African short-term insurance industry. All 326 files contain detail related to staff who have committed white-collar crime transgressions in the South African short-term insurance industry in the period between 2003 and 2016. These closed files were perused, and observations or findings were analysed and interpreted as part of this research. In addition, details from the staff investigative files in the form of quarterly statistics are continuously communicated within the larger organisation of the employer of the researcher, and are then circulated in the wider short-term insurance industry via

the ICB. The outcome of each staff investigative matter results in a number of actual additional actions. Such actions can be influenced, depending on whether they originate from an internal (inside the specific short-term insurance company) or external (when further civil or criminal action is instituted) source:

- Internal: Documented actions may be in the form of a disciplinary hearing, followed by relevant controls that have to be improved or rectified to prevent future similar investigations; or
- External: The documented actions may include criminal or civil litigation against the guilty staff member who has committed a white-collar crime.

The researcher is therefore of the opinion that in addition to the processes for data collection and data analysis that were followed and documented throughout this research, there are a number of independent platforms that could contribute to the corresponding verification and enhancement of the validity of this research. Regarding transferability, should the suggested processes for data collection and data analysis be followed and the required data fields be available for staff investigations, the researcher reasons that similar exercises can be successfully attempted for the potential profiling of white-collar crime perpetrators in the wider South African short-term insurance industry, and not only as it is currently, namely at the employer of the researcher.

1.13.4   Methods to ensure reliability

The reliability of a research proposal is described by Leedy and Ormrod (2010:29) as ensuring consistent similar results when using the same measuring instruments. Mouton and Marais (1996:79) have a similar view, but then elaborate on (4) four critical factors that may potentially impact on reliability when reporting on results obtained either through "observations," or from the data collected throughout the research. The four (4) variables to consider in respect of reliability are as follows:

- The researcher
- The participants - whether groups or individuals
- The measuring instruments being used

- The context and circumstances under which the research project is being performed

The researcher can confirm that all literature sourced, as well as all other sources of information pertaining to this research topic have been acknowledged throughout and are included in the list of references at the end of this document. Since a qualitative approach forms the basis of this research and no interviews have been conducted, it is necessary to elaborate on the importance of dependability and conformability.

1.13.5 Dependability

According to Golafshani (in Lincoln & Guba, 1985:290), the terms "validity and reliability" are required for quality purposes when conducting quantitative research. When conducting qualitative research, the following terms are deemed more applicable, namely:

- Conformability: also known as credibility or neutrality.
- Dependability: often referred to as consistency.

In addition, "applicability," alternatively known as "transferability," may apply, and it is explained that although "dependability" matches the concept of "reliability" in quantitative research closely (Lincoln & Guba, 1985:300), it must be emphasised that "both process and product of the research" must at all times be examined or audited, and that in terms of reliability in qualitative research, "trustworthiness is crucial."

As part of this research, actual, available staff matters that had been investigated during the period between 2003 and 2016 at the largest South African short-term insurer were analysed. These staff investigative matters totalled 326 files, specifically of white-collar crime in the South African short-term insurance industry, and subsequently formed the base set of data for this research. A standard format, defining sections and related documentation, was used to file staff investigative detail in the hard-copy files, and a similar logic was applied when the most crucial data fields were captured in the electronic database. A further continuous quality review process formed part of the investigative methodology at the employer of the

researcher. The latter is therefore of the opinion that "dependability," also known as "consistency," can be proven as part of this research study on the profiling of staff who commit white-collar crime in the South African short-term insurance industry.

1.13.6   Conformability

Kumar (2011:185) describes conformability as being possible only when researchers follow identical processes and the subsequent results are compared. In addition and specifically with reference to conformability Levy (2009:383) states that the results from qualitative research are often criticised by academics or the trustworthiness of such research is questioned. Levy (2009:383) is, however, of the opinion that trustworthiness from a qualitative research perspective can easily be addressed if the following concepts can all be "assessed." The suggested concepts to take into account in order to ensure trustworthiness are as follows: credibility; dependability; and conformability.

More specifically applicable to enhancing the trustworthiness of qualitative research are the suggestions from Levy (in Carson, Gilmore, Perry & Gronhaug, 2001:213) and these particular suggested considerations are the following:

- The interpretation and examination of all appropriate literature in a careful manner.
- Justification and reasons for the qualitative research methods being used.
- Data analysis interpretation must provide for "full and descriptive evaluation and assessment."

Throughout this research, the researcher has documented all the steps applicable to the collection and subsequent analysis of the data obtained from the actual staff investigative matters. The crucial fields identified remained constant throughout this research. These fields were not a mere random selection, but are in line with a number of local and international surveys that were completed by renowned and trusted entities such as the following, dating back to 2007, when reporting on the so-called "Profile of a Fraudster."

- Klynfeld Peat Marwick Goerdeler (KMPG)
- PricewaterhouseCoopers (PwC)

- Ernst & Young (EY)

- Deloitte

- Kroll Incorporated (KROLL)

- Association of Certified Fraud Examiners (ACFE)

This is not the first in-house attempt made at the employer of the researcher and leading short-term insurer (PricewaterhouseCoopers, 2015:22) to analyse these data fields by profiling internal white-collar crime perpetrators, namely staff, therefore findings from a previous, similar exercise were documented and are considered part of this research. The researcher is therefore of the opinion that requirements and guidelines for conformability have been met, since it will be possible for other researchers to follow similar steps, should they have similar data available from staff investigative matters.

1.14   ETHICAL CONSIDERATIONS

Babbie (2007:62) stated that the most important principles to consider from an ethical review perspective when compiling a research proposal are the following:

- Voluntary participation

- No harm to the participants

- Anonymity

- Confidentiality

- No deception

Since a qualitative approach and content analysis have formed the basis of this research, it is explained by Orb, Eisenhauer and Wynanden (2000:93-94) that although ethical issues form part of any type of research, such principles are not very clear when conducting qualitative research. It is emphasised by Orb, Eisenhauer and Wynanden (2000:94) that even the research method and type of data collection decided on could create ethical issues. Similar to Babbie (2007:62), the authors Orb, Eisenhauer and Wynanden (2000:94) highlight the importance of "confidentiality" and "anonymity," but elaborate that since qualitative research requires conformability, this means that all activities that formed part of the research have to be documented in order to create a future "audit trail for other researchers."

Ethical codes and guidelines are mentioned but are believed by Babbie (2007:67), together with Orb, Eisenhauer and Wynanden (2000:93-94), to not have all the answers to ethical issues that may be encountered when conducting qualitative research. They suggest that in addition to strict adherence to ethical codes, it is most important that all ethical issues encountered when conducting qualitative research must be documented, since this will simplify future analysis, and subsequently assist or provide guidance for other researchers to not make similar mistakes.

From a professional Code of Ethics perspective, the researcher subscribed to and was under obligation to comply with, the following:

- Santam code of conduct
- SAIA code of conduct
- Being a CFE (certified fraud examiner), to the ACFE code of ethics

In addition, the researcher adhered to Unisa's Code of Ethics for Researchers, as described in the Policy on Research Ethics (University of South Africa, 2007:1-17). The latter has been incorporated in order to ensure "overall improvement of governance" at Unisa. This policy applies to everyone forming part of the extended Unisa community, which includes all relevant stakeholders, lecturers, alumni and also students. The code provides additional guidelines on all values and expected conduct in respect of the following:

- Integrity
- Accountability
- Excellence
- Academic freedom
- Intellectual property

On 31 January 2017, the researcher was granted approval by the Unisa Ethics Committee to proceed with this research. The approval letter is attached as Annexure B. The researcher at all times acknowledged all information and literature or data sources that were consulted in compiling this research. Throughout this

research, the researcher paid meticulous attention to all the steps and methods as suggested, specifically for collection and analysis of data, as described by Orb, Eisenhauer and Wynanden (2000:93), whether specifically pertaining to documentation or ethical issues encountered during this research. The researcher on 11 January 2018 submitted this research to Turnitin for the required originality comparison. The digital receipt as proof of this submission is attached as Annexure C.

1.15   CHAPTER LAYOUT

The two research questions indicated earlier are elaborated on in the following structured and logical way:

Chapter 1: General orientation

The focus of this chapter is on the overall, general structure and layout of this research proposal. This chapter includes coverage of the research problem, the aim and purpose of the research. In addition, dedicated focus is directed in particular at the various research objectives, the key concepts, as well as the defined research questions that formed the basis of this research. This chapter also includes discussions of the methods and techniques that were followed regarding research approach and design, population and sampling, as well as data collection processes, including the various requirements to ensure trustworthiness from both a validity and reliability perspective. Towards the final part of this chapter, dedicated consideration is given to ethical considerations when conducting research.

Chapter 2: An analysis of what profiling entails

The nature and objectives of a criminal investigation were discussed during the first part of this chapter. Thereafter, the characteristics of profiling, as well as specific white-collar crime identifiers were discussed. A brief synopsis of the fraud triangle and red flags applicable to white-collar crime behavioural analysis were the further focus of this chapter.

Chapter 3: An assessment of the steps to profile white-collar crime perpetrators in the short-term insurance industry

A discussion of the South African short-term insurance industry and the prevalence of white-collar crime formed part of the introduction to this chapter. A critical

assessment of the process of profiling and best practices followed. This chapter further focused on the suggested processes to adhere to when profiling staff who commit white-collar crime.

Chapter 4: Findings, recommendations and conclusion

The findings, recommendations and subsequent conclusion in reference to this research were covered in this chapter.

CHAPTER 2

AN ANALYSIS OF WHAT PROFILING ENTAILS

2.1 INTRODUCTION

> Employee fraud has become a national epidemic. White-collar crime is estimated to cost the South African economy billions per annum and no industry or business sector can claim to be immune to it. It has, therefore, never been more important than now for companies to be vigilant in preventing fraud (Anton Meyer, Executive Head, SHA Specialist Underwriters, 2015:1).

Year after year, the various local and international published fraud surveys by the "Big 4" audit firms, namely Deloitte, EY, KPMG and PwC, as well as similar survey results from the ACFE and Kroll Inc. report widely on the growing trend that has become known as the "insider threat." This trend relates to the actual occurrence of misconduct by staff members. According to a Kroll Inc. survey report, the prevalence of the "insider threat" has increased proportionally over the years, i.e. from 55% in 2010 to a staggering 81% in 2015 (Kroll Inc., 2015:9). Therefore, more than ever, the need for dedicated proactive white-collar crime-fighting initiatives instead of merely investigating misconduct is supported, and this includes transgressions in the white-collar crime category. The profiling of staff as white-collar crime perpetrators is one of many suggested proactive initiatives that companies could potentially implement, and the researcher will elaborate more on this topic throughout this research.

In this chapter, the researcher attempted to answer the research question, i.e. "What does profiling entail?" as reflected in paragraph 1.6 of Chapter 1 of this research. Included in this exploration is the journey to gain a better understanding of profiling. A high-level discussion of historic milestones in the development of criminal profiling followed, and certain specific qualities that a successful criminal profiler need were explained. The categories to be considered when profiling white-collar crime perpetrators were discussed in more detail in this chapter. A brief synopsis of "The Fraud Triangle" followed.

A suggested practical application of this psychological process, through the interconnection to typical red flags that could be considered when conducting a white-collar crime behavioural analysis, was the focus of the last part of this chapter.

The researcher is conscious of the fact that the vast majority of South African insurance-specific publications, investigative journalism and media coverage in all forms, i.e. print, television, internet and social media, most often focus on insurance white-collar crime incidents, with the insurer as the transgressor. Alternatively, there are reports on dishonest behaviour by policyholders or brokers, therefore the researcher chose to focus on staff as potential white-collar perpetrators. The systemic prevalence and impact of staff committing white-collar crime have to be better understood and reported on in more depth, instead of being mentioned in the occasional article when a staff member has been found guilty and sentenced, following the eventual completion of criminal prosecution. Once such example include a detailed article with input from a number of South African short-term insurers pertaining to the extent of insurance fraud, with coverage given to losses suffered largely through the practise of policy holders and touching on the category of "N/R's" (no relationship) with examples based on the following scenario's only – fraudulent claims, inflated claims or "*claims padding*" and syndicates exploring weaknesses in the systems of insurers, with no mentioning of staff as potential perpetrators (Justmoney, 2017:1).

2.2   NATURE AND OBJECTIVES OF INVESTIGATION

According to Van der Walt, Cronjé and Smit (1985:24), a crime is defined as "conduct which common or statute law prohibits expressly or implied subjects to punishment remissible by the state alone and which the offender cannot avoid by his own act once he has been convicted." These authors elaborate on the fact that criminal law and related investigations from a South African perspective are based on the "substantive law" and "law of evidence." Substantive law refers mainly to "principles of law according to which criminal liability i.e. guilt or innocence is determined," whereas the law of evidence part refers to "the related procedures used to decide criminal liability and theories of punishment."

2.2.1   Meaning of criminal investigation

Bennett and Hess (2007:29) explained a criminal investigation as "the process of discovering, collecting, preparing, identifying and presenting evidence to determine what happened and who is responsible." These authors also elaborate on suggested steps and requirements, should a preliminary investigation be needed (Bennet & Hess, 2007:272), and advise that the criteria listed below could be used for measuring the success of an investigation. The criteria are defined as follows:

- Following a logical sequence.
- Ensuring that all physical evidence is obtained in a legally sound manner.
- Ensuring that all witnesses are effectively interviewed.
- Ensuring that all suspects are interrogated in an effective and legally sound manner.
- All details of the investigation are recorded accurately, completely and reported on.

Benson, Jones and Horne (in Zinn & Dintwe, 2015:18) instead describe a criminal investigation as:

> … a systematic, organised, thinking, reasoning examination and analysis process designed to search for the truth, during which an inquiry and thorough analysis is [are]conducted of all types of crimes or unlawful acts.

2.2.2   Typical objectives of a criminal investigation

In reference to the objectives of a criminal investigation, Becker and Dutelle (2013:18) agree with Bennett and Hess (2007:35) on the criteria stated below, and also address the belief that all crimes can and will be solved, or that even when the perpetrator is identified, it may still not ensure that the investigation is successful. Becker and Dutelle (2013:18), in agreement with Bennett and Hess (2007:35), define the objectives of a criminal investigation as the following:

- Crime detection, including identifying the type of crime.
- Suspects to be identified and located.
- Evidence related to the investigation to be located, recorded and processed in a legally sound manner.

- Dedicated preparation prior to the trial and ensuring that complete and accurate, related documentation is included.

- Obtain a conviction by testifying in a court of law and assist with the presentation of related evidence.

The purpose of a typical criminal investigation is stated by Benson, Jones and Horne (in Zinn & Dintwe, 2015:18) as being to "legally gather information and evidence involving traditional methods guided by the Criminal Procedure Act," with the aim to:

- Reconstruct a crime scene
- Identify the perpetrator
- Discover, identify and collect objective and subjective information and evidence
- Establish whether a crime has been committed
- Determine what happened and who was responsible
- Find a positive solution to the crime
- Prepare a case for prosecution
- Bring a case before a court of law
- Ensure a successful prosecution

Although the researcher finds the definition of a criminal investigation as stated by Benson, Jones and Horne (2015:19) more specific and applicable to white-collar crime types of investigations, including staff investigative matters in the South African short-term insurance industry, the requirement to "reconstruct a crime scene" very seldom, if ever, forms part of a typical white-collar crime staff investigative matter, since staff members these days make use of roaming desks or work remotely, and in the majority of instances use some form of technology to commit the related acts of misconduct. All these factors make the reconstruction of a crime scene quite impractical, if not impossible.

2.2.3 Defining forensic investigation versus forensic accounting investigation

Golden, Skalak and Clayton (2006:111) are of the opinion that a forensic investigation follows when there is an increased cause for concern regarding [1]malpractice that may have occurred. Instead, a forensic accounting investigation mainly refers to the two classifications of financial fraud pertaining to "fraudulent accounting and reporting," and the "missapropriation of assets" (Golden, Skalak & Clayton, 2006:110). It is, however, stressed that a forensic accounting investigation does not include providing "an opinion of financial statements as a whole," but instead pertains to a forensic audit.

The financial statements as part of a forensic accounting investigation will, however, be scrutinised in relation to specific transactions, individuals or sections of a business to assess whether there are any potential irregularities that may require further action. In contrast to the definition of Golden, Skalak and Clayton (2006:111), it is the opinion of Benson, Jones and Horne (2015:19-20) that a forensic investigation should rather be defined as:

> … an in-depth, meticulous investigation, searching for the truth through the use of specialised skills and expert knowledge, and the application of scientific investigation methods and techniques, in order to lawfully discover, collect, prepare, identify and present evidence which can be presented to a court of law, disciplinary council, instructing client or company.

2.2.4 Typical objectives of a forensic investigation

The aim of a forensic investigation, according to Golden, Skalak and Clayton (2006:111) should be the discovery of "evidence that maybe[may be] instructive as to the intent of those participating in the irregularity or the subsequent determination that no wrongdoing has occurred." It is furthermore emphasised by Golden, Skalak and Clayton (2006:433-435) that the type of evidence that one must collect as part of a forensic investigation differs, depending on the nature and focus of the

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[1] Improper, illegal or negligent professional behaviour

investigation, and the authors suggest that the following type of investigations will have the most significant influence on these two factors:

- Vendor-related
- Improper third-party-related activity
- Employee investigations
- Financial statement errors
- Violations of specific legislation

Additional guidance is provided on collecting and safeguarding of documents, ensuring a complete chain of evidence in support of the facts that have been obtained, as well as ensuring credibility and completeness of the working papers that formed part of the forensic investigation (Golden, Skalak & Clayton, 2006:435-438). Differing from the definition of Golden, Skalak and Clayton (2006:111), Benson, Jones and Horne (in Zinn & Dintwe, 2015:18) assert that the main objective of a forensic investigation is to find a "positive solution to a crime or transgression" by means of the factors listed below:

- Reconstruct a scene or incident.
- Identify the perpetrator.
- Discover, identify and collect objective and subjective information and evidence.
- Establish whether a crime and/or irregular conduct has been committed and/or confirm an allegation.
- Determine what happened and who is responsible.
- Find a positive solution to the crime or incident.
- Prepare a case for prosecution.
- Bring a case before a court of law or presiding authority.
- Ensure a successful prosecution.
- Institute criminal, civil, administrative or disciplinary proceedings.
- Apply scientific knowlegde to a legal problem.
- Methodically and systematically analyse evidence for the purpose of finding proof of and establishing financial transactions.
- Identify motive and intent.
- Examine and analyse documentation and financial records.

- Prepare evidence that will stand the scrutiny of the presiding authority.
- Trace and recover stolen property or misappropriated assets.

A further discussion focusing on the differences between a criminal and forensic investigation follows in paragraph 2.2.5.

2.2.5   Differences between a criminal and forensic investigation

In the definitions and explanations furnished by Bennett and Hess (2007:29), Golden, Skalak and Clayton (2006:111), as well as Benson, Jones and Horne (in Zinn & Dintwe, 2015:18), all these authors mention a detailed process that includes actions such as discovering, collecting, preserving and presenting evidence as a common theme. They further mention establishing how the crime was committed and who was responsible, in order to ensure that a valid case suitable for prosecution is presented, resulting in a successful outcome. The significant differences between a criminal investigation and a forensic investigation pertain to the following factors:

- Establish and confirm the detail received as part of the allegation.
- In addition or instead of a case being presented to a court of a law, it may be presented to other structures of presiding authority, and may include alternative actions such as disciplinary hearings, and administrative or civil procedures, instead of criminal prosecution only.
- A different approach and methods of collecting evidence may be required for forensic investigative matters pertaining to legal scenarios or financial transactions and related records.
- Ensure that appropriate action is taken to ensure the subsequent recovery of stolen property or misappropriated assets.

Pertaining to the related definitions and explanations of what a criminal and forensic investigation entails, including the most significant differences, discussion of a potential investigative methodology is the focus of paragraph 2.2.6.

2.2.6 Suggested steps to include when conducting a forensic investigation, also known as investigative methodology

Upon further analysis of the overall parent population and qualitative data, the researcher found that the largest short-term insurer in South Africa applied a high-level investigative methodology that included these crucial six (6) steps:

- Step 1: The allegation is received via any one of various reporting channels.
- Step 2: A project or investigative matter is subsequently registered.
- Step 3: A dedicated investigator is assigned to handle the forensic investigation.
- Step 4: Depending on the outcome of the investigation and the evidence found, final feedback and recommendations are provided.
- Step 5: Following the finalisation of the forensic investigation and based on the recommendations made, a disciplinary hearing will be scheduled if it is a staff matter.
- Step 6: Based on the evidence and outcome of the forensic investigation and depending on the type of offence, additional civil and/or criminal prosecution could follow.

The above-listed high-level steps forming the basis of a forensic investigative methodology are displayed in Figure 2.1 below:

Figure 2.1: Schematic explanation of the investigative methodology followed at the largest South African short-term insurer

(Source: SANTAM Forensic Services, 2010:1)

The researcher furthermore found that a typical South African short-term insurance investigation, emanating from the high-level process and the six (6) steps described above, most often includes the additional investigative actions detailed below, in order to adhere to the overall investigative methodology:

- An allegation communicated to a number of reporting channels reaches the investigative unit, which could be in-house or outsourced at a South African short-term insurer.

- The various types of reporting channels could be any of the following or even a combination – e.g. in person, by e-mail, telephone call, fax, or even a traditional letter in the mail, or via modern technology such as a Short Message Service (SMS), BlackBerry Message (BBM), or Whatsapp.

- Due to the industry-wide collaboration in the short-term insurance industry, allegations could reach a short-term insurer via the ICB.

- The allegation might be recorded in some way or another, whether informally on a spreadsheet, but more often, similar to the process followed at the employer of the researcher, in an electronic database.

