

Bad Boys....Whatcha Gonna Do When They Come For You?

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Even I catch an episode of Cops once in awhile. Good to know the bad guys pay in the end and its entertaining to boot.

I think about our real life interactions with the people we meet through our claims and I'm reminded every day that our struggle with work comp fraud is not so entertaining. Our industry spends a lot of time and money to catch the bad boys & girls of work comp fraud, but what happens after?
Good Question.

In the Beginning

The California Workers' Compensation Fraud Program was set-up in 1991 with the passage of Senate Bill 1218. This law establishes workers' compensation fraud as a felony. The law requires insurers to report suspected fraud and to create a fund that would support prosecution efforts. The Bill also created the Fraud Assessment Commission to provide guidelines for assessment of frauds as well as funding investigation and prosecution of workers' compensation insurance fraud. The commission is funded by insured /self-insured California employers.

It is estimated that as many as 25% of all filed claims involve some form of workers' compensation fraud.

Moving Forward

According to statistics from the California Department of Insurance in 2006 & 2007 the California Fraud Division received 5,933 suspected fraud cases, which generated 724 new cases. This produced 401 arrests and 483 cases were sent for prosecution. The Fraud Division estimates a potential loss of \$222,916.

The District Attorney's Workers' Compensation Fraud Program states that in the same period 549 arrests were made, which also included the majority of Fraud Division arrests.

The DA Fraud Program states: "During the same time frame, district attorneys prosecuted 1,115 cases with 1,224 suspects, resulting in 499 convictions while many cases are still pending in court. Restitution of \$24,953,650 was ordered in connection with these convictions and \$8,639,562 was collected during Fiscal Year 2006-07. The total chargeable fraud was \$260,292,381, representing only a small portion of actual fraud since many fraudulent activities had not been identified or investigated."

Remember these numbers do not just reflect claimants who falsify a claim but include medical, employer and attorney fraud.

The Road to Restitution

Labor Code 3820 states that Civil Penalties for insurance fraud can be between \$4,000 - \$10,000 in addition to paying three times the amount of medical treatment and related expenses as well as any other civil penalties and jail time attached to the crime.

The California Department of Insurance website lists some of the successful prosecutions like this press release from June 13, 2008:

San Diego Man Sentenced To Jail, Ordered to Pay More than \$25,000 in Restitution for Workers Comp Fraud Scheme (full story)

Work comp fraud is prosecuted but you need to do your part and refer your cases to the fraud division. It might be a lengthy process, but we have to work together to combat the problem.

Statistical information from the California Department of Insurance

If you have any questions about Sub Rosa, AOE/COE, Fraud or Investigation, email me. at [**david@2mypi.com**](mailto:david@2mypi.com)