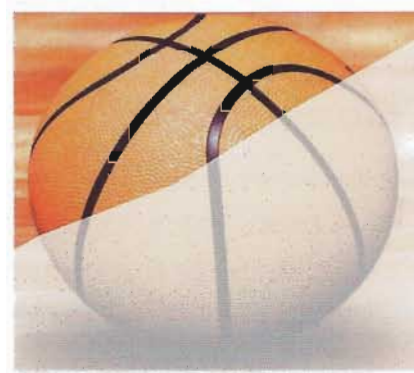


Claims

COVERING THE BUSINESS OF LOSS



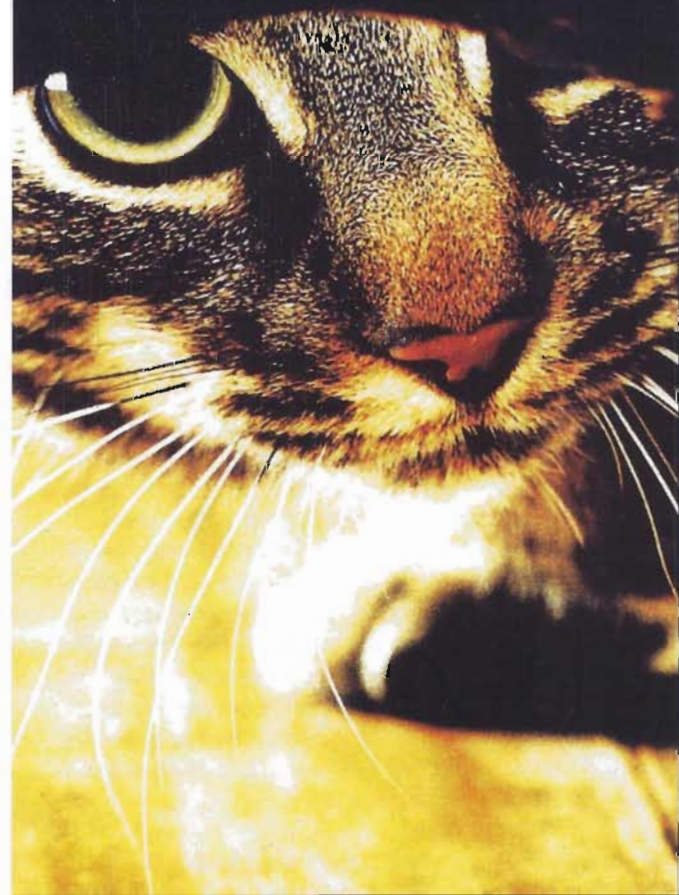
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SIU
CENTRAL
INC.

BY JEFFREY SWEAT | **Cover Story**

The identification of red flags should be considered a fundamental of basic claim investigations. Proper identification of these red flags allows the file handler the opportunity to dispatch field representatives to the loss location to collect valuable data necessary for the proper handling of a claim file.

For instance, in today's economy, it's no surprise that spending as a society is down. The construction boom of two years ago has caused a great rift in the balance of the once-thriving labor market. In addition, increased fuel costs and the need for traveling greater distances have significantly affected income levels and discretionary spending. This socioeconomic challenge ultimately will affect claim counts, increasing loss ratios, and opening doors for committing insurance fraud. A proactive approach, however, allows a file handler to accurately understand not only the injury, but also certain social factors that may influence fraudulent behavior.

The Shocking Truth

Let's take a look at the following scenario. A professional such as an electrician with one-to-two years of experience earns approximately \$29,517 per year, which equates to \$14 per hour (according to the national average). Someone in this profession might drive approximately up to 1,800 miles per month, using four to six tanks of gas. The fuel consumption rating estimates that this individual could spend more than \$400 to \$500 per month on fuel costs. This electrician spends approximately \$100 per week on child-care expenses and would typically take home approximately \$492.80 after taxes. After deducting the day care expense of \$100 and estimated fuel costs of approximately \$100 per week, the \$492.80 has dwindled to \$292 for other expenses.

Now let us theorize that this electrician becomes injured and is eligible for a state-mandated indemnity payment. Based on the pre-disability, pretax wage, the electrician now takes home an estimated amount of \$375 per week. The injured electrician now factors out the daycare expenses and fuel costs, which means he will be taking home approximately \$83 more per week than when he was employed. The claimant's initial not-so-questionable back injury lingers on and becomes a non-stop subjective battle costing thousands of insurance claim dollars.

The proactive approach toward workers' compensation insurance investigations

goes beyond just conducting a claimant interview. The proactive approach is a means of establishing a trail of evidence early in the claim, following leads that will reduce exposure, and saving on claim dollars spent. Using early-intervention tactics, the investigator incorporates such tools as background investigations that allow the adjuster to peer into as many details of the claimant's life as possible. In addition, hospital canvassing could potentially reveal locations of prior treatment not previously disclosed during the initial claimant interview. Additional resources in the form of field investigators should be considered in order to conduct detailed site investigations. Surveillance also could document the claimant's physical abilities versus their stated abilities.

Back to Basics

The initial documentation on any claim file should start with the job site foreman, manager, or supervisor who documented the events leading to the occurrence in an employer's log book. In addition, the names and

**Claim professionals
and SIU staff must have
a sound understanding
of insurance fraud trends
to conduct useful claim
investigations.**

numbers of witnesses must be made readily available and statements should be taken immediately to preserve evidence. Why are these basics important? A statement taken six months after an occurrence will face greater ridicule from an opposing counsel than a statement taken hours or days after such an event.

