

**THE PRESIDENT OF THE FLORIDA SENATE**  
**AND**  
**THE SPEAKER OF THE FLORIDA HOUSE OF REPRESENTATIVES**

**BY**

**THE FLORIDA DEPARTMENT OF FINANCIAL SERVICES**  
**DIVISION OF INSURANCE FRAUD/BUREAU OF WORKERS' COMPENSATION FRAUD**  
**AND**  
**DIVISION OF WORKERS' COMPENSATION**

**JANUARY 1, 2013**

The Florida Department of Financial Services, Division of Workers' Compensation (DWC) and Division of Insurance Fraud / Bureau of Workers' Compensation Fraud (BWCF) submit this joint report to the President of the Florida Senate and the Speaker of the Florida House of Representatives, pursuant to §626.989(9), Florida Statutes 2003. The joint report addresses the areas identified in §626.989(9), for the period of July 1, 2011 through June 30, 2012.



CHIEF FINANCIAL OFFICER  
JEFF ATWATER  
STATE OF FLORIDA

January 1, 2013

The Honorable Don Gaetz  
President of the Senate  
Room 400-Senate Office Building  
Tallahassee, Florida 32399-1100

The Honorable Will Weatherford  
Speaker of the House  
The Capitol – Suite 420  
Tallahassee, Florida 32399-1300

Dear President Gaetz and Speaker Weatherford:

The Division of Insurance Fraud and the Division of Workers' Compensation appreciate the opportunity to provide you with this joint report regarding workers' compensation fraud, pursuant to section 626.989(9), Florida Statutes.

This report is a summary of our efforts and activities in combating workers' compensation fraud for the period of July 1, 2011 – June 30, 2012.

If you have any questions or concerns regarding this report, please give either of us a call.

Sincerely,

Handwritten signature of Tanner Holloman in black ink.

Tanner Holloman, Director  
Division of Workers' Compensation  
(850) 413-1600

Sincerely,

Handwritten signature of Daniel Anderson in blue ink.

Daniel Anderson, Director  
Division of Insurance Fraud  
(850) 413-3115

Florida Department of Financial Services

**DIVISION OF INSURANCE FRAUD/BUREAU OF  
WORKERS' COMPENSATION FRAUD  
AND DIVISION OF WORKERS' COMPENSATION**



**JOINT ANNUAL REPORT  
FISCAL YEAR 2011/2012**



The Florida Department of Financial Services, Division of Workers' Compensation (DWC) and Division of Insurance Fraud / Bureau of Workers' Compensation Fraud (BWCF) submit this joint report to the President of the Florida Senate and the Speaker of the Florida House of Representatives, pursuant to §626.989 (9), Florida Statutes 2003. The joint report addresses the areas identified in §626.989(9), for the period of July 1, 2011 through June 30, 2012.

## The Florida Division of Insurance Fraud

**Serving and safeguarding the public and businesses operating in the State of Florida against acts of insurance fraud**

The Florida Division of Insurance Fraud continues to be a perennial leader in the fight against insurance fraud. During Fiscal Year (FY) 2011/2012, investigative efforts by the Division of Insurance Fraud resulted in 1,242 cases presented for prosecution, 1,228 arrests, and 845 convictions. During this time period, DIF received and reviewed 15,141 referrals of suspected insurance fraud. Court ordered restitution during the same time period was **\$47,067,306.33**.

The Division of Insurance Fraud recognized the following increases related to WC Fraud:

- **5% increase** in WC Fraud presentations for prosecution (352 up from 336).
- **1% increase** in WC Fraud arrests (274 up from 271 arrests).



The Bureau of Workers' Compensation Fraud expects increases in these areas again for FY 2012/2013 as we continue to develop strategic plans aimed at increasing efficiency and effectiveness of all operations.

Due to a shift in crime trends and conditions, Division of Insurance Fraud personnel were added to Bureau of Workers' Compensation Fraud during the Fiscal Year 2011-2012 in the form of an additional squad, located in the West Palm Beach Field Office. This squad handles



the traditional Workers' Compensation Fraud referrals in that region relinquished by the original West Palm Beach Workers' Compensation Squad when their focus shifted strictly to Money Service Business facilitated WC Fraud. This was a strategic decision based on need

