Risk Control

Investigating Workers’ Compensation Fraud

Let’s call him John. He was a man with the perfect workers’ compensation claim. Or at least that’s what he thought.

John showed up for work on a Monday morning. Within an hour, a co-worker heard screams and found him lying on the floor, writhing in pain. It appeared as though John fell from a ladder. All the signs were there — scattered boxes, a tipped ladder, and a swollen ankle. Although no one actually saw the accident, it seemed legitimate.

Suspicious because the claim was reported very early on a Monday morning, a claim representative from Travelers discussed the accident with the employer. The decision was then made to have Travelers Investigative Services (TIS) look into the possibility that John may have been injured over the weekend on his own time, in another place.

The entire investigative process took less than two days, and produced substantial results.

Once the investigator arrived at John’s house, he noticed a boat parked in the carport. The boat’s hull drain valve was still open, and there was a small puddle near the stern of the craft. It looked as though the boat had been used recently. The interview began with some general small talk about boating and water sports. John, despite his serious limp, showed off his boat and complained about how it would be a while before he could use it again. As he was admiring the craft, the investigator noted several things. One was a gas receipt from a local marina. It was dated that Sunday before the alleged accident. A visit to the marina uncovered key facts behind John’s fall. The attendant on duty that Sunday not only remembered seeing John at the Marina that day, but he also remembered seeing John take a nasty fall from a wet trailer while retrieving a five gallon auxiliary gas tank. The accident was witnessed by several people, all of whom remembered John’s severely swollen ankle. Three days from the date the loss was reported, John’s claim was denied.

In John’s case, a simple gasoline receipt proved to be a key piece of evidence in denying a false claim. As a result, surgery and subsequent medical treatment for the ankle, and weekly benefits, which would have exceeded $75,000, were not paid. If the claim had not been promptly reported by the employer and investigated and been simply paid, this fraudulent claim would have adversely impacted the company’s loss ratio. It could have meant an increase in premium at next renewal for the insured. Instead, the loss fell off the employer’s loss logs and had no adverse impact on the company’s loss ratio. The ability to control the claim cost also helped Travelers, in efforts to provide insurance products and service at affordable rates. Insureds and insurers, then, are partners in claim management: both can benefit from a well-managed response to a claim.

Workers’ compensation fraud is a national problem. While most employees are honest, companies should be alert to possible fraudulent claims made by employees. When a possible workers’ comp fraud is suspected, companies should report the loss promptly and caution should be used not to accuse their employees of insurance fraud. Specialized Travelers investigators have the unique experiences and capabilities to investigate potential claim
fraud. The investigators have extensive law enforcement backgrounds and/or expertise in claims investigation and are highly skilled to uncover clues leading to fraud evidence.

The key to effective control of workers’ compensation costs has always been partnership. Take the case of "John." While the expertise of the Travelers investigator may have been the deciding factor, many things were in place before the investigator was on site. John’s employer had a very pro-active workers’ compensation program. Anti-fraud posters were placed in all the work areas. His manager had been trained on how to take an employee’s statement immediately following an accident. The employee files were updated with current address information, vehicles, and even a picture of John from his company badge. A TIS representative had visited the company on several occasions to discuss workers’ compensation fraud with management. All in all, the company was prepared for this type of accident. The investigation simply fell into place. A little preparation was the key.

Each individual workers’ compensation case is unique, and each may require a different level of investigation and management. If a need for surveillance is indicated, the entire process is monitored and managed from both a cost and an overall effectiveness standpoint. Simple activity checks, data base searches and records checks can be accomplished in just a few days or in some cases a few hours. Field investigation, loss site evaluation, and interviewing can be used to round out the investigative process. Using a specialized and sophisticated database, previously used solely by the international law enforcement community to track terrorism, trends connecting potentially fraudulent individuals and situations can be identified, including identifying fraudulent workers’ compensation activities by medical providers.

Effective fraud management begins as a simple partnership. Companies should be able to recognize the signs of a possible workers’ compensation fraud and know what to do in the event it is suspected. Workers’ compensation fraud is a war that can be won.

Resources

- Travelers Investigative Services can help train your company management staff in the detection of fraudulent claims or offer tips and techniques to help stop a claim before it starts, and even discourage future fraudulent claims. For additional information or to report a suspected workers’ compensation fraud claim, call 1-800-637-2830, 24 hours a day, 365 days a year, or access Travelers Investigative Services website at http://www.travelersfraud.com.

- Risk Control's article Managing Workers’ Compensation Fraud.

For more information, visit our Web site at travelers.com/riskcontrol, contact your Risk Control consultant or email Ask-Risk-Control@travelers.com.