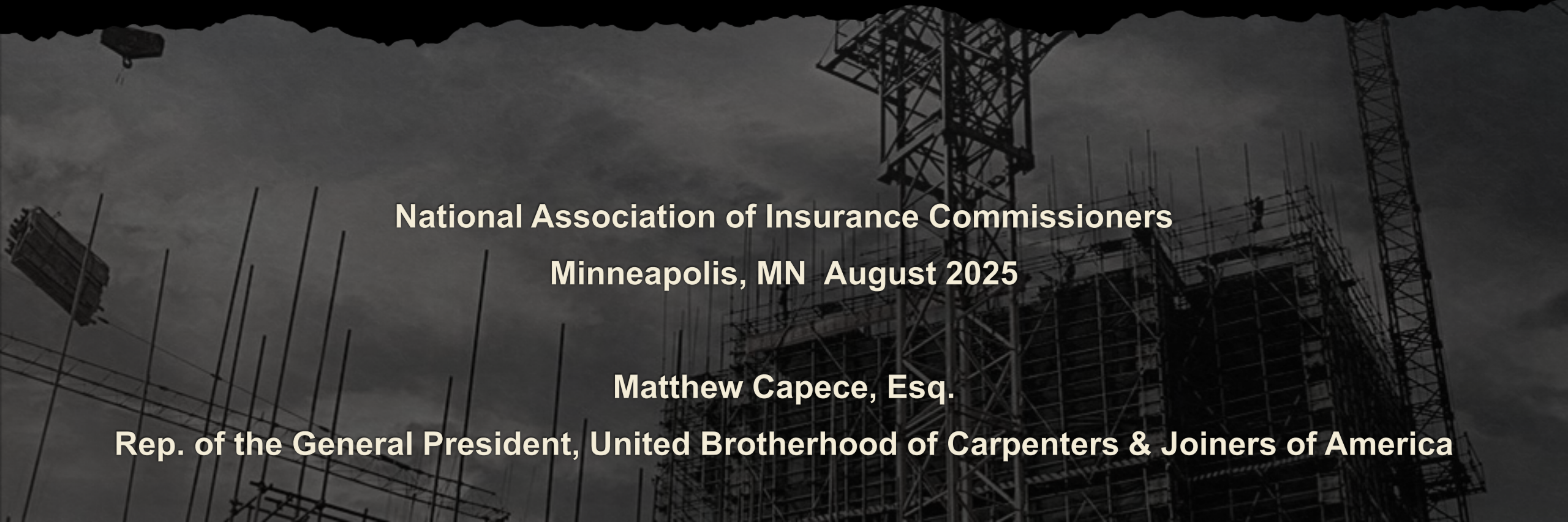
Workers' Compensation Premium Fraud in the Construction Industry: The Fraudsters Know What Insurers Do and Don't Do



National Association of Insurance Commissioners

Minneapolis, MN August 2025

Matthew Capece, Esq.

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

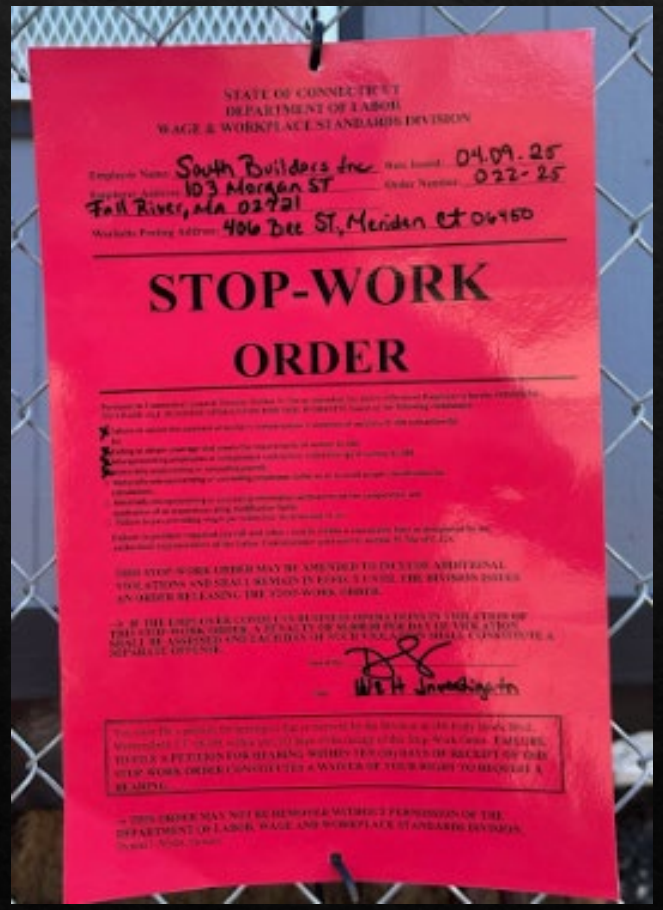
The Problem:

Standard insurance industry practices enable fraud

The Effects:

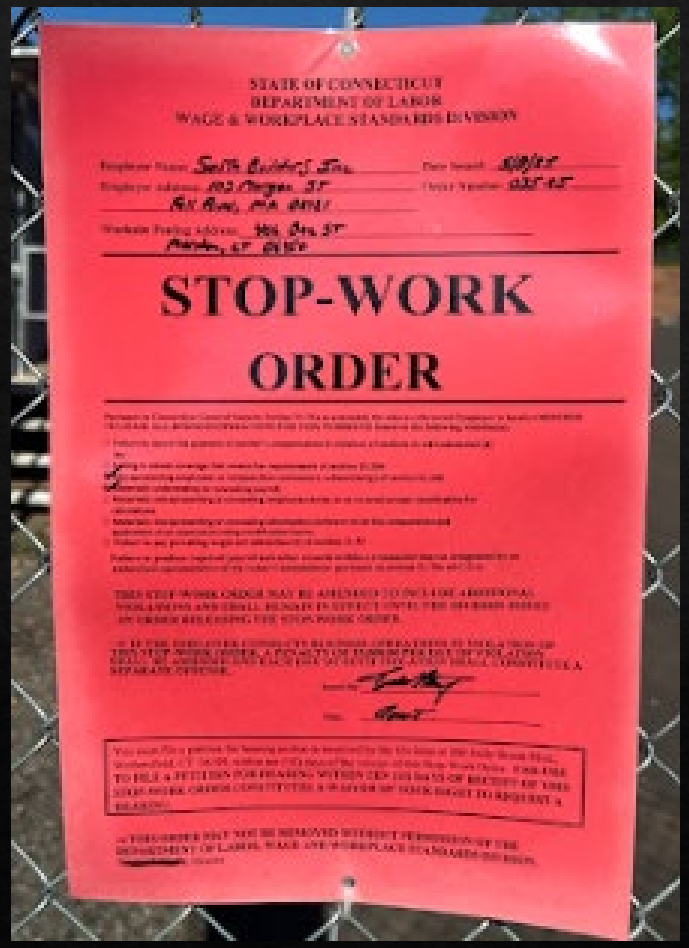
- Honest contractors are priced out of the market.
- Crooked contractors dominate.
- The status quo is unsustainable.
- People suffer.

Stop Work Order Issued by CTDOL 4-09-25



- 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



- Misrepresenting employees as independent contractors
- Materially understating or concealing payroll