- Capture of the information received in the allegation subsequently results in a consecutive case or project number being assigned. If the capture is submitted to an electronic database, a reference or case number is automatically generated, or could be assigned electronically.

- Once the case or project number has been assigned to an individual, the assigned investigator conducts his or her investigation in relation to the detail and information as received.

- The assigned investigator could be employed either in the forensic or investigative unit or department, or could be fulfilling a similar role as part of an outsourced investigative entity.

- The investigative methodology applied may vary slightly among the various short-term insurers, but as a minimum they will agree to incorporate standard investigative techniques such as interviewing, evidence collection, background checks, document searches, financial analysis and, in recent years, the increased use of digital analysis.

- Upon completion of the investigation and where an element of criminal conduct can be proved, a criminal case is registered at the appropriate SAPS branch.

- Once the criminal case has been registered, the short-term insurance investigative matter, initially handled by the in-house investigator, assessor, or other dedicated outsourced investigator, is taken over by the SAPS investigating officer or other assigned resource(s).

- Depending on the nature and amount (R-value) of the criminal investigative matter, the SAPS station could immediately assign the criminal case to a specialised branch, e.g. Commercial Crime, in order to ensure a faster and more focused investigation.

The various individuals performing the role of investigator (short-term insurance industry or SAPS) and the prosecutor eventually meet in a court of law, where the prosecutor assists with preparing the case against the defendant. There may be pre- and/or follow-up meetings where the various parties meet.

Based on the above discoveries, following the analysis of the base data set of 326 staff investigative matters covering the period 2003 to 2016, the researcher is of the opinion that should other South African short-term insurers contemplate profiling of staff as potential white-collar criminal perpetrators, the initial, most important considerations, would have to be:

- Whether an investigative methodology is in place;
- Assessing to what degree such methodology is being adhered to; or alternatively
- Understanding the specific reasons for non-compliance with such a methodology, if it is indeed already in place.

The absence of a dedicated investigative metholodogy being followed consistently in all staff investigative matters may subsequently result in the following shortcomings from the perspective of a potential white-collar crime profiling perpetrator:

- Inconsistent data fields being available across the various investigative matters.
- Year-on-year specific comparisons of the suggested categories may not be possible, due to the lack of consistent and complete data field information.
- Specific new or emerging trends may not be noticable, due to missing comparative data fields in all the various suggested categories.

Following from the detail provided as to what a criminal versus forensic investigation entails, and the suggested importance of implementing and ensuring adherence to an investigative methodology, a further discussion about criminal profiling follows in the next section.

2.3   CRIMINAL PROFILING

The exact origin of the concept of criminal profiling has to date not been established, but it is widely attributed to James Brussel, an American psychiatrist and criminologist. Brussel is believed to be the first individual to receive public acknowledgement in 1956, when he profiled the "Mad Bomber of New York" (Labuschagne, 2015:286). The Federal Bureau of Investigation (FBI) was the first law enforcement agency to have dedicated employees operating in the capacity of performing criminal profiling and being employed in the so-called "Behavioral

Science Unit" (Labuschagne, 2015:286). Criminal profiling is also known as "offender profiling, criminal personality profiling, crime scene profiling, behavioural and psychological profiling," while the individual responsible for collating the profile is known as the "profiler" (Labuschagne, 2015:283).

2.3.1   Defining profiling

Geberth (1996:6) described profiling as:

> … an educated attempt to provide investigative agencies with specific information as to the type of individual who could have committed a certain crime. It can be a valuable tool in identifying and pinpointing suspects, however it must be noted that the profile has its limitation. It should be utilized with sound investigative techniques.

Labuschagne (2003:67) has a different opinion and instead explains profiling as "any activity specifically undertaken with the intent of assisting an investigator to determine the most likely type of individual to have committed a specific crime." It is in addition stated by Labuschagne (2003:68-70) that profiling also entails forming a theory about the potential suspect, thereafter verbally and in writing communicating this theory to an investigator to ensure that the investigation concentrates on the suspect.

2.3.2   Definition of criminal profiling

The term "criminal profiling" is explained by Mokros and Alison (2000:25) as "the process of predicting the characteristics of an offender based on information available at the crime scene." They also assert that "decisions about the likely socio-demographic characteristics of that person are made on the basis of behaviour." Turvey (2008:3), referring to a historic instance (refer to paragraph 2.3.3) emphasises that there is often an awkward connection or link between "criminal profiling, politics, religion and prejudice" that has to be taken into account at all times. Turvey (2008:4) also emphasises that "we cannot ignore this part of criminal profiling history. It must be studied. We must learn its lessons to better avoid becoming its victims."

2.3.3   Evolvement of criminal profiling

Turvey (2008:3) states that the first known, recorded use of criminal profiling dates back to the time of "the Roman Empire, Caligula." An incident known as "blood libel," dating back to the time of the Roman Empire, Caligula, is deemed the first recorded use of offender profiling (Turvey, 2008:3). The definition of "blood libel" is as follows: "being a false accusation or ritual killing made against one or more persons, typically of Jewish faith" (Turvey, 2008:3), and an example of how offender profiling can be biased towards certain religious groups, and an element to guard against when conducting profiling.

Other scenarios beside religion may include prejudice towards a certain race, political belief or sexual orientation. In regards to profiling, Eaton and Korach (2015:2) explain that the FBI had formalised the use of the term "profiling" with the establishment of their "Behavioural Analysis Unit" in 1974, and ever since has gone to great lengths to formalise and incorporate procedural documents. It developed dedicated training guidelines in later years. Although most of the literature mentions the influence of and development by the FBI towards the science of "profiling," the founding father of modern criminal profiling is Dr. Johann (Hans) Baptist Gustav Gross (Williams, 2015:10). As regards the objectives of profiling, Holmes and Holmes (1996:156) explain that there are three (3) main objectives, namely:

- Social and psychological assessment of the offender.
- A psychological evaluation of possessions found in the possession of suspected offenders.
- Consultation with law enforcement officials on the best strategies that might be employed when interviewing suspects.

Padgett (2015:67) concurs with Turvey (2008:13) that criminal profiling could also be referred to by using the following additional terms:

- Behavioural profiling
- Crime scene profiling
- Criminal personality profiling
- Offender profiling

- Psychological profiling
- Criminal investigative analysis
- Investigative psychology – a more recent term

The researcher found that, for the purpose of this research, the definition of criminal profiling, including the alternative terms of behavioural profiling, crime scene profiling, criminal personality profiling, offender profiling, and psychological profiling, focused too much on violent crime instead of white-collar crime, with considerable emphasis on analysis of the crime scene. The alternative terms of criminal investigative analysis and investigative psychology were found to be more applicable to this research, and a further discussion of investigative psychology forms part of paragraph 2.3.4.

2.3.4 High-level background of investigative psychology

The term that became known as "investigative psychology" can be attributed to the research by Canter, dating back to 1984 (Turvey, 2008:34). Canter (2000:3) described investigative psychology as "to bring together the contributions that psychology can make to the investigation of all forms of criminal behaviour through the psychological and social scientific analysis of the actions of offenders as well as the investigative strategies and legal processes." Based on the research regarding the principles of investigative psychology, two (2) software technology products have even been developed to date:

- "Dragnet," a "geographical offender profiling tool."
- A geographical decision-support system (informally referred to as the Huddersfield system) used by the London Metropolitan Police. The system contributes by "prioritizing likely perpetrators" that are already known because of their records, or are linked to previous investigations, as well as "linking a series of offences to a common offender."

Canter (2000:9) strongly advocates the general belief that by using "real-world data" in research, the results subsequently have real benefits, and in the process enable the researcher to develop a unique research style. This author (Canter, 2000:9) is of the opinion that research style can be described as each researcher having a "preferred style of doing research," and when actual data, defined as "real-world

data" by Canter, are obtained from sources such as "police investigations and court cases or crime scenes it does not exist in a form amenable to the average researcher." Challenges in this regard, described from a research perspective, can however, be counteracted by means of the application of the "Investigative Psychology meta-method" (Canter, 2000:10). The "three key stages" to be followed as part of this method to address the potential challenges if the research data are sourced from the sources defined by Canter (2000:10), are as follows:

- Data-harvesting
- Data-driven content analysis
- Qualitative structured analysis

As Canter (2000:3-10) continued to define his research, a fourth key stage was later developed, and became known as "Models of Human Action and Experience." In addition to the above research, Canter (2009:251) subsequently collaborated with Youngs (2009:251), and together they developed a number of "narrative descriptive psychological frameworks," known as the "four styles of offending" namely:

- The Romantic Quest Narrative: This is when an offender views him-/herself as "powerful" and disregards the relative impact on "other individuals and their actions."
- The Tragedy Narrative: In this instance, the offender feels instead that his/her destiny is "pushed by the fates," and this individual is not bothered by the potential impact on other individuals.
- The Adventure Narrative: This offender pretends very much to be "professional" while enjoying the "power," and regards other individuals as very much "irrelevant."
- The Irony Narrative: The offender views him-/herself as a "victim," being more or less powerless, and may feel estranged from other individuals, while at the same time still regarding them as worthy of attention.

Since profiling and criminal profiling have been defined, and a basic understanding of investigative psychology has been acquired, the focal point in the next discussion will be specifically on criminal profiling and the suggested offender characteristics that must be considered.

2.3.5   Criminal profiling and offender characteristics

Mokros and Alison (2000:30) differ from Canter and Youngs (2009:251), and are of the opinion that, from a criminal profiling perspective, the focus has to be specifically on "socio-demographic" aspects only, instead of the various defined narratives. Mokros and Alison (2000:30), in their selected sample that refers to rape offenders from actual police files, categorise the various offenders as per the distinctive attributes listed below:

- Age at the time of the offence
- Ethnicity
- Employment situation (i.e. whether employed or unemployed)
- Labour type (i.e. whether skilled or unskilled)
- Educational level
- Qualifications
- Whether the offender lives with someone or alone
- Marital status
- Imprisonment or detention prior to the index[indexed] rape offence
- Criminal record

Similar to Mokros and Alison (2000:30), but quite a number of years earlier, the authors Romney, Albrecht and Cherrington (1980:51-54), following a comparison and analysis of 49 white-collar criminals to prisoners, provide feedback in the form of specific categories. The categories and their influence on the decision of the offenders to eventually commit or re-commit their crimes, reflected in the research of Romney, Albrecht and Cherrington (1980:51-54), were as follows:

- Length and severity of sentences
- Marital status
- Gender
- Education
- Substance abuse – including the presence or lack of this
- Being religious or not

Although the researcher is very much interested in the research by Canter (2000:3-10) in respect of his theory about "Investigative Psychology" and on how to overcome potential challenges when working with "real-world data," Canter's suggested categories were subsequently found by the researcher to be less applicable. Following the analysis of the base set data of 326 investigative files covering the period 2003 to 2016, the eventual attributes as defined for specific categories were more aligned with the research applied by Mokros and Alison (2000:30), as well as with that of Romney, Albrecht and Cherrington (1980:51-54). The categories defined by the researcher as part of the detailed analysis of the base set data were as follows:

- Age of the white-collar crime perpetrator at the time of the offence.
- Gender.
- Race (due to sensitivity and potential ethical concerns that may arise in this regard, the results of the analysis of this aspect were not reported on as part of the research).
- Marital status at the time of the offence.
- Highest qualification at the time of the offence.
- Years of service at the short-term insurer at the time of the offence.
- Job grade (level in the organisation) of the white-collar crime perpetrator at the time of the offence.
- The average time it took for the misconduct to be discovered or allegations to be reported.
- Method or relevant reporting channel through which the allegation was received.
- Type of misconduct committed by the perpetrator.
- The department or Business Unit (BU) that the perpetrator was employed in at the time.
- Region (this indicator was used mainly to ensure that non-South African staff matters are excluded, due to the focus of this research).
- Actual R-value of the misconduct at the time.
- Suitable action taken against the perpetrator following the finalisation of the investigation (i.e. internally in the form of a disciplinary hearing, and externally by registering a criminal case or instituting civil action etc.).

The researcher will present an in-depth discussion in paragraphs 2.3.5.1 to 2.3.5.1.16, pertaining to the results based on the incorporation of the suggested crucial categories and attributes. These results are in reference to an exercise on the profiling of known white-collar crime perpetrators that was carried out at the employer of the researcher. The results and findings could benefit the profiler when attempting to conduct profiling of potential internal white-collar crime perpetrators in the larger South African short-term insurance industry.

2.3.5.1   Results regarding the categories and analysis of the base data set

The most significant results found in each of the defined categories are presented below. These results followed from the initial capture of defined data obtained from the closed investigative internal staff matters at the largest South African short-term insurer, covering the period 2003 until 2016. The further analysis and subsequent interpretation of the related output are reported on in respect of age, gender, marital status, highest qualification, years of service, previous employer, type of misconduct, the monetary value, and outcome of the disciplinary hearing as well as the SAPS criminal matter.

2.3.5.1.1   Age of the internal white-collar crime perpetrator

An analysis of the base data set of 326 staff-related investigative files found the age of the internal white-collar crime perpetrator to be mostly in the age group of 30 to 39 years. The overall age detail is displayed in graphic format in Figure 2.2 below. This outcome in respect of the typical age of the white-collar criminal at a South African short-term insurance corresponds to the survey results of especially the ACFE (2012) and PwC (2016). A detailed discussion of the "Profile of a Fraudster" survey results can be found in paragraph 3.6 of this research.
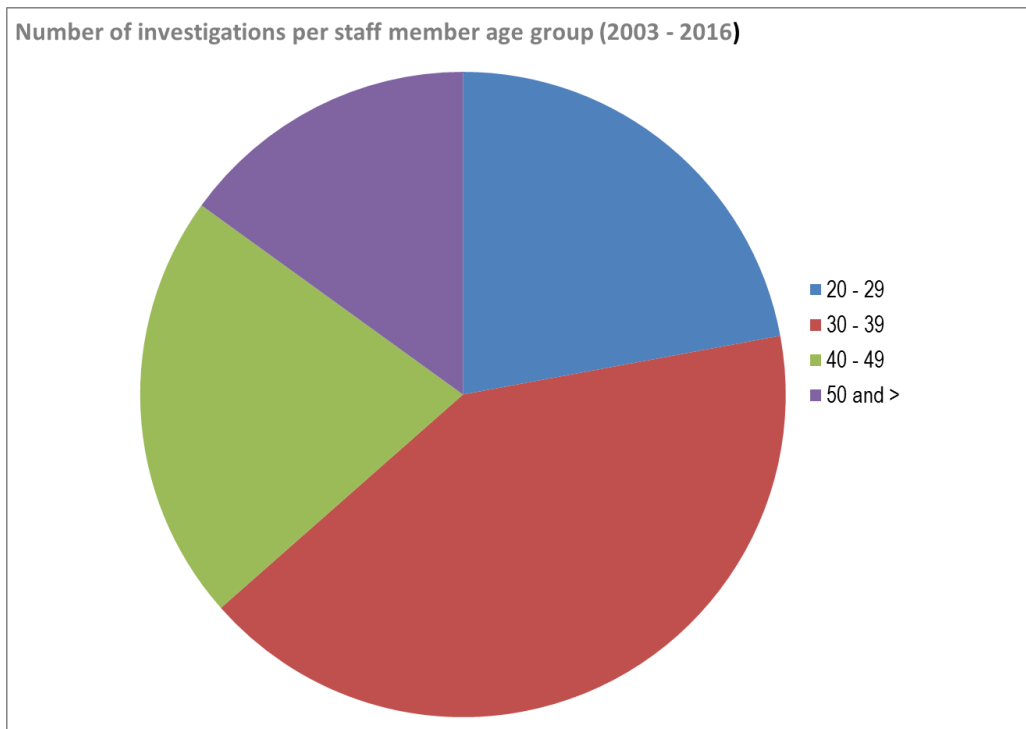
Figure 2.2: **Staff investigative matters per age group**

(Source: Santam profile of a fraudster (2016) compiled by the researcher)

2.3.5.1.2 **Gender of the internal white-collar crime perpetrator**

With regards to the gender of the most likely, potential internal white-collar crime perpetrator in the South African short-term insurance industry, it was found that men are more likely to commit misconduct. According to the thirteen-year review period pertaining to the parent population, it was found that in 62,5% of the staff-related investigative matters, men where the white-collar crime perpetrators. This agrees with the survey results pertaining to a "Profile of a Fraudster," as discussed in paragraph 3.6. Specifically referring to the gender profile of a typical white-collar crime perpetrator in the South African short-term insurance industry, the researcher would like to highlight the outcome of the R-value and case-by-case comparison, due to the spike in the number of female staff members committing misconduct between 2008 and 2013. Females commit white-collar crime that involves a higher single amount than their male counterparts. A further detailed year-on-year analysis covering the period 2003 until 2016 can be viewed in Figure 2.3 below.

Total staff investigative matters per gender per year (2003 - 2016)
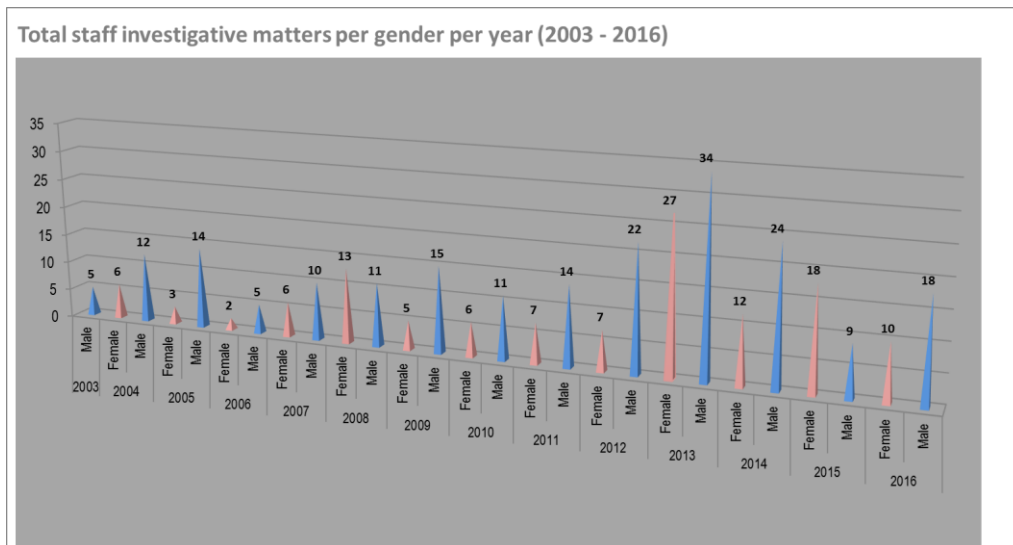
Figure 2.3: **Staff investigative matters per gender, year-on-year comparison**
(Source: Santam profile of a fraudster (2016) compiled by the researcher)

2.3.5.1.3 Marital status of the internal white-collar crime perpetrator at the time of the offence

From a marital status perspective, a further analysis of the parent population, consisting of closed staff-related investigative matters, covering the period 2003 until 2016, revealed that married staff are most likely to commit misconduct, including white-collar crime offences. This outcome was in contrast to the general belief that single (or divorced/widowed) females were more likely to commit crime, as they are more prone to experiencing increased pressure related to the fundamentals of "The Fraud Triangle," especially financial pressure, since they often have to provide for the children and the majority of the household expenses. Marital status is not a category typically included and reported on in the "Profile of a Fraudster" survey results, as will be noted in the discussion in paragraph 3.6. The researcher has always been interested in understanding whether the phenomenon of single or divorced/widowed females committing white-collar crime with the highest R-value on a case-by-case basis in comparison to their male counterparts is unique to the employer of the researcher or is in fact experienced by other insurers and financial institutions as well. The overall marital status analysis at the time of the offence is demonstrated in Figure 2.4 below.
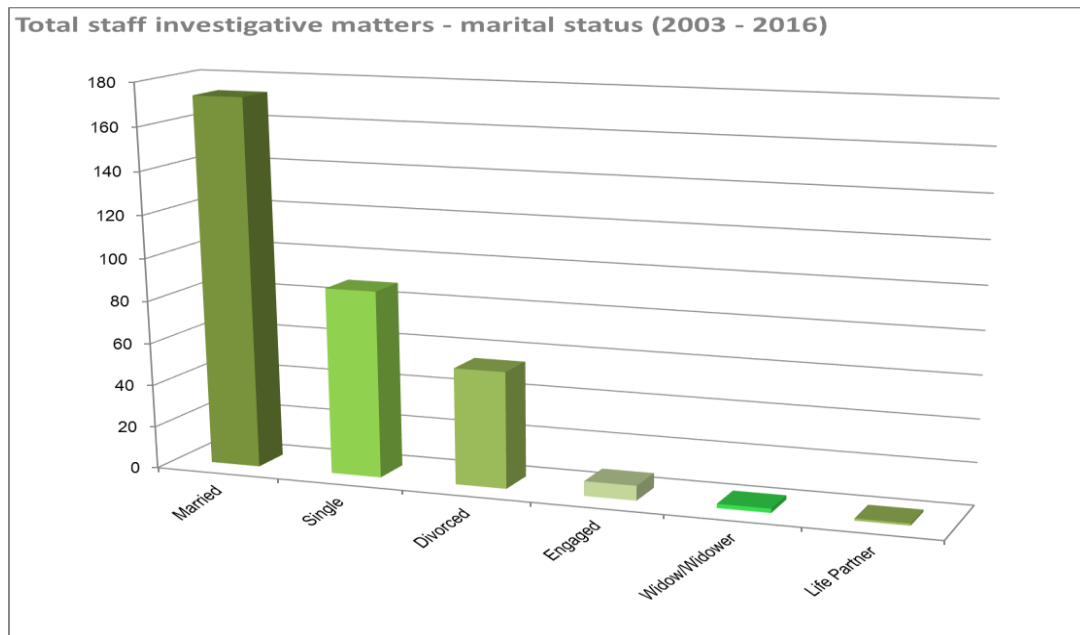
Figure 2.4: **Staff investigative matters and the marital status at the time of the offence**

(Source: Santam profile of a fraudster (2016) compiled by the researcher)

2.3.5.1.4 Highest qualification of the internal white-collar crime perpetrator at the time of the offence

The highest qualification of an internal white-collar criminal at the largest South African short-term insurer at the time of the perpetrator committing the misconduct, during the review period from 2003 until 2016, was found to be a Bachelor of Commerce (BCom) degree. The second-highest qualification of a perpetrator at the time of the misconduct being committed was an Master of Business Administration (MBA) degree. In 80,6% of the internal staff-related investigative matters pertaining to the base data set of 326 files, the white-collar criminal possessed a Matric (Std 10), these days referred to as a Grade 12 qualification. This outcome is in alignment with the education level survey results from the "Profile of a Fraudster" surveys of KPMG (2007), ACFE (2012) and PwC (2016).

