

*Private Investigators & The Dirty
Little Secret of Sub-Contracting:
Insurance Fraud Investigations*



Richard A. Brooks

Private Investigators & The Dirty Little Secret of Sub-Contracting

Insurance Fraud Investigations

Richard A. Brooks

Private Investigators & The Dirty Little Secret of Sub-Contracting

All Rights Reserved

Copyright © 2015 Richard A. Brooks

All Rights Reserved. This book may not be reproduced, transmitted, or stored in whole or in part by any means, including graphic, electronic, or mechanical without the express written consent of the publisher except in the case of brief quotations embodied in critical articles and reviews.

Booktango

1663 Liberty Drive

Bloomington, IN 47403

www.booktango.com

877.445.8822

ISBN: 978-1-4689-6574-2 (ebook)



Updated October 2015

“Private Investigators & the dirty little secret of sub-contracting / vending - What to expect for PI’s who want to conduct insurance investigations and are new to the field.”

Updated June, 2015

Are you a private investigator who wants to work insurance fraud cases? Are you a “one man show”? Do you want to conduct worker’s compensation surveillance and claims (also known as “SIU” or Special Investigations Unit) investigations? Do you have your own small PI company, cannot get those types of cases directly from the insurance companies and think you may want to **sub-contract** or become a **vendor** for other PI firms? I often speak about this issue. I was asked to write an article on the subject of PI’s sub-contracting to other Private Investigation companies, as there are things, “secrets” if you will that these potential investigators should know about this industry.

I’m Richard A. Brooks of Richard Brooks Investigations, LLC (or “RBI”). We are a private investigations firm based out of the Jackson, Mississippi area and covering portions of the Southeastern United States (www.JacksonPI.com). We also have satellite offices in Daphne, Alabama and Weston, Florida. I have owned my investigations company since 2006, and I have been a PI

specializing in insurance fraud for almost 15 years. During that time, I was also the in house investigator for a law firm in Jackson, Mississippi. Prior to working as a PI, I was an active duty military and civilian law enforcement officer for approximately 10 years. I have worked for several of the big insurance investigations firms in different capacities over the years, to include case management. In the PI and law enforcement fields, I have done many things.

Although RBI handles several different types of investigations, we continue to conduct insurance fraud SIU investigations; although it is getting more and more difficult each year to maintain this work. Unfortunately, insurance fraud, particularly SIU / claims investigations, was my passion for many years.

Private investigations firms that specialize in insurance investigations and work for many of the large, nationwide insurance companies that we all know and love may sub-contract their cases out to you. They may call you a sub-contractor or a vendor. They will do this for various reasons, but primarily due to their lack of coverage (personnel) in a (your) particular area. The problem is that being a sub-contractor for other larger PI firms in the insurance fraud industry is usually difficult to say the least. Unfortunately, my company sub-contracted for many PI companies for several years. These days, we try not to accept work as a sub-contractor.

The large, “worldwide” or “nationwide” private investigations companies that handle insurance investigations are certainly a large

problem for us smaller, regional companies. They are killing us! Most of the large firms want to hire you as a direct employee (either part or full time) so they can pay you accordingly, which is much less than you would make as a sub-contractor, and force you to travel based upon their needs and case load. The midsize and large firms may hire you as a sub. Many of those PI companies you will work for will pay you poorly, they will micromanage your cases, they will break you off at the 4 and 6 hour marks (even if the claimant is present) on surveillance assignments. Some of these companies will break you off of surveillance early while continuing to bill their client for 8 hours. They will also pay you ridiculously late. I used to spend a great deal of time, energy and anguish sending out late notices and calling my clients and investigators about money owed to us. I fought that battle for many years. That, along with working myself to death, led to deteriorating health with hospitalizations due to stress and exhaustion. I had to learn to make adjustments. Hopefully, this information will save you from going through what I had to learn and endure.

