

Workers' Compensation Premium Fraud in the Construction Industry: The Fraudsters Know What Insurers Do and Don't Do

National Association of Insurance Commissioners

Minneapolis, MN August 2025

Matthew Capece, Esq.

Rep. of the General President, United Brotherhood of Carpenters & Joiners of America

The Problem:

Standard insurance industry practices enable fraud

The Effects:



Honest contractors are priced out of the market.



Crooked contractors dominate.



The status quo is unsustainable.



People suffer.

Stop Work Order Issued by CTDOL 4-09-25

STATE OF CONNECTICUT
DEPARTMENT OF LABOR
WAGE & WORKPLACE STANDARDS DIVISION

Employer Name: South Builders Inc. Date Issued: 04.09.25
Address: 103 Morgan ST Order Number: 022-25
Fall River, Ma 02721
Worksite: 406 Bee St, Meriden Ct 06450

STOP-WORK ORDER

Whereas the Department of Labor, Wage & Workplace Standards Division, has received information that the following employer has violated the provisions of the Connecticut Wage & Workplace Standards Act, Chapter 266a, and the Department has determined that the employer is in violation of the Act, and that the Department has issued this Stop-Work Order to the employer.

1. Failure to secure payment of workers' compensation.

2. Failure to obtain coverage.

3. Misrepresenting employees as independent contractors.

4. Materially understating or concealing payroll.

THIS STOP-WORK ORDER MAY BE AMENDED TO INCLUDE ADDITIONAL VIOLATIONS AND SEVERAL VIOLATIONS EXISTING UNDER THE ACT MAY BE AMENDED TO INCLUDE THE STOP-WORK ORDER.

IF THE EMPLOYER DOES NOT COMPLY WITH THE REQUIREMENTS OF THIS STOP-WORK ORDER, A VIOLATION OF THE ACT MAY BE FOUND, WHICH MAY BE SUBJECT TO A CIVIL PENALTY OF UP TO \$1,000 PER VIOLATION, OR A CRIMINAL PENALTY OF UP TO \$5,000 PER VIOLATION.

W & W Standards Inc.

THIS ORDER MAY NOT BE REMOVED WITHOUT PERMISSION OF THE DEPARTMENT OF LABOR, WAGE AND WORKPLACE STANDARDS DIVISION.



Failure to secure payment of workers' compensation



Failure to obtain coverage



Misrepresenting employees as independent contractors



Materially understating or concealing payroll

Stop Work Order Issued by CTDOL 5-08-25

STATE OF CONNECTICUT
DEPARTMENT OF LABOR
WAGE & WORKPLACE STANDARDS DIVISION

Employer Name: South Building, LLC Date Issued: 5/8/25
Employer Address: 100 Orange St City/Town: Waterbury
600 Ave, MA 01501
Worksite Posting Address: 100 Ave St
Waterbury, CT 06205

STOP-WORK ORDER

Whereas the Connecticut General Statutes, Chapter 552A, as amended, require a contractor to comply with the following conditions:

- 1. Failure to pay the wages to workers in accordance with the provisions of the applicable law;
- 2. Failing to submit accurate and timely pay statements to workers;
- 3. Failing to maintain accurate and timely records of workers' hours and wages;
- 4. Failing to submit accurate and timely records of workers' hours and wages;
- 5. Failing to submit accurate and timely records of workers' hours and wages;
- 6. Failing to submit accurate and timely records of workers' hours and wages;
- 7. Failing to submit accurate and timely records of workers' hours and wages;
- 8. Failing to submit accurate and timely records of workers' hours and wages;
- 9. Failing to submit accurate and timely records of workers' hours and wages;
- 10. Failing to submit accurate and timely records of workers' hours and wages;

THIS STOP-WORK ORDER MAY BE REVOKED BY THE DIVISION AT ANY TIME IF THE EMPLOYER COMES INTO COMPLIANCE WITH THE APPLICABLE LAWS AND REGULATIONS. THE EMPLOYER SHALL BE RESPONSIBLE FOR THE COSTS OF THE STOP-WORK ORDER.