2.3.5.1.5 Years of service at the time of the offence

The researcher established that at the time of committing the white-collar criminal offence (during the period 2006 to 2013), the internal white-collar criminal perpetrators at the largest South African short-term insurer had completed a service period of between one (1) to seven (7) years. The survey results from the "Profile of a Fraudster" (KPMG: 2007; ACFE: 2012 & PwC: 2016) covered in paragraph 3.6 in

this research reported similar results. This combined number of white-collar criminals with between one (1) to seven (7) years of service were responsible for 57,9% of the misconduct committed during the thirteen-year review period.

2.3.5.1.6 Initial R-value of the misconduct at the time that the allegation is received

From the review and further analysis of the total number of 326 internal staff investigative matters that formed the base data set of this research, it was found that the initial estimated R-value, as reported and subsequently captured when the allegation was received, cannot be deemed an accurate reflection of the eventual R-value upon finalisation of the investigation. The researcher found that according to the base data set of this research, the average initial R-value when the allegation was received, was R36 782,29, while the average R-value upon finalisation was in fact R81 832,55. Since no comparative detail is available from the "Profile of a Fraudster" survey results (KPMG, 2007, ACFE, 2012 & PwC, 2016), the researcher could not establish whether this finding is correct or not. The researcher was, however, not very surprised by the average difference pertaining to the R-value upon receipt of the allegation until finalisation of the matter, since the reporter of the allegation merely relied on his/her assumption of what the impact of the misconduct was. Even when a matter is reported by a line manager or colleague within the business, they may at the time merely have a suspicion and not be certain of either how long the internal white-collar criminal has been committing misconduct, if indeed any, nor the actual extent of the crime.

2.3.5.1.7 Monetary value upon finalisation of the internal staff investigative matter

As discussed in paragraph 2.3.5.1.6 of this research, it was found that the average R-value of an internal staff investigative matter at the largest South African short-term insurer is approximately 2,2% higher following the finalisation of the internal investigation. In only 4,29% of the internal staff investigative matters was the R-value upon finalisation less than the estimated R-value when the allegation was received. In comparison, in all the available survey results, only the "Profile of a Fraudster" survey from the Association of Certified Fraud Examiners (ACFE, 2012:6) consistently mentioned an average R-value per investigative matter. The ACFE, however, does not report on internal staff investigative matters, nor only on short-

term insurance matters, and the average amount is indicated in dollar (U$) terms. In addition, their feedback included actual worldwide white-collar crime, while the focus of this research is South African short-term insurance, industry-specific only. The survey results from the "Big 4" external audit firms, except KPMG and PwC, only occasionally mention an average loss.

2.3.5.1.8 Previous employer of the internal white-collar crime perpetrator

Following the analysis of the overall parent population, consisting of 326 staff investigative matters at the largest South African short-term insurer, the researcher found that detail pertaining to the previous employer of the internal white-collar criminal was almost never recorded in the actual investigative files, and had to be obtained from the employee files available at the HR department. The exception found, although still not recorded as a specific field in the investigation file, was when the historic employment history was noted in a limited number of the investigative matters, either in the case notes, when a witness at the previous employer was interviewed, or in the detail obtained from the interview. In these internal staff investigative matters, the transgression committed was most often misconduct, for instance identity theft, lying about qualifications or previous work experience, or when during an investigation it is discovered that the individual may indeed have committed white-collar crime in some form at the previous employer, but no criminal charges had been laid and no other suitable action had been taken at the time.

2.3.5.1.9 Manner in which the misconduct detail was received

The researcher found that, based on the results obtained from the analysis of the base data set of this research, covering the period 2003 until 2016, the largest South African short-term insurer classified the various channels through which an allegation or so-called "tip-off" can be received as follows: branch request, own internal network, fraud line (internal), fraud line (ICB), e-mail, forensics e-mail address, proactive enquiry and SMS, with a total of 63,4% of the allegations or tip-off detail received via the branch request channel, and another 23% received via the internal network channel. This result, as observed by the researcher, cannot be directly compared to the survey results in "Profile of a Fraudster" (KPMG, 2007, ACFE, 2012 & PwC, 2016), since the channels of these companies for receiving

white-collar crime-type, offence detail include all the following instead: "tip" or "tip-off" as an overall category, and in addition:

- Management review
- Internal audit
- External audit
- Discovered by accident
- Account reconciliation
- Document examination
- Monitoring
- Law enforcement
- IT controls
- Confession
- Other

2.3.5.1.10 Time that elapsed since misconduct until time of allegation

The review and subsequent analysis of the 326 internal staff investigative matters at the largest South African short-term insurer, covering the period 2003 until 2016 revealed that in 42,6% of the finalised matters the misconduct committed was discovered following an allegation received within a mere twelve (12) months from the first transaction or action by the internal white-collar crime perpetrator. This result, in comparison to survey results (KPMG, 2007, ACFE, 2012 & PwC, 2016) of the "Profile of a Fraudster," is quite positive, since as per the KPMG, ACFE and PwC detail, the time that had elapsed since the misconduct started until it was discovered was at all times between 18 and 24 months. The researcher, however, also established that in 14% of the internal staff investigative matters at the largest South African short-term insurer, the detail applicable to this category had not been captured. This pertained to older matters, dating back to 2003 until 2006.

The overall analysis of the time that had elapsed since the first transaction, offence, or misconduct being committed until the allegation was received, is demonstrated in Figure 2.5 below.
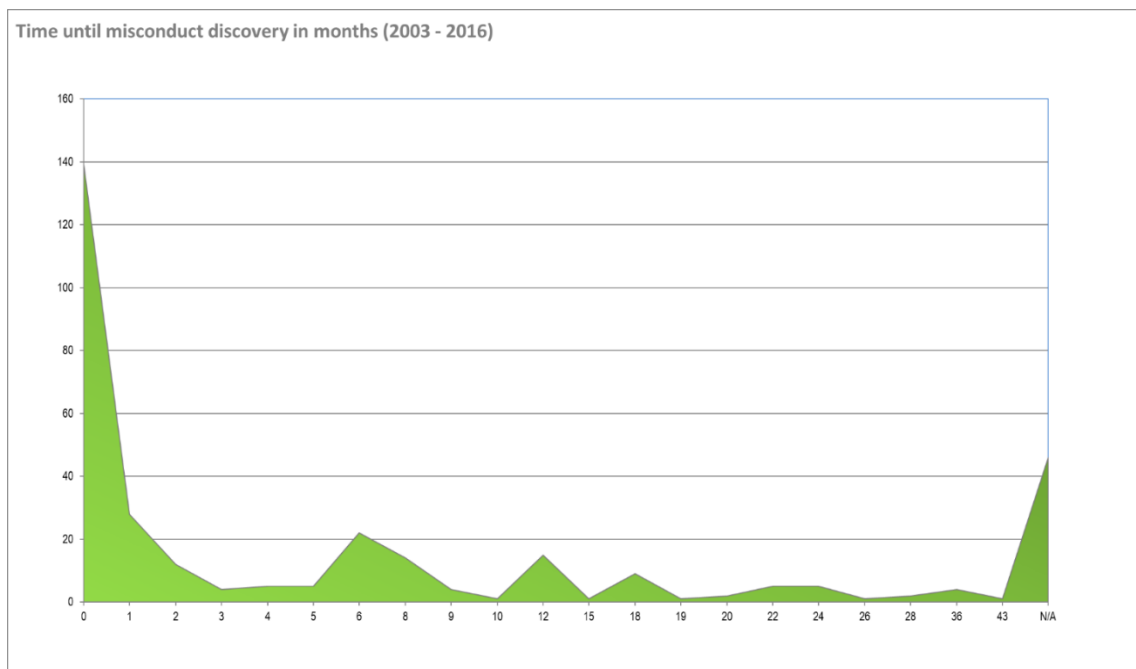
Figure 2.5: **Time until misconduct of internal white-collar crime perpetrator was discovered**

(Source: Santam profile of a fraudster (2016) compiled by the researcher)

2.3.5.1.11 Description of the type of misconduct/offence

It was established by the researcher, following the detailed review and analysis of the base data set pertaining to closed internal staff-investigative matters, covering the period 2003 until 2016, that the majority of misconduct cases related to non-compliance and/or transgressions regarding company policies and procedures, followed by unethical behaviour and non-compliance with HR policies, and with 7,36% of the misconduct committed being related to receiving kick-backs or bribes. The researcher could not make direct comparisons of these results to the various "Profile of a Fraudster" survey results (KPMG, 2007, ACFE, 2012 & PwC, 2016), since their findings most often categorise either unethical-type detail or all the typical white-collar crime offence categories only. In addition, their survey results do not pertain to internal staff investigative matters only, and often also not only to South

Africa specifically, but instead covered either survey results pertaining to world-wide matters, Southern Africa or Africa as a whole. An analysis of the top ten (10) misconduct categories at the largest South African short-term insurer is presented in Figure 2.6 below.

Top 10 misconduct categories relating to staff investigative matters (2003 - 2016)
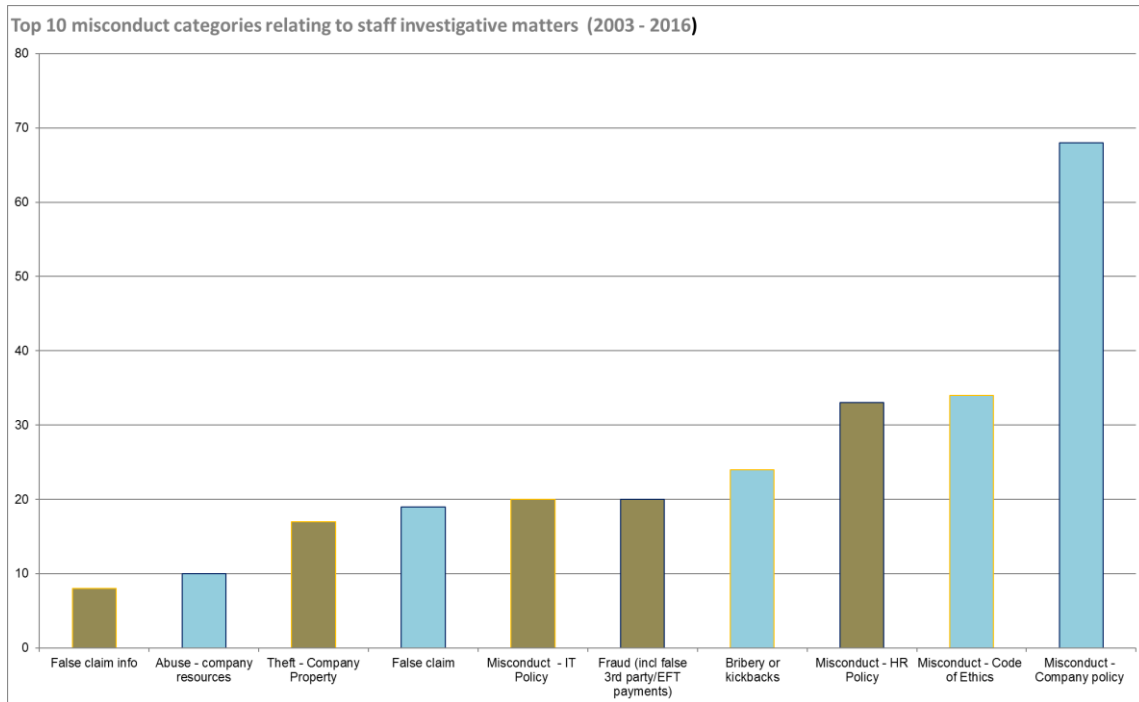
Figure 2.6:   **Detail pertaining to the most significant type of misconduct committed by the internal white-collar crime perpetrator**

(Source: Santam profile of a fraudster (2016) compiled by the researcher)

2.3.5.1.12   Outcome of the internal disciplinary hearing

Following perusal of the base data set of this research, in regards to the 326 finalised internal staff investigative matters at the largest South-African short-term insurer, the researcher established that in 67,17% of these staff investigations a disciplinary hearing followed, with a subsequent guilty verdict in 31,9% of the matters. The major reasons for a disciplinary hearing not taking place were due to the staff member not arriving at the disciplinary hearing, termination of employment prior to disciplinary hearing, health reasons, or death while in service. The researcher could not find corresponding results from all the "Profile of a Fraudster" survey results (KPMG, 2007, ACFE, 2012 & PwC, 2016), since none of these surveys to date has reported on detail specifically related to the scheduling and outcome of disciplinary hearings. These survey results will instead most often indicate an overall percentage of any

action that was taken or not taken against the white-collar crime perpetrator, while not focusing only on either short-term insurance nor South African investigative matters.

2.3.5.1.13 Outcome of SAPS criminal cases finalised already

Closely connected to the detail discussed in paragraph 2.3.5.1.12 of this research, pertaining to the outcome of scheduled disciplinary hearings and 326 finalized internal staff matters, the researcher established that in only 3,6% of the cases, civil litigation followed in addition to criminal prosecution, while cases were opened at a SAPS branch for criminal prosecution in a total number of 167 cases. In light of this result, it was not possible to do a comparative analysis of the "Profile of a Fraudster" results from (KPMG, 2007, ACFE, 2012 & PwC, 2016), since these surveys do not report on matters reported to law enforcement. In the free text fields, participants in the "Profile of a Fraudster" survey may share detail of further sanctions, including criminal, but such detail is not shared in the final survey result feedback. These survey results are also most often not South African, nor short-term insurance-focused. The researcher established that for the period under review, namely 2003 until 2016, only 17% of criminal matters were completely finalised. This result is described in Figure 2.7 below.
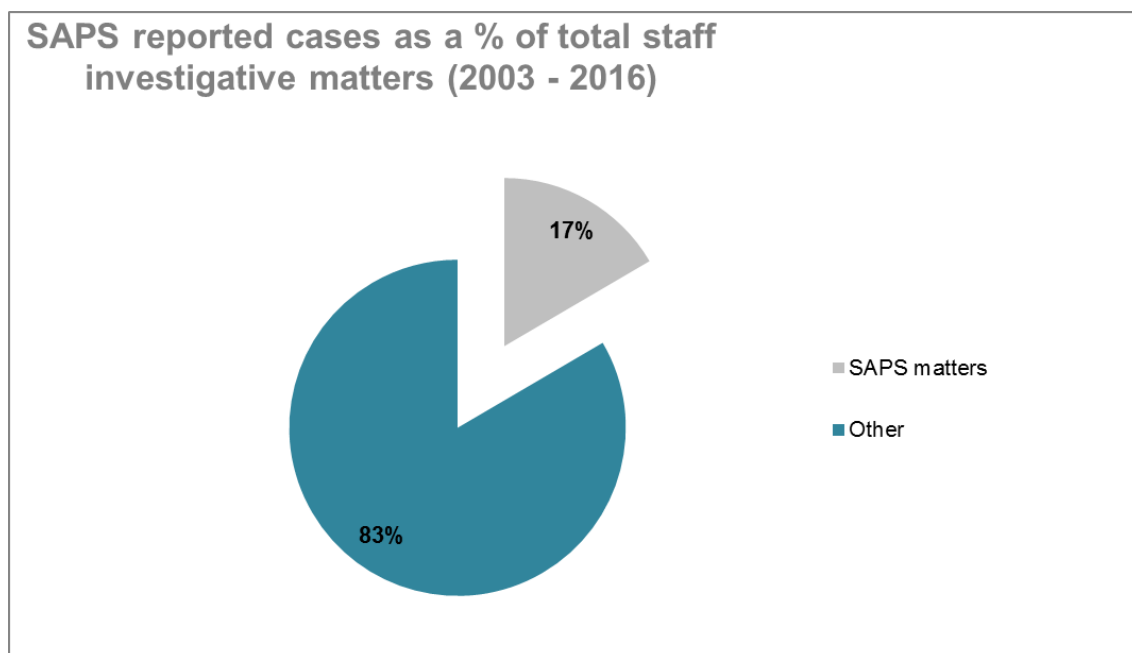
Figure 2.7:   **SAPS criminal matters reported and finalised**

(Source: Santam profile of a fraudster (2016) compiled by the researcher)

2.3.5.1.14 Department or business unit in which the white-collar crime perpetrator was employed at the time

Based on the review and detailed analysis of the internal staff investigative matters covering the period 2003 until 2016, the researcher established that at the largest South African short-term insurer, the internal white-collar crime perpetrator most often worked in the claims environment. This applied to 48% of the overall base data set. Significantly lower at 18% of the matters, the internal white-collar crime perpetrator worked in the Information Technology (IT) environment, followed by Underwriting, in either the personal or commercial part of the business. In only 4% of the concluded staff investigative matters, executive management was found to have been the internal white-collar criminal perpetrator. When comparing this result to the survey findings of the "Profile of a Fraudster" detail (KPMG, 2007, ACFE, 2012 & PwC, 2016), the only correlation found was to a white-collar crime perpetrator who worked in the IT environment, and their other higher departmental or Business Unit (BU) detail involved an individual from either the finance department or procurement. None of the KPMG, ACFE or PwC surveys, however, mentioned of business related to the South African short-term insurance industry. The result is displayed in Figure 2.8 below.

Total staff investigative matters per business unit (2003 - 2016)
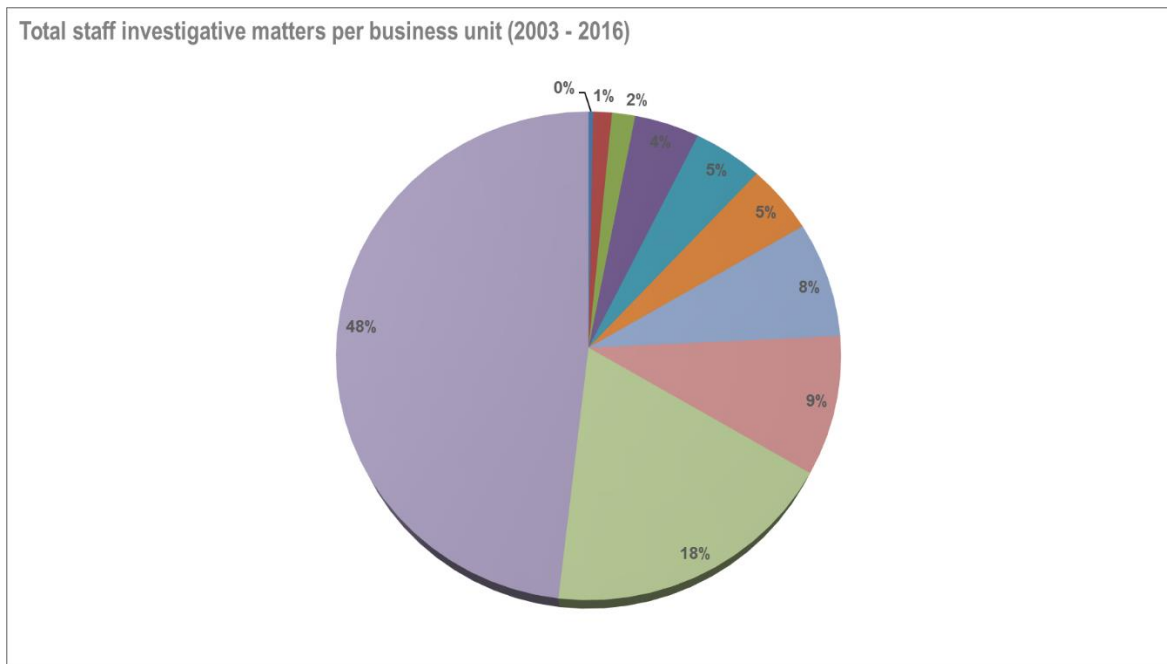
Figure 2.8:   Detail of the area of business in which the internal white-collar crime perpetrator was employed

(Source: Santam profile of a fraudster (2016) compiled by the researcher)

2.3.5.1.15 Region pertaining to the internal white-collar crime perpetrator

Following the detailed review and analysis of the base data set of this research for the largest South African short-term insurer, the researcher established that the overall current regional indicators pertain to South Africa (SA), Namibia (Nam), Rest of Africa (SEM), and Other (SEM). In the South African regional indicator, further detail is classified in accordance with the nine (9) provinces, namely: Western Cape, Northern Cape, Eastern Cape, Gauteng, Limpopo, North West, Free State, Mpumalanga and Kwazulu-Natal. With reference to the demarcation of this research, the researcher ensured that only finalised internal staff investigative matters indicated by the SA regional indicator were included.

