



Fraud Investigations: An Overview

Idaho Department
of Insurance



Department of Insurance Mission Statement



*To equitably, effectively, and
efficiently administer the Idaho
Insurance Code and the
International Fire Code.*



“The Perfect Crime”



The Cost of Insurance Fraud

FINAL ESTIMATE OF THE COST OF INSURANCE FRAUD IN THE UNITED STATES:

(All numbers are in billions and figures are as of 2022)

Property & Casualty	\$45B
Workers' Compensation	\$34B
Premium Avoidance	\$35.1B
Healthcare	\$36.3B
Medicare and Medicaid Fraud	\$68.7B
Life	\$74.7B
Disability	\$7.4B
Auto Theft*	\$7.4B

\$308.6 Billion Annually

Objectives



By the end of this session, you will be familiar with:

- our authority to investigate insurance fraud;
- the purpose of the Investigations Section; and
- our process once we receive a referral from insurance companies, consumers, and law enforcement.
- different types of WC fraud.

THE INVESTIGATIONS TEAM

ROY SHEPHERD
SUPERVISOR



KRIS CERECERO
INVESTIGATOR



KARL FROMM
INVESTIGATOR



MADISON LINDQUIST
INVESTIGATOR



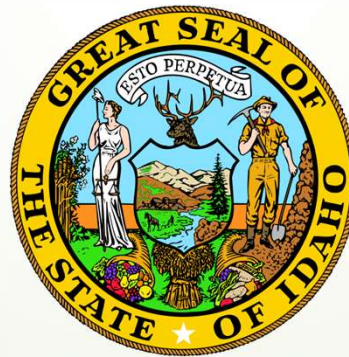
VACANT
INVESTIGATOR

DECEMBER GONZAGA
ADMINISTRATIVE ASSISTANT



THE ATTORNEY GENERALS OFFICE

THE IDAHO DEPARTMENT OF INSURANCE HAS TWO SPECIAL PROSECUTORS
ASSIGNED TO
INSURANCE FRAUD CRIMES.



IDAHO DEPARTMENT OF INSURANCE INVESTIGATIONS UNIT

WHO ARE WE? WHAT DO WE DO?

