

Illinois Department of Insurance  
Workers' Compensation Fraud and Compliance Unit

---

2023 ANNUAL REPORT



JB Pritzker, Governor

Dana Popish Severinghaus, Director

---



# Illinois Department of Insurance

---

JB PRITZKER  
Governor

DANA POPISH SEVERINGHAUS  
Director

July 1, 2023

The Honorable JB Pritzker  
Governor  
207 State House  
Springfield, Illinois 62706

**Re: Workers' Compensation Fraud and Compliance Unit – 2023 Annual Report**

Dear Governor Pritzker:

On behalf of the Department of Insurance and pursuant to Section 25.5(h) of the Workers' Compensation Act (820 ILCS 305/25.5(h)), I hereby submit the Workers' Compensation Fraud and Compliance Unit's 2023 Annual Report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Dana Popish Severinghaus".

Dana Popish Severinghaus, Director  
Illinois Department of Insurance

**TABLE OF CONTENTS**

I. Introduction.....1

II. WCFU Operations .....3

    A. Complaints .....3

    B. Investigations.....4

    C. Referrals for Prosecution.....4

    D. Confidentiality.....5

    E. WCFU Statistics.....5

III. Workers’ Compensation Compliance Operations.....7

    A. Complaints.....7

    B. Case Resolutions.....7

    C. Other Activity.....8

IV. Building Relationships.....8

## **I. Introduction**

In 1911, Illinois became one of the first states in the nation to pass comprehensive workers' compensation laws. While state law has changed over the years, the basic principle guiding workers' compensation remains the same: employees and employers deserve a reliable and affordable system of insurance which helps protect employers, injured workers, and their families from financial catastrophe.

Today, state law requires almost every working resident of Illinois to be covered by workers' compensation insurance. Employers provide workers' compensation benefits either by purchasing insurance policies or by paying for the benefits themselves (known as self-insurance). Employers and employees benefit from the state's mandatory system, which allows employers to avoid costly litigation and provides employees protection and compensation for work-related injuries.

Until Public Act 102-0037 became effective on July 1, 2021, the Workers' Compensation Compliance Unit was part of the Illinois Workers' Compensation Commission (IWCC). The legislation merged the Workers' Compensation Compliance Unit with the Workers' Compensation Fraud Unit (WCFU), and now the teams work alongside one another within the Department of Insurance ("DOI" or "Department").

WCFU investigates allegations of workers' compensation fraud as provided by Section 25.5 of the Workers' Compensation Act. WCFU's efforts improve Illinois' business environment by investigating and referring fraudulent claims for prosecution. Reducing workers' compensation fraud will lead to more cost-effective insurance and, therefore, a more efficient market. The Illinois market is highly competitive, with 356 different companies competing to write direct workers' compensation premiums in Fiscal Year (FY) 2021.

The Workers' Compensation Compliance Unit enforces Section 4(d) of the Workers' Compensation Act. The unit protects workers by enforcing the Workers' Compensation Act's requirement that employers provide workers' compensation coverage. Ensuring employers provide coverage helps to protect injured workers and their families from financial catastrophe that may arise from a workplace injury. Effective enforcement also helps level the playing field for businesses in Illinois, by requiring employers to comply with the workers' compensation law and holding them accountable when they do not.

Certain adaptations and augmentations could bring important improvements to the WCFU's ability to protect workers and enforce Sections 25.5 and 4(d) of the Workers' Compensation Act.

These include expanding the WCFU by hiring additional investigators to investigate actual or suspected fraud. Accordingly, we are working to hire additional investigators to fully staff the unit.

The Compliance Unit moved from IWCC to DOI in July 2021. In that time, we have made and implemented recommendations, and we have identified additional ways to be more effective at ensuring employers provide workers' compensation coverage for their employees. In improving how the Compliance Unit functions, we have three objectives, and each recommendation can be seen as contributing to at least one: improving quality and thoroughness of investigations, increasing capacity to perform investigations, and improving enforcement and effectiveness.

First, it's important to examine how the Compliance Unit is implementing past years' recommendations, which are improving quality and thoroughness of investigations and increasing our capacity. We have added two additional investigators, which will increase our team to five investigators. Additionally, Governor Pritzker included an appropriation in the FY '23 budget

proposal to provide improved IT infrastructure, including a CRM platform, for the Compliance Unit, which the General Assembly passed, and we will work to implement in the coming year. To further increase capacity, the Compliance Unit is also adding one staff member to provide administrative support and adding additional investigators in the future. These ongoing improvements will help us better handle cases from the time they are accepted through the informal hearing stage, and to collaborate with other agencies in investigating worker misclassification, enabling more thorough investigations on a larger scale.

