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## Fake Work Comp Claims Cost Billions

Kathy V. was an injured worker. She filed a work comp claim and cited the injury was to her neck and shoulders. Her pain was so severe that she could not work. However, an investigation through her employer would prove otherwise. Video caught her riding in a rodeo competition on two different occasions, after her date of injury. Although not all fraudulent claims are this extreme, work comp fraud is still a large crime in America today. [The Coalition Against Insurance Fraud](#) (CAIF) estimates tens of billions of dollars in false claims and unpaid premiums are stolen every year. These fraudulent claims come at a high cost for both businesses and their employees. There are strategies employers can use to help identify and reduce these false claims. Let's begin by examining the different types of fraud.

### Types of Fraud

The most common type of fraud usually coming to mind is the bogus claim, also known as a dishonest employee who knowingly makes an untrue claim for a workplace injury. Most often, free money is the biggest motive. These workers may have an intention of opening a side job or business while falsely claiming they are injured. A free vacation is another temptation. These workers may take on a hobby or personal activity while faking the injury. Workers may create this bogus claim in several different ways. The [CAIF](#) identifies several strategies dishonest workers use. They may have been injured off the job, but claim it happened while at work, allowing their work comp policy to cover all the medical expenses. Or, the worker may have received a legitimate injury while at work, but inflates the pain and severity. A worker may use a previous injury that never healed to claim a work-time injury. And some workers simply invent the entire injury itself. Fraud also occurs when workers with a legitimate injury milk their recovery time, pretending to be disabled after they are physically ready to return to work. As much as these claims may infuriate business owners, at times employers are responsible for their fair share of insurance fraud.

Although the number of bogus claims from dishonest employees far outnumber the number of premium scams; the cost of premium scams is much higher. The [CAIF](#) estimates that just one premium swindle can steal several hundred thousand dollars in unpaid premiums in one year. Resulting in millions considering some premium swindles last for several years. A worker's fraudulent injury claim, however, normally steals \$2,000-\$50,000 total.

Businesses may utilize several approaches to premium scams. The [CAIF](#) identifies a few of these approaches and different ways premiums are swindled. Some businesses mislead the insurer to believe the jobs are much safer than they actually are. A company may report fewer employees or falsely claim some workers are independent contractors. A business can also avoid purchasing state-required insurance hoping it will go unnoticed. Other scams can be with the medical and legal fields. Clinics have inflated an injury or bill for treatments that never happened. These occurrences may recruit uninjured workers and encourage them to file a claim, seek useless treatment and then threaten to sue the insurance company if the claim is not settled quickly. These scams result in billions lost annually, and someone has to pay for it ... You!

### Who Pays for this Fraud ... You!

Work comp fraud comes at many costs to employers and workers. Businesses pay higher premiums because insurers pass the high costs of fraud onto their policyholders. This increase can be especially damaging to small businesses. This cost gets passed along to consumers who in the end pay higher prices for goods and services. The impact on businesses can result in lost job and lost pay because

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employers must find a way to reduce expenses. The impact on workers is severe for those who are injured and find their employer have no coverage. The impact on businesses can be severe if caught without coverage; penalties could include jail time, fines, criminal record and event losing your business. Starting with ensuring your business has the appropriate work comp coverage; there are ways for businesses to fight back.

### **Tips for Identifying Fraud**

Identifying fraudulent claims can be a tricky endeavor. A study by [Employers](#) identified key warning signs that may indicate a false claim, experience shows that when two or more key warning signs are present in an injury, there is an increased chance the claim may not be legitimate.

1. Monday Morning Reports: The alleged injury occurs first thing on Monday morning, or the injury occurs late on Friday afternoon but is not reported until Monday.
2. Suspicious Providers: An employee's medical providers or legal consultants have a history of handling suspicious claims, or the same doctors and lawyers are used by groups of claimants.
3. Conflicting Descriptions: The employee's description of the accident conflicts with the medical history or first report of injury.
4. Treatment is Refused: The claimant refuses a diagnostic procedure to confirm the nature or extent of an injury.
5. Claimant is Hard to Reach: The allegedly disabled claimant is hard to reach at home.
6. Employment Change: The reported accident occurred immediately before or after a strike, job termination, layoff, end of a big project or at the conclusion of seasonal work.
7. No Witnesses: There are no witnesses to the accident and the employee's own description does not logically support the cause of injury.
8. History of Claims: The claimant has a history of a number of suspicious or litigated claims.
9. Late Reporting: The employee delays reporting the claim without a reasonable explanation.
10. Changes: The claimant has a history of frequently changing physicians, changing addresses and numerous past employment changes.

*Excerpt taken from [Employers](#) study.*

Tens of billions of dollars in false claims and unpaid premiums are stolen every year. These fake claims have a big impact on your business, including higher premiums, higher costs for goods and services, lost jobs and lost pay. And for businesses who take a big risk negating to have the proper work comp insurance, the impact can mean jail time, fines, criminal record and event losing your business. Creating a checklist when reviewing all incidents can help recognize any fraudulent claims and lower the bottom line for many businesses.