IN THE EVENT OF A VIOLATION OF THE APPLICABLE LAWS AND REGULATIONS, THE EMPLOYER SHALL BE RESPONSIBLE FOR THE COSTS OF THE STOP-WORK ORDER.

YOU HAVE 10 DAYS TO REMEDY THE VIOLATION. IF YOU DO NOT, YOU WILL BE SUBJECT TO A FURTHER STOP-WORK ORDER. YOU MAY REQUEST A HEARING TO REVIEW THE STOP-WORK ORDER.

THIS ORDER MAY BE REMOVED WITHOUT PERMISSION OF THE DEPARTMENT OF LABOR, WAGE AND WORKPLACE STANDARDS DIVISION.



Misrepresenting employees as independent contractors



Materially understating or concealing payroll

Elvin Monzon Guzman

CT INSIDER

RECORD-JOURNAL

Subcontractor at Meriden construction site where worker died was cited days before, official says

By **Lisa Backus**, Staff Writer

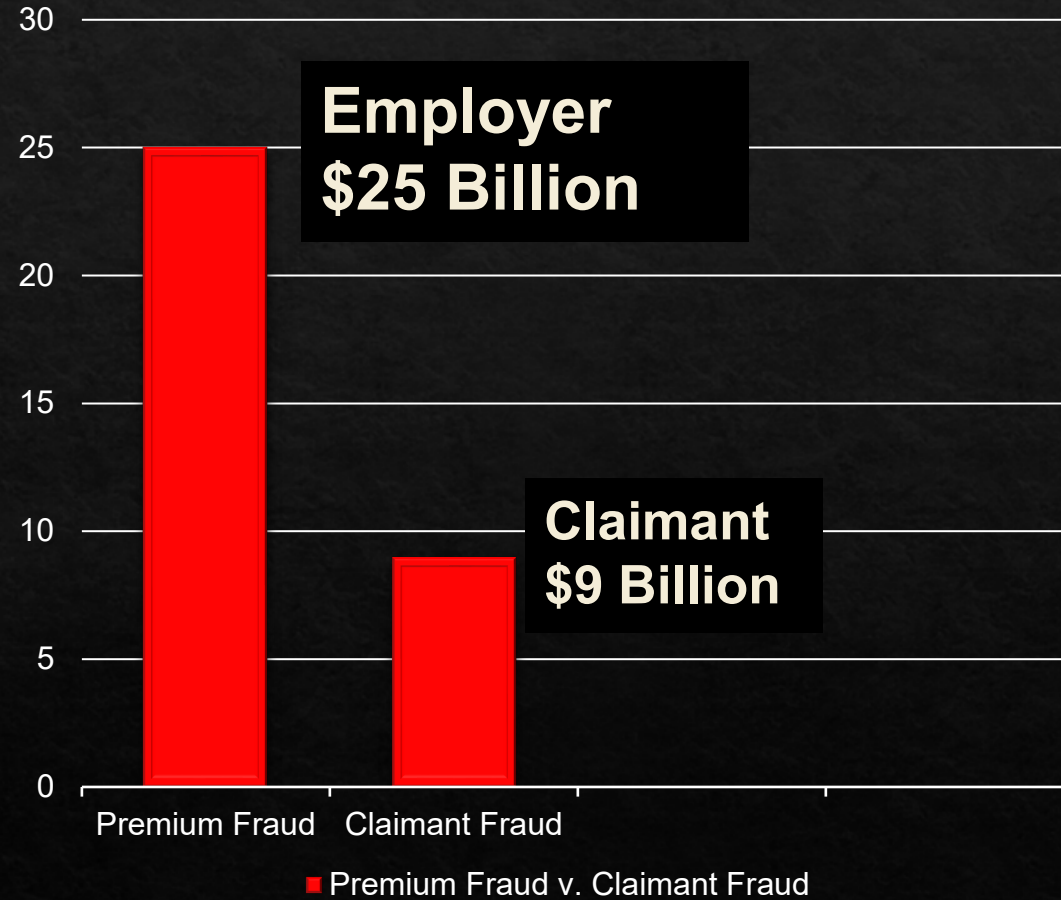
Updated May 15, 2025 10:45 a.m.