## **II. WCFU Operations**

Section 25.5(c) of the Act charged the Department with establishing the WCFU. The Department established the WCFU in 2006 and now oversees its operations, investigations, personnel, and progress.

### **A. Complaints**

The WCFU tracks reports of workers' compensation fraud. Complainants are required by statute to identify themselves and can report fraud by regular mail, email, or by calling a toll-free telephone number (1-877-WCF-UNIT or 1-877-923-8648). After receiving a report, the WCFU supervisor reviews each complaint to determine whether the complaint alleges a violation of the Act's fraud provisions that warrants investigation. In conducting this review, the supervisor assigns a case number to each complaint and enters it into the WCFU's case management system. If necessary, the supervisor contacts the complainant or requests additional information to complete the review process. If the report is frivolous, legally insufficient, or unsubstantiated, the investigation ceases, and the report is closed. If the supervisor finds evidence sufficient to justify further inquiry, the case is assigned for investigation.

## **B. Investigations**

The primary responsibility of the WCFU is to conduct investigations and refer worthy cases for prosecution. To fulfill this task, WCFU investigators conduct field investigations, review surveillance footage, issue subpoenas, and review insurance, payroll, medical, and other records.

While structurally similar, each investigation differs based upon a host of factors, including the nature and quality of the initial complaint. Most investigations involve: (1) review of documentary and physical evidence; (2) detailed background checks of persons related to the case (*e.g.*, investigative targets and witnesses); and (3) interviews of persons related to the case (*e.g.*, complainants, witnesses, insurance company personnel, medical treatment providers, and the investigative target).

It should be noted that due to personnel changes, the WCFU experienced a slowdown in the close of FY 2021 and the first month of FY 2022 that we're continuing to address.

In August of FY 2022, the WCFU hired two full-time investigators, who after a brief training period, began working on cases to reduce the backlog of over 80 pending cases created by the lack of investigators. We are continuing to reduce the backlog, while examining new referrals for investigation.

## **C. Referrals for Prosecution**

At the conclusion of each investigation, a review of the sufficiency of evidence is conducted. If the inquiry does not produce evidence deemed sufficient to convict an individual or entity of workers' compensation fraud, the case is dismissed. Investigations that produce sufficient evidence to convict are referred to the Attorney General's office or the State's Attorney of the county where the offense occurred. The power to decide whether to file criminal charges rests solely with the prosecutor who receives the WCFU referral.

The WCFU is building working relationships with relevant prosecuting authorities. Since its creation, the WCFU has referred cases to, and worked with, State's Attorneys representing 45 counties: Bureau, Cass, Champaign, Christian, Cook, DeKalb, DeWitt, DuPage, Edgar, Ford, Franklin, Gallatin, Jackson, Jasper, Jefferson, Kane, Kankakee, Knox, Lake, Livingston, Macon, Macoupin, Madison, Marion, Massac, McDonough, McHenry, McLean, Morgan, Ogle, Peoria, Perry, Richland, Saline, Sangamon, Shelby, St. Clair, Tazewell, Union, Vermilion, White, Whiteside, Will, Williamson, and Winnebago.

**D. Confidentiality**

The confidentiality of all fraud reports and associated medical records is strictly maintained in accordance with the relevant statutes and is only shared while referring a case for prosecution or in complying with other lawful requests.

**E. Workers' Compensation Fraud Unit Statistics**

In FY 2023, the WCFU received 20 allegations of fraud which were placed in line for investigation, a continued reduction from the number of complaints received in prior years, attributable to several possible causes. These include the lingering effects of the COVID-19 pandemic, given that many fraud allegations are received one to two years following the alleged injury, and many businesses implementing a remote work environment for their employees. Additionally, we have received fewer complaints alleging fraud by state employees.

Of the 20 accepted complaints submitted to the WCFU in FY 2023, Special Investigation Units (SIUs) submitted 16 of the complaints, eight were referred by SIUs that worked directly for insurance companies and eight were referred by private SIUs, one was referred on behalf of third-party administrators (TPAs), and three were referred by attorneys representing the employer.

At the completion of FY 2023, the WCFU had 30 open cases in line for investigation in



the WCFU case management system. Of the 30 open cases in line for investigation, 19 cases were received in FY 2023, three cases were received in FY 2022, and eight cases were received in FY 2021.

The WCFU completed 21 cases that involved allegations of workers' compensation fraud in FY 2023. Of those completed investigations one was received in 2018, none were received in 2019, 11 were received in 2020, seven were received in 2021 and two were received in 2022.

In FY 2023, the WCFU referred five investigations for possible criminal prosecution to the Office of the Illinois Attorney General or the States Attorney in the county where the offense occurred. Two cases were declined prosecution, and three are pending a decision by the prosecutor.