During that time, I had approximately 20 investigators in 5 states across the Southeastern United States. Although we still cover those same 5 states, I have cut way back on the investigators that I utilize. In the insurance fraud industry, it just was not worth it. My investigators and most investigators in general, want their money “now”; that is, within two weeks. When I was primarily a sub-

contractor, however, I rarely received payment within 30 days. Most of the time, I received payment within 45-60 days; sometimes longer, and yet I still tried to pay my people on time. I tried as often as I could to pay my people out of my own pocket and wait for payment myself. It is quite costly to the “little guy”. I have lost several (PI) clients over the years due to my complaints about these clients’ slow payments to us. It is a common problem and the midsize to large PI firms just do not care. They pay their bills and their own investigators first. You (we / the “subs”) are way down on their list of priorities despite your terms of payment on your invoice.

As if all that were not bad enough the insurance companies that these PI firms are hiring you to work for probably don’t know you are working their cases. This is what bothers me the most. Most likely, the insurance companies do not know the PI companies are subbing out the work. Most of the insurance companies instruct those PI firms NOT to sub out their work. The PI firms are supposed to be using their own employees on most cases and NOT the 1099 guys like you and me. Those “worldwide” or “national” PI firms, however, just do not have the coverage in every location so they are simply telling their clients that you work for them directly. They are lying to them! I had one client I was subbing for tell me, “This particular client forbids us from using sub-contractors so we need you to complete an application just in case we are asked we will have it on file....” It is also those same PI

clients that will hire you to sub and will then tell you to make sure YOU don't sub-contract the case out to someone else! It is just a crazy cycle of sub-contractors "a long way" from the firm and / or the insurance company who actually has the case. It makes your head spin. The more the case is sub-contracted out, the less quality and control the insurance company, the PI firm, or you if you sub it out, have over that case. Try getting your report and video in on time when the case has been sub-contracted out three or more times.

Many of those PI firms will also try to get you to sign a sub-contractor agreement, which will almost always include a non-compete clause to try and prevent you from marketing "their" clients, which ends up being "everyone's" clients. I have a sub-contractor agreement for my company that all my investigators must sign but I do not include a non-compete clause. We all have to make a living. Also in those agreements from these large PI companies, there will be a portion that may say something regarding payments. You will probably see something like, "Payment will be issued within 45 days upon completion of the case....." That usually means when they close THEIR case, not when you complete your efforts and submit your bill. They are not concerned about your payment terms. Do not sign that agreement unless you can also make some provisions of your own. They will also sub out to investigators who are not insured or licensed as a PI in the case area. They are not going to use your name, report, letterhead or

company information anyway so they do not care! And, by the way, for those “right to carry (firearms) folks,” I do not know any of those companies that will allow you to carry firearms on insurance investigations, despite your location and whether you have a permit (as I do) to carry a weapon or not, and / or whether the weapon is kept in your vehicle or not.

I am going to try to address some of the many “solutions” you may be coming up with in your mind to avoid these pitfalls. These are solutions that I have heard, thought about myself and may have even attempted a few times over the years.

Before you ask, you cannot get paid up front in this industry. On insurance surveillance assignments, many clients will only pay daily rates, all inclusive, with no additional charges for mileage or report time. These are not domestic cases, domestic clients or attorneys. They will not pay late fees. They do not care. Those states that have PI licensure and PI Boards (and Mississippi still has NEITHER) are not concerned about your late payments or how you are treated by these companies. Most of these companies are in a different state than you are which is how you got the work in the first place. Due to my complaints about the above, and frequently fighting for my people’s pay, my worker’s compensation surveillance cases dropped off dramatically for a while.

Want to market directly to the insurance companies yourself?