The Stolen Billions



Employer Premium Fraud More Severe than Claimant Fraud



Source: Coalition Against Insurance Fraud, *Workers' Compensation Fraud in America* (July 2022)

Premium Fraud in the Construction Industry

\$5 Billion

in lost workers' compensation premiums

Source: Up to 2.1 Million US Construction Workers Are Illegally Misclassified or Paid Off the Books, The Century Foundation (2023)

Less Premiums = Less Resources for State Workers' Comp Administration

\$616.4 M*

Premium fraud in the NY
Construction industry

\$44 M loss

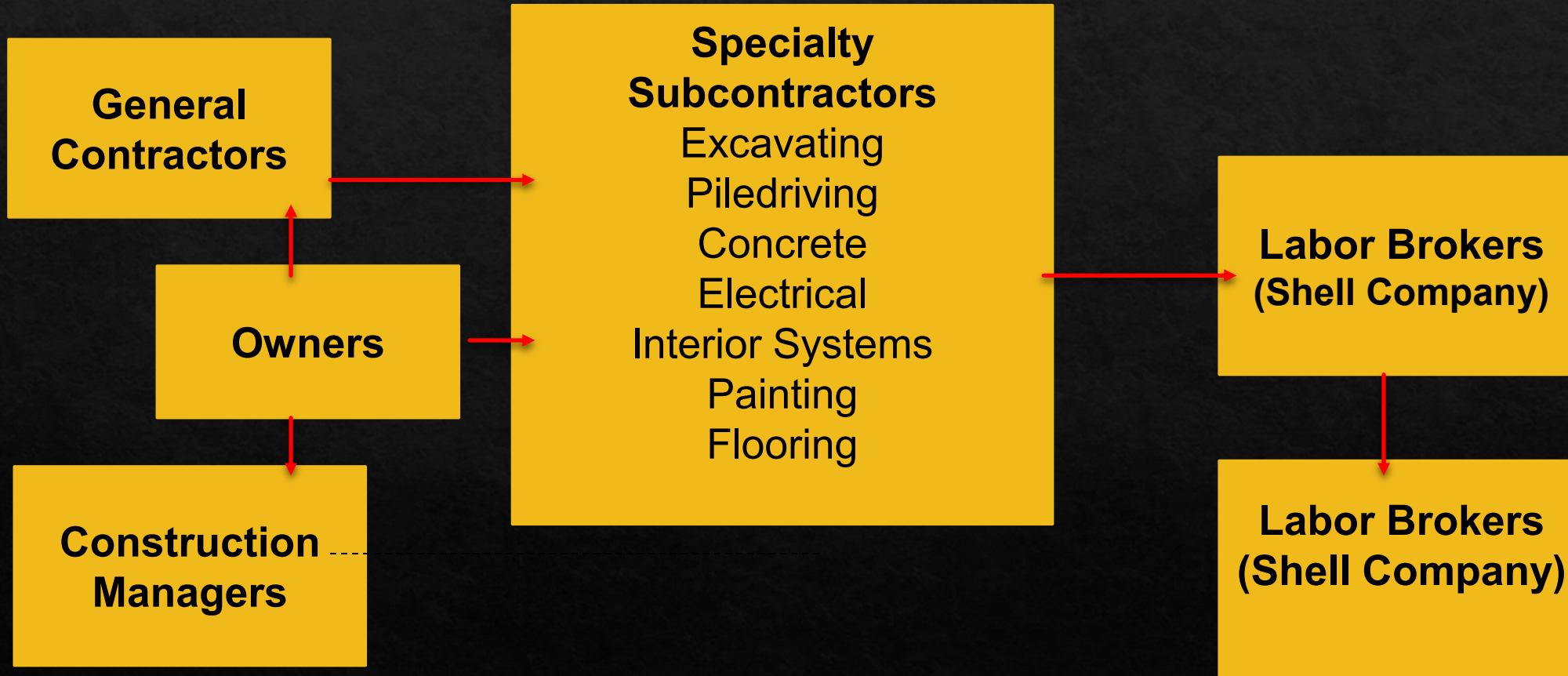
7.1% assessment 2025:
Workers' comp. admin,
other funds