Elvin Monzon Guzman

CT INSIDER

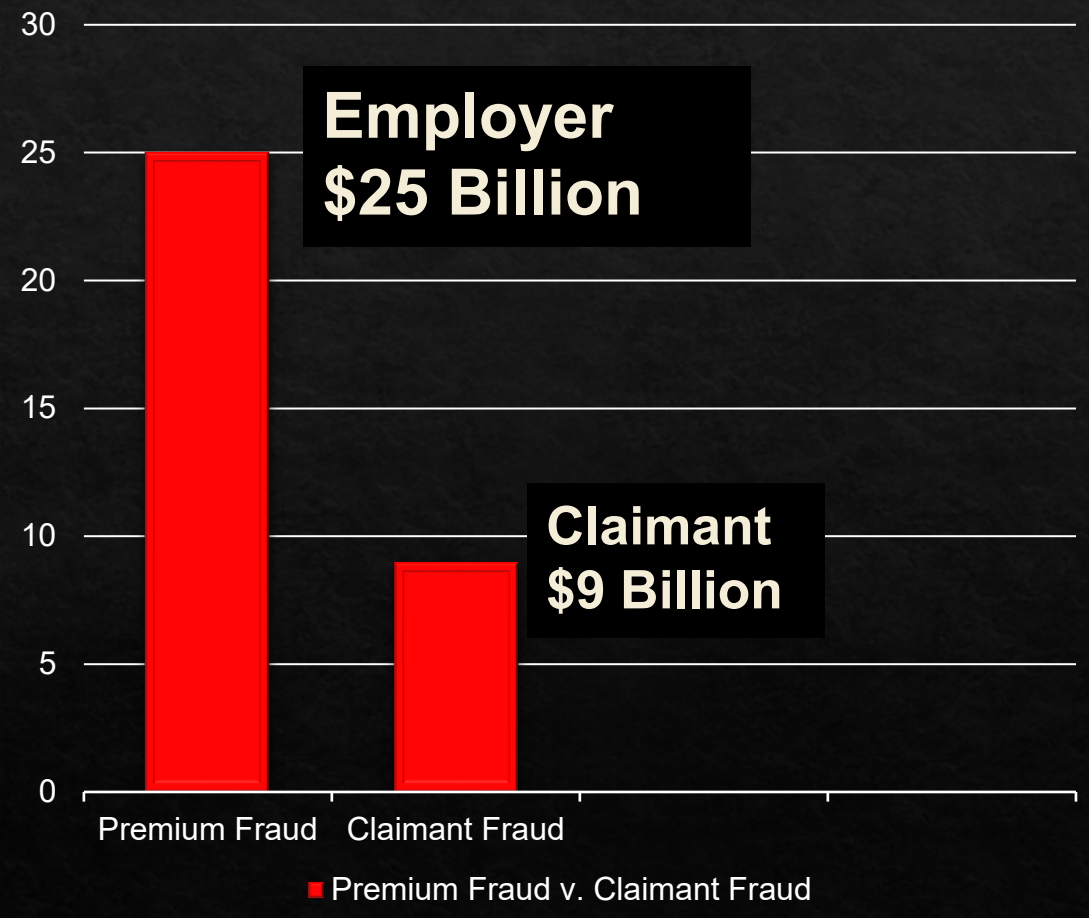
RECORD-JOURNAL

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

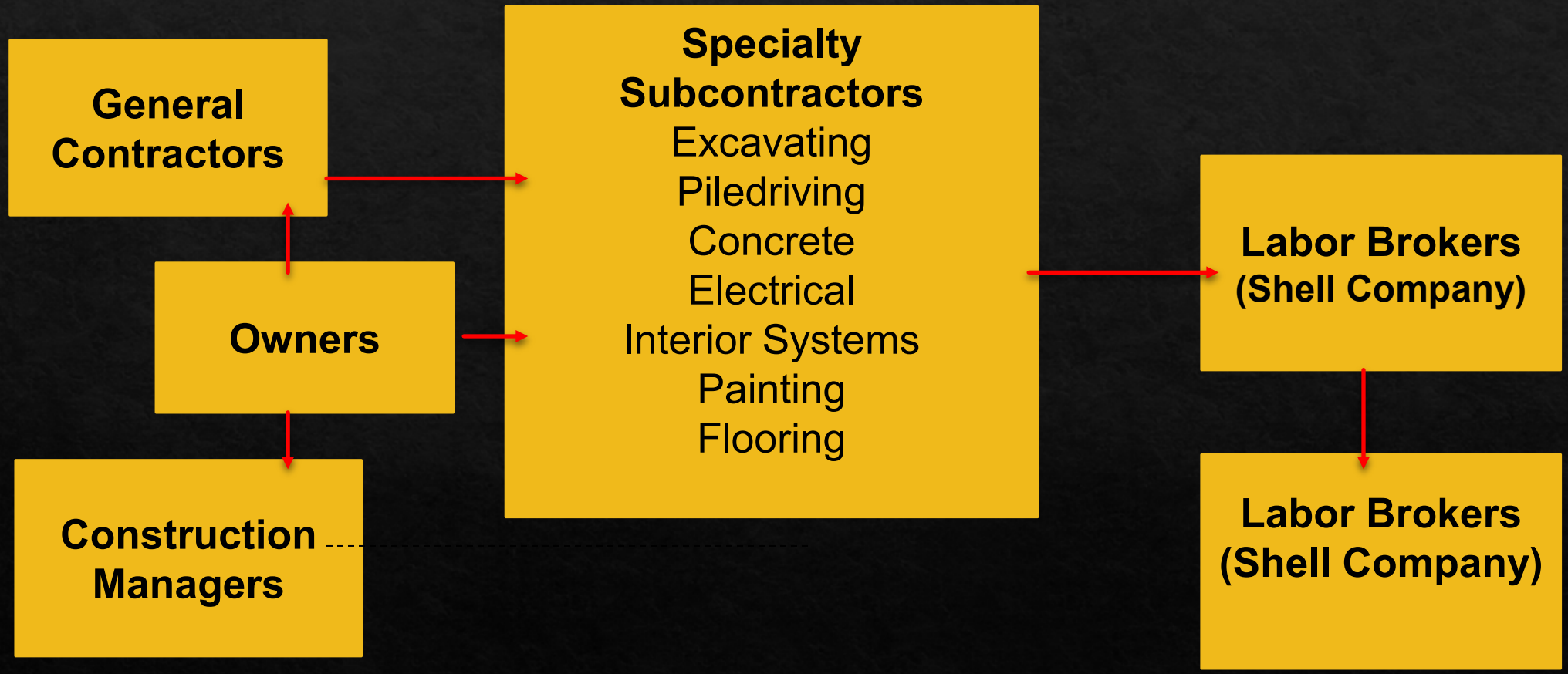
$44 M loss

