



INFORMATIONAL MEMORANDUM
DFS-04-002 M
ISSUED
June 1, 2004
Office of Insurance Regulation
Kevin McCarty, Director
Department of Financial Services
Tom Gallagher, Chief Financial Officer

All Workers' Compensation Insurers Authorized to do Business in Florida

Fraud Legislation Relating to Annual Workers' Compensation Anti-Fraud Report

The purpose of this memorandum is to inform workers' compensation insurers doing business in Florida, of the applicability of a new compliance requirement of section 626.9891(6), Florida Statutes, which pertains to insurers' anti-fraud requirements. The new requirement is known as the "Annual Workers' Compensation Anti-Fraud Report."

Effective August 1, 2004, and thereafter on an annual basis, each insurer writing workers' compensation insurance in Florida shall report to the Division of Insurance Fraud on its experience in implementing and maintaining an anti-fraud special investigative unit (SIU) or an anti-fraud plan. The first year report data will be for the period 7-1-2003 to 6-30-2004. The data required by 626.9891(6), F.S. includes the following:

1. The dollar amount of recoveries and losses delineated by type of WC fraud.
2. The number of referrals submitted to the Bureau of Workers' Compensation Fraud delineated by type of WC fraud.
3. A description of the organization of the SIU or anti-fraud unit including position titles and descriptions of staffing.
4. The "rationale" for the level of staffing and resources being provided based on such criteria as the number of policies written for the above referenced report data period, the number of claims received for the report data period, the number of suspected fraudulent claims detected for the report data period, an assessment of optimal case load that can be handled by an SIU investigator for the report data period and other factors that explain the level of staffing and resources.
5. A description of education and training provided to underwriting and claims personnel to assist in identifying and evaluating instances of suspected fraudulent acts in underwriting or claims activities.
6. A description of a public awareness program focused on the costs and frequency of insurance fraud and methods by which the public can prevent it.

We are creating an electronic format to file the WC Anti-Fraud (WCAF) report through the Department of Financial Services, Fraud Division website (<http://www.fldfs.com/fraud/>). Workers' compensation insurers/carriers will access the

WCAF report form via an identifiable icon or prompt at this site. This process will have several requirements. The WC carrier (user) will be required to establish a new account, have an email address and create a password in order to access the WCAF report form. Once the account has been established, an email containing an account code and a return link will be sent automatically to the WC carrier user. The WC carrier user will need the account code and its newly created password in order to begin processing the WCAF report form.

You may file the WCAF report on behalf of one insurance company or a group of insurance companies. You can access the report filing application screens by entering either an individual NAIC code, a NAIC group code, or by individual insurance carrier names. If your organization currently files one anti-fraud plan or one SIU description for a group of carriers, the electronic report filing application screens will allow you to enter the required data for one group. If the report filing is on behalf of a group of companies, the required data should be cumulative. However, if you elect to submit data by individual carrier, the required data should be only for the individual company. The WCAF report form application screens will provide this option.

This electronic WCAF report filing application should be operational by July 15, 2004. The WCAF report site will contain Frequently Asked Questions (FAQ) to assist the user in filing the WCAF report. The WCAF report site will provide a contact email address for specific questions. The Division of Insurance Fraud oversees this new compliance requirement. We have initiated this electronic filing application in order to maintain and manage WCAF reports that will be submitted by workers' compensation carriers.

Insurers which fail to file this statutorily required information by August 1, of 2004, and each August 1 thereafter, will be subject to fines and penalties as prescribed by Section 626.9891 (6), Florida Statutes.

The implementation of this new compliance requirement will assist in providing statistical data to identify issues and trends in WC fraud. This data will be useful in allocating the proper resources and funds to effectively target the most problematic types of workers' compensation fraud.

If you have questions, you may call either Jeff Korte, Chief of the Bureau of Workers' Compensation Fraud (BWCF) at 561 242-5463 or Denise E. Prather, Sr. Management Analyst of BWCF at 850 413 4036.