INVESTIGATE ALLEGATIONS OF INSURANCE FRAUD

PREPARE CRIMINAL REPORTS FOR COURTS

PROVIDE EDUCATION AND TRAINING

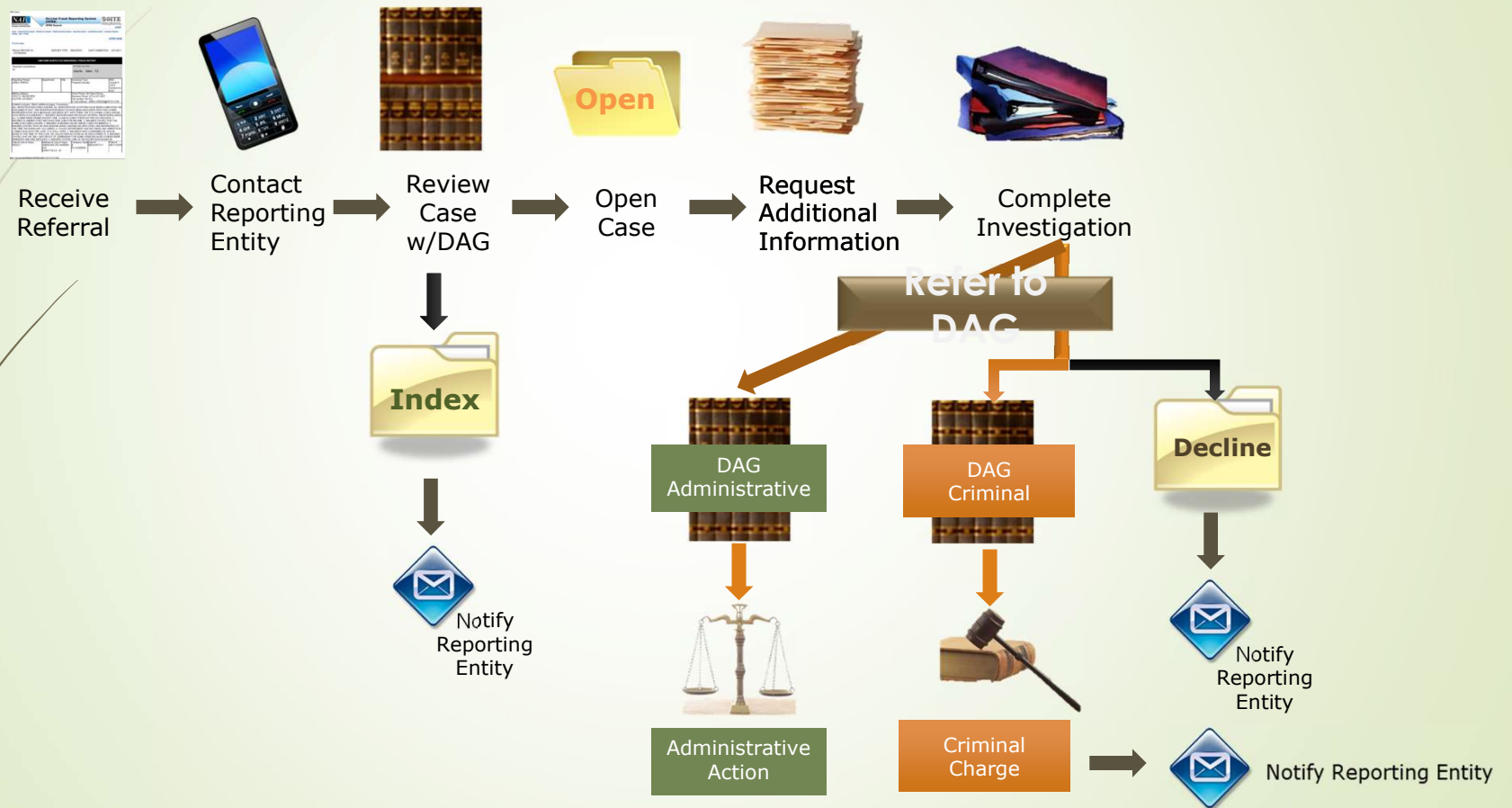
OUR TOOLS AND RESOURCES

STATE CRIMINAL DATABASES, SUBPOENAS, WARRANTS,

ITD VEHICLE & CRASH REPORTS, LAW ENFORCEMENT INTELLIGENCE SHARING, NICB, NAIC, ISO CLAIMS SEARCH, LIENS & BANKRUPTCIES, AGENCY AND PRODUCER LICENSE AND TRAINING RECORDS, ACCESS TO INSURANCE COMPANY CLAIM FILES VIA 247, ICOURT PORTAL, SOCIAL MEDIA.



From the Beginning



CRIMINAL CHARGES FOR INSURANCE FRAUD

INSURANCE FRAUD IS A FELONY IN IDAHO

- ▶ **IDAHO CODE 41-293(4)** – ANY VIOLATOR OF THIS SECTION IS GUILTY OF A **FELONY** AND SHALL BE SUBJECT TO A TERM OF IMPRISONMENT NOT TO EXCEED **FIFTEEN (15) YEARS**, OR A FINE NOT TO EXCEED FIFTEEN THOUSAND DOLLARS **(\$15,000)**, OR BOTH AND SHALL BE ORDERED TO MAKE RESTITUTION TO THE INSURER OR ANY OTHER PERSON FOR ANY FINANCIAL LOSS SUSTAINED AS A RESULT OF A VIOLATION OF THIS SECTION.



WHAT IS INSURANCE FRAUD?

IDAHO CODE 41-293(1)(A) - PERSON PRESENTS ANY **FALSE STATEMENT** IN SUPPORT OF **CLAIM**.

IDAHO CODE 41-293(1)(B) - **ASSISTS, ABETS, SOLICITS, OR CONSPIRES** WITH OTHER TO SUBMIT FALSE OR MISLEADING INFO.

IDAHO CODE 41-293(1)(C) - PERSON PRESENTS **FALSE/ALTERED STATEMENT** MATERIAL TO INSURANCE **TRANSACTION**.

