



## The Potential Impact of Fraud

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Fraud on behalf of the Coalition Against Insurance Fraud

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RESIDUAL MARKET  
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# Workers' Compensation Fraud In America



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**FLORIDA DEPARTMENT OF FINANCIAL SERVICES**  
Bureau of Insurance Fraud | Bureau of Fire, Arson and Explosives Investigations  
Bureau of Workers' Compensation Fraud | Office of Fiscal Integrity | Bureau of Forensic Services

 **Coalition Against  
Insurance Fraud**

**JULY 2022**





# Task Force Members

❖ <b>Dominic Dugo, Chair</b>	<i>Coalition Against Insurance Fraud</i>
❖ <b>Gene Donnelly, Vice Chair</b>	<i>Zenith Insurance</i>
❖ <b>Jay Bobrowsky</b>	<i>State Compensation Insurance Fund (CA)</i>
❖ <b>Christopher Jelinek</b>	<i>Chubb</i>
❖ <b>Steve Piper</b>	<i>CNA</i>
❖ <b>Matthew Smith, Esq.</b>	<i>Coalition Against Insurance Fraud</i>
❖ <b>Sam King</b>	<i>Employers</i>
❖ <b>Patrick Sidorchuk</b>	<i>FFVA Mutual</i>
❖ <b>Chris Welch</b>	<i>Florida Department of Financial Services</i>
❖ <b>Andrew Enochs and Jeffrey Cirino</b>	<i>FRISS</i>
❖ <b>Jennifer Cunningham</b>	<i>Ohio Bureau of WC</i>
❖ <b>Lina Valencia-Ignatius</b>	<i>Pinnacol</i>
❖ <b>Ken Jones (retired)</b>	<i>Travelers</i>

# Task Force

- Task Force members, with over 300 years of combined experience in investigating, fighting, and prosecuting workers compensation (WC) fraud, met over a course of 15 months
- Culminated with the release of the “Workers’ Compensation Fraud in America” report

# Goals of the Task Force

- Reexamine and determine the annual cost of comp fraud in America
- Explain to stakeholders the types of fraud scams that occur in the area of WC
- Recommend 10 strategies to reduce comp fraud

# Task Force Findings

## Goal #1

“Reexamine and determine the annual cost of comp fraud in America.”

- Examined a multitude of recent and past studies
- Contacted experts and academics

# Task Force Findings

The “old” estimate ...

\$7 BILLION

The “new” estimate ...


\$34 BILLION

- \$9 billion in bogus employee claims
- \$25 billion in employers dodging premiums



# \$34 BILLION!!!

To put this into perspective, the national annual cost of WC fraud would fund any one of these state governments for an entire year!



Alabama	Indiana	Montana	Oklahoma
Alaska	Iowa	Nebraska	Rhode Island
Arkansas	Kansas	Nevada	South Carolina
Connecticut	Maine	New Hampshire	Utah
Delaware	Minnesota	New Mexico	Vermont
Hawaii	Mississippi	North Carolina	West Virginia
Idaho	Missouri	North Dakota	Wyoming

# Task Force Findings

## Goal #2

“Types of fraud scams that occur in the area of WC”

# Claimant Fraud



Commonly involves false statements regarding the “alleged” work injury

- Not injured, but claims to be
- Injured, but did not occur at work
- Injured, but the severity is exaggerated
- Injured, but lies about working while out on WC
- Injured, but denies prior injury to the same body part

# Employer Fraud



Mostly committed by the business owner to receive lower premium

- Underreporting Payroll
- Misclassification
- Experience Modification Evasion

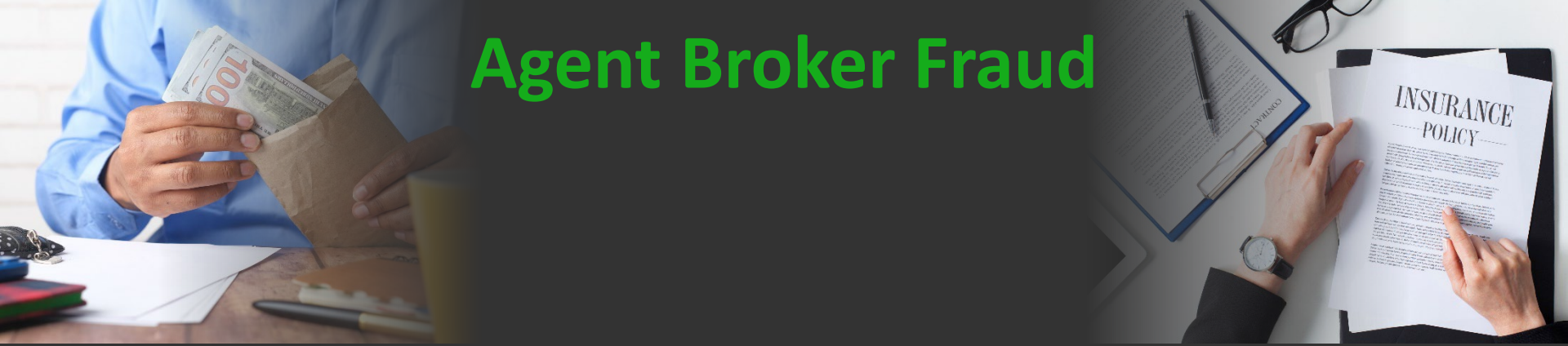
# Provider Fraud



Typically involves primary medical and legal providers

- Billing for Medically Unnecessary Testing
- Billing for Services Not Performed
- Billing Noncovered as Covered
- Double Billing
- Unbundling
- Upcoding

# Agent Broker Fraud



Premium diversion is the most common scheme

- Money earmarked for customer premiums diverted for personal benefit
- Agent may create fake policy documents, certificates of insurance, etc.
- Results in policy being cancelled or never even issued
- Often only discovered after the now “uninsured” experiences a loss



# Task Force Findings

## Goal #3

### “Strategies to reduce workers comp fraud”

- Victim Impact
- Culture
- Training
- Networking
- Crime Prevention/Public Outreach
- Industry Outreach
- Data Analytics
- Legislation
- Criminal/Civil Action
- Recruitment/Succession Planning

# Anti-Fraud Plans and Mandatory Reporting

Are they really *that* important?

# Absolutely!

- No line of insurance is immune to fraud
- Insurance fraud costs insurers and consumers billions of dollars annually
- Failure to dedicate resources to the fight against insurance fraud negatively affects the insurer and the consumer
- Insurers are encouraged to take proactive measures and report suspected fraud to law enforcement in order to minimize the financial impact of fraud
- 22 states require insurers practicing in their state to have a formal anti-fraud plan

# Requirements for Insurers in Florida

- Maintain a designated anti-fraud unit (or outsource)
- Adopt an anti-fraud plan (to be filed annually)
- Designate at least one employee with implementation responsibility
- Acknowledge that procedures have been established to detect and investigate possible fraudulent insurance acts and to include the mandatory reporting of those acts
- Require annual training for personnel assigned to the anti-fraud unit
- Require an annual report on data related to fraud for each identified line of business written

Both the Coalition Against Insurance Fraud and the National Association of Insurance Commissioners have resources available to assist in developing an anti-fraud plan.

[insurancefraud.org/](https://insurancefraud.org/)

[content.naic.org/](https://content.naic.org/)