2.3.5.1.16 Job level of the internal white-collar crime perpetrator at the time of the offence

Following the analysis of the overall base data set of closed staff investigative matters, covering the period 2003 until 2016, it was established that the job level of the most likely white-collar crime perpetrator at the largest South African short-term insurer was from middle to senior management level. This finding differs from the KPMG (2007) and ACFE (2012) results of their "Profile of a Fraudster" surveys, but does agree with the comparative findings from the PwC (2016) results. The researcher also established that although staff investigative matters regarding misconduct of executive-level employees pertained to 2,4% of the overall three hundred and twenty-six (326) matters, from an R-value and case-by-case comparison it was clear that these executive-level employees were responsible for 49,2% of the overall losses over the thirteen-year review period.

Based on the selected categories defined above and applied in the further analysis of the 326 files covering the period 2003 to 2016, the researcher would like to emphasise that other South African short-term insurers contemplating the use of profiling for internal white-collar crime perpetrators should rather steer clear of the use of racial classification as a potential category. Although race-specific category detail is widely available throughout companies these days, due to the various Broad-based Black Economic Empowerment (BBBEE) and Department of Trade and Industry (DTI) legislative and reporting requirements, the sensitivity of such classification and the potential to offend from an ethical considerations perspective,

by far outweigh any potential arguments that may exist for the use of such specific profiling. In this regard, the researcher would like to refer back to the earlier reference to the often difficult relationship between "criminal profiling, politics, religion and prejudice" and the importance of considering and taking it into account at all times (Turvey, 2008:3), since profiling could contain elements of prejudice towards religious groups, certain race groups, political believes or sexual orientation. A further discussion will continue in paragraph 2.3.6 in respect of the consideration that must be given to the required qualities when recruiting an individual to perform the role of criminal profiler.

2.3.6   Suggested qualities of a criminal profiler

Turvey (2008:8) refers to the crucial qualities that are required for being a potential criminal profiler. These qualities, as listed below, were defined by Gross (1924:15-25), and became known as the "Essential Qualities of a Criminal Profiler:"

- A large amount [quantity] of consistent energy.
- A high grade [degree] of self-denying power.
- A good business head.
- An agreeable manner.
- A good education.
- Accuracy and exactness in the search for facts (non-negotiable).
- Clever reckoning skills versus fine speculating [speculative] skills.
- The willingness to always carefully weigh the facts.
- An honest character.
- Preferably of modest character and by no means interested in public success.
- A keen and sincere knowledge of man and human nature, including victims; witnesses, criminals and experts.
- An encyclopaedic knowledge.

During the past seven (7) decades (Williams, 2015:12), a number of leading investigative criminologists incorporated the research of Gross (1924:15-25), with some arguing that certain of the above-listed qualities were not a necessity in modern times. The researcher was, however, most astonished to find these suggested essential qualities defined by Gross (1924:15-25) to still be applicable

today. It is believed by Scriven and Paul (2004:1) that to succeed as a criminal profiler, an individual has to be a critical thinker. Scriven and Paul (2004:1) describe "critical thinking" as a skill set needed to "process and generate information and beliefs, with the habit, based on intellectual commitment, of using those skills to guide behaviour." Scriven and Paul (2004:2) further explain that critical thinking differs, based on motive. If "grounded in selfish motives," it can be used to "manipulate ideas and the outcome [will be] intellectually flawed," but when based on "fair-mindedness and intellectual integrity," most often it will be of a "higher intellectual order."

The researcher can confirm that the majority of qualities defined by Gross (1924:15-25) and authors Scriven and Paul (2004:1) are included when vacancies are advertised these days for available job opportunities in the intelligence fraternity in the corporate world, including in the South African short-term insurance industry. Regarding the suggested qualities needed to perform the task of a criminal profiler, white-collar crime identifiers to be considered, together with coverage of the Typology of White Collar Crime, will form the basis of paragraph 2.4 and the related sub-paragraphs.

2.4   WHITE-COLLAR CRIME IDENTIFIERS TO CONSIDER

The theory related to white-collar crime is attributed to Professor Edward Sutherland and his research that eventually led the way to his presidential address, as 29th President of the American Sociological Society, in 1939 on the topic "The White Collar Criminal," to the American Sociological Association (Baker, 2004:1). A derivative term and often used as an alternative to "white-collar crime," is "organized crime." A further discussion will follow from paragraph 2.4.1 onwards, covering the definition of white-collar crime, thereafter an explanation of the typology of white-collar crime, and lastly an explanation of the emergence of the term known as "misconduct."

2.4.1   Definition of white-collar crime

White-collar crime, according to Clinard (1952:227), refers to "violations of law committed primarily by groups such as businessmen, professional men, and politicians in connection with their occupations." Besides this to-the-point definition,

Clinard continues to refer to the research of Sutherland and his definition of white-collar crime, which instead described white-collar crime as a crime "committed by a person of respectability and high social status in the course of his occupation" (Sutherland, 1947:9). The Ethics Institute (TEI) (2008:1), an independent South African public institute, is of the view that a more detailed and lengthy definition to define white-collar crime is needed and not mere high-level categories. White-collar crime is described by TEI as:

> … the unlawful, intentional committing [commissioning] of deceit, concealment, manipulation, breach of trust, subterfuge, or any other similar trickery by an individual, syndicate or organisation, normally after meticulous planning and usually without the use of physical violence, that causes actual economic prejudice or potential economic prejudice to another.

As for female offenders, TEI (2008:3) referred to the term "pink-collar crime," and elaborated that due to equal employment opportunities for women these days the prevalence of females committing white-collar crime offences would increase in future.

2.4.2 Typology of White-collar crime

Occupational fraud and the listed, related categorisation are defined by the ACFE (ACFE, 2012:6) as "the use of one's occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization's resources or assets." The list of related categorisation included in the definition of occupation fraud includes the following:

- Corruption
- Asset misappropriation
- Financial statement fraud
- Theft of cash
- Fraudulent disbursements of inventory and other assets

When focusing on occupational white-collar crime, research overlaps between where the crime was committed, versus in what specific capacity the employee committed the white-collar crime. As a possible suggestion to ensure a clearer differentiation, the so-called "Typology of White Collar Crime" was developed by Edelhertz (1970:73). This theory divides white-collar crime details of various offences into two (2) main groups, namely:

- Group A: Classified as white-collar criminals who commit "crimes in the course of their occupations [by those operating] inside business, government, or other establishments in violation of their duty of loyalty and fidelity to employer or client;" and
- Group B: Defined as white-collar criminals who commit "crimes incidental to, and in furtherance of business operations, but not the central purpose of the business."

Edelhertz (1970:75) elaborated that typical white-collar crimes by Group A offenders who commit crimes as part of the normal execution of their daily jobs were most often related to:

- Commercial bribery and kickbacks
- Bank violations
- Embezzlement or self-dealing
- Securities fraud
- Employee petty larceny
- Fraud by computer
- Sweetheart contracts
- Fraud against the government

For the second group, the white-collar crimes being committed were rather specific offences such as:

- Tax violations.
- Anti-trust violations.
- Commercial bribery of another's employee.

- Officer or fiduciary, including union officers, who may commit white-collar crime or play a role in offences such as insider trading, abusing their position of trust, and commit securities fraud or embezzlement of union funds.

Although in agreement with Edelhertz, (1970:75) about the fact that white-collar crime can be found in "many forms," Gottschalk (2010:17) in more recent years argued that the various types of white-collar crimes should rather be split into four (4) main categories and not only the limited, overarching two (2) of Group A and Group B offenders. The categories as defined by Gottschalk (2010:17-22) are as follows:

- Corruption
- Fraud
- Theft
- Manipulation

There is a relationship between the Typology of White Collar Crime (Edelhertz, 970:73) and the various types of white-collar crimes that staff commit against their employer, according to Padgett (2015:15), namely:

- Abuse of power
- Embezzlement
- Misuse of business time
- Computer fraud
- Computer sabotage
- Stock or equipment pilferage
- Expense abuse
- Theft
- Procurement fraud
- Bribery
- Corruption
- Counterfeiting
- Forgery
- Credit card fraud

- Extortion

- Financial statement fraud

- Insider trading

- Intellectual property theft

- Kickbacks

- Bank fraud

- Money laundering

Expanding on the Typology of White Collar Crime and the arguments of Gottschalk (2010:17-22) and Padgett (2015:15) regarding the overall categorisation of white-collar crime types and the manner in which offenders commit the related irregularities, the researcher in paragraph 2.4.2 suggests an additional over-arching model to consider when grouping different types of white-collar crimes specifically with regard to the South African short-term insurance industry.

2.4.3   Emergence of the term "misconduct"

Due to the difference of opinion among the various researchers regarding the classification and definition of white-collar crime, the researcher, while reviewing the 326 staff investigative files that formed the base data set for this research, learned that the largest South African short-term insurer (Moneyweb, 2015:1) instead makes use of one overall, defined term, namely "misconduct," and then divides it into sub-categories. The sub-categories that are included in the term "misconduct" are the following:

- Unethical behaviour: This includes offences pertaining to transgression of the Code of Ethics, Disciplinary Code or Grievance Procedures, Values of the Company and/or the Guidelines of Good Business Practices.

- Insurance crimes: Incorporates offences such as "fraud, theft, money laundering, corruption and cyber-crime."

The single defined term of "misconduct" and the various sub-categories used by the largest South African short-term insurer are displayed in Figure 2.9 below:
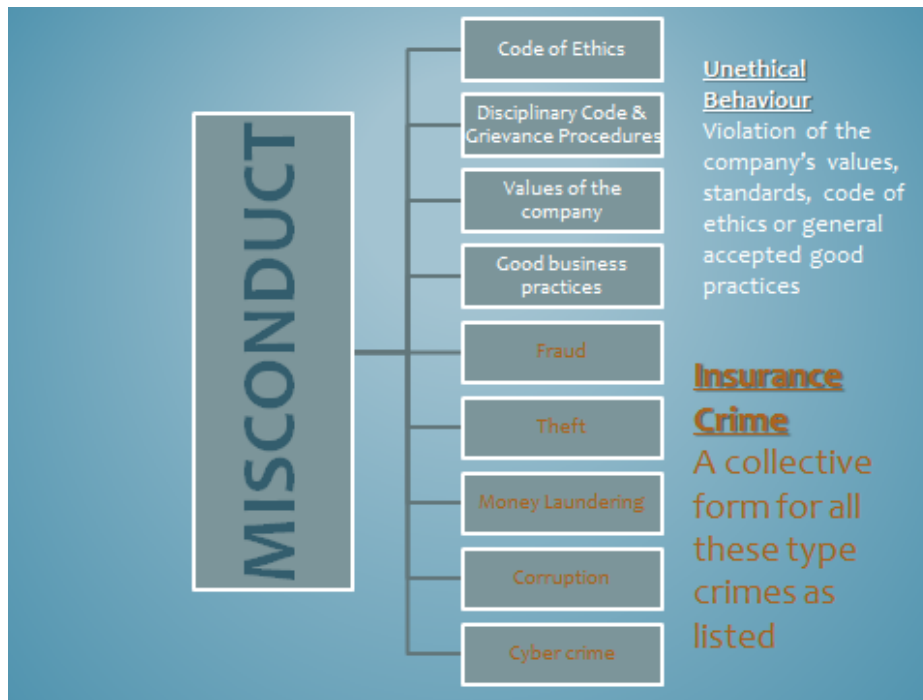
Figure 2.9: Schematic display of the high-level misconduct viewpoint incorporated by the largest South African short-term insurer

(Source: SANTAM, Group Forensic Services Unit, 2015:1)

This overall single, defined term of "misconduct" was adopted following a 2015 (Santam, 2015:1) review of the investigative framework and methodology at the largest South African short-term insurer. A decision was subsequently taken by the management team of the Forensic Department, that due to a number of legislative and industry regulatory changes, and the nature of actual investigations, the term "misconduct" is a more comprehensive and inclusive term instead of the individual criminal transgressions defined previously. TEI (2008:2-4) often mentions the over-arching term of "misconduct," although it does not define it as clearly, and rather elaborates on the typical white-collar crime identifiers and/or circumstances that have to be present in order for misconduct to occur. These suggested white-collar crime identifiers and the correlation to misconduct will be discussed in more detail in paragraph 2.5.

The use of the overall term of "misconduct" and the sub-categories as defined and in use at the largest South African short-term insurer since 2015, correspond to the research of Gottschalk (2010:17-22) that additional high-level categories are required to define white-collar crime. The researcher deemed the four (4) categories as suggested by Gottschalk (2010:1-22) as too few, since they do not cover

unethical types of behaviour and related transgressions or irregularities. Although the two-category classification of Edelhertz (1970:73) may seem quite limited, the specific differentiation, as stated in the "Typology of White-Collar Crime," is supported by the researcher, who asserts that a definite separation is required in order to avoid the general overlap between where the crime was committed versus in what specific capacity the employee committed the white-collar crime. Suggested white-collar crime identifiers related to misconduct will be the focus of the discussion in paragraph 2.4.2.1.

2.4.3.1 White-collar crime identifiers related to misconduct

TEI (2008:4) argues that the following white-collar crime identifiers or related circumstances have to be present in order for misconduct to be committed by a perpetrator:

- Financial pressure or low self-esteem due to social pressure.
- Opportunities that exist in the normal execution of an individual's daily work may tempt them to become dishonest.
- An individual may become aggrieved or dissatisfied due to being overlooked for a promotion, or being treated unfairly from a remuneration perspective, or could merely be bored, and this might tempt him/her to become dishonest.
- A belief (whether accurate or not) that "legislation is insufficient" or that enforcement from a regulatory or justice perspective is lacking, may result in a "lack of fear."
- Starting to pay bribes or accepting bribes may follow, due to pressure linked to "unfair competition in the market and with the hope to gain market share in return."
- When management behaves in an unethical manner and are, seen doing it, general employees may soon display the same behaviour.
- The "disintegration of values in social structures" have in turn resulted in a decline and sometimes even failure of principles and values of conduct.
- "Power" and "greed" are believed to often play a more significant role in the individual becoming dishonest in comparison to perhaps being "needy."

Considering the use of the emerging term of "misconduct," as well as the white-collar crime identifiers that have to be present for related transgressions to occur, the researcher, based on experience, proposes an integrated framework to combat misconduct, as discussed in paragraph 2.4.2.2.

2.4.3.2   Suggested integrated framework to combat misconduct

The researcher, following the further analysis of the base data set 326 staff investigative matters, covering the period 2003 to 2016, found that the largest South African short-term insurer had incorporated the majority of the suggested proactive measures as advised by the leading external audit firms, and had defined this as a "Business Integrity framework" (BIF). This Business Integrity Framework consists of elements ensuring coverage of the following:

- Deterring unethical behaviour.
- Preventing misconduct by means of a strong governance structure, dedicated awareness and training, a robust fraud-risk management process, and focusing on process improvement from an enhanced control perspective.
- Detecting and responding to opportunistic and organised white-collar crime after various allegations had been received, or where such allegations were supported by intelligence-driven actions.
- At all times ensuring that sanctions are enforced (i.e. disciplinary hearings, or civil and criminal prosecution, as applicable), continuous focus on recovering losses suffered through misconduct, and reporting on savings where incidents of misconduct had been prevented or minimised.

Figure 2.10 below depicts a schematic display of the Business Integrity Framework, which incorporates high-level focus of all components required to address the prevalence of white-collar crime.
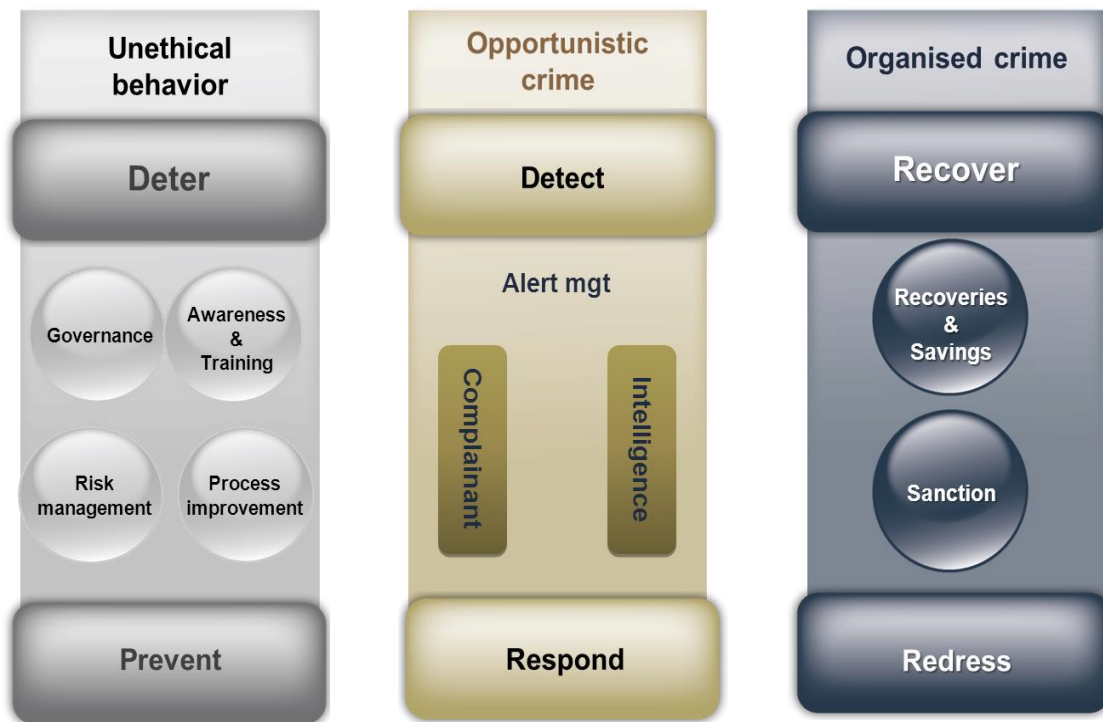
Figure 2.10: Schematic display of Business Integrity Framework at the largest South African short-term insurer

(Source: SANTAM, Group Business Integrity Unit, 2015:3)

The BIF in use at the leading South African short-term insurer, with regard to proactive actions to detect misconduct, makes use of intelligence-driven initiatives that incorporate the use of red flags. Closely connected to the use of red flags, which is discussed in paragraph 2.6.3 of this research, is the requirement for a thorough understanding of "The Fraud Triangle," presented in paragraph 2.5.

2.5   THE FRAUD TRIANGLE

"The Fraud Triangle" principles developed during 1953 by Dr Donald R. Cressey, a well-known criminologist at the time (May, 2015:56-57), led to a subsequent formal definition by the ACFE. Cressey (1953:1) was of the opinion that the so-called "Fraud Triangle" had to contain three (3) specific fundamental elements in order for a fraudulent act to be committed. These fundamentals were defined as follows:

- Pressure
- Opportunity
- Rationalisation

A number of adaptations are used today throughout the forensic investigative world, but "The Fraud Triangle" is still explained and based on the three (3) original fundamental elements defined by Cressey (1953:1). Figure 2.11 below represents a schematic summary of "The Fraud Triangle."
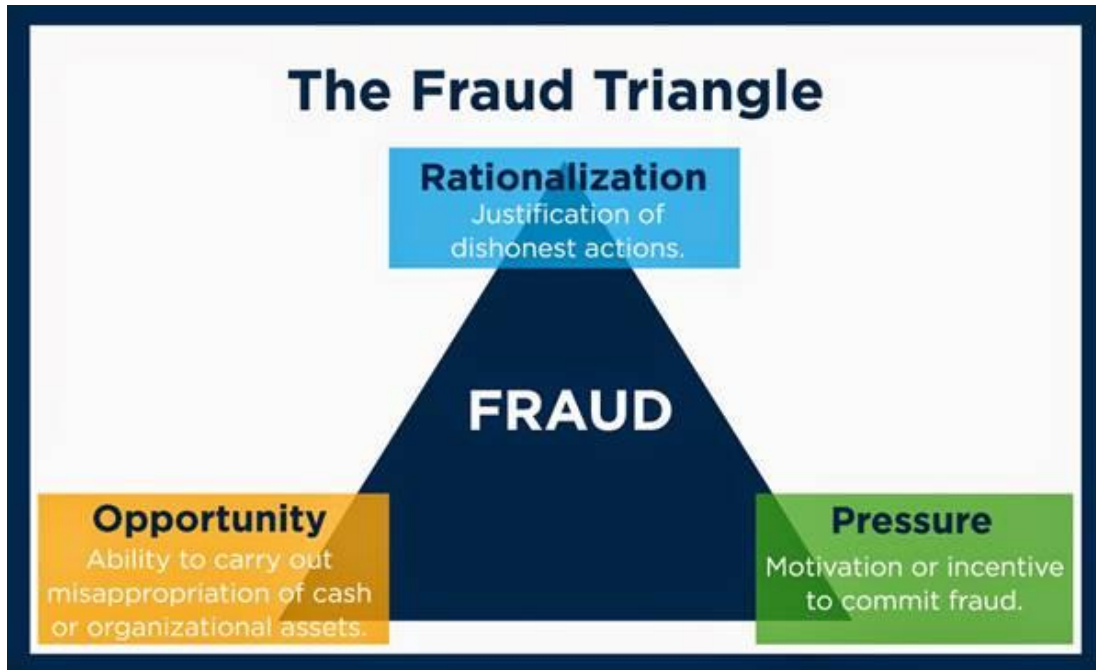
Figure 2.11:   Schematic adaptation of the Fraud Triangle
(Source: Adapted from The Fraud Triangle Cressey, 1953:1)

It is widely believed that the only one (1) of the three (3) elements that could be controlled to a certain extent is "opportunity." The researcher is in agreement with this view, but from a "transactional analysis" perspective only. A "Transactional analysis" application and applicable examples may include daily tasks being performed by a staff member or exercising his/her access rights to a system. The researcher can in this regard provide the following example from a "behavioural analysis" perspective: - a staff member with known financial pressure can, with the help of line management, the Human Resources (HR) and initiatives such as employee assistance programmes, through which emotional support and guidance in respect of managing personal finances are provided, turn their situation around, resulting in the related "pressure" being lowered and preventing them from being tempted by available "opportunity" in a system.