**Source: Up to 2.1 Million US Construction Workers Are Illegally Misclassified or Paid Off the Books, The Century Foundation (2023)*

The Construction Industry's Very Lucrative and Successful Fraud Schemes



Labor Broker Fraud Scheme



Other Conspirators



Insurance
Agents



Attorneys

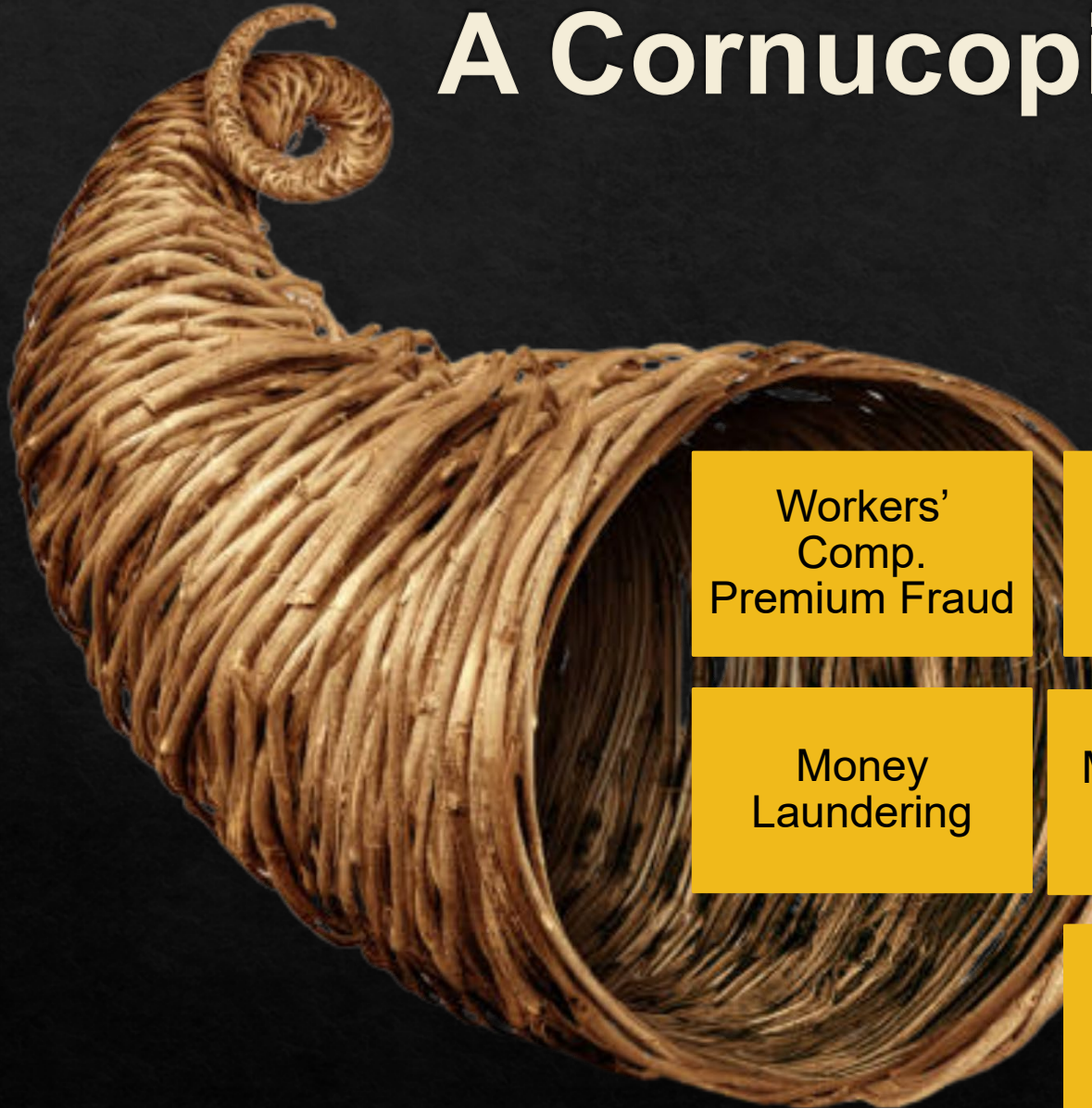


Accountants



Money Service
Businesses

A Cornucopia of Laws Violated



Workers'
Comp.
Premium Fraud

Tax Fraud

Wage Theft

Child Labor

Money
Laundering

Mail and Wire
Fraud

Labor
Trafficking

Immigration

Racketeering

Conspiracy



FinCEN NOTICE

FIN-2023-NTC1

August 15, 2023

FinCEN Calls Attention to Payroll Tax Evasion and Workers' Compensation Fraud in the Construction Sector

The Financial Crimes Enforcement Network (FinCEN) is issuing this Notice to call financial institutions'¹ attention to what law enforcement has identified as a concerning