IDAHO CODE 41-293(1)(D) - **PRODUCER WILLFULLY TAKES PREMIUM MONEY** KNOWING COVERAGE WILL NOT BE AFFECTED.

IDAHO CODE 41-293(1)(E) - **PRACTITIONER** SUBMITS **FALSE/ALTERED STATEMENT** WITH INTENT TO **DECEIVE INSURER**

IDAHO CODE 41-293(1)(F) - **ANYONE** MAKES **FALSE STATEMENT/MATERIAL MISREPRESENTATION** TO DEFRAUD INSURER REGARDING WORK COMP

IDAHO CODE 41-293(1)(G) - ANYONE **OFFERS/ACCEPTS DIRECT/INDIRECT INDUCEMENT TO FILE FALSE STATEMENT**

IDAHO CODE 41-293(1)(H) - ANYONE **TRANSMITS INSURANCE APPLICATION** FOR POLICY **WITHOUT PROPER LICENSING**

IDAHO CODE 41-293(1)(I) - **PRACTITIONER** OR OTHER **USES RUNNER** (PROCURE CLIENTS) TO SUBMIT FALSE CLAIMS

IDAHO CODE 41-293(1)(J) - **EMPLOYER OR OTHER** PRESENTS TO INSURER **FALSE STATEMENT MATERIAL TO WORK COMP**

IDAHO CODE 41-293(1)(K) - PERSON **OBSTRUCTS THE DIRECTOR** IN CONDUCT OF ANY AUTHORIZED EXAMINATION

IDAHO CODE 41-294 – ARSON - **DAMAGE/DESTROY/BURN** INSURED PROPERTY WITH **INTENT TO DEFRAUD**

IDAHO CODE 41-1024 (3) – **PRODUCER DIVERTS OR MISAPPROPRIATES FIDUCIARY FUNDS** FOR THEIR OWN USE

VIOLATING ANY OF THESE SECTIONS IS A FELONY



WHAT IS INSURANCE FRAUD?

MOST FREQUENTLY USED STATUTE

Idaho Code 41-293(1)(C) – Any person who, with the intent to defraud or deceive, presents or causes to be presented to or by an insurer, a producer, practitioner or other person, a false or altered statement material to an insurance transaction.



Slide 13

d2 What is the joke, and is it appropriate.
droberso, 3/27/2009

WHAT IS INSURANCE FRAUD?

MOST FREQUENTLY USED STATUTE

IDAHO CODE 41-293(1)(C) – ELEMENTS

- ANY PERSON
- INTENT TO DEFRAUD OR DECEIVE
- PRESENTS A FALSE OR ALTERED STATEMENT
- MATERIAL TO AN INSURANCE TRANSACTION.
- JURISDICTION



Slide 14

d2 What is the joke, and is it appropriate.
droberso, 3/27/2009



Worker's Compensation Fraud

- ▶ Idaho Code 41-293 (f)
- ▶ Anyone willfully making a false statement or material misrepresentation to an insurer, employer, practitioner or other person with the intent to defraud or deceive an insurer or other person, to obtain or extend worker's compensation benefits.



Faked or Exaggerated Injuries

- ▶ A claimant may fake an injury or accident entirely, or exaggerate an injury to receive more time off for greater compensation

Warehouse employee video





Multiple claims/identities

- ▶ Claimants who have filed a claim for an injury with one company have filed a claim with their own healthcare carrier or with other carriers.
- ▶ They may have claimed a slip and fall injury at a large department store facility or multiple places.
- ▶ Claimants may have multiple identifies and have multiple social security numbers or fake identification.



Injuries not caused at work

- The “Monday Morning” injury is that has taken place during the claimant’s days off. The claimant then goes to work and claims the injury happened at work to get medical coverage and compensation.



Unreported Income or Second Jobs

- ▶ Claimant goes to work for another employer while continuing to collect disability payments from a previous employer.
- ▶ Does not report income and denies that he is working for another employer.
- ▶ This case is good fraud case and can be easy to prove.
- ▶ However, there must be some paper trailed that claimant knew he was required to report additional income.



Inflated Receipts/Mileage

- Claimants may submit receipts for travel to treatment that may have been tampered with or inflated, in order to received more money that they are entitled to.