That's an excellent idea. When it comes to insurance fraud, that is certainly what we at RBI do now, but it isn't easy. First and foremost, you will need to have adequate licensure and insurance. Unfortunately however, many insurance companies still may not care. Many will not give you (us) the time of day. Several insurance companies, most that you know by name, think they HAVE to go with a "worldwide" or "nationwide" company rather than a local or regional company. It is a "one stop shop" for them. When I used to become frustrated while marketing these companies and listening to that, I would sometimes tell those insurance companies that the "national" PI companies often call me and sub their cases out to us anyway. I would add that is especially the case in Mississippi and Alabama (again Mississippi still has NO licensing for PI's and Alabama just started PI licensure within the last two years); however when hearing that, most of the insurance companies simply would not respond or did not care. These insurance companies do not realize, or just do not want to realize or understand, that most of those "national" PI companies don't have investigators everywhere, especially in the rural states like those in the Southeast. There is just a lack of investigators who conduct these types of investigations and, or, a refusal by investigators to accept the terms of this industry. Other large insurance companies, like two well-known insurance companies I recently spoke with, told me, "We currently have two national vendors; one we use for surveillance and one for SIU cases; so at this time, we are not

adding to our vendor list.” Again, being young(er), inexperienced in marketing and a bit of a hot head at that time who was frustrated after hearing this time and time again; I told them that I was already working their cases and I have worked their cases through both of those noted companies as a sub-contractor for years! They replied, “Well maybe you worked our cases as a sub on surveillance but not on SIU cases for us.” I quickly advised them that I completed an SIU case for them within the last week as a sub-contractor! They got off the phone with me and eventually responded to me via e-mail. They completely ignored what I told them however. They simply advised me that they were not adding to their vendor list. It is the “head in the sand” mentality. They just do not care and do not want to deal with it.

I also marketed another large insurance company who specializes in worker’s compensation investigations and has offices located in the United States, the United Kingdom, Australia and Canada. This company told me they work all of their cases, “in house via their own SIU”. That is the latest thing now. Insurance companies think they need their own in house SIU. Although not a bad idea, those investigators cannot work all of their company’s claims. They are typically overworked and have to cover a large territory. In addition, these investigators rarely conduct surveillance; they either do not know how to do it or do not want to do it. Many of those in house SIU people primarily work from the desk. They take telephonic recorded statements, conduct research, etc... This

particular company I spoke with added that they, “Never sub-contract work out to other PI companies.” When I advised them that I had been working their cases through various other companies as a sub-contractor for many years and was, in fact, working one of their cases in Alabama on that very day we were communicating, they were shocked. One of their VP’s contacted me and demanded to know which PI company(ies) was giving us that work. As bad as I wanted to tell them, I simply could not. It just was not ethical for me to do that and I had gone too far to begin with. I did the job I was hired to do for my client. It is just a “secret” within the industry that is not really a secret, at least not to us (the PI’s) anyway.

As the current President of the Mississippi Professional Investigators Association, the State Director for the Mississippi Chapter of the Association of Christian Investigators, and as a member of numerous other PI associations who continues to try and specialize in insurance fraud after all these years, I receive calls regularly from other PI’s who think they want to get into the field of insurance investigations. When I tell them the rates, which, as noted, are typically an all-inclusive daily rate on surveillance for example, and the pay schedules, they often change their minds quickly and go back to domestic work and process service. Domestic investigations and process service are big business in Mississippi and Alabama. You just do not make \$65.00 - \$85.00

an hour plus mileage or better on most insurance / worker's compensation surveillance cases. You do not get a retainer. Again, it is not a domestic investigation and they do not pay in that manner. You turn in your invoice and you wait.

