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Workers compensation fraud costs \$5 billion

BY JIM DINO (STAFF WRITER)

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The National Insurance Crime Bureau estimates workers' compensation insurance fraud costs providers more than \$5 billion a year and in the second quarter of 2010, was one of the most common types of insurance fraud complaints reported in Pennsylvania.

The fraud occurs when either an employer or an employee provides false or misleading information to their insurance company.

"If you live in Pennsylvania, this crime affects you," says Ralph Burnham, executive director of the state Insurance Fraud Prevention Authority. "As workers' comp insurance fraud increases, so do the losses and the premium amounts that businesses must pay; this can be very damaging to any business, but especially small businesses."

Adam Friedlander, president of the Friedlander Group Inc., Purchase, N.Y., said premium fraud, understating or improperly allocating payroll, can give competitors the ability to underbid projects and compete unfairly. Mr. Friedlander wrote a book on the topic, which includes an interview with Larry LaPointe, the former director of confidential investigations at the New York State Insurance Fund.

Mr. Friedlander said fraud can be fought by establishing a "culture of care" in the workplace, where employees feel nurtured and take pride in their work and loyalty.

"A good supervisor at work will know their employees and know who's out hunting, from 'water-cooler' talk," Mr. Friedlander said. "When employees feel connected to their work and the people they work for, and their peers, the likelihood of fraud drops dramatically."

Workers' compensation insurance fraud is a felony in Pennsylvania, and violators can spend up to seven years in prison and be forced to pay up to \$15,000 in fines.

Pennsylvanians can visit the Insurance Fraud Prevention Authority website, www.helpstopfraud.org, to learn more.

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