



BIS NEWSLETTER

San Diego Irvine Los Angeles Riverside Fresno Sacramento Stockton Bay Area
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Meet Your BIS Staff

This edition we would like to introduce Cheryl Henning. Cheryl is a licensed private Investigator and has been assigned to our Sacramento Office for over ten years.

Cheryl has the uncanny ability to blend into any situation or surroundings which allows for outstanding results on her Subrosa assignments. Cheryl has previously received the BIS Fraudbuster Award, and Outstanding Achievement Award. Cheryl is a strong believer in the team concept with not only our Associates, but also her coworkers. This has earned her the respect and recognition of our BIS Associates.

In her limited spare time Cheryl enjoys her family and grandchildren, her puppies and an occasional deep sea cruise.

SUBROSA TIPS—Shoot for results

It is common knowledge that a properly conducted Subrosa investigation is one of the best methods to uncover fraud, malingering, and claimed injury exaggeration.

Like any investigation, the more information you can provide the investigator the higher the odds of thorough and accurate results.

The following list is helpful when requesting a Subrosa Investigation.

1. Provide an accurate full name, birth-date, social security number and any known aliases.
2. If time allows examine the medical reports for a physical description including height, weight, hair color, eye color, race, and any other identifying information.

3. In Workers' Compensation case where an AOE/COE will be or has been conducted have the AOE/COE Investigator take a photograph of the Applicant.

4. Provide any upcoming appointment information such as medical, physical therapy, meetings, etc.

5. Provide a current physical address for the Claimant., if you are uncertain the address is correct, let the investigator know.

6. If you know of one, provide a reliable and trusted employer contact for the investigator.

7. Provide any other information you deem helpful, no matter how insignificant it may seem.

California Announces \$29.8 Million in Fraud-Fighting Grants

County district attorneys in California will share \$29.8 million in grants to fund workers' compensation fraud-fighting efforts, California Insurance Commissioner Steve Poizner said.

The grants will underwrite fraud investigations and prosecutions. Funding is provided through an assessment on employers, as determined by the state Fraud Assessment Commission. Counties' applications are reviewed based on past-year performance and other criteria by a grant panel, the insurance commissioner and the commission.

The anti-fraud departments of insurance companies throughout the state work closely with district attorneys, said Mike Sektnan, Vice President of the Association of California Insurance Companies.

The grants are still subject to approval in the final state budget.

U.S. property/casualty insurer financial impairments have more than tripled since 2007, the last full year before the current recession, rising to 18 in 2009, up from 16 in 2008 and from five in 2007, according to a recent A.M. Best

special report. A.M. Best has found over the past 41 years of this study that the financial impairment frequency typically rises during and shortly after periods of economic and financial market stress. Three 2009 impairments were related to alleged fraud.

Workers' compensation carriers can expect to see little change in payrolls in 2010 and are unlikely to see premium increases in 2011.

The five largest carriers in California are SCIF, AIG, Travelers, Zurich and Liberty Mutual.

San Bruno Man Arraigned in Connection with 'Crash and Buy' Insurance Scam

SACRAMENTO, Calif., July 16 -- The California Department of Insurance issued the following news release:

Insurance Commissioner Poizner today announced the arraignment of a San Bruno man for allegedly fraudulently reporting to his insurance company a collision that occurred before coverage was added to his vehicle, a scheme also known as "crash and buy."

"If you are driving without auto insurance, you are breaking the law and putting everyone else on the road at risk," said Commissioner Poizner. "Committing insurance fraud is the worst way to cover your tracks if you are in an accident without insurance. You must be insured before you get behind the wheel, or you will face serious consequences."

Jason Bato, 36, was arraigned on July 9 on three felony counts of insurance fraud.

Farmers Insurance suspected fraud and reported it to the Department of Insurance on July 24, 2009. Following receipt of the referral, CDI immediately launched an investigation. Investigators discovered that on June 22, 2009, at approximately 12: 55 p.m., Bato was involved in a two-car accident in San Francisco. Bato allegedly did not have a valid insurance policy at the time of the accident. He allegedly provided the driver of the second vehicle information to an old policy that was no longer valid.