increase in state and federal payroll tax evasion and workers' compensation insurance fraud in the U.S. residential and commercial real estate construction industries.²

2024 National Money Laundering Risk Assessment



Construction Industry Cited

- (1) As prone to labor trafficking
- (2) For tax and workers' compensation premium fraud.

August 5, 2025

National Association of Insurance Commissioners
1101 K Street, N.W., Suite 650
Washington, DC 20005

Dear Commissioners,

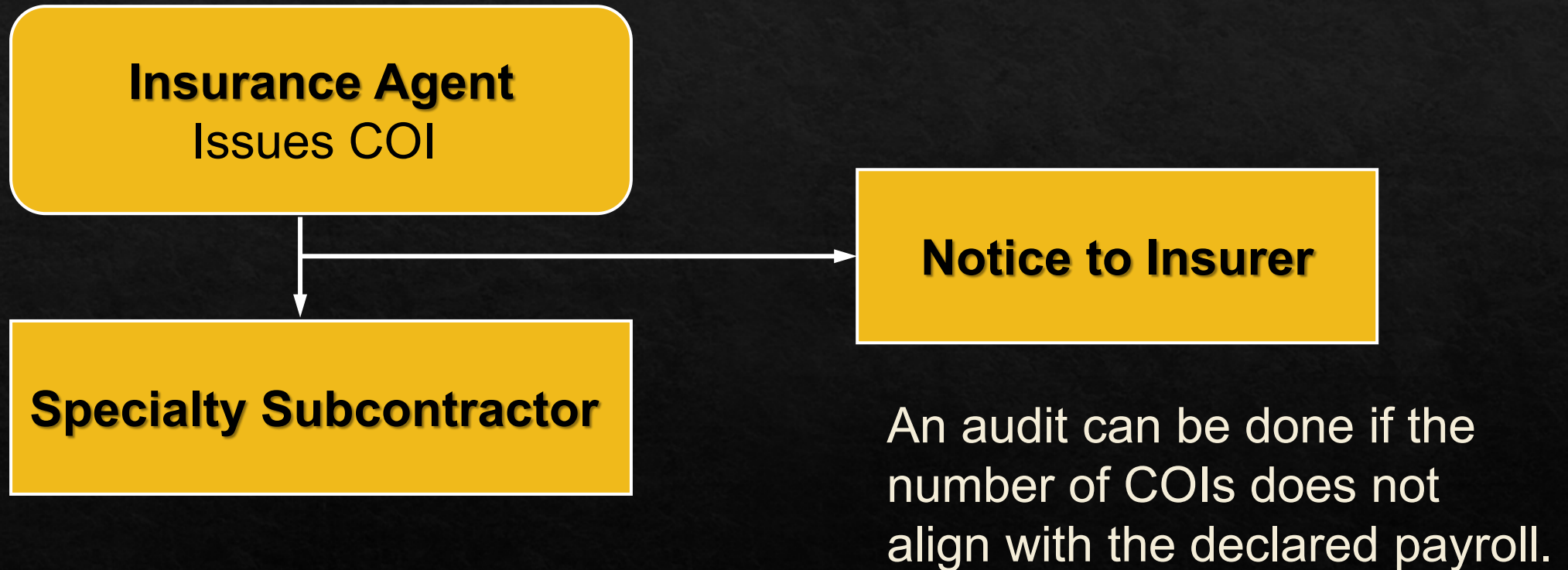
We have a very serious problem in the construction industry with workers' compensation premium fraud that threatens the ability of my business to survive. Employers who abide by the law should not be punished in the marketplace, but this is exactly what is happening. The tragedy is insurance industry practices are unwittingly enabling premium fraud, and that must change.