It gets worse. Many of these cases are also last minute RUSH assignments. These companies will call you on Friday and beg you to work a case "that weekend". Even though you scramble to get it covered, obtain damaging claimant video, document a "drug deal or two," uncover outside employment, etc...., they still will not pay you for 50-90 days. And no, you cannot hold the video and your case report. Most all PI companies now require an update the day the case is worked, and reports and video must be turned in within 24 hours upon completion of the case. Most of the insurance companies require that as well. You will find those requirements in your "vendor / sub-contractor agreement" with the PI companies. One company I worked for would even fine their vendors / subs if everything was not turned in on time. I received an e-mail recently from a client requesting a RUSH case worked "that weekend". This company still owed us money from the last RUSH assignment we worked for them and they were at 45+ days past due. All you can do is tell them, "Ahmmmm, negative.", and you cannot do any more work for them until you receive payment for all outstanding invoices. Of course if you do that, they probably will not call you back. They will just move on to the next starving sub that is unfamiliar with the industry and the payment terms.

Remember, case management at these firms who assigns the cases to you has nothing to do with the company's accounting department, which pays you. I learned that from working at the large PI companies and as a Case Manager. While trying to get cases covered, I was shocked when companies would tell me they could not cover my cases because we (the PI company I was working for) owed them money. When I complained to accounting, they did not care. It was not accounting's job to get those RUSH cases covered; it was mine! One department cares nothing about the other. There is definitely a "disconnect" there at those large firms.

My most frustrating experience working as a sub-contractor to date has been with a somewhat large investigations company based out of Lake Mary, Florida. We did a lot of work for them in approximately 4 states and our video percentage with that company was at almost 100%, even in the rural areas such as Alabama and Mississippi. When I complained to them that we had several thousand dollars out at 85+ days past due, I received the "runaround" from case management and accounting. Each department blamed the other for the delay. Case management needed us to continue covering their cases. They had nobody else and we were ("are" in my opinion) one of the best in the Southeast. Again, accounting at these companies just does not care. They have their procedures and they think they have all the time in the world to pay you, which is basically what they told me. Out of frustration, I

contacted the company President and Vice President via e-mail. They immediately pulled all of their cases from us (about 6 I think across the Southeast) and stopped using us. We received payment at 92 days past due and they refused to pay any of our late fees. That particular company could not believe a lowly sub-contractor was questioning their top brass about their past due payments. This is a prime example of the mentality of these companies I am discussing. They want you to keep quiet, work the cases ASAP, turn in your stuff immediately and they will pay you when they are good and ready. The poor case managers at this company had to scramble to get these cases rescheduled, some date specific, and most needing coverage immediately. It was quite amusing, and I must admit a bit satisfying, when the NEXT DAY I received several calls from multiple PI companies begging us to cover those cases. The other firms (my competition) were just going to sub out those Lake Mary cases to RBI and take a little off the top for themselves. After all, in some states, especially in Mississippi, when it comes to insurance investigations, RBI is it. The cases were going to be “subbed” out to another sub! My response to them? *“That’s a negative headquarters.”* I did not do it then and I still will not work for that company today. I still receive requests to cover that Florida company’s cases from other firms to this day but I have refused to work any cases involving that company no matter who it is “through” or how much they offer to pay us. I tell most of those companies that if they want to use us, they will have to hire us directly and pay us within and no later than, 35 days.

Although I feel 35 days from the date of my invoice is more than reasonable, many PI companies just will not agree to that and many investigators do not want to wait that long. You need to be prepared to make that determination. If you want the higher rate working as a vendor or a sub-contractor rather than a part or full time employee, you are going to have to wait.

It's getting more and more difficult for us smaller / regional guys and companies to survive, as the larger "national" firms take over, telling the insurance companies whatever they want to hear in order to get their business. I have experienced some of the midsize to larger PI companies lie to their clients / insurance companies in order to cover their mistakes, blaming us / the subs. One PI company I subbed for in Georgia completely screwed up in their assignment of a case to us, despite my warnings to them about the case. I suspected that we were not supposed to work that particular investigation. When the insurance company busted them, that Georgia PI firm simply blamed me in order to keep their client. It worked! They kept the client and I lost all the work from that insurance company, for a long time. This was a valued insurance company located in Maitland, Florida that I cared a lot about and that I had been working with for almost 10 years! I had another PI company try to steal my own investigators after I refused to cover that aforementioned Lake Mary, Florida company's cases, and at a lesser rate than that company was paying me when I worked for

them directly! The list goes on and on. It can be an ugly, “cutthroat” business and you need to be able to deal with it.