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

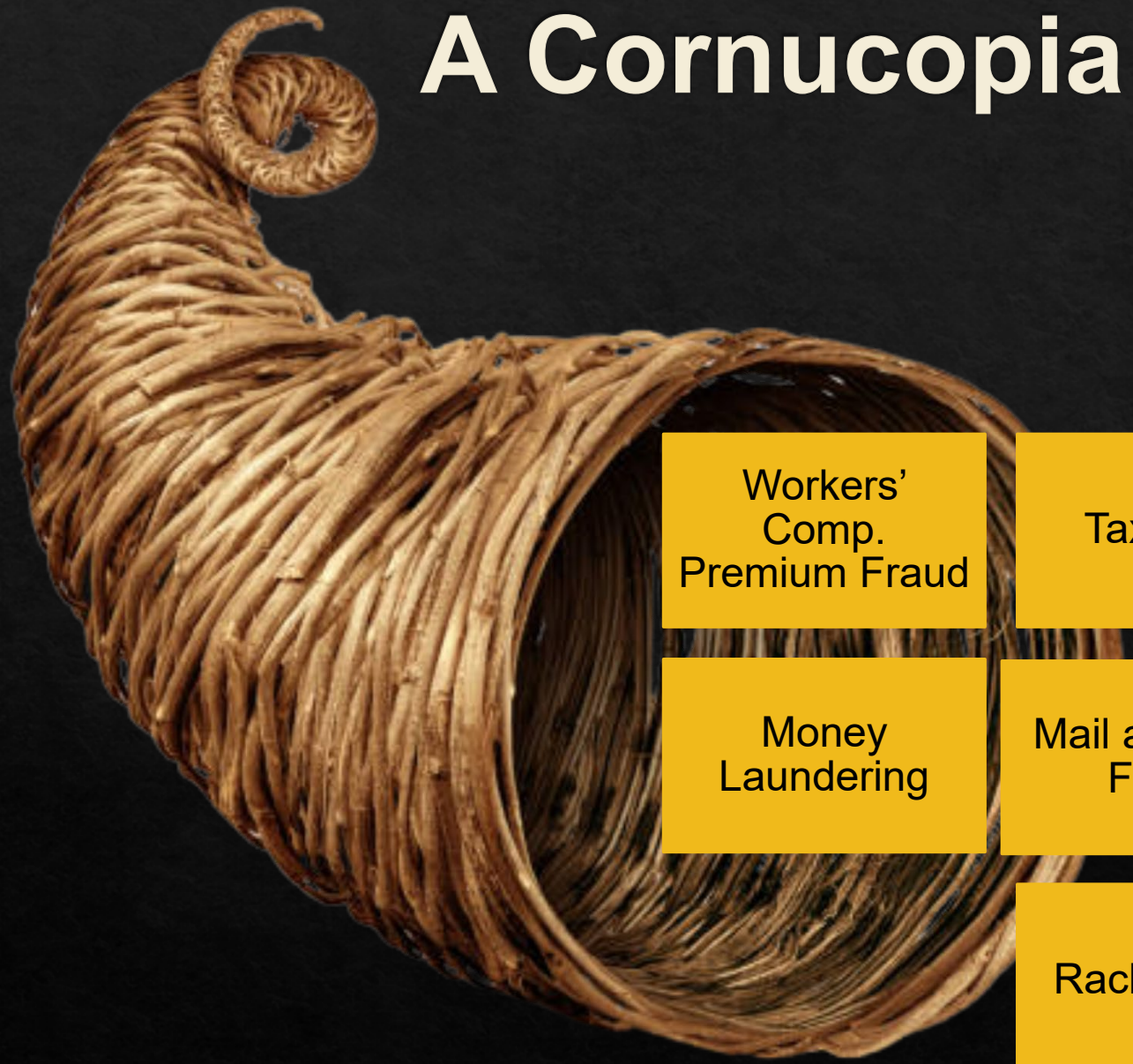
Insurance Agents

Attorneys

Accountants

Money Service Businesses

A Cornucopia of Laws Violated



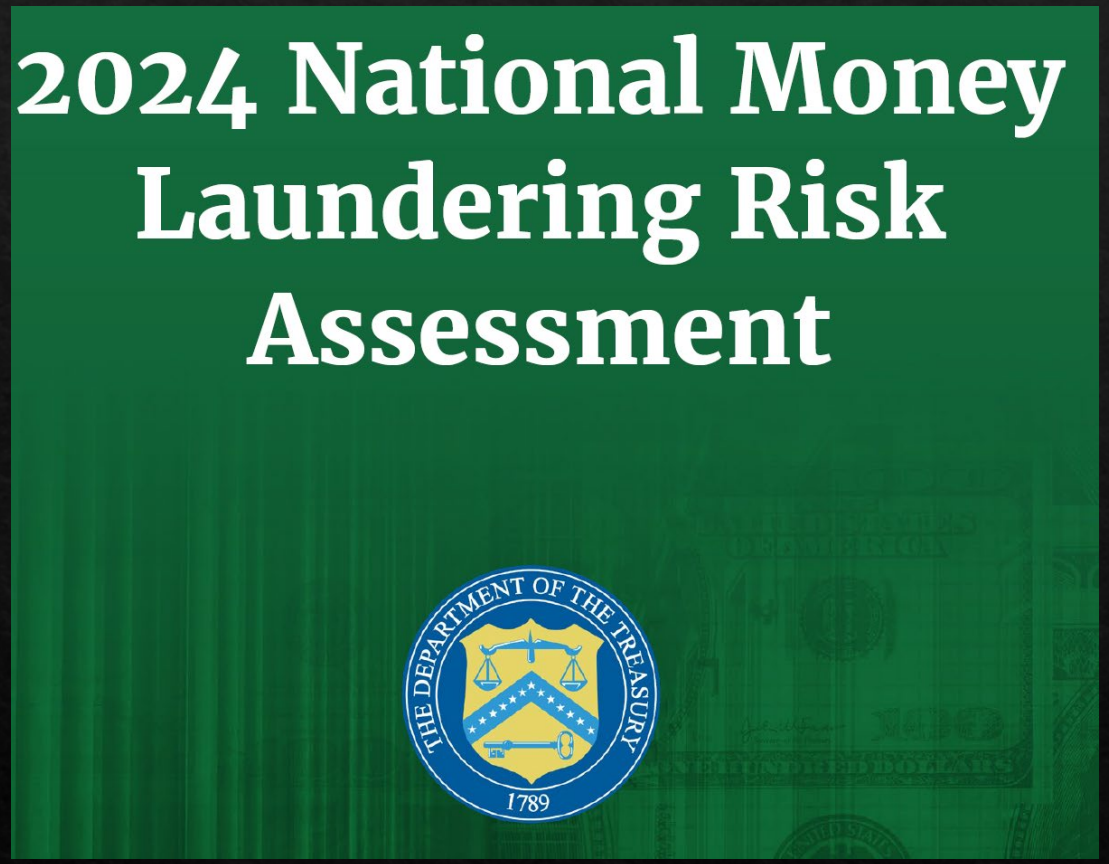
- Workers' Comp. Premium Fraud
- Tax Fraud
- Wage Theft
- Child Labor
- Money Laundering
- Mail and Wire Fraud
- Labor Trafficking
- Immigration
- Racketeering
- Conspiracy

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]



