



UNITED BROTHERHOOD OF CARPENTERS AND JOINERS OF AMERICA

Douglas J. McCarron
General President

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Thomas B. Considine, Acting CEO
National Council of Insurance Legislators
616 Fifth Ave., Unit 106
Belmar, NJ 07719

Dear Mr. Considine,

Thank you for your appreciation of my presentation at you Summer Meeting in Costa Mesa on workers' compensation premium fraud in the construction industry and how insurers unwittingly enable such fraud.

The fraudsters in the construction industry know full well what insurers do and do not do. They know that insurers do not track the number of certificates of insurance issued by insurance brokers. They know that there is no database that tracks employers who commit premium fraud or who do not comply with audits. They know that certificates of insurance can be easily forged.

Accordingly, I would like to renew my request to work with NCOIL on drafting a model regulation or legislation that will close the loopholes in insurer practices that are being taken advantage of by the fraudsters to great effect and causing substantial damage. As I discussed, construction workers' compensation premium fraud is a \$5 billion a year problem and is frequently accompanied by tax fraud, wage theft, money laundering, and human trafficking.

Fraud also starves states of the funds they need to operate their workers' compensation programs, because states rely on assessments on premiums. The shifting of premium fraud losses to honest contractors and the raising of state assessment is only serving to make honest employers less competitive against the fraudsters. Employers who abide by the law should not be punished in the marketplace, but this is exactly what is happening.

The situation has become so alarming that the U.S. Treasury's Financial Crimes Enforcement Network ("FinCEN") has issued a notice to banks and other financial institutions requiring them to file suspicious activity reports on transactions by contractors of suspected workers'

compensation premium and tax fraud. You will find the notice enclosed. The detail on the growing fraud scheme in our industry is worth reading.

Shutting down enabling practices will greatly assist in arresting the steady march of the fraudsters driving law-abiding employers out of markets and threatening the health and safety of construction workers.

I look forward to an opportunity to discuss this with you or your representatives further. Again, thank you for the opportunity to address NCOIL.

Very truly yours,

Matthew F. Capece, Esq.
Representative of the General President

Enclosure