Malingering

- Occurs when a claimant has fully recovered from their injury but claims to still be disabled in order to prolong time off.
- Hard to prove especially if the injury is subjective.



Forgery

- Replicating / Altering documents
- Fake Signatures
- Counterfeit identification
- Out of date formats
- Lack of original documents



Worker's Compensation Premium Fraud

- ▶ Idaho Code 41-293 (j)
- ▶ Any employer or other person who, with intent to defraud or deceive, presents or causes to be presented to an insurer, producer or any other person or governmental agency any statement containing the number of employees, amount of payroll, job description or job title or any other statement material to worker's compensation insurance which contains false, or misleading or incomplete information.



Employer Fraud

- Employer under reporting the number of company employees.
- Under reporting payroll.
- Manipulating employee job codes.
- Manipulating the company's experience modifier.



Attorney Fraud

- ▶ The attorney may be involved with a Medical Mill and send his clients to a specific clinic for his own financial gains.
- ▶ Runner and Cappers are people usually employed by the professional providers to solicit workers to claim injuries. These people get paid by the professional, based on the number of individual workers brought in.
- ▶ The attorney may direct the family of his client to provide bogus in-house care bills.



The Doctor Fraud

- ▶ Knowing that the claimant is not actually injured but they submit bills for providing medical care anyway.
- ▶ Inflated bills or billing for services not rendered.
- ▶ Double billing if more than one healthcare company is involved.
- ▶ Boilerplate Diagnosis: Using the same injuries and treatments for all patients.
- ▶ Referring self owned clinics where the doctor has a vested financial interests.

