8. FRAUDULENT CLAIMS

A fraudulent claim is a claim that meets either of the following conditions:

- The claim has been ruled (or officially declared) fully fraudulent by a court decision or a ruling of the New York State Workers' Compensation Board.
- The claim, or a portion of the claim, has been deemed to be partially fraudulent by a court decision or a ruling of the New York State Workers' Compensation Board.

a. Reporting Fully Fraudulent Claims

When a claim has been ruled or declared to be fully fraudulent, the entire cost of the claim must be netted down to zero for unit statistical reporting.

- **Ruling or declaration of fraud prior to 1st Report:** The claim is considered non-compensable and is not to be reported.

- **Ruling or declaration of fraud subsequent to 1st Report:** When a ruling or declaration of fraud is received by the carrier at any point subsequent to the 1st unit report, but prior to the 10th report valuation date a correction report (s) must be filed, reducing the incurred cost of the claim to zero.

b. Reporting Partially Fraudulent Claims

When a portion of a claim has been ruled or declared to be partially fraudulent, the cost of the claim must be netted down to reduce the net incurred loss by the declared fraudulent amount.

- **Ruling or declaration of fraud prior to 1st Report:** The net incurred cost of the claim on the 1st report must reflect the reduction of the claim by the partially fraudulent amount.

- **Ruling or declaration of fraud subsequent to 1st Report:** When a ruling or declaration of fraud is received by the carrier at any point subsequent to the 1st unit report, but prior to the 10th report valuation date a correction report(s) must be filed and the cost of the claim must be netted down to reduce the net incurred loss by the declared fraudulent amount. If the originally reported amount at a particular report level is lower than the net loss amount, no correction is required.

The "net incurred cost" is defined as the gross incurred loss (i.e., the gross evaluation of the claim whether the claim is still open or not) minus the amount declared to be partially fraudulent.

For example, consider a claim that has been reported as $10,000 (1st report), $40,000 (2nd report), and

$60,000 (3rd report). Subsequent to the 3rd report, the claim was ruled partially fraudulent with the partially fraudulent amount set at $25,000. The net incurred cost of the claim is the latest value minus the partially fraudulent amount: $60,000 - $25,000 = $35,000. The net incurred cost ($35,000) is less than the claim value reported at the 2nd and 3rd reports. Correction reports must be submitted for the 2nd and 3rd reports in the amount of $35,000. As the net incurred cost is higher than the $10,000 reported in the 1st report, no correction report is needed for the 1st report.

When the partially fraudulent amount has not been allocated into indemnity and medical components by the adjudicator, the net incurred loss must be divided between indemnity and medical losses in the same proportion as the original gross incurred indemnity and medical amount.

Report the code that identifies the involvement of fraud in the claim.

Code	Description
00	The claim does not involve fraud
01	Partially Fraudulent: a portion of the claim has been deemed fraudulent by the courts or ruling of the New York State Workers' Compensation Board
02	Fully Fraudulent: the entire claim has been found to be fraudulent by the courts or ruling of the New York State Workers' Compensation Board