



Fraud

Employers are justifiably very concerned about workers' compensation insurance fraud committed by employees. WC fraud has a significant impact on WC costs and resulting premiums.

Fraud occurs when there is clear intent to misrepresent or fabricate injuries. Fraud occurs when someone knowingly lies to obtain some benefit or advantage to which they are not otherwise entitled or someone knowingly denies some benefit that is due and to which someone is entitled.

Employers pay for the Department of Insurance (Fraud Division) and District Attorneys to pursue fraud. This is done via a fraud surcharge on every California WC policy. In addition, insurance companies staff Special Investigative Units to investigate potential insurance fraud and to work with the Fraud Division and District Attorneys to pursue criminal fraud charges.

Unfortunately, the Fraud Division and District Attorneys spend quite a bit more time pursuing fraud against employers, for not having WC insurance and for premium fraud, than they do pursuing fraud committed by allegedly injured employees. We would encourage you to review the California Department of Insurance website to review more details of their fraud results. The website includes lists of individuals and companies convicted of WC fraud <http://www.insurance.ca.gov/0300-fraud/0100-fraud-division-overview/25-wc-conv/>.

Still, it is important that you be aware of **potential** signs of fraud and that you **report suspicious signs to your insurance carrier**. A few signs include:

- Monday morning injuries. The employee alleges injury early Monday morning or reports a claim on Monday that he says happened on Friday afternoon.
- Employment change. The alleged accident happened right after layoff, termination or the end of a big project.
- No witnesses. There are no witnesses and the employee's accident description does not ring true.
- Conflicting descriptions. The employee's description of the accident does not match what he tells the doctor or others.
- History of claims. You might become aware that the employee has had a history of prior suspicious claims.
- Late Reporting. The employee delays reporting the claim without a reasonable explanation.
- Hard to reach. The employee is difficult to locate.
- Co-worker tips. Co-workers often are willing to share information about an injured employee's activities or other employment. Keep your eyes and ears open. Insurance carriers will obtain surveillance of injured employees when there is a reasonable suspicion that the employee may be committing fraud.

Reporting Fraud

In addition to notifying your carrier of potential fraud, California also allows an employer to notify the Department of Insurance – Fraud Division that there is a reasonable suspicion that an employee is committing fraud. Form CDI-008 is available to employers for this purpose.

<http://www.insurance.ca.gov/0300-fraud/0100-fraud-division-overview/0300-fraud-claims-and-forms/upload/PublicFraudReportingFormReader.pdf>.