**Change is
Needed.**

**The Status Quo
is Unsustainable.**



The Issuing of COIs by Insurance Brokers



Additional Requirements are Needed on COIs

CERTIFICATE OF LIABILITY INSURANCE		DATE (MMDDYYYY)																																																																																																																																																																																																								
THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER. IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).																																																																																																																																																																																																										
PRODUCER	<table border="1"><tr><td colspan="2">CONTACT NAME:</td></tr><tr><td>PHONE (A/C, No. Ext):</td><td>FAX (A/C, No):</td></tr><tr><td colspan="2">E-MAIL:</td></tr><tr><td colspan="2">ADDRESS:</td></tr><tr><td>INSURER(S) AFFORDING COVERAGE</td><td>NAIC #</td></tr><tr><td>INSURER A:</td><td></td></tr><tr><td>INSURER B:</td><td></td></tr><tr><td>INSURER C:</td><td></td></tr><tr><td>INSURER D:</td><td></td></tr><tr><td>INSURER E:</td><td></td></tr><tr><td>INSURER F:</td><td></td></tr></table>		CONTACT NAME:		PHONE (A/C, No. Ext):	FAX (A/C, No):	E-MAIL:		ADDRESS:		INSURER(S) AFFORDING COVERAGE	NAIC #	INSURER A:		INSURER B:		INSURER C:		INSURER D:		INSURER E:		INSURER F:																																																																																																																																																																																			
CONTACT NAME:																																																																																																																																																																																																										
PHONE (A/C, No. Ext):	FAX (A/C, No):																																																																																																																																																																																																									
E-MAIL:																																																																																																																																																																																																										
ADDRESS:																																																																																																																																																																																																										
INSURER(S) AFFORDING COVERAGE	NAIC #																																																																																																																																																																																																									
INSURER A:																																																																																																																																																																																																										
INSURER B:																																																																																																																																																																																																										
INSURER C:																																																																																																																																																																																																										
INSURER D:																																																																																																																																																																																																										
INSURER E:																																																																																																																																																																																																										
INSURER F:																																																																																																																																																																																																										
INSURED																																																																																																																																																																																																										
COVERAGES CERTIFICATE NUMBER: REVISION NUMBER: THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS. <table border="1"><thead><tr><th>INSR. LTR.</th><th>TYPE OF INSURANCE</th><th>ADD'L SUBR. INFO, WVD.</th><th>POLICY NUMBER</th><th>POLICY EFF. (MM/DD/YYYY)</th><th>POLICY EXP. (MM/DD/YYYY)</th><th>LIMITS</th></tr></thead><tbody><tr><td></td><td>COMMERCIAL GENERAL LIABILITY</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td>☐ CLAIMS-MADE ☐ OCCUR</td><td></td><td></td><td></td><td></td><td>EACH OCCURRENCE \$</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>DAMAGE TO RENTED PREMISES (Ea occurrence) \$</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>MED EXP (Any one person) \$</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>PERSONAL & ADV INJURY \$</td></tr><tr><td></td><td>GEN'L AGGREGATE LIMIT APPLIES PER:</td><td></td><td></td><td></td><td></td><td>GENERAL AGGREGATE \$</td></tr><tr><td></td><td>POLICY ☐ PRO-JECT ☐ LOC</td><td></td><td></td><td></td><td></td><td>PRODUCTS - COM/PROP AGG \$</td></tr><tr><td></td><td>OTHER:</td><td></td><td></td><td></td><td></td><td>\$</td></tr><tr><td></td><td>AUTOMOBILE LIABILITY</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td>ANY