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STATE WRAPS UP WORKERS' COMPENSATION

COMPLIANCE SWEEP

TALLAHASSEE—Florida's Chief Financial Officer Tom Gallagher today announced the completion of a sweep of construction sites across areas of Florida to verify that employers are complying with state workers' compensation insurance laws. As part of the statewide effort, teams of investigators with the Department of Financial Service's Division of Workers' Compensation made random site visits this week in Volusia, Brevard, Palm Beach, St. Johns, Flagler and Duval counties, ordering dozens of employers to stop working because employees were not properly covered by workers' compensation insurance.

"Employers who avoid paying workers' compensation premiums contribute to the rise in workers' compensation rates and gain an unfair advantage over competitors," said Gallagher. "A healthy workers' compensation system is crucial to Florida's economic health, and we will continue to aggressively investigate instances of fraud and abuse." Under state law, businesses engaged in the construction industry with one or more employees must provide workers' compensation coverage, which protects workers who are injured or killed on the job.

During the sweep, investigators issued 94 Stop Work Orders (SWOs) to construction businesses, including general contractors and sub-contractors, who are in violation of Florida's workers' compensation requirements. Thirteen Stop Work Orders were issued to employers who were paying their employees in cash and were not reporting these cash payments to their insurance carriers. Investigators also issued 110 requests for business records to employers in which non-compliance could not be readily determined at the job site.

Many of the contractors who were found to be in compliance thanked the investigators for their work. They said they are constantly being underbid on jobs by companies that don't protect their workers and have lower costs.

Under a SWO, a business must immediately cease all business operations. The SWO is lifted once the employer obtains the proper coverage and pays a civil penalty equal to the amount of 1.5 times the workers compensation premiums avoided. Employers who violate a Stop Work Order face a penalty of \$1,000 per day of violation and may also face criminal charges.

During the 2003 legislative session, lawmakers made several important reforms to the workers' compensation system in an effort to stem the tide of rising premiums. As part of the

reforms, the Division of Workers' Compensation was granted greater enforcement authority to ensure businesses provide coverage for their employees. Many of the violations uncovered during this week's sweep fall under the new authority.

To increase competition among businesses operating in Florida, the Legislature in 2003 required:

- Out-of-state businesses operating in Florida must pay Florida-approved workers' compensation rates for coverage. This prevents non-Florida businesses from gaining an unfair advantage over locally owned businesses.
- Employers who misrepresent the number or classification of their employees be subject to an immediate Stop Work Order. Previously, a criminal investigation was required to take action against the employer.
- Employers wishing to exempt themselves from coverage requirements obtain a new exemption, providing greater tracking ability to state regulators. This measure was aimed at preventing contractors from claiming that employees were subcontractors who were exempt from coverage, thereby avoiding payment of premiums and gaining an unfair advantage over competition.

"Florida workers deserve to be protected in case they are injured on the job," Gallagher said. "An employee without coverage who is seriously injured or disabled stands to lose not only his livelihood but also the benefits he needs for medical bills and recovery."

Below are examples of Stop Work Orders issued this week. Statewide, investigators made contact with over 900 businesses, including subcontractors, and issued more than 75 SWOs. Final information, including penalty amounts, will be available after investigators review business records which were ordered.

One concrete block sub-contractor was issued a SWO; he had nine men working on a job site in Port Orange but had coverage for only five. He said the employees without coverage had just started that day, but his compensation carrier did not have paperwork for the employees, thus they had no coverage. Had one of the non-covered employees suffered an injury, he would have had no medical benefits and no income.

Seven framers from Georgia were working on a condominium project in St. Augustine that was shut down. There was no workers' compensation coverage for any of the workers.

Five Spanish-speaking drywall installers were found working in Volusia County with no workers' compensation coverage. The sub-contractor who employed them produced paperwork making each worker an individual corporation to attempt to exempt them from workers compensation coverage. He said he "paid them per board," and was ordered to produce financial records within five days.

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