Regarding the element of "pressure," consideration must be given to the possibility that although it is often caused by the staff member him-/herself, the employer may indirectly add or create the "pressure." If the pressure originated from a staff member's own perspective, it could relate to realities such as when he/she has excessive debt, an addiction of any kind, or a family member experiencing such challenges, or gambling, living above his/her means, exorbitant spending on cars, holidays and clothes to impress neighbours or family members, especially in challenging economic circumstances. On the other hand, pressure could originate from the employer, without the latter necessarily intending it to have consequences that could result in misconduct. Pressure from an employer could occur when the company decides to no longer pay bonuses, or to lower annual increases, and staff members who may have bargained on this in order to cover increased living expenses, all of a sudden find themselves with a financial shortfall and subsequently start "rationalizing" about the company not looking after them anymore. Should an "opportunity" of any kind present itself, the staff member may succumb to the temptation and commit misconduct (FANews, 2009:1). Since the release of "The Fraud Triangle" (Cressey, 1953:1), a number of theories emerged over the past six (6) decades, challenging the validity and practicality in modern times of considering only the three (3) fundamental elements of "pressure, opportunity and rationalisation." One of the most prominent of these theories is the so-called "Fraud Diamond" that will be discussed in more detail in paragraph 2.5.1.

2.5.1 The extended fraud triangle

During 2004 an updated and more comprehensive interpretation of "The Fraud Triangle" was suggested by Wolfe and Hermanson (2004:6), and became known as the "Fraud Diamond." Wolfe and Hermanson as part of their interpretation added the fourth dimension, namely "capability" to the previously defined three (3) elements of "pressure, opportunity and rationalization." The fourth dimension, "capability," is explained by Wolfe and Hermanson (2004:6-10) as pertaining to the following:

- Position or function
- The human brain
- Confidence and/or ego

- Cultural issues
- Coercion skills
- Effective lying
- Immunity to stress

Although the researcher takes note of this suggested, expanded theory and the so-called "fraud diamond," the related application and interpretation of the original "The Fraud Triangle" were applied for the purpose of this research. In addition to the three fundamental elements of "The Fraud Triangle," namely "pressure, opportunity and rationalisation," there is the consideration that should be given to characteristics that pertain to psychology and sociology. More detailed coverage of this consideration, together with a discussion on the "Sykes and Matza Neutralization Theory," can be found from paragraph 2.5.2 onwards in this research.

2.5.2 Psychological and sociological profiling elements to consider

Eaton and Korach (2015:134-137) refer to the three elements that formed part of "The Fraud Triangle," and they assert that the following psychological and sociological profile elements could be assigned to each of the fundamental elements instead:

- When focusing on the element of "opportunity," factors that could have an influence, include "industry culture," "corporate culture" and "individual trust."
- The element of "motivation" can be influenced by their so-called defined "general deterrence theory," "rational choice theory," and "general strain theory."
- As for the element of "rationalization," and although Eaton and Korach prefer to rather use the term "neutralization," it is believed that the following defined theory, namely the 'Sykes and Matza Neutralization Theory', may have an impact.

The Sykes and Matza Neutralization Theory (1957:664-670) refers to the research by Gresham Sykes and David Matza (1957:664-670) on young adults, and the authors' subsequent conclusion that behaviour or conduct that "violate[s] norms or go[goes] against believes[beliefs]" when associated with "guilt and shame," resulted in persuading the young adults to in fact not commit criminal acts, including acts of

petty crime. Sykes and Matza (1957:667), as part of their theory, defined these five (5) neutralization techniques:

- Denial of responsibility
- Denial of injury
- Denial of victims
- Appeal to higher loyalties
- Condemnation

A more detailed discussion of the psychological and sociological profile elements (Eaton & Korach, 2015:134-137) that can be assigned to the three (3) fundamental elements of the "The Fraud Triangle" will follow in paragraph 3.3 of this research. However, a further discussion of red flags applicable to the fraud risk-management process will follow.

2.6 RED FLAGS APPLICABLE TO THE FRAUD RISK-MANAGEMENT PROCESS

Annual survey results published by governing bodies such as the ACFE and reputable external audit firms often include specific findings that relate to certain behavioural trends that were displayed by perpetrators and of which actual case studies have been included. Such trends are referred to as "red flags."

2.6.1 Definition of a red flag

According to Padgett (2015:71), red flags, also known as "fraud warning signs," can be described as "an event or set of circumstances, most often unusual in nature and that should alert an organization to the presence of risk." It is explained by Romney, Albrecht and Cherrington (1980:51-54) that the use of red flags "warns of a fraud-conducive environment in a company." These authors list specific red flags to consider from a "personal versus situational" perspective, and thereafter elaborate on "opportunistic" red flags only.

2.6.2 Definition of fraud risk management

Fraud risk management can be described as "activities aimed at identifying and developing actions for the organization to reduce risks arising from the actual or potential cases of fraud" (KPMG, 2010:2). Cotton, Johnigan and Givarz (2017:47)

are of the further opinion that fraud risk management is a "systematic process that has benefits beyond protecting assets and reputations."

2.6.2.1   Fraud risk management suggested guideline to consider

During the last quarter of 2016, the ACFE and the Committee of Sponsoring Organizations of the Treadway Commission (COSO) combined efforts and published the COSO/ACFE Fraud Risk Management Guide (Cotton, Johnigan & Givarz, 2017:48). These new guidelines are still very much based on the original 1992 COSO framework, and the five (5) crucial elements of the fraud risk-management guide can be summarised as below, according to Cotton, Johnigan and Givarz (2017:49-54):

- Establish a fraud risk governance policy.
- Assess fraud risk.
- Design and implement fraud control activities.
- Establish reporting and investigation processes.
- Monitor the entire fraud risk-management process.

From practical experience, and following the update of the Business Integrity Risk (former Fraud Risk) methodology, as well as using the COSO/ACFE guidelines where required, the researcher can explain the above-mentioned five (5) crucial elements as follows:

- Establish a fraud risk governance policy: At the largest South African short-term insurer, a fraud risk governance policy was implemented ensuring that roles and responsibilities were assigned and understood throughout the company. Drafting, rollout and continuous awareness sessions in respect of policies and procedures related to fraud risk management followed, and most importantly, ensured that a sound "Tone at the Top" (TTT) was established, and that the management would set the example with regard to not condoning any form of misconduct, which includes any unethical behaviour. The policies to consider from a fraud risk governance perspective are: declaring any potential conflict of interest, whistle-blower protection, response plan when misconduct is

discovered, where to report, and the investigative methodology that has to be adhered to.

- Assess fraud risk: Fraud risk assessment is the process pertaining to understanding the nature of the fraud risk within a specific industry and the company itself, and should consider the size of the company, the operational model, and the complexity of the business environment. The researcher found that a fraud risk assessment process has to focus on identifying the inherent risks in a process, take into account the controls or absence of controls to address the identified risks, assess the likelihood that the identified risk might materialise, and lastly determine the subsequent impact, should the risk indeed materialise. The respective companies will not have the same risk appetite, known as "risk tolerances," and this view of tolerance adopted at a company and most often influenced by the TTT will subsequently impact on the pressures and opportunity to commit misconduct.

- Design and implement fraud-control activities: The researcher established that fraud-control activities have a bearing on all the policies and processes, awareness, and continuous training to prevent misconduct from happening, or methods to at least ensure early detection.

- Establish reporting and investigation processes: Ensuring that well-established reporting mechanisms have been implemented, and widely communicated to staff and business partners in general, will guarantee that when any misconduct is observed, everyone in the company or conducting business with the company will know where, how and to whom to report their suspicions. The researcher found that when a company such as the largest South African short-term insurer is transparent about the investigative methodology that is followed, it provides clarity on whom feedback will be given to, and reassures whistle-blowers regarding victimisation of any kind. Their identities are protected and they may remain anonymous, should they wish to. These factors all contribute to enhancing the probability that incidents of misconduct will be reported.

- Monitoring the fraud risk-management process: Monitoring of the fraud risk-management process is an on-going process that could be outsourced, but most often resides within a company in the Enterprise Risk Management (ERM) division or department. At the largest South African short-term insurer and

employer of the researcher, the process applicable to the continuous monitoring of the fraud risk-management process is guided by an overall plan that is linked to annual planning of the ERM team, or ensures that the whole company is covered over a three-year period. The following factors may impact on the planning, since any of these may require the company to update the fraud risk profile of a specific section of the company sooner rather than later: (i) Significant misconduct, whether from an impact or pure rand-value (R) perspective, or (ii) other major changes, such as new technology being implemented, (iii) mergers, (iv) Joint Ventures (JV), or (v) the acquisition and conclusion or sign-on of a new business partner.

The COSO/ACFE Fraud Risk Management guide advises that once the fraud risk-management policy has been fully implemented, additional consideration can be given to add-ons such as action regarding the deterrence of fraud and the use of resources, for example interactive scorecards, creating anti-fraud data analytic tests, risk assessment follow-up action templates, or points of focus documentation templates. Earlier tools published by the ACFE could subsequently be incorporated into the COSO/ACFE Fraud Risk Management Guide. One such tool includes the Fraud Prevention Checklist, which is described in more detail in paragraph 2.6.2.2.

2.6.2.2   The fraud prevention checklist

The ACFE (2012:70) issued an initial framework that became known as the "Fraud Prevention Checklist," which has since been widely incorporated by a number of the South African short-term insurers, including at the researcher's employer. The "Fraud Prevention Checklist" (2012:70-74) is a condensed, potentially proactive fraud-prevention tool that can easily be incorporated into a standard fraud risk methodology process. It consists of short, but detailed questions, with tick-boxes next to each question, covering the following aspects:

- Is on-going fraud training provided to all employees of the organisation?
- Is an effective fraud-reporting mechanism in place?
- To increase employees' perception of detection, have the relevant proactive measures been taken and publicised [communicated] to employees?
- Is the management climate / "tone at the top" one of honesty and integrity?

- Are fraud risk assessments performed to proactively identify and mitigate the companies' vulnerabilities to internal and external fraud?

- Are strong anti-fraud controls in place and operating effectively?

- Does the internal audit department, if one [does] exist; have adequate resources and authority to operate effectively and without undue influence from senior management?

- Does the hiring policy, as permitted by law, including [include] the typical suggested checks?

- Are employee assistance programmes in place to assist employees struggling with addiction, mental/emotional health, family or financial problems?

- Is an open-door policy in place that allows employees to speak freely about pressure, providing management the opportunity to alleviate such pressures before they become acute?

- Are anonymous surveys conducted to assess employee morale?

The researcher found the "Fraud Prevention Checklist" (ACFE, 2012:70-74) to be a most valuable component when conducting fraud risk-assessment workshops. A further benefit in the experience of the researcher is that the succinct layout of the "Fraud Prevention Checklist" (ACFE, 2012:70-74) makes it easy for management to use as a self-assessment evaluation to determine whether improvements are required from a governance or ethical climate point of view within their area of responsibility. A further discussion on how to potentially consolidate the three (3) elements of "The Fraud triangle" as part of a fraud risk-management process and the red flags, is covered in paragraph 2.6.3.

2.6.3 Suggested red flags to consider from an occupational fraud and fraud risk-management perspective

It has to be emphasised that red flags are merely potential indicators that there might be something to investigate more closely. The presence of red flags by no means constitutes definite evidence of misconduct per se, therefore it is advisable that one should be careful in how one reacts to the presence of a red flag (Golden, Skalak & Clayton, 2006:127-128).

From actual experience, the researcher, advises that although the presence of red flags often serves as a reason for further enquiries, it must by no means simply be assumed that an individual has definitely committed a form of misconduct.

The ACFE in its annual global survey, "Report to the Nations" (2014:22), with specific reference to occupational fraudsters, lists potential red flags very similar to those provided by Deloitte (2012:11-20), and states that in:

- 92% of cases analysed as part of that year's survey, "the fraudster displayed at least one of these behavioural red flags
- 64% of the cases analysed, a combination of behavioural red flags was displayed

From information contained in Deloitte (2012:11-20) as well as from lessons learnt in respect of fraud risk-management methodology that is followed by the leading South African short-term insurer, it is suggested that the following red-flag scenarios should be considered, namely:

- Unexplained variance between known sources of income and an employee's lifestyle.
- Continuous, different explanations being provided as reasons for apparent sudden change in lifestyle, e.g. always winning prizes, or always being the lucky recipient of an inheritance reward.
- Persistent allegations or rumours about an employee's lifestyle/management style, preferential treatment of specific suppliers or vendors, creditors or debt collectors showing up at the workplace, a criminal record, poor credit rating.
- Conflicting relationships or interests in external business not declared.
- Excessive gambling habits.
- Substance abuse problems.
- Rapid staff turnover, whether due to termination, resignations and/or low staff morale.
- Unrealistic productivity or profit targets, which may subsequently result in "pressure" as being one of the elements in Cressey's "The Fraud Triangle."

- Emotional trauma in home or work life.

- Stealing of any kind, e.g. cash, petty cash, supplies, equipment, tools, data, records.

- Always re-writing or re-doing records or entries under the guise of neatness or being a perfectionist.

- Lack of original documentation or supporting evidence for transactions, most often only photocopied documents.

- Complex transactions, processes or business deals that only this one or a limited number of employees understand or can deal with.

- Failure to take leave, without good reasons.

- Refusal of promotions; this is more often an indication of the fear of being detected.

- Familiarity with operations; this includes years of service, being in a position of trust and of being able to "cover up" acts of misconduct.

- "Too good to be true" observation: Always first to arrive at work, always last to leave, or working excessive overtime.

- Insufficient segregation of duties or placing too much trust in one key employee.

- Always providing some kind of excuse as to why he/she has to work alone on an assigned task(s).

- Always the first to discover apparent vulnerabilities in processes or systems, this may often be an attempt to keep the focus away from what the individual him-/herself may in fact be busy with.

- Easily annoyed by reasonable questioning; cannot relax, is defensive and argumentative.

- Borrowing money from colleagues, versus the opposite of lending or advancing cash or loans to colleagues.

- Continuous problems, disputes or fines from regulatory bodies.

The above-listed red flags and related importance are emphasised by not only the external audit firms, but also TEI as well as the ACFE. In Figure 2.12 below, the researcher provides a schematic illustration of how to combine typical red flags, behavioural analysis and the three (3) fundamental elements, as defined by "The Fraud Triangle" (1953:1).
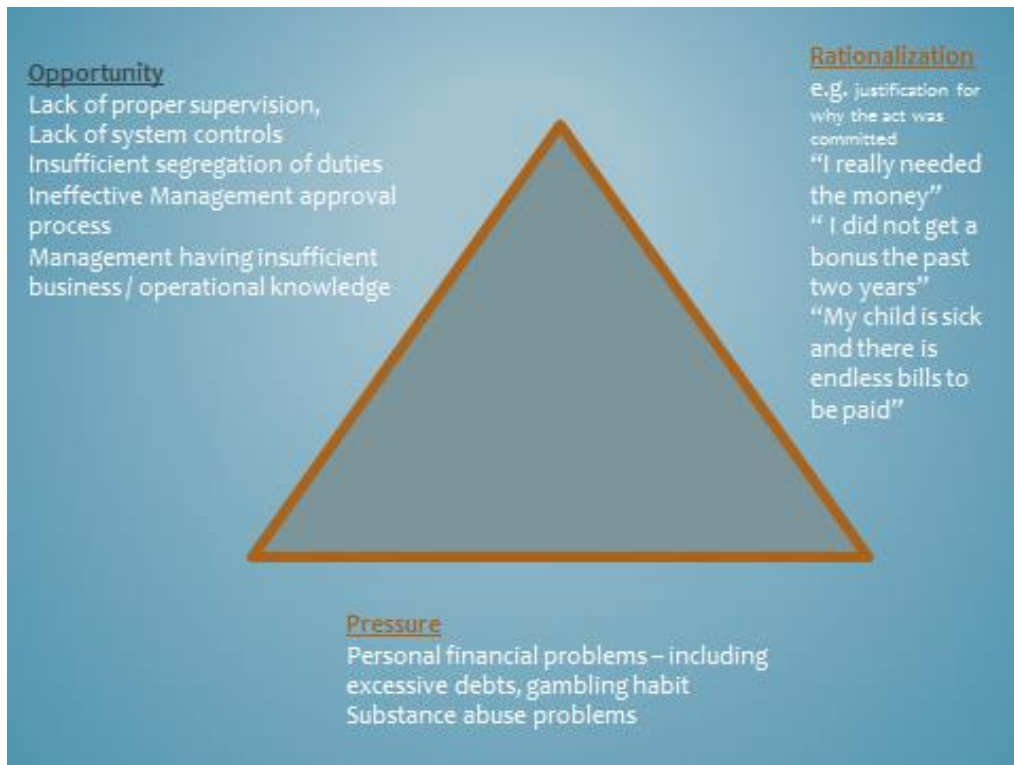
Figure 2.12: Schematic display of the consolidation of red flags, behavioural analysis and the fundamental elements of The Fraud Triangle

(Source: SANTAM, Group Intelligence Unit, 2014:2)

The largest South African short-term insurer and employer of the researcher incorporated red-flag identification indicators into its fraud risk-management methodology. A number of other South African short-term insurers follow a similar approach. The researcher is of the opinion that "The Fraud Triangle" continues to serve as the renowned foundation for conducting behavioural analysis when profiling potential white-collar criminal perpetrators, including staff in the South African short-term insurance industry. In addition, the researcher is in agreement with the suggestion by Eaton and Korach (2015:134-137) that further psychological and sociological profile elements must be added to each of the three (3) fundamentals of "The Fraud Triangle." Lastly, it must be emphasized that red-flag indicators indeed correspond to the additional psychological and sociological elements as required, and that an integrated approach is necessary in order to conduct successful profiling of white-collar crime perpetrators. Taking into account that the ACFE, according to best estimates and their annual worldwide survey based on actual fraud investigative matters, found that companies on average lose 5% of "annual revenues" to fraud, (ACFE, 2012:1) the researcher wants to highlight

the necessity for an integrated approach to combat misconduct, and that focusing on individual aspects only, e.g. just a transactional analysis or red flags in isolation, or not analysing or learning from historic investigative matters, might not be enough in the complex business world of today and in view of the growing phenomenon of white-collar crime.

2.6.4 Suggested proactive white-collar crime measures to consider

The recommended proactive measures by the various external audit firms are reiterated by the South African TEI, which suggests the following additional "crime-prevention measures:"

- Communicate the effects of crime
- Create awareness by training all personnel
- Enforce a Code of Ethics
- Management, including the executives, to set an example
- Follow the principles of good corporate governance

The so-called "Big-4" audit firms, namely Deloitte, EY, KPMG and PwC, in accordance with their various annual South African and international fraud surveys, recommend that companies incorporate the following proactive measures in order to protect themselves against white-collar crime and the associated impact, namely:

- Having a fraud response plan.
- Benchmark fraud risk and review controls.
- Continuous fraud-awareness training.
- Implementing training and ensuring that staff have a detailed understanding of the company's code of ethics and gift policy.
- Having a fraud/ethics hotline where staff can report their suspicions without fear of intimidation or victimisation, and may exercise their right to remain anonymous.
- Expert forensic support.

Regarding the suggested proactive measures to prevent misconduct within the South African short-term insurance industry, significant focus is placed on transactional analysis actions, such as predictive modelling, link analysis, and various data analysis techniques, e.g. "Computer-aided Audit Tools" (CAATS) in order to identify and investigate misconduct committed by the five (5) known perpetrator groups, namely:

- Policyholders (clients)
- Suppliers
- Intermediaries (brokers)
- No Relationship (N/R's)
- Staff (employees)

Based on experience gained in the South African short-term insurance industry over the past 13 years, the researcher is of the opinion that in respect of staff as potential white-collar crime perpetrators, an added component called "behavioural analysis" is required. This type of analysis and the guidelines to consider are covered in detail on a continuous basis by the ACFE, as well as TEI (2008:4) in their lists of white-collar crime identifiers or related circumstances that have to be present in order for misconduct to be committed.

2.7   SUMMARY

In this chapter, the researcher endeavours to bring about an increased awareness, but also a better understanding of the research question "What does profiling entail?" In order to accomplish this, an initial introduction was necessary for understanding a criminal investigation, the typical objectives of a criminal investigation, as well as the nature of a forensic investigation, and the most significant differences between a criminal versus a forensic investigation. The importance of an investigative methodology and the consequences, should such a methodology not be in place or not be adhered to, was explored.

Thereafter, there was an introduction to the definition of criminal profiling and the phenomenon of investigative psychology, with dedicated focus on certain offender characteristics that must be considered when profiling potential white-collar criminal

offenders throughout the South African short-term insurance industry. The researcher endeavoured to explain what is meant by the term "white-collar crime," and highlighted certain white-collar crime identifiers that pertain to misconduct. "The Fraud Triangle," together with relevant psychological and sociological profiling elements to consider, were elaborated on.

The latter part of this chapter included extensive coverage of the use and interpretation of red flags, as well as the suggested application of the Fraud Prevention Checklist as part of any effective fraud risk-management strategy. In this chapter, the researcher also elaborated on the findings obtained from the analysis of the base data set, based on the overall parent population of 326 internal staff investigative matters at the largest South African short-term insurer, the employer of the researcher. Where possible, graphs and diagrams were incorporated in order to explain these results and the related interpretation of the findings when compiling the "Profile of a Fraudster," based on the data applicable to the period 2003 until 2016.