AUTO</td><td></td><td></td><td></td><td></td><td>COMBINED SINGLE LIMIT (Ea accident) \$</td></tr><tr><td></td><td>OWNED</td><td>☐ SCHEDULED</td><td></td><td></td><td></td><td>BODILY INJURY (Per person) \$</td></tr><tr><td></td><td>AUTOS ONLY</td><td>☐ AUTOS</td><td></td><td></td><td></td><td>BODILY INJURY (Per accident) \$</td></tr><tr><td></td><td>HIRED</td><td>☐ NON-OWNED</td><td></td><td></td><td></td><td>PROPERTY DAMAGE (Per accident) \$</td></tr><tr><td></td><td>AUTOS ONLY</td><td>☐ AUTOS ONLY</td><td></td><td></td><td></td><td>\$</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>\$</td></tr><tr><td></td><td>UMBRELLA LIAB</td><td>☐ OCCUR</td><td></td><td></td><td></td><td>EACH OCCURRENCE \$</td></tr><tr><td></td><td>EXCESS LIAB</td><td>☐ CLAIMS-MADE</td><td></td><td></td><td></td><td>AGGREGATE \$</td></tr><tr><td></td><td>DED. RETENTION \$</td><td></td><td></td><td></td><td></td><td>\$</td></tr><tr><td></td><td>WORKERS COMPENSATION AND EMPLOYERS' LIABILITY</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td></td><td>ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH)</td><td>☐ Y ☐ N ☐ N/A</td><td></td><td></td><td></td><td>PER STATUTE OTH-ER</td></tr><tr><td></td><td>If yes, describe under DESCRIPTION OF OPERATIONS below</td><td></td><td></td><td></td><td></td><td>E.L. EACH ACCIDENT \$</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>E.L. DISEASE - EA EMPLOYEE \$</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>E.L. DISEASE - POLICY LIMIT \$</td></tr><tr><td colspan="7">DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)</td></tr><tr><td colspan="7"></td></tr><tr><td colspan="3">CERTIFICATE HOLDER</td><td colspan="4">CANCELLATION</td></tr><tr><td colspan="3" rowspan="2"></td><td colspan="4">SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.</td></tr><tr><td colspan="4">AUTHORIZED REPRESENTATIVE</td></tr></tbody></table>			INSR. LTR.	TYPE OF INSURANCE	ADD'L SUBR. INFO, WVD.	POLICY NUMBER	POLICY EFF. (MM/DD/YYYY)	POLICY EXP. (MM/DD/YYYY)	LIMITS		COMMERCIAL GENERAL LIABILITY							☐ CLAIMS-MADE ☐ OCCUR					EACH OCCURRENCE \$							DAMAGE TO RENTED PREMISES (Ea occurrence) \$							MED EXP (Any one person) \$							PERSONAL & ADV INJURY \$		GEN'L AGGREGATE LIMIT APPLIES PER:					GENERAL AGGREGATE \$		POLICY ☐ PRO-JECT ☐ LOC					PRODUCTS - COM/PROP AGG \$		OTHER:					\$		AUTOMOBILE LIABILITY							ANY AUTO					COMBINED SINGLE LIMIT (Ea accident) \$		OWNED	☐ SCHEDULED				BODILY INJURY (Per person) \$		AUTOS ONLY	☐ AUTOS				BODILY INJURY (Per accident) \$		HIRED	☐ NON-OWNED				PROPERTY DAMAGE (Per accident) \$		AUTOS ONLY	☐ AUTOS ONLY				\$							\$		UMBRELLA LIAB	☐ OCCUR				EACH OCCURRENCE \$		EXCESS LIAB	☐ CLAIMS-MADE				AGGREGATE \$		DED. RETENTION \$					\$		WORKERS COMPENSATION AND EMPLOYERS' LIABILITY							ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH)	☐ Y ☐ N ☐ N/A				PER STATUTE OTH-ER		If yes, describe under DESCRIPTION OF OPERATIONS below					E.L. EACH ACCIDENT \$							E.L. DISEASE - EA EMPLOYEE \$							E.L. DISEASE - POLICY LIMIT \$	DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)														CERTIFICATE HOLDER			CANCELLATION							SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.				AUTHORIZED REPRESENTATIVE			
INSR. LTR.	TYPE OF INSURANCE	ADD'L SUBR. INFO, WVD.	POLICY NUMBER	POLICY EFF. (MM/DD/YYYY)	POLICY EXP. (MM/DD/YYYY)	LIMITS																																																																																																																																																																																																				
	COMMERCIAL GENERAL LIABILITY																																																																																																																																																																																																									
	☐ CLAIMS-MADE ☐ OCCUR					EACH OCCURRENCE \$																																																																																																																																																																																																				
						DAMAGE TO RENTED PREMISES (Ea occurrence) \$																																																																																																																																																																																																				
						MED EXP (Any one person) \$																																																																																																																																																																																																				
						PERSONAL & ADV INJURY \$																																																																																																																																																																																																				
	GEN'L AGGREGATE LIMIT APPLIES PER:					GENERAL AGGREGATE \$																																																																																																																																																																																																				
	POLICY ☐ PRO-JECT ☐ LOC					PRODUCTS - COM/PROP AGG \$																																																																																																																																																																																																				
	OTHER:					\$																																																																																																																																																																																																				
