



# Claims Fraud

## RESOLUTION

### Are You Aware?

Claims fraud is estimated to account for approximately \$7.2 billion dollars of the insurance industry's total losses each year. These losses are often passed on to insureds and employees in the form of higher costs for services and premiums.

Most insurance companies are proactive about preventing and identifying claims fraud through the usage of private investigations, background checks and detailed reviews of claims. Within a business, there is much an employer can also do to reduce claim fraud.

#### *First, understand the two types of fraud.*

1. **Hard** fraud occurs when an individual destroys property in order to gain an insurance payout. This almost always results in felony charges.
2. **Soft** fraud occurs when a valid insurance claim is falsified or exaggerated.

Soft fraud is common among workers' compensation claims and may even be referred to as "employee fraud." Sometimes there may be a ring of schemers working together to create these false claims across different industries and insurance types.

Within workers' compensation claims fraud, there is also the concern for medical insurance fraud. This occurs when medical bills are inaccurately reported. For instance, the bill may include procedures that were not actually performed, unnecessary test orders or referrals to specialists and exaggerated exam time.

With identity theft on the rise, another claims fraud to watch for is the usage of false or stolen social security numbers.



## Are You Prepared?

*In order to prevent false claims for workers' compensation, an employer should be aware of the following red flags among employees:*

- Frequent changing of jobs or addresses
- History of claims
- Employee is difficult to reach at home
- Recount of accident is vague or contradictory to injury/claim
- Injury is not reported immediately
- Injury occurs during evening or morning, indicating it may have taken place outside of working hours
- There are no witnesses to the accident
- Employee refuses a diagnostic exam or treatment by a doctor recommended by employer or insurance
- Employee refuses to return to work with modifications

If the employer or insurance agent suspects claim fraud is occurring, they should investigate further.

Researching an employee's history, financials, and social media accounts can be done by private vendors.

While a stakeout or surveillance may seem like something seen in the movies, this procedure is used to uncover fraud. Many false claimants will slip up and post pictures on social media in which they are engaged in activities that should not be possible given their claimed injury. The claimant may even brag about how they got away with the crime.

However, not all false claims are the fault of the employee. When medical fraud occurs, it has often originated within the medical industry. Employees should be encouraged to check their medical bills carefully for any false or exaggerated billing items. In addition, employees should report doctors who encourage them to file a personal injury claim even if they were not injured.

## The Berkley Industrial Comp Difference

Our RESOLUTION team is committed to offering timely response and assistance to any workers' compensation claim submitted. Workers or employers should submit a First Report of Injury immediately through our online portal and expect a response within 24 hours.

With Berkley Industrial Comp RESOLUTION's unparalleled accessibility and expertise, we are uniquely suited to identify suspicious activity and provide solutions. At Berkley Industrial Comp we keep loss-time rates lower and close rates higher than the industry standard. Each claim is reviewed individually by medical and claims specialists.

### What Next?

A business must have zero tolerance for insurance claims fraud. False workers' compensation claims raise the cost of doing business. Often these costs are passed on to the employee in the form of higher insurance premiums. The result is those few are costing the many.

Be careful when suspecting a fraud. Many claims are legitimate and inaccurate accusation can lead to claims of harassment and defamation. Insureds should report their suspicions to claims agents and let Berkley Industrial Comp handle the investigation.

To prevent a financial loss due to workers' compensation, employers can also consider modified schedules and duties so employees can return to work earlier. By ensuring employees know who and how to contact when they have a claim, employers are being proactive in their prevention of fraud. This policy is simply good business.

*All business can help prevent claims fraud simply by screening employees, providing an environment where by employees can raise their own concerns, and having consistent procedures for reporting injuries and claims.*

#### SOURCES:

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