Alene Bako Case Study

- ▶ 44 years old
- ▶ Married
- ▶ Workers's
Comp Claim
- ▶ SIF and
Nationwide



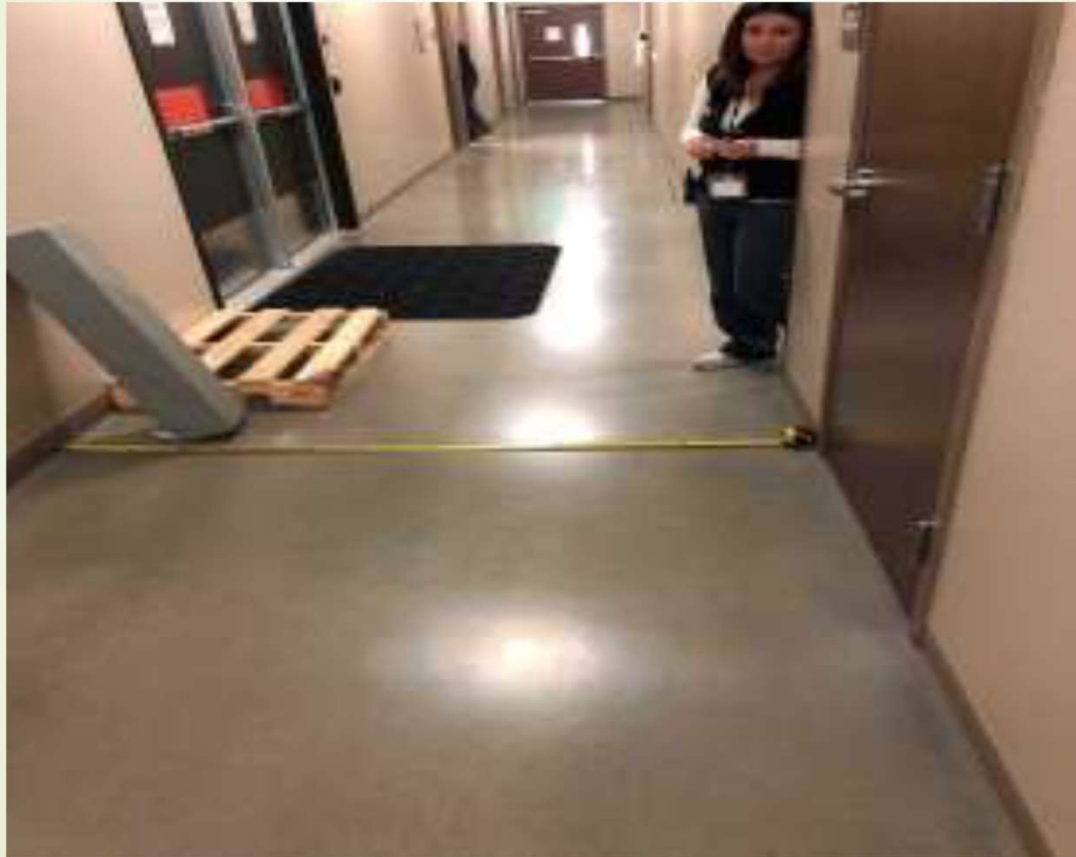


Alene Bako Case Study

- ▶ On December 11, 2018, Alene Bako began work at Boise of Cascadia. At 1:40 PM, Bako walked out of the employee bathroom and down a hallway when she tripped over a “box”, fell forward, and hit and cut her elbow on a wooden pallet that was laying on the floor.



Alene Bako Case Study



Alene Bako Injury



Alene Bako Injury



Alene Bako Case Study

- ▶ On October 27, 2019, Bako was working at Life Care Centers, located at 808 N. Curtis Rd, Boise, Idaho. A First report of Injury showed that Bako had smoke inhalation from a fire which occurred in a resident's room. Bako had pulled the fire alarm and used a fire extinguisher to put out the fire.
- ▶ It was determined that a blanket was put over a wall heater which caused the fire





Alene Bako Case Study

- ▶ On November 1, 2019, Bako was working at Life Care Centers. A First Report of Injury said Bako had been kicked in the face by a resident while she was changing them. Bako sought treatment and received four sutures to her bottom lip.
- ▶ On November 9, 2019, Bako was injured while working at Life Care Centers of America. A First Report of Injury said that Bako's foot was ran over by a Hoyer lift.
- ▶ On December 4, 2019, Bako was working at Life Care Centers of America when she fell and lacerated her left hand on a wheelchair brake. Tendons cut in two of her fingers. Surgery required. Doctor also stated that the injury was too sharp to have occurred as explained.



Alene Bako Case

- ▶ Life Care Center fired Bako for falsifying her employment application.
- ▶ Bako got a new job with Jacksons Food Stores.



Alene Bako Case Study

- ▶ On February 7, 2020, Alene Bako started her shift at 9:00 AM, at Jacksons Foods Stores located at 107 S. Broadway Ave., Boise, Idaho. At approximately 12:10 PM Bako claimed she had an allergic reaction when she was exposed to cilantro after her supervisor had brought in lunch for the employees from a local taco restaurant.
- ▶ On February 13, 2020, Bako began her shift at 3:00 PM at Jacksons Foods Stores. Around 4:00 PM, Bako lacerated her right arm on a “tong holder” while setting up condiments at the “Roller Grill”. Bako was taken to St. Luke’s Emergency Room located at 190 E. Bannock St, Boise, treated and released the same day.



Alene Bako Case Study

- ▶ On March 4, 2020, at 3:30 PM, Bako started her shift at Jacksons Food Store. At approximately 3:36 PM the Boise Police Department was dispatched to the Jacksons Food Store due to a report that Bako had been stabbed behind the store while picking up trash outside of the store. The report indicated that Bako told the responding officers that a male demanded that Bako go get some money. The report indicated that Bako refused, so the male then attacked Bako and stabbed her once in the lower left abdomen with a knife.



Alene Bako Case Study

- ▶ Boise police was suspicious of her story, and confronted Bako. She admitted to stabbing herself with a kitchen knife that she had brought into work.
- ▶ Bako was charged and pled guilty to filing a false police report. She was ordered to obtain mental health treatment.



Alene Bako Case Study

- Nationwide Insurance referred case to DOI in October 2020.
- Bako initially claimed she just had bad luck, but eventually admitted to causing some of the injuries herself.



Alene Bako Case Study

- Bako charged in two separate cases for a total of four counts of insurance fraud.
- She pled guilty to one count of insurance fraud for each case in October 2023.