	AUTOMOBILE LIABILITY																																																																																																																																																																																																									
	ANY AUTO					COMBINED SINGLE LIMIT (Ea accident) \$																																																																																																																																																																																																				
	OWNED	☐ SCHEDULED				BODILY INJURY (Per person) \$																																																																																																																																																																																																				
	AUTOS ONLY	☐ AUTOS				BODILY INJURY (Per accident) \$																																																																																																																																																																																																				
	HIRED	☐ NON-OWNED				PROPERTY DAMAGE (Per accident) \$																																																																																																																																																																																																				
	AUTOS ONLY	☐ AUTOS ONLY				\$																																																																																																																																																																																																				
						\$																																																																																																																																																																																																				
	UMBRELLA LIAB	☐ OCCUR				EACH OCCURRENCE \$																																																																																																																																																																																																				
	EXCESS LIAB	☐ CLAIMS-MADE				AGGREGATE \$																																																																																																																																																																																																				
	DED. RETENTION \$					\$																																																																																																																																																																																																				
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY																																																																																																																																																																																																									
	ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH)	☐ Y ☐ N ☐ N/A				PER STATUTE OTH-ER																																																																																																																																																																																																				
	If yes, describe under DESCRIPTION OF OPERATIONS below					E.L. EACH ACCIDENT \$																																																																																																																																																																																																				
						E.L. DISEASE - EA EMPLOYEE \$																																																																																																																																																																																																				
						E.L. DISEASE - POLICY LIMIT \$																																																																																																																																																																																																				
DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)																																																																																																																																																																																																										
CERTIFICATE HOLDER			CANCELLATION																																																																																																																																																																																																							
			SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.																																																																																																																																																																																																							
			AUTHORIZED REPRESENTATIVE																																																																																																																																																																																																							

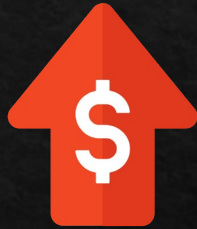
Payroll amount

- Identify zero exposure (MN)

Safeguards to prevent forgery

- QR codes (MA)
- Block chain

Other Impactful Reforms



If you use labor brokers,
you pay a higher premium.



Track bad employers.

The Institutes RiskStream Collaborative



Building a secure, encrypted platform for insurers to share employer audit data and return red flag reports. Information would be available to audit, SIU, and underwriting units.

In prototype phase, with a goal to pilot this fall.

Beginning of a Discussion

Matthew Capece, Esq.

United Brotherhood of Carpenters & Joiners of America

101 Constitution Ave, NW

Washington, DC 20001

203-231-0398

Matthew.Capece@carpenters.org



StopTaxFraud.net



@StopTaxFraud