Finally, let us not forget about the “Management Companies.” These are the companies who claim they provide nationwide SIU and surveillance services for insurance carriers and third party administrators. They claim they can take a “hands on” approach to providing a range of SIU and surveillance services. They want to provide the insurance companies with complete “turn-key” operations. They want to be another “one stop shop” for their clients. Many of these companies have NO field investigators however, only case managers. All of their investigators are subs / 1099’s from other companies like you and me. The problems with the slow payments are compounded when you try to complain to these types of companies. When you complain to the “management” companies you are working for, they simply pass the buck and blame the insurance company / their clients. They will tell you that they do not pay the bill, they simply manage the case, forward your report and invoice to their client who then pays you directly. Yet, they will not allow you to contact their client with a past due invoice, as per your agreement with them. So, you just have to wait and there is little you can do about it. This was another situation where I had to wait over 90 days to get paid several thousand dollars owed to us from yet another Georgia company. Once I complained and finally got paid at approximately 90 days past due and with no late fees, they stopped using us.

So what can we do about all this? Here are some suggestions that may help:

*Upon your initial contact with these PI companies and management companies, immediately ask about their payment turnaround times and terms. Make sure they know you have to be paid within a certain amount of time such as “UPON SUBMISSION OF YOUR INVOICE”. You will know quickly what to expect depending upon how they respond. If you are unsure about the company, ask other PI’s about them. It is a small industry and most of us know which companies are the worst offenders, and there are many. I think I may know them all now.

*Ask the company if they are able to utilize sub-contractors in general and on each specific case they assign to you.

*Be ethical. If you’re not licensed, or if you’re not licensed properly (unable to accept work through your license on your own) in that particular state or if you have no business insurance, do not accept the case. Get the proper licensure and obtain insurance. If you live in a state like mine that still has NO licensing, push for it as I am attempting to do. Trust me; those big firms do not want the non-licensed states to obtain PI licensing laws. Also, obtain a license in one of your neighboring states. Currently, I am licensed

in Louisiana, Alabama and Florida. If you have something in your background that prohibits you from obtaining a PI license in most states such as a criminal history, you really need to find another profession or work in case management. Now none of us are saints and I do not even come close, but eventually, even in Mississippi, every state will require some sort of license for Private Investigators. Even Mississippi can't avoid it forever. If you have a criminal background, you are probably not going to be able to work as a PI anyway. Although I am never a fan of over regulation, states like Mississippi that have no regulation whatsoever regarding PI's are just asking for trouble and need licensure, but that is a story for another article I am working on.

*Do not try to steal another company's clients. I know it is frustrating when you are working for the insurance company indirectly anyway and they have no idea. You may be able to do it better, faster and much less expensive, but do not try to get them through the company you are subbing for. I tried to do it that way early in my career and I was wrong for doing it. Believe me; you do not want to get them that way. Eventually, hopefully, the insurance companies will figure out what is going on and you will get your shot at them.

*Do not sign these companies' sub-contractor agreements without reading them carefully and including your own terms of payments. Look for their report and video submission requirements as well.

You may be in for a surprise.

*Always include your terms of payment on your invoice, and be sure to mention a late fee in your terms.

*If payment is overdue, send out past due notices frequently via e-mail, regular mail, fax, etc... Eventually, you may have to call and speak with accounting. You may have to send a demand letter. Remember, "The squeaky wheel usually gets the grease," but eventually you will need to stop dealing with these clients if this becomes a persistent problem. Also, if you do that, they may no longer use you.