The phenomenon of the "insider threat," which refers to misconduct by employees within a company, continued to increase annually, according to surveys released. With reference to research detail published by Kroll Inc., the actual percentage of employees committing misconduct increased proportionally from 55% (Kroll Incorporated, 2010:6) to a staggering 81% (Kroll Incorporated, 2015:9) over a mere five-year period. The ACFE estimates that companies in general are set to lose "5% of revenues due to fraud" (ACFE: 2012:5) annually and in the case of South African short-term insurance companies, this estimated 5% must be calculated as 5% of their annual Gross Written Premium (GWP) in order to obtain a potential estimate of what their loss due to misconduct is. As economic conditions in South Africa continue to become more challenging, and this fact may have a negative impact on the GWP of short-term insurers due to policyholders who can no longer afford short-term insurance and continue to cancel their policies, it must be remembered that staff members also continue to experience financial pressure. Should South African short-term insurers not be vigilant and the opportunity exists, it may just create the perfect conditions for the next act of misconduct to be committed.

In order for South African short-term insurers to protect themselves against the phenomenon of "insider threat," perhaps it is not a case of more regulation being required, but rather a detailed understanding of how to effectively and in a practical manner apply fraud risk management. Furthermore, an integrated approach is required that not only focuses on the investigation of white-collar crime, but in addition ensures that dedicated resources are applied to the prevention, deterrence and early detection of misconduct, and that includes enhanced focus on staff as potential perpetrators of white-collar crime.

"What can we do? For the last 20 years I have been talking prevention. Maybe it does not sound as exciting as tracking down the bad guy, but it pays much better rewards" (Wells, 2012: 3).

CHAPTER 3

STEPS TO PROFILE WHITE-COLLAR CRIME PERPETRATORS IN THE SHORT-TERM INSURANCE INDUSTRY

3.1 INTRODUCTION

> Corporate scandals of recent years have clearly shown that the plethora of laws of the past century have not eliminated the less savoury side of human behaviour. Rules cannot substitute for character (Alan Greenspan, US Federal Reserve Chairman, 2004:1).

The South African short-term insurance industry is an extremely regulated industry. While on the one hand, it is governed from a legislative perspective by the "Short-term Insurance Act of 1998," from a regulatory perspective it has to adhere to the stipulations of the Financial Services Board (FSB) as well as the Office of Short-term Insurance Ombudsman. The latter, generally known as the "OSTI," looks after the rights of policyholders and has the authority to overrule decisions on claims settlements made by a short-term insurer. Non-adherence to either or both the legislative and regulatory specifications may subsequently result in fines issued against such an insurer.

Failure to pay these fines, or not implementing the specified recommendations or remedial actions as suggested could lead to more severe punishment, the worst being the insurer having its operating license withdrawn. If the insurer is listed on the Johannesburg Stock Exchange (JSE), it has to comply with various financial reporting regulatory criteria, as specified in the Companies Act, 2008. The South African short-term insurance industry will most likely experience a further increase in the complexity of governance and compliance, due to a number of pending regulatory frameworks, together with legislative changes. The latter are expected to be promulgated towards the middle of 2019. These regulatory and legislative changes, when implemented locally often follow similar reforms implemented, most often in the European or United Kingdom insurance-related industries (FANews, 2009:2).

Although these legislative and regulatory requirements contribute to ensuring potential strong governance frameworks throughout the South African short-term insurance industry, they are more often focused towards ensuring that:

- Insurers have sufficient capital reserves to fund insurance claim payments.
- Intermediaries (brokers) treat policyholders fairly at all times, from both underwriting and claims settlement perspectives.

All the legislative and regulatory requirements, however, do not necessarily help South African short-term insurers with counteracting the phenomenon of the "insider threat" and the prevalence of white-collar crime at a short-term insurer. This, therefore, remains the responsibility of the South African short-term insurance industry, i.e. to ensure that they remain vigilant and continue to explore all available solutions from both a transactional and behavioural analysis point of view.

In this chapter, the researcher aspired to answer the second research question, namely "Which steps should be taken to profile employees committing white-collar crime in the short-term insurance industry?" by initially providing high-level background detail on the South African short-term insurance industry, and secondly focusing on the prevalence of white-collar crime within this industry. Following from there, this chapter includes a critical assessment of the suggested best practice and processes for profiling. In conclusion, there are suggestions to consider, as well as possible pitfalls to avoid when profiling staff that may be potential white-collar crime perpetrators in the South African short-term insurance industry.

3.2 AN OVERVIEW OF THE SOUTH AFRICAN SHORT-TERM INSURANCE INDUSTRY

In a South African context, an insurance contract can be defined, according to Nagel (2000:196), as:

> … a reciprocal contract between insurer and an insured in terms of which the insurer undertakes to pay the insured an amount of money or its equivalent, in exchange for payment of a monetary premium, should the risk, borne by the insurer on behalf of the insured, materialise by the happening of an event in which the insured has an interest.

The origin of the concept of short-term insurance according to historic estimates dates back to the concept of transferring risk during the second and third millennia BC. From there, the concept of insurance gradually evolved through the centuries and during the fourteenth century, insurance contracts as Single Case Agreements (SCAs) started to emerge. During 1666, the following major milestone occurred, being the "Great fire of London," during which 13 000 houses were damaged. This subsequently gave rise to the concept of the insurance business that was developed in 1680 by Edward Lloyd, still known today and still in business as "Lloyds of London" (Beattie, 2011:3). In South Africa, the concept of short-term insurance was introduced when Mutual and Federal Insurance, these days known as Old Mutual Insure, was founded in 1831.

PwC (2016:19) reported in their annual survey, focusing on an analysis of the South African insurance industry, that from a short-term insurance industry perspective, the following short-term insurers are the current major role-players, based on (a) GWP, (b) underwriting margin, (c) overall market share, (d) claims ratio as the contribution from their various local subsidiaries, and (d) internationally-based business interests:

- Santam
- Old Mutual Insure (former Mutual and Federal Insurance)
- Outsurance
- Hollard
- Telesure
- Discovery Insure
- ABSA Insurance
- King Price

It is reported that although the South African short-term insurance market used to be largely intermediary-driven, the entry of a number of direct insurance role-players in the last ten (10) to fifteen (15) years, on the one hand has created more competitive market conditions, but on the other hand the industry now offers a much

wider selection for potential policy holders to choose from PwC (2016:25). The emergence of the direct short-term insurance market resulted in a number of the older and more traditional South African short-term insurers establishing a separate, direct insurance business. In reference to the recently changing landscape, from a direct insurance perspective, the most prominent is Santam, with MiWay as its direct business partner, and Old Mutual Insure, with iWyze as its direct insurance business venture partner. Since the beginning of 2017, and blamed on increasingly challenging economic circumstances, a number of mergers and acquisitions took place in the South African short-term insurance industry, subsequently resulting in Hollard moving to the second spot, following approval by the Competition Commission of their buy-out of Regent Insurance (Business Live, 2017:1). At the same time, Santam expanded its market share by obtaining a majority interest in ABSA Insurance Brokers, buying out the former Rand Merchant Bank (RMB) Structured Insurance, and announcing a joint venture with The Professional Provident Society (PPS), (Business Live, 2017:2).

3.2.1 Prevalence of white-collar crime in the South African short-term insurance industry

Beattie (2011:1) states that according to the history of short-term insurance fraud, the first recorded incident dates back to 300 BC, and was committed by a Greek merchant, namely Hegestratos. The transgression at the time was defined as "bottomry." The researcher could not find evidence of a specific, first short-term insurance fraud incident in a South African context, but did learn from available records that the first known incident reported at the second-oldest and current largest short-term insurer dates back to 1953, and was related to a crop insurance fraud incident (Santampos, 1993:17).

Moving forward to 2017 - quite different from the occasional recording of incidents related to short-term insurance fraud, all types of white-collar crimes, including fraud, have become part of conducting business for all insurers. Estimated figures released by the ICB (2015:1) projected the loss due to short-term insurance fraud at approximately R4 billion annually, and it calculated that one in three short-term insurance claims contains a fraudulent element. In addition, from an international perspective, the Association of British Insurers (ABI) (2013:2) in 2013 estimated

losses caused by dishonest claims to be 1.3 billion pounds. At the time, the ABI (2013:4) found that in turn, insurers invest approximately 200 million pounds annually to identify and investigate fraud.

The Insurance Crime Bureau, originally known as the South African Insurance Crime Bureau, was established during 2008 as a sub-committee of the South African Insurance Association, with the mandate to investigate syndicated or organised crime in the South African short-term insurance industry. Insurance crime bureaux world-wide are non-profit organisations, operating by means of fees paid by the various member companies. Insurance crime bureaux throughout the industry are established as a collaborative effort between insurers or financial institutions and law enforcement agencies, to identify, detect and prosecute criminals who operate in an industry, e.g. insurance companies or banks.

The establishment of such an umbrella body, focusing on syndicated or organised crime, is by no means a unique concept and, according to the Australian Payment Forum (2008:3), a number of world-wide industry-specific bodies or forums who collaborate are mentioned, and their mandates and the processes and focus areas of each described in detail. Such industry-wide bodies mentioned in this White Paper include the following in the various countries involved in fraud-prevention and investigation initiatives (Australian Payment Forum, 2008:3-13), namely:

- United Kingdom - "CIFAS; Cardwatch; Banksafe Online; Financial Fraud Action UK," and "Dedicated Cheque and Plastic Crime Unit."
- United States - "The Identity Theft Assistance Centre; National Cyber-Forensics and Training Alliance; The President's Task Force on Identity Theft" and the "On-line Advice and Information Sites."
- Ireland - "Irish Fraud Bureau for Economic Crime."
- Canada - "Fraud Prevention Forum" and "Interac."
- South Africa - "SABRIC."
- Australia - "ABA," "Abacus," "APCA," "EPAL," "Australasion Card Risk Council."

The various card payment initiatives from VISA International and MasterCard, based in a number of countries across the globe, are mentioned. Although these non-profit industry bodies play a crucial part in assisting their various member companies with the investigation and combating of syndicated and organised white-collar crime operations, their mandate does not include the in-house investigations and related preventive initiatives, as in the case of the ICB, therefore it remains the responsibility of each South African short-term insurer to ensure that they pay dedicated attention to the prevalence of white-collar crime committed by the five (5) known perpetrator groups, namely:

- Policyholders (clients)
- Suppliers
- Intermediaries (brokers)
- No specific relationship (N/R's)
- Staff (employees)

and especially to the "insider threat" or staff perpetrator group, and consider the use of profiling from both an investigative and proactive preventive perspective. As part of addressing and combating the phenomenon of the "insider threat," more detail is provided in paragraph 3.3 of the source of information that could be helpful when profiling staff (employees) as potential white-collar crime perpetrators.

3.3   SOURCES OF INFORMATION APPLICABLE TO PROFILING STAFF AS POTENTIAL WHITE- COLLAR CRIME PERPETRATORS

Golden, Skalak and Clayton (2006:143-144) suggest the following types of information sources that may be helpful in addressing the fraud risk that has been identified, or highlighting a related fraud risk that may not be known yet. The suggested sources include: general press and media reports; specialist industry publications or trade journals, analysts' reports, data mining, and public records. Lee (2013:18-22) similarly suggests public records and analyses as potential sources that may help to identify fraud or related offenders, sooner rather than later, but the author also adds the following additional sources, namely: interviews as part of proactive measures, surveillance, and tracking the money trail in order to ensure detailed scrutiny of financial transactions.

The researcher concurs with the suggestions from Golden, Skalak and Clayton (2006:143-144), but in relation to the profiling of staff (employees) as potential white-collar crime perpetrators, the sources listed below, from an internal (i.e. inside the short-term insurer) or external source perspective, may be more applicable to a South African short-term insurance scenario:

3.3.1 Internal

- Investigation files pertaining to staff investigative matters.
- Staff (employee) records, usually available from a HR department.
- Conflict of interest details in respect of external business interests as declared by a staff member.
- Gift register detail - declared detail (giving and receiving) in accordance with company policy.
- Entertainment detail - according to company credit card spending details.
- Data mining and analysis-related results based on available data from departments with an inherent higher fraud risk, or within BU's.

3.3.2 External

- Short-term insurance industry- or financial services-related publications: these may provide historic detail about previous positions that an individual was employed in.
- Short-term insurance regulatory body platforms, e.g. FSB in order to easily verify FAIS (Financial Advisory and Intermediary Services) qualification and/or FSP (Financial Service Provider) number details.
- Open-source type information: this could include media (online and printed), social media, and legal-type information such as previous matters before a court of law, the CCMA (Commission for Conciliation, Mediation and Arbitration) or Labour Court, or qualification authority, e.g. SAQA (South African Qualifications Authority).
- Subscription to specific legal-type services, e.g. Legalnet, Sabinet.
- Subscription to staff-verification service providers, which will include a comprehensive check and feedback in regard to credit profile, criminal offences, and verification of qualifications obtained.

- Public record searches: these types of searches include but are not limited to, credit bureaux or property registration details, more generally known as a "deed search."

All these suggested sources of information could firstly be helpful from the perspective of proactive handling of misconduct by highlighting the focus areas that may have been overlooked until an allegation is received or an actual investigation has commenced, and secondly during an investigation of evidence or related proof that must be obtained to ensure a successful outcome, i.e. to prove who committed the misconduct and how it was carried out. In addition, when results from the above-mentioned sources are collated into a database and a "linkage analysis" (refer to paragraph 3.4 in this research), is applied, the result could eventually prove valuable in the discovery of hitherto unknown links between potential perpetrators or their modi operandi (MO) used in these cases. With regard to profiling and databases, Padgett (2015:67-71) states that although profiling offenders may not be the answer to the crime, nor a substitute for conducting investigations, it is a definite potential aid when establishing or expanding on "a database for the purpose of crime intelligence, which can assist in identifying and tracing offenders." Padgett (2015:69) argues that during an investigation, investigators most often only gather various types of information about a perpetrator, and do not spend additional time to collate all the various detail obtained in order to compile a "formal offender profile." This subsequently results in vital detail about perpetrators not being used or, worse, even overlooked or disregarded. Padgett (2015:70) is of the opinion that although investigators may not always necessarily conduct the profiling of white-collar crime perpetrators themselves, they must at least have a basic understanding of the methodology used in profiling. This suggested basic understanding by the investigator is required (Padgett, 2015:70) since various profiling techniques and related methodologies may influence the crucial data fields required from the actual staff investigative files in order to conduct the white-collar crime profiling. In reference to the applicability of the use of profiling of white-collar crime perpetrators, Perri (2015:3) explains that similar to blue-collar offenders there may indeed be white-collar offenders that are repeat offenders or so-called "career criminals." Perri also states that "white-collar offenders display consistent criminal thought patterns, attitudes and behavioural traits." In paragraph 3.4 further focus is directed towards

suggested steps and the process when profiling staff (employees) as potential white-collar crime perpetrators.

3.4 STEPS TO FOLLOW WHEN PROFILING STAFF AS POTENTIAL WHITE-COLLAR CRIME PERPETRATORS

Employee or internal fraud is defined as the act that is committed against the employer, i.e. the company or organisation where the person is employed and furthermore, most often to ensure "financial gain" for the individual (Albrecht & Zimbelman, 2016:9). These authors elaborate in addition that typical examples of employee fraud include "embezzlement, payment, procurement, travel fraud," as well as "exploiting assets or information" (Albrecht & Zimbelman, 2016:11). This view (Albrecht & Zimbelman, 2016:9-11) corresponds to the earlier discussions in paragraph 2.4.1.2 regarding occupational fraud being defined as "the use of one's occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization's resources or assets" (ACFE, 2012:6). The opinion of Albrecht and Zimbelman (2016:9-11) corresponds furthermore to the explanation on the "Typology of White Collar Crime" (Edelhertz, 1970:73).

A Harvard Business School study, which collated input from corporate institutions around the world, focused on whether there was any difference in "punishment severity" meted out to white-collar crime perpetrators, and whether it is depended on different management levels and/or the relationship (internal vs external) to the specific company (Healey & Serafeim, 2016:16-148). The research conducted by Healey and Serafeim subsequently found vast differences between the sanctioning of lower-level staff in comparison to that of staff at executive level. These authors also found a difference between how male and female staff were treated as perpetrators of white-collar crime. Although a number of underlying reasons are discussed pertaining to the differentiation in punishment described in the research by Healey and Serafeim (2016:16–148), consideration must be given, when profiling staff as white-collar crime perpetrators in the South African short-term insurance industry, to the fact that there might be slight differences in the associated approach and methodology when profiling senior staff and executive management, as well as in the case of female offenders.

Profiling of general staff as potential white-collar crime perpetrators will be discussed in the next section, followed by the suggested process and the difference, if any, in the respective criteria, applied when profiling management as potential white-collar crime perpetrators in the South African short-term insurance industry.

3.4.1 The proposed use of a crime-linkage analysis when profiling staff as white-collar crime perpetrators

The suggested application of a crime-linkage analysis in reference to the profiling of staff as potential white-collar crime perpetrators in the South African short-term insurance industry will be more from a proactive and behavioural angle, rather than the outlook that would be applied in the case of more violent crimes. Woodhams and Bennell (2015:1) describe the process of "crime linkage analysis" as a "police practice whereby crimes that may be the work of the same offender(s) are identified from an analysis of crime scene behaviors. The analysis attempts to uncover similarities across the potential series that are deemed relatively distinct from behavior exhibited in other crimes." In contrast, Hazelwood and Warren (2003:587) state that "linkage analysis" can be described as a process that "integrates the information from interrelated aspects of a crime pattern, the MO and signature behaviours, committed by a single offender." Hazelwood and Warren (2003:588) elaborated on the actions that follow the initial evaluation. The suggested actions include:

- Gathering the related, detailed documentation.
- Establishing the most important or noteworthy detail of each crime.
- Scrutinising each crime in order to understand the various MOs.
- Establishing or determining whether the same behavioural characteristics can be found in the various crimes that were reviewed.
- Documenting the opinion of the profiler, as well as relevant facts applicable to similar MOs, crime or behavioural characteristics, preferably in a written format.

Applying the phenomenon of crime linkage analysis from a South African short-term perspective and particularly to staff as potential white-collar perpetrators, the researcher knew from experience to scrutinise investigative file notes, analyse statements from both witnesses and the perpetrator, as well as liaise with the

investigative team as regards significant behavioural traits that were observed but ignored at the time, until the official allegation was received and investigation conducted. The team responsible for data mining, analytics and intelligence at the largest South African short-term insurer and reporting to the researcher officially started to compile a list of these behaviours from mid-2012. As new staff related matters occurred from 2012 to date, this list was expanded when any additional behavioural traits were observed or mentioned, while existing trends that continued were indicated as such. The typical behavioural trends, as collated during the period 2012 to date, and mentioned either in the actual investigative files, whether in the investigator notes or witness statements, or alternatively noted by the team responsible for data mining, analytics and intelligence include the following:

- Autocratic management style.
- Bullying of staff and/or co-workers.
- Argumentative and defensive when asked for explanations or supporting evidence regarding transactions to be processed.
- Playing down the importance of policies and procedures at the company.
- Taking short-cuts, either with processes or bypassing control procedures.
- Demanding the processing of transactions close to the daily payment cut-off time, or towards month-end.
- Working extensive hours' overtime, but work never seems to be up to date.
- Carrying large amounts of cash.
- Alternatively- never has cash and other co-workers must always pay.
- Meeting with or being visited at the office by dubious individuals.
- Having a close clique of co-workers and not mingling with the rest of the co-workers.
- Having the latest technology gadgets.
- Living above the income for that specific job grade: examples from the historic staff investigative matters include, "overseas holidays, kids in private schools, wife underwent a number of cosmetic procedures, neighbourhood they live in, often buying new vehicles or driving sponsored vehicles, having the latest technology gadgets, including cell phones."

This combined set of behavioural trends has been incorporated into the red-flags list in use at the largest South African short-term insurer. Continuous or emerging trends are communicated back to the investigation team and thereafter incorporated into the fraud risk-management workshops and fraud awareness training presented in the company in order to alert co-workers and management to pay more attention and report their observations. The reason is that these trends might be potential indicators of misconduct being committed, or at the very least, of a staff member experiencing increased pressure of some kind, when the situation is evaluated in accordance with the fundamentals of "The Fraud Triangle." As part of this research, the importance of red flags is emphasised in paragraph 2.6, while a discussion of fraud risk management follows in paragraph 2.6.2.1. Coverage in reference to an understanding of the "The Fraud Triangle" and suggested interpretation preceded these, and further detail can be found in paragraph 2.5 of this research. The researcher agrees with both Woodhams and Bennell (2015:1) and Hazelwood and Warren (2003:587-588), since a similar process, excluding a crime scene, is followed when profiling employees as potential white-collar crime perpetrators in the short-term insurance industry. A further discussion of considerations when profiling management as potential white-collar crime offenders follows below.

3.5 SUGGESTED CONSIDERATIONS APPLICABLE TO PROFILING MANAGEMENT AS POTENTIAL WHITE-COLLAR CRIME PERPETRATORS

Convicted South African fraudster David Alexander, a previous Managing Director (MD) of an insurance broker, who committed fraud to the value of R372 million (De Waal, 2009:1), has since his release from prison started a career as a professional anti-fraud advisor to safeguard companies from becoming victims of white-collar crime. Alexander warns that although it is not always easy to identify a criminal, companies should pay closer attention to all the relevant warning signs, and when these signs are observed, to act on them sooner rather than later. The suggested warning signs to take note of include the following:

- Aggressive management style.
- Type of "big ego" personality.
- Inability to admit being wrong.

- Individual being observed to be "greedy," with an insatiable appetite to always exceed deliverables or targets, and endlessly boasts about personal achievements or wealth.