and best use of human resources after a statistical analysis revealed that there was no longer a need for a stand-alone Mortgage Fraud squad yet a demand for more of a focus in the Workers' Compensation Fraud arena. Statistical representations since this move reveal a dramatic spike in WC Fraud related arrests. This addition brings the BWCF to a total of 33 division members (26 sworn personnel and 7 support staff). In addition, pursuant to Memorandums of Understanding between the Division of Insurance Fraud and both the Broward County Sheriff's Office and the Palm Beach County Sheriff's Office, there are two full-time Broward County Sheriff's Detectives assigned to the Broward Field Office and one full-time Palm Beach County Sheriff's Office Detective assigned to the West Palm Beach Field Office in furtherance of the Money Service Business (MSB) initiative. BWCF now consists of five dedicated squads located in Miami, West Palm Beach, Orlando, Plantation, and Tampa, with Lt. Doreen Rivera-Rapp's Tampa squad leading the Bureau this fiscal year with 74 arrests. As trends and conditions change, it is anticipated that resources may continue to shift to the BWCF's workload. The Division of Insurance Fraud made 274 WC Fraud arrests during the fiscal year.

The prevailing trend in the Workers' Compensation Premium Fraud arena, identified in previous reports and

years, continues to be the illegal sale and brokering of certificates of workers' compensation coverage throughout the construction industry for the purpose of large-scale workers' compensation premium avoidance. That is, the "renting" of insurance certificates for a fee to uninsured subcontractors who subsequently present themselves as representatives of the named insured on the certificate of insurance for the purposes of securing work. As also discussed in previous reports is the inclusion of non-traditional Money Service Businesses (MSB's), or check cashing stores, to facilitate the "rental" of certificates of insurance. Investigations during the past FY revealed that



the owners and operators of some of these MSB's are actually setting up shell companies, obtaining a minimal WC insurance policy, and then renting the certificates of insurance right at the MSB.

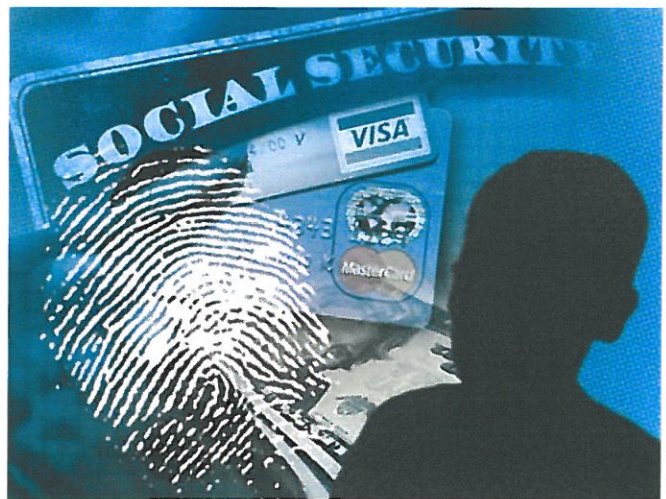
Due to the scope and magnitude of this continuing problem, a first-of-its kind Division of Insurance Fraud Investigative Task Force comprised of four Division detectives, as well as the aforementioned Broward Sheriff's Office and Palm Beach County Sheriff's Office detectives, supervised by Division Lieutenant Deborah de la Paz-Boxer, was fully operational during the fiscal year. The Task Force operates out of both the West Palm Beach and the Broward DIF offices and expansion to other counties across the state is underway. Since its creation, the Workers' Compensation Fraud Task Force has completed investigations

into the activities of six (6) state licensed money service businesses and twenty-two (22) affiliated Florida corporations during which in excess of two hundred and \$220 million dollars in fraud was uncovered. During these investigations, criminal charges to include Organized Scheme to Defraud, Money Laundering, Workers' Compensation Fraud, Grand Theft, and Money Service Business violations have been filed against 22 individuals and in excess of \$3 million dollars in US currency along with two vehicles have been seized for forfeiture. Criminal charges are expected against an additional ten individuals prior to the end of 2012 as a result of these investigations. The results of these investigations have garnered the attention of the media, industry, and law enforcement across Florida, and throughout the United States. The BWCF, particularly the above mentioned Task Force, has continued to work closely with the Florida Office of Financial Regulation, Bureau of Financial Investigations.

2012 marked the 20<sup>th</sup> year that The Florida Workers' Compensation Fraud Task Force has been in existence. This long-running collaborative effort between government and industry representatives, chaired by the Bureau Chief of Workers' Compensation Fraud, continues to be one of the largest and most effective information exchanges currently available in the workers' compensation fraud arena. Attendance remains strong at the quarterly meetings and, starting last year, the meetings are being held in conjunction with the newly formed Property & Casualty Insurance Fraud Task Force which allows further interaction across responsibilities and lines of insurance.

