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STATE INVESTIGATORS WRAP UP WORKERS' COMPENSATION COMPLIANCE SWEEPS

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OFFICIALS TERM TWO DAY EFFORT AS "EXTREMELY PRODUCTIVE"

TALLAHASSEE – Investigators from the Department of Financial Services Division of Workers' Compensation today announced the results of a recent two-day sweep of construction sites in the state. 848 site visits were made during the sweeps resulting in 100 stop work orders (SWOs) being written against employers without legitimate workers' compensation coverage.

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.

"Contractors who provide coverage to protect their workers continually tell us how difficult it is to compete with those who cheat the system," said Florida's Chief Financial Officer Tom Gallagher. "We have seen workers' compensation rates fall and the availability of coverage increase in recent years largely due to the efforts of our investigators to root out fraud and abuse."

Twenty-five supervisors and investigators from Miami, Plantation, & Ft. Myers conducted sweeps in Miami. That operation made 333 contacts and wrote 35 SWOs. Thirty-six supervisors and investigators from

Jacksonville, Pensacola, Orlando and Tampa conducted sweeps in the Orlando area. They made 515 contacts and wrote 65 SWOs. In many cases where it was difficult to establish whether adequate coverage had been obtained, a request for business records was issued.

Under an SWO, a business must immediately cease all 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 an SWO face a penalty of \$1,000 per day of violation and may also face criminal charges.

During the Miami area sweep an investigator found three men installing concrete fixtures at a home in Homestead. None of the men had workers' compensation coverage and an SWO and a request for records was issued. Any fines in the case should be minor as the stone design company only began business in late June.

That was not the case in an Orlando area investigation. Two workers engaged in block work had a hazy recollection of whom they worked for, only being able to remember the first name of their employer. An alleged employer eventually came to the site, but when instructed of the ramifications of the insurance fraud laws, he admitted they were his subcontractor's employees and summoned that person to the site. It was then discovered this employer had approximately 30 employees at other job sites that were also not covered. A subsequent review of his business records revealed over \$500,000 had been paid to workers, without providing workers' compensation coverage, resulting in a fine of over \$167,000.

During the 2003 legislative session, CFO Gallagher called on lawmakers to make 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. Since the reforms were passed, workers compensation rates have fallen overall by over 19 percent statewide.

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

? Out-of-state businesses operating in Florida 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.

The Legislature also recognized the value that the Division of Workers'

Compensation investigators bring to Florida and more than doubled the number working in the state to 71.

As a statewide elected officer of the Florida Cabinet, Chief Financial Officer Tom Gallagher oversees the Department of Financial Services, a multi-division state agency responsible for management of state funds and unclaimed property, assisting consumers who request information and help related to financial services, and investigating financial fraud. Gallagher also serves as the State Fire Marshal.

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