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

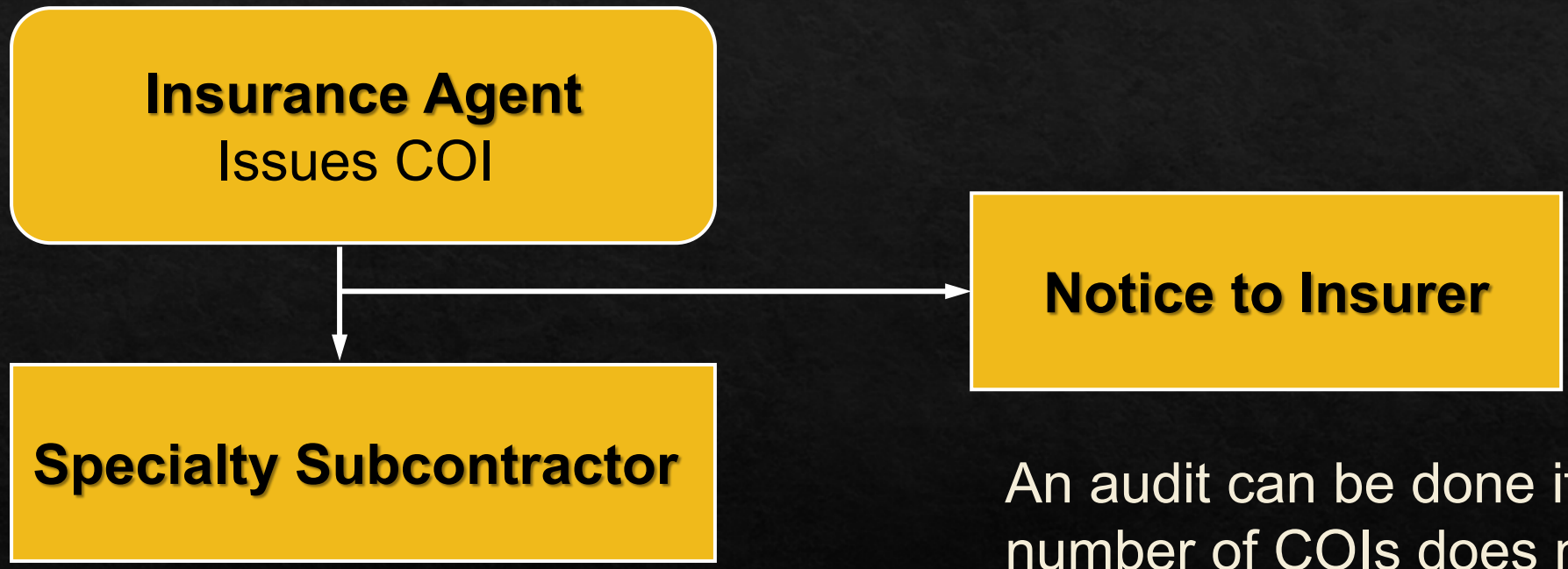
Dear Commissioners,

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



An audit can be done if the number of COIs does not align with the declared payroll.

Additional Requirements are Needed on COIs

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

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

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.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
	COMMERCIAL GENERAL LIABILITY CLAIMS-MADE OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: POLICY PRO-JECT LOC OTHER:						EACH OCCURRENCE $ DAMAGE TO RENTED PREMISES (Ea occurrence) $ MED EXP (Any one person) $ PERSONAL & ADV INJURY $ GENERAL AGGREGATE $ PRODUCTS - COMP/OP AGG $ $
	AUTOMOBILE LIABILITY ANY AUTO OWNED AUTOS ONLY HIRED AUTOS ONLY SCHEDULED AUTOS NON-OWNED AUTOS ONLY						COMBINED SINGLE LIMIT (Ea accident) $ BODILY INJURY (Per person) $ BODILY INJURY (Per accident) $ PROPERTY DAMAGE (Per accident) $ $
	UMBRELLA LIAB OCCUR EXCESS LIAB CLAIMS-MADE DED RETENTION $						EACH OCCURRENCE $ AGGREGATE $ $
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY Y / N ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below N / A						PER STATUTE OTH-ER 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

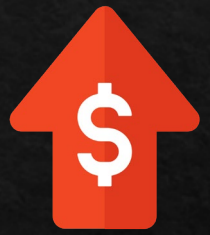
Payroll amount

- 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