Alexander furthermore emphasised (in De Waal, 2009:2) that individuals with the above-mentioned personal characteristics take pleasure in bypassing controls and processes. Once they have contravened the related governance measures or have already committed misconduct, they cannot stop, and an almost "adrenaline rush" follows, resulting in them convincing themselves that they "have to do it again." Gottschalk (2013:1) is of the opinion that one of the most intricate problems for human resource management is "criminal behaviour among executives." Gottschalk (2013:4) continues to elaborate on his concern that white-collar crime research often relates to cases of well-known or famed white-collar criminals, and although all research is applicable and arouses curiosity, there is a serious need for a "larger sample of white-collar criminals that can be studied in terms of averages as variation in criminal characteristics." The researcher is in agreement with Gottschalk (2013:1) and, based on personal experience of the "Profile of a Fraudster" (KPMG, 2007:1-8 & ACFE, 2012:39-50) survey findings, wants to draw attention to the importance of the suggested profiling of staff as potential white-collar criminal perpetrators, including coverage of all job grades, including senior and executive management.

Deloitte (2015:3) elaborates on the importance of the so-called "tone at the top" (TTT) and describes it as the "foundation upon which the culture of an enterprise is built," while the ACFE (ACFE, 2012:1-4) defines this term as "the ethical atmosphere that is created in the workplace by the organization's leadership." Deloitte elaborates that, following the appointment of the Chief Executive Officer (CEO) by the board of a company, the behaviour of the CEO and how he or she connects to people inside and outside the company will set the tone in terms of ethics and integrity. Peers and subordinates will be taking clues from this as to how to behave, what kind of behaviour will be tolerated or not and whether there is any inconsistent behaviour regarding what staff or who is punished or not (Deloitte, 2015:3-5). It is advised that in order to ensure a sound "tone at the top," attention be paid to all the aspects listed below:

- "Walk the talk" always ensure acting in an ethical manner.
- "Remember the water cooler." If behaviour displayed was in any manner inconsistent with the values of the company, it will be widely discussed by staff.
- "Keep an ear to the ground." It is suggested that the leadership uses technology in order to be aware of and up to date on what the staff, public, media and other stakeholders are saying about your company.
- "Reward for principled performance" behaviour related to ethics and compliance must be included in the performance management details of senior and executive management, and it must have a subsequent impact on their remuneration.
- "Build an ethical corporate ladder". The succession planning and promotion of management must include measures related to ethical behaviour and compliance, and not only those measures that relate purely to work performance or meeting financial targets (Deloitte, 2015:3-5).

When profiling of potential white-collar perpetrators in the South African short-term insurance industry pertains to senior and executive management, the presence of features such as "narcissism, excessive ambition, aggression, autocratic management style and inconsistent behaviour towards staff members must be observed closely from a behavioural analysis perspective, since there is a phenomenon known as "Snakes in Suits." This phenomenon refers to when psychopaths venture into positions of power in companies (Babiak & Hare, 2006:95). Babiak and Hare (2006:216-222) further elaborate that when senior and executive management is recruited, special attention must be paid to detailed background- and reference-checking. In addition, the information presented in a curriculum vitae (CV) has to be verified and not merely accepted. Thereafter, once all the various checks have been completed, the outcome, together with the results of the practice aptitude and psychometric tests, must be collated into an overall profile prior to appointment. Babiak and Hare (2006:44-48) describe the process of "psychopathic trait identification" and related, distinctive personality characteristics so that a potential "Snake in Suit" will be recognised, as being the following characteristics:

- Superficial charm

- Lack of remorse

- Pathological lying

- Manipulation

- Irresponsibility

- Grandiosity

- Impulsivity

In support of Gottschalk (2013:1) and Babiak and Hare (2006:95), PwC suggests that corporations should be on the watch for executives who display the following behavioural characteristics, since the latter could be potential red flags to consider in a white-collar crime profiling procedure (PwC, 2003:3-4). The suggested behavioural characteristics were listed as follows:

- An individual engaging in continuous activities indicative of a lack of integrity.

- An individual that is prone to engaging in speculative ventures or accept[accepting] unusually high business risks.

- An individual that exhibit[exhibits] a poor attitude towards compliance with regulatory or legislative obligations.

- An individual that is elusive, unpleasant, rude and abusive to the audit team.

- Lacks a proven track record between current occupation[occupational] responsibilities versus historic work experience.

White-collar crime-specific profiling guidelines vary and although it is difficult to include all the characteristics that must be taken into account when conducting profiling, Eaton and Korach (2015:3), with specific mention of the ACFE (2014) Report to the Nations (2014:59), highlight four (4) characteristics deemed most prevalent when a "personality profile of offenders" is compiled. The four (4) characteristics to consider are:

- Authority

- Cultural hedonism

- Narcissistic personality tendencies

- Low self-control

The researcher continues with a discussion of these four (4) characteristics below, since they are applicable to behavioural and unfortunate personality traits displayed by staff and management at a company, and have to be considered continuously when potential internal white-collar perpetrators are profiled in the South African short-term insurance industry.

- **Authority**

With reference to the characteristics of authority, Eaton and Korach (2015:3) emphasise the crucial role that the abuse of power, whether for "personal or company gain," plays in the occurrence of white-collar crime. Special mention is made of a specific type of authority, namely "charismatic authority." Eaton and Korach (2015:4) warn the profiler not to generalize when the characteristics of authority are observed, since they often form part of the typical corporate personality that is required, and feature regularly when "rags-to-riches" rise of a successful individual in the business world is described. It is, however, important to remember that the characteristic of authority can on the flip-side be overindulgent and may then require additional focus. Eaton and Korach (2015:6) elaborate further that especially from a "charismatic authority" perspective, an example worth mentioning is that of Jeff Skilling, former CEO of Enron, to whom the following description applied, "too much confidence in authority and one's own personal successes can be dangerous and deplete or even eradicate a business's control environment."

- **Cultural hedonism**

This is described by Eaton and Korach (2015:4) as the characteristic attributed to "material culture" that the majority of business professionals live by and the aspiring way of living that accompanies this. When overpowered by extreme levels of "indulgence" and endless "pursuit of accumulated wealth," this impact is what often in the end sets apart the "ethical professionals and white-collar offenders."

- **Narcissistic personality tendencies**

Certain symptomatic characteristics have to be considered when observing "narcissistic personality tendencies," often referred to officially as "Narcissistic Personality Disorder" (NPD), as a contributing factor that increases the likelihood of

committing white-collar crime. The characteristics are the following, according to Eaton and Korach (2015:5):

- Demands and illusion of grandeur
- Being an exhibitionist
- A desperate need for uncritical admiration
- Entitlement
- A lack of sustained commitment to others
- A deficient ability to empathise with others

- **Low self-control**

The authors Eaton and Korach (2015:6) describe the characteristics to be considered in connection to behavioural self-control, and the trend that the lower this type of self-control, the higher the likelihood of an individual committing white-collar crime when the opportunity arises or pressure exists. These authors further elaborate about this being especially problematic when individuals with the tendency to display characteristics related to low self-control are employed in positions of trust or higher authority in an organisation.

Eaton and Korach (2015:6-11) elaborate in more detail on additional examples of former Enron executives who displayed behavioural and personality with regard to the characteristics of authority, cultural hedonism, narcissistic personality tendencies, and low self-control. These authors (Eaton & Korach, 2015:6-11) continue by describing a number of excessive executive pay scenarios, where the above four (4) characteristics played a role to the extent that individuals displaying these traits and being appointed as senior management eventually commit misconduct. It is furthermore explained by Eaton and Korach (2015:611) how the ACFE incorporated the so-called "The Fraud Triangle" (refer to Chapter 2.5), which serves as the basis for any "psychological process, with deep roots in sociology as well," into their assessment of red flags from a behavioural perspective.

The researcher is of the opinion that all the crucial elements addressed below that could be derived from combining the "Profile of a Fraudster," the "Fraud Prevention

Checklist" and "The Fraud Triangle" will ensure a solid foundation for any other South African short-term insurer when contemplating the formulation of a white-collar criminal profiling framework. In the planning of such a framework, to be used for profiling perpetrators of white-collar crime in the South African, short-term insurance industry, the planner has to firstly take cognisance of the white-collar crime profiling guidelines from Eaton and Korach (2015:3-6); secondly, the general categories reported on as part of the "Profile of a Fraudster" (KPMG, 2007:1-8) (ACFE, 2012:39-50); and thirdly the suggested red-flag criteria formulated by Deloitte (2012:11-20) and TEI (2008:3-5). The incorporation of a fraud risk-management methodology that makes provision for using the "Fraud Prevention Checklist" (2012:70) compiled by the ACFE, and applying the fundamental three (3) elements of "The Fraud triangle," together with an investigation methodology that is followed in a consistent manner, will further enhance the foundation on which to base a white-collar crime-profiling framework.

During analysis of the available parent population of 326 staff investigative matters, a smaller number of cases involving senior or executive management were found. No specific standard or related data fields were captured in the electronic database with reference to any of the related "psychopathic traits" as noted by Babiak and Hare (2006:44-48) or the behavioural characteristics described by PricewaterhouseCoopers (PwC, 2003:3-4). However, when reviewing the actual investigative files again, including various statements or notes resulting from interviews with witnesses, a number of the above-mentioned behavioural characteristics were indeed mentioned. The researcher wants to emphasise that extensive focus will still be required in respect of MO as well as similar or relatively distinct behaviours. Regarding relatively distinct behaviours to consider when profiling staff, there is also the importance of paying attention to drastic changes in behaviour. Indicators to consider in this regard are found in examples such as the following (Padgett, 2015:49):

- Unexpected, significant purchases: These usually include large assets such as a car, house, expensive jewellery or overseas trips.
- Showing off or boasting about the purchases or the apparent change in lifestyle.

- Significant amount of cash being carried around or even handed out, or the completely opposite type of behaviour.

- Increase in personal loans, including "cash loans" or money borrowed from colleagues.

- Increased calls from creditors or visitors demanding payment.

- Mood swings, e.g. highly irritable or extremely protective of area of responsibility.

- Refusal to answer questions or being rude when approached for assistance.

These typical, drastic behavioural changes, as described above and when observed, must be handled in a similar way as a red flag and, although there may be no definite indication of misconduct being committed, the behaviour might indicate, for example, increased financial pressure, as described in "The Fraud Triangle" (1953:1). The researcher would, however, in light of own experience, not ignore such drastic behavioural changes when they are observed or reported since, together with information that can be obtained from sources such as discussed in paragraph 3.3, these observations may just uncover actual further irregularities. The most significant additional factor to consider from a South African short-term insurance white-collar criminal profiling perspective will be consideration of the characteristics of a fraudster. Additional coverage in this regard follows in paragraph 3.6.

3.6   CHARACTERISTICS OF A FRAUDSTER TO CONSIDER WHEN CONDUCTING PROFILING

As stated by Padgett (2015:61), profiling could be described as "collating various pieces of information and data or intelligence in reference to a crime or crime [criminal] offender." Due to extensive effort and ensuring that updated surveys are issued on either an annual or biannual basis, the various external audit firms, together with the ACFE have generated what has become known as the "Profile of a Fraudster."

One of the first dedicated surveys by KPMG with the Profile of a Fraudster (KPMG, 2007:18) as subject, and based on 360 fraud investigations, found that:

- 70% of fraudsters were between the ages of 36 to 55 years

- 85% of the perpetrators were males
- 50% of the perpetrators had more than 6 (six) years' service
- 91% of the recorded incidents revealed that the perpetrators committed multiple fraudulent acts, over several years, before being exposed
- 49% of the perpetrators admitted that weak internal controls provided them with a subsequent opportunity to commit the fraudulent act

This original Profile of a Fraudster survey (KPMG, 2007:1-8) highlighted concerns because only 50% of the participant companies at the time communicated anything about fraudulent acts to the wider organisation, and a further 15% admit to communicating only partial details of fraudulent acts within the wider organisation.

Following on the original Profile of a Fraudster survey (KPMG, 2007:1-8), the ACFE released an annual survey report, called the "Report to the Nations" (2012:1), which included their findings, specifically about the results of the Profile of a Fraudster. In the third consecutive Report to the Nations (2012:39-50), the survey results were based on three (3) years of data and the Profile of a Fraudster indicated as follows:

- Age-specific: 54% of the perpetrators were reported to be between the ages 31 to 45 years.
- As regards the position of the perpetrator, it was found that fraudulent acts had been committed by:
  - Employees – 41,6%
  - Managers – 35,5%
  - Executives or Owners – 17,6%
  - Other – 3,2%
- From a gender perspective, males committed most of the fraud; in fact, "roughly two-thirds"
  - Males – 66,7%
  - Females – 49,9%
- From a length of service perspective, 42% of the fraudsters had between one (1) to five (5) years' service, while less than 6% committed fraud in their first service year.

- From an educational angle, 54% of perpetrators had in fact obtained a degree or higher.

A concern regarding the findings reported on in the Report to the Nations (ACFE, 2012:39-50) was that the older the perpetrator, the larger the "median loss" caused, and an increased "median loss" was reported when the perpetrator had longer years of service or had a higher level of education. The 2012 Report to the Nations (ACFE, 2012:39-50) survey found that executives or owners "caused losses three times higher than managers," and a similar result was found regarding managers in comparison to general employees. If the fraud had been perpetrated by executives or owners, it continued for at least two (2) years before it was discovered, and twice the length of time for fraudulent acts, committed by general employees being discovered. The main reasons provided for this occurrence were the reality that there is a general reluctance to report suspicions and observations of wrongdoing against individuals in positions of power, and "perpetrators with higher levels of authority are typically in a better position to override controls or conceal their misconduct" (ACFE, 2012:39-50).

PricewaterhouseCoopers in turn released their annual fraud survey during the first quarter of 2016, and their findings pertaining to the Profile of a Fraudster were as follows (PwC, 2016:13-15).

- 45% of financial losses due to economic crime are caused by an internal person (i.e. employee)
- 15% of economic crime is perpetrated by senior management at a company

This being the first ever that a decline around this phenomenon was reported, but instead it was found that:

- 39% of internal economic crime at an organisation is committed by middle-management
- the characteristics that can potentially be assigned to the typical internal perpetrator were found to be a male person, with some form of tertiary education,

between the ages of 31 to 40 years old, and already having been employed at the company for 3 to 10 years

The researcher compiled Figure 3.1 below to provide a high-level comparison and easier reference to the various "Profile of a Fraudster" survey findings applicable to the period 2007 until 2016, and incorporating the detail from the 2007 KPMG survey, thereafter the 2012 ACFE survey, and finally the 2016 PwC survey results.
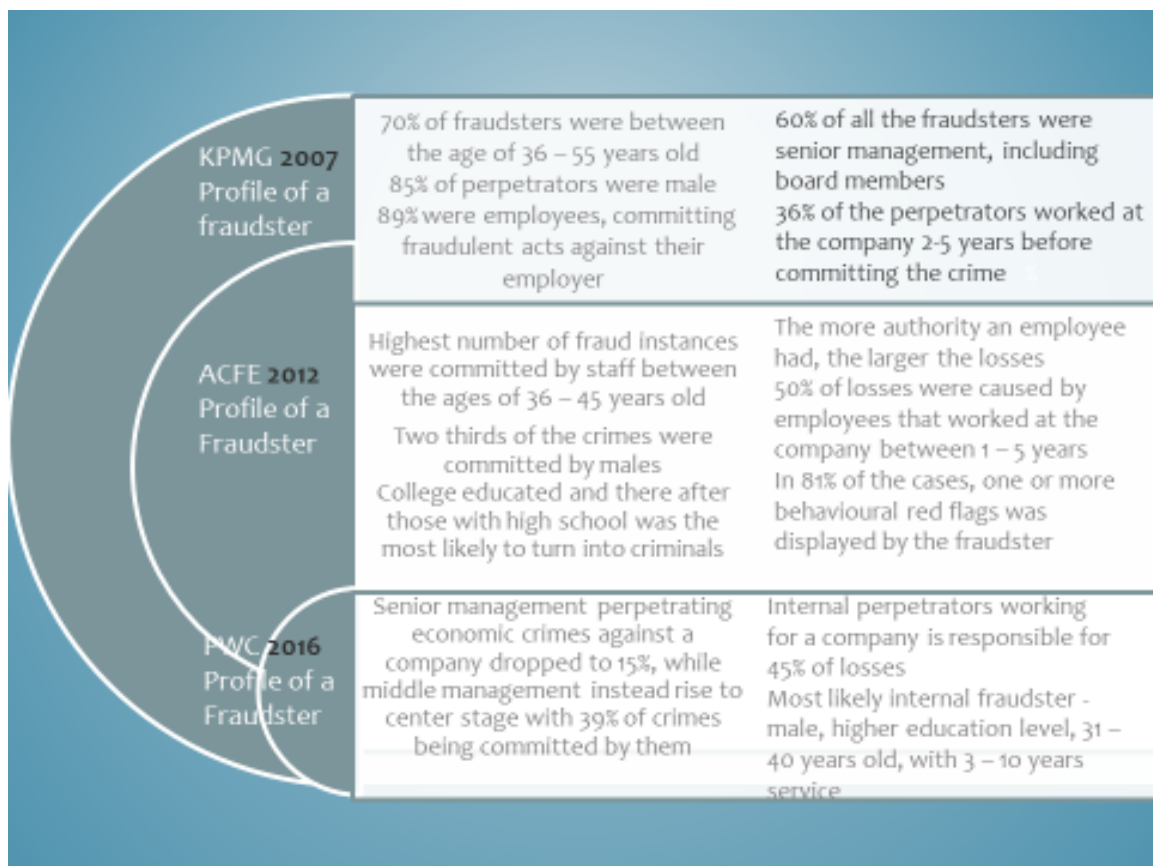
Figure 3.1:   **Summary of a comparison of "Profile of a Fraudster" survey results**
(Source: KPMG, 2007; ACFE 2012, PwC 2016)

It has been noted that the various "Profile of a Fraudster" survey findings often mention that from a gender perspective, males commit more fraud than females, and the findings seldom mention terms such as "pink-collar" fraud. Daly (1989:773) formulated five (5) hypotheses about why so little focus is placed on white-collar crime being committed by females. His hypotheses are as follows:

- The female share of corporate (organizational) crime is very low.

- The female share of occupational crime is low.

- A woman is less likely to work in crime groups than a man.

- A woman's economic gain from crime is less than a man.

- Men and women's motivations for criminal involvement differ.

The researcher found the theory as formulated by Daly (1989:773) to be quite stereotypical, against the background of modern corporate life where women these days can hold any type of occupation. If applying Daly's theory (1989:773) to more labour intensive type occupations, e.g. engineering, mechanical and construction, where female representation across senior and executive management level is still limited, his theory is still valid. The researcher, following further analysis of the base data set of 326 staff-related investigative matters, covering the period 2003 to 2016, and specifically regarding gender, found that, in agreement with the ACFE Report to the Nations (2012:39-50), male staff members committed more white-collar crime in comparison to female staff (66,4% versus 33,6%), but proportionately, the female staff on a case-by-case basis committed white-collar crime with a higher R-value that ranges between R808 000 to R4 700 000.

This correlates with the initial exercise attempting to compile a Profile of a Fraudster at the largest South African short-term insurer. From an overall organisational perspective, there are more female than male staff currently employed at the largest South African short-term insurer, but that in itself has not yet impacted on the gender outcome, as indicated. Similar findings were reported by Paxton (2016:16-17), who first furnished statistics that were released year-on-year by the US Department of Justice and indicating an 11% increase in female arrests for embezzlement during the period 1990 to 2010. It was furthermore found that female white-collar offenders now steal "40 cents to 50 cents of every dollar stolen by a man." Paxton then mentions specific instances where female white-collar criminals stole, amounts varying in the lower millions up to $16 million in single instances. Paxton (2016:17) concluded at the time that the increase in the number of female offenders could be attributed to them being employed in "positions of financial power," but on the other hand, stated that the women committing these type of white-collar offences often

did not fit "society's stereotype of criminals." Perhaps the "pink-collar criminal is often the most trusted long-term employee."

3.7 SHORT-TERM INSURANCE WHITE-COLLAR CRIME PERPETRATOR SPECIFIC PROFILING GUIDELINES

Eaton and Korach (2015:2) state that since white-collar crime has become so rampant, it is necessary for organisations to start taking note of both the criminological and behavioural components that may be present in the actions of perpetrators, and it is suggested that these related observations should be collated in the form of "criminal" or "offender profiling." In addition, it is advised by Eaton and Korach (2015:2) that components such as "psychological processes, sociological environments, personality traits," as well as "individual characteristics" will have to be considered, while detail pertaining to "victimology" and "crime scene analysis" is not relevant when profiling perpetrators of white-collar crime.

Profiling guidelines vary, depending on the type of crime that is being investigated, and one such suggested guideline is the "Components of Offender Profile," as formulated by the FBI (Federal Bureau of Investigation), according to Alison, Smith and Morgan (2003:2). This Components of Offender Profile suggests that all the following elements be included when conducting offender profiling:

- Age
- Gender
- Race
- Marital status
- Level of intelligence
- Sexual adjustments
- Social adjustments
- Appearance and grooming
- Location and residence in relation to crime scene (important for violent crime profiling but not so much for insurance cases, except if there is a requirement to classify per province or town).
- Personality/characteristics
- Evaluation and analysis of the criminal act

- Motive for the offence

- Lifestyle - this includes conducting so-called "lifestyle audits" as a potential source of information. The subject remains contentious and must either be covered upfront in employee contracts, or instead cleared with unions operating in the financial services industry.

Another suggested approach is the "Behavioural-profiling framework" (De Wet, 2008:57), which in turn suggests that all the following be included instead when conducting profiling:

- Offender-specific
  - Population group
  - Gender
  - Age
  - Employment
  - Educational level
  - Criminal history
- Victim
  - Age
  - Population group
  - Offender relationship
  - Employment
  - Educational level
- Modus Operandi
  - Method of approach
  - Approach location
  - Violence utilised and methods of control
- Linkage Analysis applied to all the detail pertaining to offender, victim and MO.