On June 22 at approximately 1:37 p.m., Bato purchased an insurance policy from Farmers Insurance. He later provided the new insurance policy information to the driver of the other vehicle. The accident was reported to Farmers on June 29. During the company's investigation of the claim, Bato allegedly provided false statements that the accident occurred after her purchased the policy. On July 23, he admitted to Farmers that he purchased the policy immediately after the accident. After concluding its investigation, Farmers determined Bato's policy was not in effect at the time of the accident and subsequently denied his claim.

On April 8, 2010, CDI detectives obtained a statement from Bato in which he admitted to purchasing his policy after the accident and to providing false statements to Farmers on several occasions.

Although Farmers denied Bato's claim, the insurer incurred investigative costs due to misrepresentations allegedly made by Bato.

The case is being prosecuted by the San Mateo County District Attorney's Office.

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He admitted to investigators that he purchased the insurance policy after the accident.



Richard Salas a Nevada Attorney was suspended following felony convictions in California

According to the California Workers' Compensation Institute the average amount paid for medical services and related medical reports and equipment have now moved above 2004 levels.

Nevada Attorney Suspended WC medical expense payments above pre-reform levels

A Nevada attorney was suspended following felony convictions in California.

Tuesday, Jul. 27, 2010

Acting on a petition filed by the State Bar, the Nevada Supreme Court today temporarily suspended the law license of Richard Salas after the Las Vegas attorney self-reported his March 18 • nolo contendere convictions in Los Angeles stemming from one count of perjury under oath and one count of worker's compensation insurance fraud; both are felonies. Pursuant to Supreme Court Rule 111, the temporary suspension is mandatory due to the serious nature of the crimes.

According to the California Workers' Compensation Institute, the average amounts paid for treatment, pharmaceuticals and durable medical equipment, medical cost containment management began to increase two years after the reforms and have now moved above pre-2004 levels.

The study, which was based on medical data from 1.8 million California job injury claims from 2002 through the first quarter of 2009, determined the average amount paid per claim for medical services at five valuation points—three, 12,

24, 36 and 48 months postinjury for all claims and for lost time claims. As in previous studies by the CWCI in 2007 and 2009, researchers said the latest figures showed average medical payments dropped sharply immediately after the reforms were enacted, but by 2006 they had reversed course and were increasing steadily. For example, among lost time cases, which account for more than 90 percent of all claim costs, average first-year medical expenditures fell from \$6,435 in accident year 2002 to a post-reform low of \$5,502 in accident year 2005. However, they have rebounded sharply, climbing 49.5 percent to an average of \$8,225 in accident year 2008.

The AOE/COE Investigation—a cost effective way to obtain the facts of the claim

When a Workers' Compensation claim is filed it is essential that the facts be gathered quickly and accurately. It is estimated that 20% of Workers' Compensation claims have some degree of fraud. This is especially true in difficult economic times with pending layoffs, downsizing, less chance for promotion and overall lower employee morale.

The Arising of Employment or Caused by Employment (AOE/COE) investigation is a cost effective means for the adjuster to obtain facts quickly and at the same time determine if red flags exist in the claim.

The AOE/COE investigation addresses several issues:

Aids in determining if the alleged injury actually occurred.

In the event the alleged injury occurred on the job and if so is related to the job in such a manner as to justify benefits.

Determines the specifics of the injury from the Applicant, witnesses and the supervisor's perspective.

Determines if the Applicant was previously warned about job performance, passed over for promotion, scheduled for layoff, complained about the injured body part before the claim was filed and other pertinent information.

The AOE/COE investigation also provides an opportunity to photograph the applicant to help prevent identity theft and record the Applicant's statement should the information be needed for SIU purposes, or is unable to recall specific information at a later date. The recorded statement will generally include specific details of the reported injury, restrictions related to activities since the reported claim a description of a "typical day" since the injury and related information.

The witnesses and supervisor are also interviewed and a determination is made related to subrogation, serious and willful or other issues.