Alene Bako Sentenced

JUDGMENT IS ENTERED

Judgment of Conviction. The Court earlier accepted a guilty plea on Count 2, and ordered the same entered on the record. Defendant is sentenced, pursuant to I.C. § 19-2513, to the custody of the State Board of Correction to be confined for a period of time as follows:

For the crime of COUNT 2: INSURANCE FRAUD, FELONY, I.C. § 41-293(1)(c), a minimum fixed and determinate period of custody of two (2) years, followed by an indeterminate period of custody of up to three (3) years, for a total unified sentence not to exceed five (5) years.

Concurrent Sentence: The sentence imposed in this case shall run concurrently with the sentence imposed in Ada County Case No. CR01-23-9496.

How to look for fraud?





Red Flags

- Financial Pressures: claimant is facing significant financial difficulties. May have a history of multiple claims.
- Lack of Cooperation: Claimant is uncooperative or evasive. Refuses to sign medical release.
- Overly dramatic or vague descriptions of the incident. May use phrases like “sort of”, “kind of” or “basically”.



How to look for fraud

- Look for discrepancies.
- Date and time.
- Story keeps changing or can't remember details.
- Damage or injury doesn't match up to story.
- Prior claims history.





Forensic Evidence Preservation

- Immediate Documentation
- Secure physical evidence
- Photographs / Videos
- Witness Statements
- Surveillance footage / CCTV
- Chain of Custody
- Secure storage

How can you help DOI investigate referrals?

- Be suspicious.
- Record interview of person filing a loss.
- Get their location at the time they are making the claim. (*Jurisdiction*)
- Take good photographs. Far, medium, close range photographs.
- Document, document, document! Take good notes.





REFERRING A CASE

- NAIC ONLINE FRAUD REPORTING SYSTEM
- IDAHO DEPARTMENT OF INSURANCE WEBSITE



REFERRING A CASE

- ▶ <https://eapps.naic.org/ofrs/>

The screenshot shows the NAIC National Association of Insurance Commissioners website. The header includes the NAIC logo and navigation links: Map, Committees, Members, Products, Education, Consumers, and Industry. Below the header is a dark blue bar with the text "Online Fraud Reporting System" and links for "OFRS Home >", "Help >", and "Antifraud Task Force Activities >". A grey bar below that reads "Consumers and Industry" with a link for "In English | En Español".

Consumers:

If you believe that you have information regarding possible fraudulent activities to report to your local state agency please click here to enter the Online Fraud Reporting System.

If you have a general complaint or concern regarding insurance that is not of a fraudulent nature click here to enter the Consumer Information System.

There are two "File a Complaint" buttons. The first is a brown button with a red double-headed arrow and the text "Consumer Fraud OFRS". The second is a blue button with a yellow double-headed arrow and the text "Consumer Information Source".

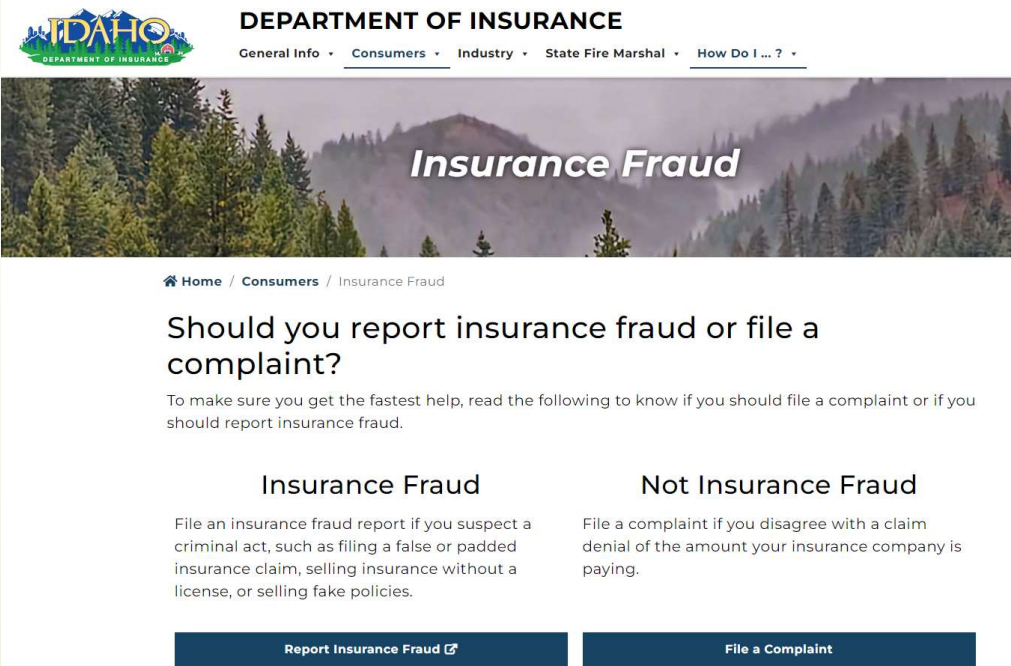
Industry Users:

There is a "Log In" button with a red arrow pointing right.

Don't have a login ID?
Click here to get started...

REFERRING A CASE

► <https://doi.idaho.gov/>



The screenshot shows the Idaho Department of Insurance website. At the top left is the logo with 'IDAHO DEPARTMENT OF INSURANCE'. To the right is the text 'DEPARTMENT OF INSURANCE' and a navigation menu with 'General Info', 'Consumers', 'Industry', 'State Fire Marshal', and 'How Do I...?'. Below this is a banner image of a forest with the text 'Insurance Fraud'. Under the banner is a breadcrumb trail: 'Home / Consumers / Insurance Fraud'. The main heading is 'Should you report insurance fraud or file a complaint?'. Below this is a paragraph: 'To make sure you get the fastest help, read the following to know if you should file a complaint or if you should report insurance fraud.' There are two columns: 'Insurance Fraud' with text 'File an insurance fraud report if you suspect a criminal act, such as filing a false or padded insurance claim, selling insurance without a license, or selling fake policies.' and 'Not Insurance Fraud' with text 'File a complaint if you disagree with a claim denial of the amount your insurance company is paying.' At the bottom are two buttons: 'Report Insurance Fraud' and 'File a Complaint'.

DEPARTMENT OF INSURANCE
General Info ▾ Consumers ▾ Industry ▾ State Fire Marshal ▾ How Do I...? ▾

Insurance Fraud

Home / Consumers / Insurance Fraud

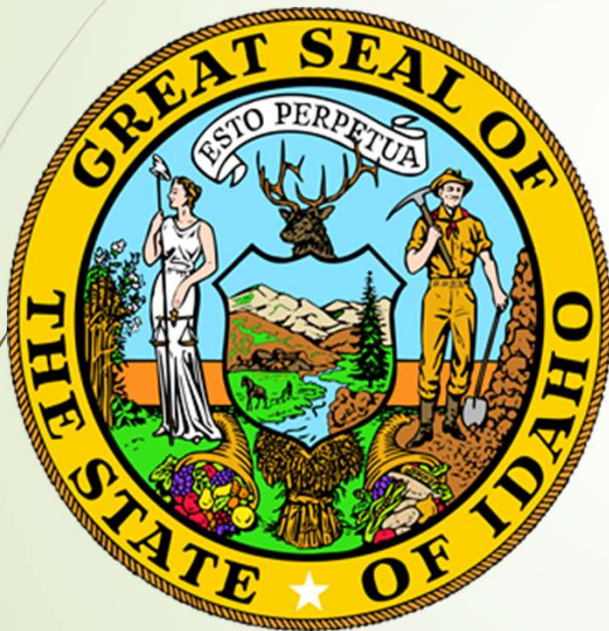
Should you report insurance fraud or file a complaint?

To make sure you get the fastest help, read the following to know if you should file a complaint or if you should report insurance fraud.

<h4>Insurance Fraud</h4> <p>File an insurance fraud report if you suspect a criminal act, such as filing a false or padded insurance claim, selling insurance without a license, or selling fake policies.</p>	<h4>Not Insurance Fraud</h4> <p>File a complaint if you disagree with a claim denial of the amount your insurance company is paying.</p>
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[Report Insurance Fraud](#) [File a Complaint](#)

Contact Information



State of Idaho
Department of Insurance
700 W State Street
PO Box 83720
Boise Idaho 83720-0043
(800) 721-3272
(208) 334-4250
(208) 334-4398 (FAX)



DOI Investigations Section



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