In FY 2023, six cases were closed due to a settlement agreement at the Illinois Workers' Compensation Commission (IWCC) and six cases were closed due to insufficient evidence to refer the case for possible prosecution or lack of cooperation from the complaining witness. One was closed because we learned of a concurrent investigation by the Attorney General's Office into the same underlying facts. None were closed due to the WCFU not having jurisdiction to investigate the fraud allegation or due to the expiration of the statute of limitations. Three are pending referral for prosecution.

During FY 2023, the WCFU received numerous complaints and inquiries via the DOI telephone fraud hotline, DOI email fraud hotline, and U.S. mail that were anonymous and /or did not have sufficient information to meet the filing requirements to create a case file in the WCFU case management system. Therefore, they are not included in the number of cases received and completed by the WCFU in FY 2022.

## **VI. Workers' Compensation Compliance Operations**

### **A. Complaints**

The Compliance Unit investigates violations of Section 4(d) of the Workers' Compensation Act (820 ILCS 305/4(d)), which concerns employers' obligations to provide workers' compensation coverage for their employees. The Compliance Unit initiates investigations from a variety of sources, including employer-respondents in cases brought before the IWCC who are alleged to lack coverage, as well as tips from the public, including sources who may wish to remain anonymous.

Between July 1, 2022, and June 30, 2023, the Compliance Unit received 174 allegations of noncompliance: 126 arising from IWCC claims and 48 raised by members of the public. In addition, the Compliance Unit was referred 35 complaints from the Illinois Department of Labor (IDOL) for violations of the Employee Classification Act (820 ILCS 185/20). Of the 209 allegations reported (including Employee Classification Act Complaints) between July 1, 2022, and June 30, 2023, the Compliance Unit has opened 68 investigations. Of the remaining allegations of noncompliance, 8 employers actually had workers' compensation coverage and were closed, 15 employers have settled, 2 employers have been referred to collections. The remaining 116 allegations are awaiting investigation.

### **B. Case Resolutions**

Investigations referred to the Compliance Unit can be resolved via informal hearing, referred to the Attorney General's Office for formal hearing before the IWCC, or closed. During the reporting period, the Compliance Unit resolved 53 cases through informal hearing, referred 21 to the Attorney General's Office for formal hearing, and closed 77 cases.

### **C. Other Activity**

In addition to enforcing compliance, the Compliance Unit sends reimbursements obtained from noncompliant employers to the Injured Workers' Benefit Fund (IWBF). Specifically, reimbursement is sought from a noncompliant employer where the IWBF has paid an award to the noncompliant employer's employee. During FY 2022 to FY 2023, the Compliance Unit began an initiative to evaluate past years' IWBF cases to determine which required additional collection efforts. Additionally, the Compliance Unit notifies employers when an award has been entered against them in cases where the award has also been entered against the IWBF.

### **IV. Building Relationships**

For both WCFU and the Compliance Unit, building relationships with other investigative agencies, state's attorney's offices, business and labor advocacy groups, workers' compensation attorneys, and other stakeholders makes both teams more effective. These relationships lead to reliable tips about fraud and noncompliance, help us to ensure referred cases are ready for indictment and prosecution, and provide us with an opportunity to educate the public about employers' responsibility to provide coverage.

WCFU investigators work to aid prosecutors in the exercise of their discretion. Cases referred for prosecution are presented clearly and succinctly. WCFU investigators are committed to their investigations and assist the Illinois Attorney General or respective State's Attorney throughout any criminal case. This level of communication and continued assistance helps establish trust, which improves future referrals and prosecutions.

The progress of WCFU investigations over the years has improved the general public's understanding of workers' compensation fraud investigations. In the past, some complainants (*e.g.*, employers, insurers, employees) did not know what kind of evidence the WCFU needed to

successfully investigate an allegation of fraud. Establishing working relationships with workers' compensation stakeholders has helped to clarify the type of information that is required to prove workers' compensation fraud. To advance those efforts, the WCFU conducts a variety of educational presentations to public prosecutors and private law firms, as well as the insurance industry, self-insureds, other state agencies, and third-party administrators to assist them in better understanding the Illinois Workers' Compensation Act and the responsibilities of the WCFU.

In FY 2023, the Compliance Unit completed 47 outreach visits to business and labor organizations to discuss employers' obligations to provide workers' compensation coverage and encourage reporting of noncompliance. These efforts have led to the inclusion of workers' compensation education materials by these organizations in communications with their members and to credible referrals of noncompliance. In addition, the Compliance Unit distributed education materials drafted in English, Spanish, Polish, Chinese, Ukrainian, Polish, and Tagalog, which are available on the Department of Insurance website for printing and distribution.