In cases where the Applicant is represented an employer level AOE/COE investigation is conducted and the Applicant is not interviewed.

In most AOE/COE investigations a signed release for medical records will be obtained from the Applicant and the investigator will discuss the medical history to determine previous injuries of the same nature or body part, how the injury was treated and related information.

DWC Makes Changes to Select EAMS Forms

The Division of Workers' Compensation has made changes to several of its forms that filers use in the Electronic Adjudication Management System. The new forms will be posted on DWC's EAMS Web site on August 2. The changes include the following: The declaration of readiness to proceed (DWC-CA form 10250.1) now includes a box for lien claimants to name themselves as a declarant, and a box to request a lien conference. The document cover sheet (form 10232.1) has been changed to remove the box for the vocational rehabilitation unit (VOC). The vocational rehabilitation program ended Dec. 31, 2009. The document separator sheet (form 10232.2) has an amended listing of document titles and document types, both in the body of the sheet and on the PDF version. Also, VOC has been removed from the list of selectable product delivery units. The updated forms were approved June 30 by the Office of Administrative Law. DWC will post the new versions of the above named forms on its Web site on August 2 and encourages all filers to immediately use the new forms. However, to allow time for the transition, old versions of these three OCR forms will be accepted for a limited time at district offices. For a complete list of the added and deleted titles, see the DWC complete posting. <http://www.dir.ca.gov/dwc/>

FROM THE BIS SIU DIVISION: Anatomy of a fraud referral

You find the red flags, you believe the Claimant is being untruthful and you submit the file to the Baechler SIU for fraud indicator review, investigation and referral for criminal prosecution.

Upon receiving the file, the SIU examines every report, email or other documentation in the file. If the entire file was not received, any missing pages or documentation will be requested and upon receipt carefully reviewed. Subrosa video footage will be reviewed in relation to the claimed injury.

If it appears there are sufficient fraud indicators, the SIU will determine if additional

investigation is required. The additional investigation may include additional Subrosa, witness statements, medical history review and other investigation. Once this investigation is completed; the file will be categorized based on the type of evidence such as Depositions, investigation reports, medical reports, Claimant correspondence and all other information. Specific information showing the material misrepresentation by the Claimant will be categorized as 'exhibits' which will later be incorporated into the referral.

The SIU Investigator will prepare a detailed Fraud Summary Report. This re-



The fraud Summary Report may consist of several volumes.

port outlines the details of the claim including any alleged injuries and information from the AOE/COE report (if any). The report will evaluate medical provider information including information provided by the Claimant. Medical treatment provided by chiropractors, physicians, or others is compared to usual and customary medical treatment for an injury of the type reported. (continued page 4)



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Anatomy of a Fraud Investigation (from page 3)

Evaluation is made at this time for Red Flags related to medical treatment, such as overtreatment or unbundling. All Deposition, Subrosa investigation and other pertinent information is then outlined in the report. The report and exhibits are then bound and submitted to the District Attorney's Office either by special delivery, or in person for criminal review and prosecution.

Quotes to insurance Adjusters

- I saw a slow-moving, sad-faced old gentleman as he bounced off the roof of my car.
- The direct cause of the accident was a little guy in a small car with a big mouth.
- The telephone pole was approaching, and I was attempting to swerve out of its way when it struck the front end
- I was thrown from my car as it left the road. I was later found in a ditch by some strange cows



Interesting Trivia

All of China is on one time zone.

The Declaration of Independence was written on hemp paper. Hemp doesn't contain THC and won't make you high.

Your foot is the same length as your forearm.

San Jose was the original capital of California.

Actual Excerpts Taken From the Courtroom



- Lawyer: "Can you tell us what was stolen from your house?"
- Witness: "There was a rifle that was stolen from the hall closet."
- Lawyer: "Can you identify the rifle?"
- Witness: "Yes. There was something written on the side of it."
- Lawyer: "And what did the writing say?"
Witness: "'Winchester!'"

- Lawyer: "Sir, what is your IQ?"
- Witness: "Well, I can see pretty well, I think."
- Lawyer: "The youngest son, the 20 year old, how old is he?"