NYSIF

EMPLOYER FRAUD

Workers' compensation insurance not only provides benefits to a worker in a time of need, it also provides policyholders with protection from liability and financial losses for on-the-job injuries. But when an employer commits workers' compensation fraud, it could result in fines, criminal penalties and reputational risk.

FROM FACTS TO FRAUD

Employers commit workers' compensation fraud when they misrepresent facts about their business or employees to obtain coverage at lower premiums. It is also illegal to knowingly deny, prevent or discourage injured employees from pursuing a claim or collecting deserved benefits.

TYPES OF EMPLOYER FRAUD

Underreporting Payroll – An employer's annual payroll helps determine workers' compensation premiums. Fraud occurs when an employer reports a payroll at a lower amount than the true payroll. This includes paying employees "off the books."

Falsely Reporting Job Classifications – Workers' compensation job classifications, which are based on the relative risk of the job being performed, also help determine premium costs. Fraud occurs when high-risk jobs are purposely classified as lower risk, such as classifying construction workers as clerical workers.

Going Without Workers' Compensation – Workers' compensation insurance is required by law to be carried by just about every employer in New York State. Employers who do not maintain coverage, or adequate amounts of coverage, are subject to significant fines.

RED FLAGS FOR EMPLOYER FRAUD

1. Employees who are paid "off the books"
2. Employers who deduct the cost of workers' compensation insurance from employee wages
3. Notice of Compliance regarding insurance information is not posted in the workplace
4. Insurance brokers who misrepresent the policyholder to reduce premium costs
5. Forged workers' compensation insurance certificates to obtain jobs while the employers workers remain uninsured

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