

VI. FRAUD PREVENTION



FHM INSURANCE
COMPANY

A POLICY TO **DO MORE**®

Workers' Comp Since 1954

DETECTING AND PROSECUTING FRAUD

FHM's record of arrests and convictions for workers' compensation fraud is unsurpassed in the industry. From staged workplace accidents to faked permanent, total disability, FHM has seen it all. And FHM's Fraud Investigations Unit is dedicated to eliminating it. FHM's formal approach to fraud investigation not only gets proven results — it reduces costs and discourages future claims abuse.

Fraudulent claims can quickly create an economic drain for the employer and the workers' compensation carrier. At FHM, we do everything in our power to eliminate such claims. To detect and prosecute fraud, FHM employs a wide variety of proven techniques, including:

- Staffing the Fraud Investigations Unit with experienced fraud agents.
- Reducing claims costs by identifying claimants who abuse the system.
- Using professional surveillance when warranted.
- Pursuing claim fraud wherever the claimant goes.
- Offering up to a \$5,000 reward to policyholders' employees for identifying fraudulent claims.
- Improving workplace morale by keeping abuses to a minimum.

PARTNERS IN FRAUD DETECTION AND PREVENTION

Policyholders, Claims Adjusters and the Fraud Investigations Unit work in partnership to detect and investigate fraud.

The FHM Policyholder

Observant employers and employees are often the best source of information in fighting fraud. If employers or employees suspect fraudulent activity, they should contact FHM immediately. FHM will work with you to ensure the claims' cost you incur are appropriate and to protect you and other employers from those who perpetuate workers' compensation fraud.

Policyholders should be alert to fraud by . . .

- Using good hiring practices based on facts.
- Reporting fraud issues immediately at time of discovery to your Claims Adjuster.
- Posting the reward poster and other fraud prevention posters in your workplace (posters are available on the FHM web site at www.fhmic.com or from Policy Services at 888-346-3461 Ext. 239).

- When filing a First Report of Injury with possible fraud issues at time of loss, check the “NO” block in the “agree with description of accident” section and provide details to the claims department at this time.

Fight Fraud With Facts . . . Get The Facts During The Hiring Process

A large percentage of high dollar fraudulent workers’ compensation claims are made by new employees with significant criminal histories and/or past “questionable” workers’ compensation claims. In addition, business theft and fraud are more prevalent among employees with criminal histories.

Before you make a hiring decision, there are several free or reasonably priced tools you can use to learn more about applicants and minimize your future liability. For example:

- Use <http://www.nsopr.gov> to access the US National Registry of sex offenders, which has information provided by all fifty states.
- For a small fee, use <http://www.backgroundchecks.com>, to do background checks in most states. Or consider using <http://www.searchsystems.net> that has links to free public records in the U.S. and other countries.

After an offer of employment has been given and the post-offer medical questionnaire has been completed, use your state’s resources to determine if the employee has filed a workers’ compensation indemnity claim. The results of these inquiries should be compared to the responses provided in the post-offer medical questionnaire for consistency.

Go to the State Specific section to learn about more resources available to you during the hiring process.

The Claims Adjusters

Claims Adjusters partner in fraud investigations with the Fraud Investigations Unit by:

- Being familiar with the warning signs or “Red Flags” of possible claim fraud.
- Alerting the Fraud Investigations Unit whenever there is suspicious activity.
- Staying in touch with claimants.

The Fraud Investigations Unit

The Fraud Investigations Unit coordinates the training of Claims Adjusters to ensure they are aware of the warning signs or "Red Flags" of possible claim fraud and works closely with them to investigate individual cases.

The Fraud Investigations Unit also networks with industry counterparts and law enforcement. Members of the unit attend quarterly state wide Workers' Comp Fraud Task Force meetings and annual Workers' Comp training conferences. The members are briefed on trends, innovations and legal decisions affecting workers' comp fraud and high profile cases.

Red Flags – Warning Signs of Possible Claim Fraud

Claimants' behavior often signals possible fraud. Paying attention to these signals of the "Red Flag" signs can mean averting possible fraud and helping to control claims costs. Red Flags include such things as:

RED FLAGS

Flag 1	Claimant is never home to answer the phone or is "sleeping and cannot be disturbed."
Flag 2	Injury coincides with layoffs or a plant closing.
Flag 3	Leads from co-workers suggest that your subject is active in sports or other activities.
Flag 4	Rehab reports indicate a healthy-looking claimant.
Flag 5	No organic basis for disability. All indications are that the subject has made a full recovery.
Flag 6	Claimant receives mail at a post office box and will not divulge the actual address of his/her residence.
Flag 7	Claimant has a history of self-employment and/or is a tradesman (e.g., carpenter or electrician) who might readily work for cash while feigning disability.
Flag 8	Claimant has moved out of state or country.
Flag 9	Excessive demands for compensation.
Flag 10	Disability beyond that normally associated with claimed injury.
Flag 11	Claimant has a history of malingering.
Flag 12	"Dueling Doctors." One says the claimant is disabled, the other says no.

Report Fraud and Receive up to \$5,000

Everyone pays the price for workers' compensation fraud. If you suspect fraud, call your FHM adjuster or **1-888-346-3461, ask for Liz Morris.**

Information leading to the arrest and conviction of any person guilty of workers' compensation fraud can earn you up to a \$5000 reward from FHM.

Learn More About Fraud Prevention

Learn more about fraud detection and prevention, and read case studies from FHM's Fraud Investigations Unit at www.fhmic.com in the services section under fraud or talk with your Claims Adjuster.

FORMS

Please refer to Section VII – State Specific Information, for the statutes and forms related to the implementation of these procedures in your state.