Early intervention also should include site preservation by way of video or photo documentation. Witnesses who provide information that contradicts the claimant's initial statement should be properly identified through photo identification. A list of contact numbers should be kept as well in case future contact is necessary. Properly identifying the claimant's current and past residential locations might lead to greater success in locating prior medical visits that were not

A proactive approach allows a file handler to accurately understand not only the injury, but also certain social factors that may influence fraudulent behavior.

disclosed during the initial claimant interview. A sound understanding at the onset of the claim of the current and future employment plans along with the claimant's educational background could further lead way toward understanding the motive for malingering.

The simplest of evidence should not be overlooked. An individual while performing the services of roofing might lose his balance and fall. Weather reports, clothing, diet, and occupational experience should be addressed to properly ascertain the claimant's state of mind and physical capability prior to the occurrence. Witness statements from the employer and coworkers might lead to contradictory evidence, allowing the claim professional to controvert a claim once thought of as compensatory.

The use of an experienced field representative will prove as a valuable resource toward uncovering this information. Field representatives should be thorough, yet charismatic, as they act as a liaison between the carrier and the insured, building trust and confidence between the two parties while uncovering truths of an occurrence.

Up in Smoke

In January 2006, a 35-year-old male was working as a roofing professional in a commercial complex. The individual claimed to have sustained a fall that was caused by dew that had formed on the west face of the roof line. It was early morning, and dropping temperatures allowed the dew to form a thin layer of ice that was transparent to the unsuspecting roofer. This individual further claimed no history of lower back pain, but stated that he was in excruciating discomfort and needed a specialist immediately.

Under most circumstances, the claimant's story sounds credible and would not require further investigation. However, a savvy claim professional conducted a brief weather survey for the day in question and discovered that the atmospheric conditions were not at a level necessary to support an icing effect on the roof line. Based on the adjuster's findings, a field investigation was conducted.

The field investigation involved a site inspection and a witness canvass. The witnesses provided a detailed synopsis of the events leading up to the fall and failed to corroborate the theory that ice had formed on the western side of the roof line. In addition, individuals began to voice concerns that the claimant had smelled of alcohol the morning of the occurrence. The field investigator was directed to two individuals on the site who provided extensive detail of the claimant's activities the morning of the occurrence. The witnesses explained that they had failed to come forward for fear that they might be fired. They reluctantly explained to the field investigator that they and the claimant began to drink heavily that morning on the way to the job site and smoked marijuana prior to climbing atop the roof.

These witnesses further disclosed their knowledge that the claimant had a significant history of back injuries and was recently a passenger in a motor vehicle accident. The fact that this information was not previously disclosed at the time of the claimant interview drastically af-

THE THREE BE'S

In addition to being proactive, claim professionals should not forget three basic investigative techniques when analyzing a claim, says Peter Crosa, president and executive general adjuster for his own company for more than 15 years.



- ▶ **BE CURIOUS.** Questions come from curiosity. Be curious about people, things, events, and timing. Be curious as to why any combination of these does not make sense, and keep asking questions until it does. If any of the data contradicts or conflicts, then clarify. Keep clarifying until the contradiction is cleared up or the real story is impossible to conceal.
- ▶ **BE AURAL.** Learn to listen with a logical ear. Expect logic when you listen and, if it's not there, pursue it tenaciously. In the interview process, be aware of someone who avoids answering directly with a "yes," or a "no." Also, be aware of someone's hesitation to respond. Whenever a witness hesitates, it could mean information is being withheld. They may feel the information is irrelevant or superfluous. If their hesitation is pointed out, often they will go on to explain what they were thinking. This frequently proves to be a pertinent piece of information.
- ▶ **BE DISARMING.** If you have the demeanor and tone of a pit bull, people will not open up and release the truth. There are two simple techniques an investigator can use to have a disarming effect on even the most defensive witness. First, use a kind and sympathetic tone in your voice. A hostile approach and tone will only produce a hostile response. Second, disarm a defensive person with transparency. They must perceive that you want only the truth and that you are there gathering data with no predisposition to entrap or hurt anyone with the information you receive.

The simplest of evidence should not be overlooked. Weather reports, clothing, diet, and occupational experience should be addressed to properly ascertain the claimant's state of mind prior to the occurrence.

ected the outcome of the claim by reducing the exposure and saving the carrier thousands of dollars. By making an early investigative effort, the file handler was able to uncover information in a timely manner while witnesses were available and the occurrence was fresh in their minds.

The public has generally viewed insurance as an industry littered with corporate giants whose pockets are lined with gold doubloons that were obtained through a modern-day piracy approach. But that viewpoint will never excuse criminal behavior and robbery. Public awareness campaigns must be in place to accurately convey this ever growing crisis that ultimately filters down, costing households thousands of dollars per year. Claims professionals as well as SIU staff must have a sound understanding of the trends in insurance fraud conducting proactive claim investigations. ■

Jeffrey Sweat is a former adjuster and current president of SIU Central, an Orlando, Fla.-area firm that investigates insurance fraud in workers' compensation, liability, and disability lines. He can be reached at 407-977-6877, jeff@siucentral.com, www.siucentral.com.