



Workers' Compensation: Insurance Fraud

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The following is a sample policy statement that can be customized to your business needs and capabilities.

Workers' compensation insurance fraud is real, and it costs the industry an estimated \$7.5 billion annually, according to the National Insurance Crime Bureau (NICB). That cost is passed on to policyholders in the form of higher insurance premiums, lost jobs and profits, lower wages and benefits, and higher costs for goods and services.

CopperPoint Insurance Companies actively pursues criminal prosecution of all suspected individuals involved in workers' compensation.

The NICB characterizes workers' compensation fraud as the "fastest growing segment of insurance fraud" in the nation.

NICB also says those who commit workers' compensation insurance fraud can range from organized rings, doctors, lawyers, and business owners, to employees and ordinary people.

In general, three types of workers' compensation fraud exist:

Claimant Fraud – Falsified or exaggerated injuries: injuries that didn't happen at work or people who are receiving workers' compensation benefits while working for themselves or another employer "under the table."

Premium Fraud – involves misclassifying employee job types (reporting construction workers as doing clerical work, for example), underreporting payroll, manipulating experience rating data or improperly using independent contractors or employee leasing firms.

If you suspect workers' compensation fraud,

**call the Fraud Hotline:
800.526.5226. Callers may
remain anonymous.**



Provider Fraud – Involves doctors, lawyers, hospitals, clinics and pharmacies as well as durable medical equipment companies and suppliers, pharmaceutical representatives and medical testing laboratories. Provider fraud includes practices such as overbilling or billing for treatment or services never performed, or referrals to other physicians for unnecessary treatment.

Claimant fraud, which comprises about 20% of all paid workers' compensation claims, has a major impact on the employer, results in:

- A rise in the company's loss experience record
- A possible increase in the company's workers' compensation insurance premium
- A rise in cost that could impact the company's net revenue, which could set off a chain of events such as raising prices, cutting wages or laying off workers

What CopperPoint is Doing to Fight Fraud

CopperPoint wants to protect policyholders – and everyone – from the effects of workers' compensation fraud. Our employees are trained to spot signs of potential wrongdoing and to assist our legal department when a suspected case emerges.

CopperPoint's Special Investigations Unit gathers evidence and turns it over to the Department of Insurance (DOI).

Workers' compensation fraud is a felony. If a defendant is found guilty, judgments may include fines, community service, probation, prison and court-ordered restitution to insurers and employers.

What Can You Do To Help?

If you suspect fraud, call CopperPoint's 24-hour toll-free Fraud Hotline, 800.526.5226.

Being proactive is the best way to prevent workers' compensation fraud:

- Hire top quality workers; check their references for honesty
- Explain the consequences of fraud to your employees
- Adopt a zero-tolerance for fraud policy
- Get to know your employees. Listen to them and follow up on rumors of disgruntled workers
- Keep workers positively motivated and happy
- Ask questions about injuries
- Reconstruct and thoroughly investigate all workplace injuries
- Avoid letting employees work alone

Red Flags to Know:

Be vigilant; learn to recognize the "red flags" of workers' compensation fraud:

- A claim is filed Monday morning for an injury that allegedly occurred early Monday morning or late Friday afternoon.

- There are no accident witnesses, and the employee's description does not reasonably support the cause of the injury.
- There are conflicting descriptions of what happened. For example, the employee's description conflicts with the medical or witness report, or the employee's initial injury report.
- The claimant has a history of questionable or litigated claims.
- The employee delayed reporting the claim with no reasonable explanation.
- Treatment is refused, or the employee refuses to submit to a diagnostic evaluation to confirm the nature or extent of the injury.
- The claimant is hard to contact at home.
- The medical/legal providers show a history of handling suspicious claims.
- Timing of the injury report is questionable: occurs immediately before or after a strike, employment termination, lay off or at the end of a big project or seasonal work.
- The claimant has a history of frequently changing physicians, addresses and jobs.
- Remember, people involved in workers' compensation fraud are criminals. They should be serving time, not spending your money.

This information is provided as a general overview. Actual coverage and services may vary and is subject to policy language as issued. Coverage is underwritten by CopperPoint Insurance Company, or one of its wholly-owned insurance companies, and is limited to the states where licensed. California policies are underwritten by Pacific Compensation Insurance Company and Alaska National Insurance Company.

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