

Tough Economic Times May Spike Claims that Can Hurt Your Business

by Maria Shepherd*

While catching up with florist friends at the recent CSFA in Carlsbad, it was truly humbling to hear how many business owners are just trying to survive in this economic downturn. It is a daily grind of proprietor concerns: how to make payroll without robbing Peter to pay Paul; how to keep a handle on the soaring cost of doing business; and finding ways to retain customers while simultaneously seeking to grow new business through diversification. All of this while in a climate where flowers are now perceived – among other products and services – as a luxury and not a necessity.

Sadly, data show that this same troubled economic environment can also trigger a spike in potentially fraudulent claims filed by employees, customers or the general public at large. According to an article published in the April 2009 issue of *Workforce Management* magazine, "... the number of questionable claims is up during the first quarter of 2009 compared with the first quarter of 2008, providing a snapshot of what claims analysts call 'opportunistic fraud'...a

down economy and mounting unemployment level is causing some people to look at insurance fraud as a possible way to make money by taking advantage of a situation."

How might your floral business be a target for opportunistic fraud? Here are 2008 to 2009 trend statistics from a May 2009 issue of *American Agent & Broker* magazine and possible related scenarios that could occur in your floral operation:

- **Slip & fall injuries up 77 percent** - Someone posing as a customer opportunistically walks in after the cooler has just been restocked, and there is water or debris on the floor that has fallen from the buckets. Or another example: the floor is

still damp from being mopped, but there is no warning sign or clearly marked off area indicating this hazard. Both scenarios present opportunities for a slip/fall scammer. *The lesson: Keeping your shop floors clear of any potential hazards and/or properly closed off helps to reduce or eliminate this type of accident, and is always a good ounce of prevention.*

- **Workers' compensation claims up 71 percent** - An injured employee stays on workers' compensation benefits longer

than may be medically necessary. According to fraud experts for the Injured Workers Insurance Fund (IWIF) in an article published in the *Baltimore News*, May 2009, "When you have people that may not have a job to come back to, they're more inclined to stay on workers compensation if they can because at least they have a check coming in." IWIF says, this is a red flag employers need to notice, "The employees can feel this. They know if business is busy or slow and if they know there are about to be layoffs,

they (employers) should document claims as thoroughly as possible." *The lesson: Be alert for suspicious red flags among staff; document anything you know of regarding the claim and report it to your insurance company.*

- **Auto claims up 25%** -*The Attorneys Forum* listed these scams in an April 2008 post titled *Staged Auto Accident Fraud*: The drive down -- you are attempting to merge when another driver waves you forward. Instead of letting you in, he slams into your car. When the police arrive, he denies ever motioning to you. The sideswipe: as you round a corner at a busy intersection with multiple turn lanes, you drift slightly into the



lane next to you. The car in that lane steps on the gas and sideswipes you. The t-bone: you are crossing an intersection when a car coming from a side street accelerates and hits your car. When the police arrive, the driver and several planted 'witnesses' claim that you ran a red light or stop sign. *The lesson: If possible, take photos of the damaged property, report the accident to your insurance company immediately and never settle on site with cash.*

• **Employment Practices Liability:**

- Age discrimination claims up 22%
- Charges of harassment up 13%
- Charges of retaliatory treatment up 18%

Smaller paychecks, the possibility of layoffs and stress that employees are under due to economic challenges may cause them to react to things differently than they would under rosier economic conditions. *The lesson: Document all employee complaints and your responses to them; report any possible claims to your insurance company.*

History has shown that the market will indeed recover and recent economic experts even say the trend is on a moderate course for improvement. Even during the best of economies, best practices for loss prevention are worth their weight in

gold and will help keep costs down long term. Being aware of potential opportunistic claims just makes good business sense. As Jim Blasingame, The Small Business Advocate, said in his January 2009 blog: *"In 2009, there is no shame in winning by surviving."* Agreed.

Agencies tracking fraudulent claims include:

- National Insurance Crime Bureau (NICB), www.nicb.org
- Coalition Against Insurance Fraud, www.insurancefraud.org
- Insurance Research Council (IRC), www.ircweb.org
- Injured Workers' Insurance Fund (IWIF), www.iwif.com

About the Author

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