*You might consider a credit line or a factoring company to help with your payroll. Most of the factoring companies I spoke with require that your company bills out at least \$20,000.00 - \$50,000.00 per month. Again, ask other PI's about these types of companies before using them. I have been dissatisfied in my talks with these organizations in the past, but honestly, I have never utilized them. Be careful; do not go into debt!

*Stand up for your procedures, terms and especially your rates! Speak to other PI's if needed. Do not cave to these ridiculous requirements and fee requests from these other companies. I understand that we all may have to bend a little and I get that they have overhead, but come on! Stand up for US!

*Unite! Join your state's PI associations and national PI associations. I am a member of several associations – The National Association of Investigative Specialists, the National Association of Legal Investigators, the Association of Christian Investigators, the Mississippi Professional Investigators Association, the Alabama Private Investigators Association, the Florida Association of Licensed Investigators and the Council of (PI) Association Leaders. I also read private investigations blogs and magazines. Try to stay on top of the latest trends in the industry. Stick together and spread the word!

*Follow the leaders and the best minds in our industry such as Kelly Riddle, Mark Gillespie, Jim Casteel and Tim O' Rourke, just to name a few.

*The most important thing we have to do is educate the clients - the insurance companies, their attorneys and other PI's about this industry and its problems. As mentioned earlier, I speak about this and PI licensing all the time to various groups. They have to know what is really happening. If we (the subs) do not accept those types of cases I have been discussing from those "national firms", they are going to have to travel someone to the area in question, which they often do. This is going to cut into their profits and cost them more money, which is why they try to hire you directly if they can at a much lower hourly rate than what a sub-contractor or vendor

would usually make. Currently, there are several large PI firms advertising for investigators in Jackson, Mississippi. Although some of the insurance companies may prefer to deal with a “one stop shop,” i.e., “national company” or “management companies,” in some areas they are going to have to understand that they may need to utilize a smaller, regional company. It is happening more and more in my coverage areas. Like I said, spread the word. It appears to be working.

These days, RBI performs SIU / claims investigations directly for insurance companies or their attorneys. We also perform some surveillance and legal investigations for insurance companies, individuals and attorneys. We remain busy and with a much better quality clientele. Past due invoices are rarely a problem for us anymore. When payment becomes a problem, I stop working for that particular client. Thankfully, it's just not something I have to spend a lot of time dealing with any longer. I have replaced that lost time with marketing to better clients and educating people, specifically Private Investigators and claims personnel at insurance companies, about the industry.

Now do not get me wrong, there are some good, large, PI companies out there but they are few and far between. Some of those good larger companies are particular about how they use sub-contractors, which is fine with me. They are just not going to use ANY sub-contractor, however. Beware that the problem with many

of these very large companies we have been discussing is they are a “mill”. Turnover is high. These companies will wear you out. They will most likely run you into the ground, use and abuse you, until you quit. They probably will not fire you rather they will simply “starve you out.” I realize that we all have to start somewhere however. Other PI’s can suggest some of those companies that you may want to contact. Like I mentioned, this is where your membership in PI associations is so helpful.

The bottom line is if you do accept sub-contracting work, and I still do from time to time with companies that I like, make them pay you a decent rate and in a timely manner. Do not accept poor wages, bad conditions and late payments. By doing so, you are not only hurting yourself and your investigators but you are hurting all of us. Let’s force the industry to change together.

Remember, insurance fraud costs us all 80 billion dollars a year in this country, and somebody has to deal with it.

Stay on top of your profession. Stay happy, healthy and stress free, as much as you can anyway. Mark Gillespie of Gillespie Investigations in Texas told me, “*Do the type of work that you’re passionate about and make a difference!*”

For more information, please visit us on the web

at www.JacksonPI.com. You can also locate me on LinkedIn
at www.linkedin.com/in/JacksonPI.

Thank you, God bless and best of luck to all of you!

Richard A. Brooks

Richard Brooks Investigations, LLC

Brandon, Mississippi