In application of the above, from a South African short-term insurance perspective, the researcher would suggest that there is a need for the following specific elements to be considered when profiling staff (employees) as potential white-collar crime perpetrators, namely:

- Age

- Gender

- Marital status

- Location

- Evaluation and analysis of the criminal act

- Educational level

- Criminal history

- The MO, together with linkage analysis applied

In contrast, the researcher advises that when contemplating a "behavioural profiling framework" related to white-collar crime perpetrators in the South African short-term industry, to steer clear of categories such as race, population group, and social adjustments, since these are all more applicable to violent crimes such as rape or profiling of murderers, and there is hardly any need to focus on sexual adjustment, appearance and grooming, and violence utilised.

Offender relationship may apply from a South African short-term insurance staff (employee) profiling perspective, but must be handled in context, and there will be no victim as such, except when there are instances of sexual harassment, but it would then be addressed from a misconduct perspective and not related to white-collar crime offences, which are the focus of this research.

3.8   SUMMARY

In this chapter, the researcher endeavours to explain the suggested processes and guidelines to follow with regard to the research question, namely "which steps should be taken to profile employees committing white-collar crime in the short-term insurance industry?" An initial overview of the South African short-term insurance industry was provided, after which the prevalence of white-collar crime in the South African short-term insurance industry was elaborated on. An introductory discussion of sources of information to consider when profiling staff as potential white-collar criminal perpetrators received attention, as well as the importance of making use of crime linkage analysis. Consideration of the profiling of management as potential

white-collar crime perpetrators at a company was discussed, as well as the typical characteristics to take into account when attempting profiling of white-collar crime perpetrators in the South African short-term insurance industry. In the latter part of this chapter, the researcher also elaborated on the findings from the various "Profile of a Fraudster" surveys, and compiled a high-level combined summary of these results.

While legislative and regulatory authorities continued to implement specifications and guidelines, and established supervisory watchdogs in order to strengthen governance frameworks across the South African short-term insurance industry to ensure that policyholders are protected and treated fairly, the occurrence of white-collar crime continued to escalate. Specifically, from a South African short-term insurer perspective, each insurer has to not only remain vigilant, but ensure that all acts of misconduct are investigated and sanctions enforced. An efficient fraud risk-management process must be implemented and the use of all available types of proactive measures should be considered in order to counteract the prevalence of white-collar crime, from both a transactional and behavioural analysis perspective.

An additional factor to be considered by South African short-term insurers in order to protect them from the harm and consequences caused by the various acts of misconduct is the impact of having a sound "tone-at-the-top." The ACFE (2012:1-4) defines this term as "the ethical atmosphere that is created in the workplace by the organization's leadership." This concept followed from the number of catastrophic international company failures due to fraud, such as Enron, Tyco and Worldcom, and the subsequent 2008 economic crisis. It is believed that if the "tone-at-the-top" is sound, the example set by the executive and senior management as to how business is conducted, and if policies and procedures are adhered to, will subsequently be followed throughout the company, and all lower-level staff will strive to display similar behaviour. The opposite is, however, also true and has been proved by the large company collapses, for example Leisurenet, Saambou and Fidentia. The ACFE (2012:1-4) found that, depending on the "tone-at-the-top," it encouraged or discouraged staff from reporting misconduct or their suspicions, based on the following beliefs:

- No corrective action will be taken
- No confidentiality of reports
- Retaliation by superiors
- Retaliation by co-workers
- Unsure whom to contact in order to report suspicions or knowledge of misconduct

A sound "tone-at-the-top," together with applying the best practice when profiling staff, including management, as potential white-collar crime perpetrators, and collaborating by means of information-sharing by short-term insurers, could only be beneficial to the South African insurance industry in combating misconduct.

F Scott Fitzgerald famously wrote:

> Let me tell you about the very rich. They are different from you and me. Today, a similar point can be made about another group of individuals who are much more sinister and even less understood: white-collar criminals. It's not that they simply have (or want) more money — they actually think in ways that differ from their more trustworthy peers (Marks, 2015:1).

CHAPTER 4

FINDINGS, RECOMMENDATIONS AND CONCLUSION

4.1   INTRODUCTION

The researcher chose to conduct this research to improve the awareness and ensure a better understanding of the profiling of white-collar crime perpetrators in the short-term insurance industry in South Africa. There are five (5) main categories of perpetrators currently defined in the short-term insurance industry namely:

- Policyholders (clients)
- Suppliers
- Intermediaries (brokers)
- No specific relationship (n/r's)
- Staff (employees)

It was found that the concept of short-term insurance-related type of fraud dates back to 300 before Christ (BC), and the researcher learned that from a South African short-term insurance misconduct perspective, the first incident of short-term insurance fraud was recorded during the 1950s, and was crop insurance-related.

The aim of this research was to determine how to profile staff who commit white-collar crime in the South African short-term insurance industry, while the following two (2) research questions were defined to assist with accomplishing the aim of this research. These questions were:

- What does profiling entail?
- Which steps should be taken to profile employees committing white-collar crime in the short-term insurance industry?

The researcher is confident that the aim as set out for this research has been achieved, and that the research questions have been answered.

Data for this research was gathered from literature sources, as acknowledged in this research, and further emanated from the analysis and interpretation of the overall parent population that consisted of 326 concluded staff investigative matters at the largest South African short-term insurer during the thirteen-year period from 2003 to 2016. This research focused on staff as potential white-collar criminals in the South African short-term insurance only, and the purpose of the research was to contribute to a better understanding of internal white-collar crime perpetrators within organisations in the South African short-term insurance industry. It is foreseen that this research will present an original contribution to the best practice when conducting profiling of white-collar criminals in the short-term insurance industry in South Africa.

A qualitative research approach and design were applied throughout this research, which was exploratory in nature, and a non-empirical design was applied. Although no interviews were conducted or questionnaires circulated, great care was taken to ensure adherence to the guidelines pertaining to credibility, transferability, dependability and conformability.

The applicable findings as ascertained throughout this research and pertaining to the research problem, the aim of the research, the research questions, as well as recommendations based on these findings, together with an overall conclusion to this research, are discussed below.

4.2   FINDINGS

The findings that are elaborated on below are based on information obtained from literature, both local and international, as well as the perusal, analysis and interpretation of the base data set of 326 staff investigative matters during a thirteen-year period at the largest South African short-term insurer.

4.2.1   Primary findings

The primary findings provide answers to the main questions of this research.

4.2.1.1   Research question 1: What does profiling entail?

In reference to this research question, the following was found:

- Criminal profiling is also known as "offender profiling," "criminal personality profiling," "crime scene profiling," "criminal investigative analysis," and in the more recent terms of "psychological profiling" and "investigative psychology."
- The main objective of profiling will at all times be to perform a structured social and psychological assessment of the perpetrator, in particular "investigative psychology," with the objectives' focus on ensuring sound processes pertaining to "data-harvesting, data-driven content analysis, and qualitative structured analysis."
- When conducting the profiling of potential white-collar criminal perpetrators, including in the South African short-term insurance industry, there are specific offender characteristics to consider, and detailed data will be required pertaining to categories such as age, gender, educational level, marital status, years of service at the organisation of employment, job grade in the organisation of employment, the type of misconduct, and the average time it took for the misconduct to be discovered.
- During this research it was found that there was a difference of opinion in the literature from which data was collected to define white-collar crime in respect of the overall categories. In certain instances, it was believed that as few as two (2) overall categories were deemed sufficient, with classification focusing on whether the white-collar criminal committed the crimes as part of the normal execution of his/her daily duties, or outside of his/her normal business operations. Other authors, in contrast, were of the opinion that four (4) overall categories pertaining to "corruption, fraud, theft and manipulation" were needed to define the phenomenon of white-collar crime, while at the largest South African short-term insurer it was decided during 2015 to rather use one overall defining term, which is "misconduct." This term, however, includes all the following types of white-collar crime offences, namely unethical behaviour, fraud, theft, money laundering, corruption and cyber-crime.
- During this research, it was found that the individuals in the team employed to assist with conducting white-collar crime profiling already possessed the

required skills and qualities, such as a large amount of energy, a good business head and education, an agreeable manner, being obsessive about accuracy and exactness, being careful with facts, having an honest character, clever reckoning skills, and "an encyclopaedic knowledge."

- Incorporating the three (3) fundamentals of "The Fraud Triangle," namely pressure, opportunity and rationalisation, together with the typical red flags, into the overall fraud risk-management framework at a South African short-term insurer, could assist tremendously when conducting the profiling of potential internal white-collar criminal perpetrators, especially from a behavioural perspective.

4.2.1.2 Research question 2: Which steps should be taken to profile employees committing white-collar crime in the short-term insurance industry?

In replying to this research question, it was found that the suggested sources of information to explore when conducting profiling of potential white-collar criminals in the South African short-term insurance industry consist mainly of detail available from within the organisation, which may include the following:

- Investigation files related to staff matters.
- Staff records available from the HR department at a company.
- Conflict of interest detail expected to be furnished annually by all staff members at a company.
- Details of gift register or entertainment funds spent, required to be submitted by staff.
- Typical sources of information that can be obtained outside an organisation such as:
  - General press.
  - Media reports.
  - Specialist industry publications or trade journals.
  - Open-source information, also known as public records, that include detail pertaining to court matters, whether criminal or civil, and detail of labour-related matters.
  - Short-term insurance regulatory body platforms.

- • Subscription to legal-type services.

- • Subscription to staff-verification services.

- • The use of crime-linkage analysis is crucial when conducting profiling of potential white-collar criminals in the South African short-term insurance industry. It is advised that data from all the following be collated and integrated in order to ensure an effective crime linkage analysis process, namely: Scrutinise investigative file notes, analyse witness statements, liaise with the investigative team regarding any specific behavioural trends that may have been observed, or found to have been a contributing factor to the act of misconduct.

- • When profiling management as potential white-collar criminals in the South African short-term insurance industry, additional emphasis should be placed on the prevalence of aggressive management style, e.g. "big ego" personalities, individuals observed as being "greedy" or not able to admit that they were wrong or made mistakes, showing a lack of remorse, known to manipulate staff or co-workers, being irresponsible or impulsive, or observed as being pathological liars. The need for this relates to the phenomenon known as "Snakes in Suits," and also the lessons learned from the collapse of companies such as Enron, Worldcom (from an international perspective) and Fidentia (from a South African perspective).

- • In reference to the typical characteristics of a potential white-collar criminal in the South African short-term insurance industry it was found that the majority of perpetrators are men with some form of tertiary education, being employed on either middle management or senior management level, and having worked at the company for between one (1) to seven (7) years at the time of committing the white-collar offence.

4.2.2   Secondary findings

The secondary findings do not directly answer the main research questions, but are based on significant characteristics that originated from discussions in each chapter.

4.2.2.1 Criminal versus forensic investigation

The researcher found that there were differences between the objectives of criminal and forensic investigations. The most significant differences relate to the manner in which the detail received as part of the allegation is confirmed and established, and the possibility that the case may have to be presented to structures other than a court of law, such as disciplinary hearings and administrative or civil procedures. A different approach is required when collecting evidence in respect of financial transactions or financial records, and appropriate, timely actions will be required, especially in matters pertaining to the recovery of stolen property or misappropriation of assets.

4.2.2.2 Investigative methodology and the suggested steps to follow

A forensic investigation, also referred to as an investigative methodology, from a South African short-term insurance perspective, most often includes six (6) crucial steps. These steps are:

- To receive the allegation through any of a number of reporting channels.
- The subsequent registration of the investigative matter.
- Assigning it to an investigator.

Following from these initial three (3) steps, and depending on the outcome of the investigation and evidence found:

- Final feedback and recommendations will be made.
- With these recommendations including advice on further proceedings.
- Actions pertaining to either a disciplinary hearing, or further action from a civil or criminal prosecution perspective.

4.2.2.3 Integrated framework to combat misconduct

It was established as part of this research that it is advisable to make use of an integrated framework when combating misconduct instead of a single, focused emphasis on any or only a few of the following elements:

- Deterring unethical behaviour that is often a contributing factor to the eventual white-collar criminal act.
- Preventing misconduct through the implementation of strong governance structures, dedicated awareness and continuous training.
- Ensuring that a robust fraud risk-management process is established.

It is advisable that all allegations received be investigated, and that mechanisms to identify and detect white-collar crime are incorporated during the early stages. Sanctions resulting from disciplinary hearings and civil or criminal proceedings must always be enforced in a consistent manner.

4.3 RECOMMENDATIONS

The following recommendations are made to ensure improved comprehension and recognition of the potential use and subsequent benefits when conducting profiling of potential white-collar crime perpetrators in the South African short-term insurance industry.

4.3.1 Recommendation 1 - Research question 1

What does profiling entail?

It is recommended that a South African short-term insurer ensure that an investigative methodology is implemented and, once implemented, adhered to at all times, and in the case of exceptions, that the reasons for such exceptions are documented prior to conducting profiling of potential white-collar criminal perpetrators. The consistent use of an investigative methodology will contribute to:

- Enhancing the required data fields.
- Ensuring that the data fields needed to conduct profiling are available.
- Together with the relevant information being captured and completed during every staff investigative matter.
- Ensuring that year-on-year comparisons of all the suggested categories can be done.
- Making sure that any new or emerging trends are noticed immediately.

When conducting the profiling of a potential white-collar crime perpetrator it is recommended that a formal type of social and psychological assessment be completed, and that such an assessment include a behavioural and personality trait analysis. Consideration must be given to certain offender characteristics.

A further recommendation pertains to the required, specific data fields that are necessary in order to perform the profiling of potential white-collar crime perpetrators in the South African short-term insurance industry.

In reference to the employment of individuals to perform the analysis and profiling of potential white-collar crime perpetrators, it is recommended that special attention be paid during the recruitment stage in order to ensure that the incumbent possesses the required skill set and qualities to be a successful profiler.

It is recommended to not only implement a fraud risk-management process, but to ensure that an integrated fraud risk framework is established instead that includes the incorporation of the three (3) fundamentals of "The Fraud Triangle" as well as typical red flags.

4.3.2   Research question 2

Which steps should be taken to profile employees committing white-collar crime in the short-term insurance industry?

- It is recommended that companies in the South African short-term insurance industry, when conducting profiling of potential internal white-collar criminal perpetrators, consider the use of a crime linkage analysis, together with data collated from all the available internal and external sources of information to ensure that the most comprehensive and complete profiling exercise can be conducted. At the same time, it should be considered that there has to be a difference in the approach when profiling general staff versus from when the profiling is focused on management.
- When profiling management as potential white-collar criminal perpetrators in the South African short-term insurance industry it is recommended that continuous attention be paid to certain negative personality traits, that the management style

be observed, as well as behavioural red flags from a general work perspective, such as handling of staff, and their compliance or non-compliance with company policies and procedures, or how the lack of such policies is handled. In addition, a regular assessment of the so-called "tone at the top" should be carried out.

4.3.3   Secondary findings: Integrated framework to combat misconduct

From a secondary findings perspective, it is recommended that in order to implement a potentially effective approach to minimise the prevalence of white-collar crime in the South African short-term insurance industry, an integrated approach is necessary. This integrated framework will have to include mechanisms to prevent misconduct, such as implementing strong governance structures, continuous and dedicated awareness and training programmes, together with the incorporation of a robust fraud risk-management process. All allegations must be investigated while dedicated focus has to be directed towards ensuring that white-collar crime is detected during the early stages. Once the staff-related investigative matter has been completed, all recommended sanctions following from disciplinary hearings, civil or criminal proceedings, must be enforced. It is important to ensure that where control failures have been identified that may have contributed to the opportunity to commit white-collar crime, that these are addressed, and the necessary improvements or changes to a specific policy and procedure be made as part of the risk-management process, since this will help to prevent similar acts of misconduct from happening in future.

4.4   FURTHER RESEARCH

From the review and detailed analysis of the base data that pertains to a total number of 326 completed internal staff investigative matters at the largest South African short-term insurer results, covering the period 2003 until 2016, the researcher found that results regarding the gender of the internal white-collar crime perpetrator indicated that more males than females committed misconduct. The results also revealed that although the commission of crime by white-collar female perpetrators is less likely, the overall R-value on an individual, actual investigative case-by-case basis was higher for female than male white-collar crime perpetrators. At this stage, the reasons why female white-collar crime perpetrators in the thirteen-year period under review committed misconduct with an individual higher R-value

are not known yet. Additional research and analysis will have to be conducted in order to understand whether there are any underlying causes or logical explanations as to why female staff at the largest South African short-term insurer proportionately, on a case-by-case basis, committed white-collar crime with a higher R-value than their male counterparts.

4.5   CONCLUSION

This research endeavoured to determine the best practice as well as any potential pitfalls to consider when profiling staff as potential white-collar criminal perpetrators in the South African short-term insurance industry.
The following two (2) primary research questions were asked:

- What does profiling entail?
- Which steps should be taken to profile employees committing white-collar crime in the short-term insurance industry?

The research design and methodology applied throughout this research enabled the researcher to answer the above two (2) research questions. The primary findings of the research found that criminal profiling is known under a number of different terms, with the most prominent, recent ones being "psychological profiling" and "investigative psychology," while the main objective of profiling is the interpretation of the social and psychological assessment of the perpetrator. From a South African short-term insurance industry perspective, there are certain offender characteristics to consider when conducting the profiling of potential internal white-collar criminal perpetrators. It is important to consider the requirement for a certain skill set and personality traits when employing staff that will be responsible for conducting white-collar crime profiling. From a behavioural profiling perspective, it was determined that the three (3) fundamentals of "The Fraud Triangle," namely pressure, opportunity and rationalisation, together with typical red flags, must be integrated as part of the overall fraud risk-management framework at a South African short-term insurer.

This researcher concluded that when conducting profiling of internal potential white-collar criminals in the South African short-term insurance industry there are a

number of suggested sources of information to consider, with some of the sources of data and information being available from within the organisation, while certain sources of information may reside external to the South African short-term insurer. The relevance of the use of a crime-linkage analysis was another important finding from this research, and must be taken into account when profiling of potential white-collar criminals in the South African short-term insurance industry is conducted. Cognisance must be taken of the necessity for additional focus on specific behavioural trends when profiling management as potential white-collar criminals in the South African short-term insurance industry. This research furthermore uncovered that there are typical characteristics of a potential white-collar criminal in the South African short-term insurance industry that correspond to survey results from the "Big 4" external audit firms as well as industry bodies with regard to the "Profile of a Fraudster."

The secondary findings revealed that there are differences between a criminal versus forensic investigation that have to be taken into account, especially when the differences relate to the collection of evidence pertaining to financial transactions or financial records. Appropriate and timely action will be required, especially when there is a need for the recovery of stolen property or to prevent misappropriation of assets. An investigative methodology from a South African short-term insurance perspective most often includes six (6) crucial steps, and in addition, an integrated framework is necessary when attempting to minimise the prevalence of white-collar crime.

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6.   ANNEXURES

6.1   ANNEXURE A: PERMISSION LETTER FROM HEAD: GROUP BUSINESS INTEGRITY UNIT

santam

APPROVAL TO CONDUCT RESEARCH

Mrs. Deanne Mostert
Senior Manager: Group Intelligence Unit
Santam
P.O. Box 3881
Tygervalley
7536

Dear Deanne

APPROVAL TO CONDUCT RESEARCH

I herewith confirm approval and it is with pleasure that I take the opportunity to grant you permission to conduct research on your approved topic "*Profiling of white-collar crime perpetrators in the short-term insurance industry in South Africa*".
I wish you well with your studies and await with anticipation a thorough dissertation that will be helpful to stakeholders across the South African short term insurance industry.

Yours faithfully

16 Augustus 2017

Helen du Toit
Head: Group Internal Audit and Group Business Integrity Unit

6.2 ANNEXURE B: ETHICS CLEARANCE APPROVAL AS GRANTED BY UNISA

UNISA | college of law

COLLEGE OF LAW RESEARCH ETHICS REVIEW COMMITTEE

Date: 2017/01/31

Reference: ST 142/ 2016

Applicant: D Mostert

Dear D Mostert
(Supervisor : Dr J S Horne)

DECISION: ETHICS APPROVAL

Name	D Mostert
Proposal	Profiling of white-collar crime perpetrators in the short-term insurance industry in South Africa
Qualification	Mtech in Forensic Investigations

Thank you for the application for research ethics clearance by the College of Law Research Ethics Review Committee for the above mentioned research. **Final approval is granted.**

The application was reviewed in compliance with the Unisa Policy on Research Ethics.

The proposed research may now commence with the proviso that:

1. *The researcher will ensure that the research project adheres to the values and principles expressed in the Unisa Policy on Research Ethics which can be found at the following website:*

   http://www.unisa.ac.za/cmsys/staff/contents/departments/res_policies/docs/Policy_ Research%20Ethics_rev%20app%20Council_22.06.2012.pdf

2. *Any adverse circumstances arising in the undertaking of the research project that is relevant to the ethicality of the study, as well as changes in the methodology, should be communicated in writing to the College of Law Ethical Review Committee.*

University of South Africa
Preller Street, Muckleneuk Ridge, City of Tshwane
PO Box 392, Unisa, 0003, South Africa
www.unisa.ac.za/law

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## 6.3 ANNEXURE C: TURNITIN DIGITAL RECEIPT

turnitin

Digital Receipt

This receipt acknowledges that Turnitin received your paper. Below you will find the receipt information regarding your submission.

The first page of your submissions is displayed below.

Submission author: Deanne Mostert
Assignment title: Revision 1
Submission title: PROFILING OF WHITE-COLLAR CR..
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