

Workers' Comp Fraud Busts

By: Phil Yacuboski

A nationwide crackdown on individuals who didn't meet the standards when it came to insurance licensing requirements in eight states netted 675 arrests.

The raid, organized by the National Association of State Contractors Licensing Agencies (NASCLA), attempted to level the playing field for contractors, protect consumers and discourage illegal activity in the construction industry.

"The shared commitment of our state members brought awareness to unlicensed activity and spotlighted the contractor state licensing and registration boards nationally," said Angie Whitaker, NASCLA executive director, in a statement to WorkersCompensation.com.

The raid highlighted the issues with workers' compensation fraud in Arizona, California, Florida, Oregon, Rhode Island, Texas, Utah and Washington.

In California, 100 suspected unlicensed contractors may face criminal charges. The state also issued 31 stop work orders. The state conducts on average, one raid per year to help curb the underground economy, using SWIFT, the Statewide Investigative Fraud Team. California has more than 280,000 licensed contractors.

"SWIFT works with the California Department of Insurance during sting operations and construction sweeps to help enforce workers' compensation laws," said Ashely Caldwell, public information officer with the California State License Board.

She said employees may report an employer they believe isn't complying with the states' workers' comp laws.

"If a contractor does not have workers' compensation insurance and one of his or her employees gets hurt on the job, the property owner could potentially be liable. This is why we highly encourage consumers to verify that their contractor has a workers' comp policy to cover employees before they are hired to complete a construction project," Caldwell said.

"They've made great progress against workers' comp schemes in recent years," said Jim Quiggle, director of communications, Coalition Against Insurance Fraud (CAIF). "The huge premium losses from illegally misclassifying employers

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remains one of the biggest unsolved workers' comp fraud trends today."

Quiggle said the construction industry has a higher rate of fraud than other industries.

"Dishonest firms widely misclassify workers to duck full state-required comp coverage," he said. "They steal contracts from honest competitors by passing along the large premium savings as lowball contract bids."

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Another scheme involves misclassifying employees in high-risk jobs as holding lower-risk jobs. A dishonest roofing firm, for example, might tell its insurer that its high-risk roofers are lower-risk sales staff or clerks.

"Workers' comp affects everybody," said Tom Donahue, executive director of the Pennsylvania Insurance Fraud Prevention Authority. "It's not just the people who are out on workers' comp, not just the company they work for. They have to pay higher premiums and that is almost always passed onto the consumer."