The BWCF continued its proactive approach to addressing fraudulent practices in the workers' compensation system, and continued to work closely with the Division of Workers' Compensation, Bureau of Compliance, receiving and acting on 166 referrals from them during the FY. Thankfully, the state experienced another quiet hurricane season resulting in less instances of unlicensed contracting, however Bureau members communicated regularly with the Department of Business and Professional Regulation (DBPR) as well as local licensing and permitting departments by sharing information and participating in several joint enforcement operations throughout the state during the fiscal year.

Referrals focusing on employee/claimant fraud continue to be the largest percentage of referrals to the Bureau. A separate category of referrals involving the fraudulent use of personal identification, either in support of employment or a WC claim, represents the highest percentage of referrals to the Bureau, with "traditional" WC claims fraud being a close second. Bureau detectives have discovered thousands of individuals who have used either stolen personal identification, or simply fictitious identification, to gain employment in the state of Florida. This translates into an increase in workers' compensation claims being supported by fraudulent identification, which makes properly adjusting these claims impossible. The Division conducted several large enforcement operations and more are planned to focus specifically on this emerging trend.



## Significant BWCF Case Activity

The following are summaries of significant enforcement activity as a result of investigations/prosecutions during the 2011-2012 fiscal year.

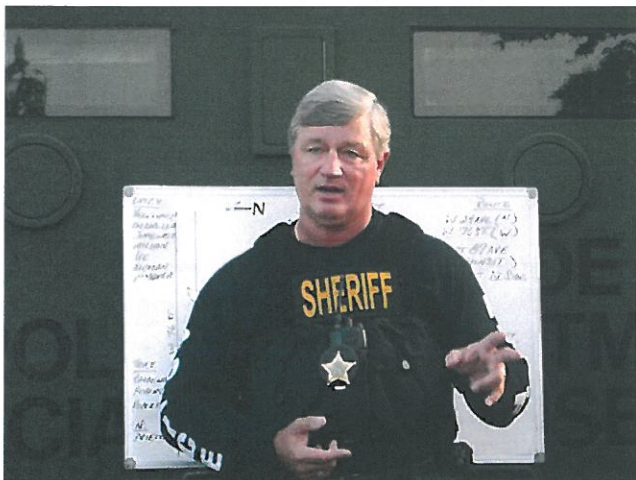
### Case #1

As part of an enforcement operation dubbed "Dirty Money" conducted by the Workers' Compensation Fraud Task Force, Evelio Suarez, 47, and his wife, Zairis Cruz, were arrested on multiple charges including conspiracy to commit workers' compensation fraud and grand theft. **During this investigation approximately one million dollars in U.S. currency was seized.**

"Operation Dirty Money continues to make great strides in cracking down on these illegal check-cashing schemes, diverting millions of dollars from honest, hard-working Floridians," CFO Jeff Atwater said. "I commend our investigators and Sheriff Al Lamberti for their hard work in making this task force such a success."

"Complicated fraud investigations don't always get the public attention that violent crimes do, but it is important that people take notice," Broward County Sheriff Lamberti said. "Operation Dirty Money uncovered swindling and theft that hurts all of us at the end of the day, and our investigative efforts will continue."

Investigation revealed that Suarez was the actual owner and operator of all of the businesses associated with I & T Financial Services, Inc, and Immigration and Tax Services, Inc. Investigators discovered that the money service business license for these businesses was obtained under fraudulent pretences. While in operation, Suarez and Cruz either prepared or caused to be prepared hundreds of



documents detailing millions of dollars worth of financial transactions that all or in part contained material misrepresentations.

Suarez and Cruz were booked into the Miami-Dade County Jail and were held prior to posting a \$250,000 bond. If convicted on all charges, they each face up to 150 years in prison. The charges against Suarez will be prosecuted by the office of Miami-Dade County State Attorney Katherine Fernandez-Rundle.

### Case #2

The Division of Insurance Fraud received a referral from Global Options involving a former State employee. They reported that on September 14, 1995, the employer (Florida Department of Corrections) filed a workers' compensation claim on the behalf of employee, David Brownell, with the State of Florida Division of Risk Management (SFDRM). Specifically, the claimant, Brownell, reported to his employer that he developed respiratory problems due to the inhalation of and exposure to rats and rat feces, during the course of his duties as a **correctional officer** at Glade Correctional Institution.

Global Options reported that due to a suspicion of material misrepresentation and malingering, SFDRM, Bureau of Workers' Compensation Claims, hired an investigative surveillance company to conduct and obtain video surveillance of Brownell's physical activities from 2003 through 2011. Note that Brownell reported to his treating physicians that he was oxygen dependent "24" hours a day, and that he was unable to function daily otherwise. During the course of those years, video surveillance was obtained that contradicted Brownell's claim that he was oxygen dependent.

To date, SFDRM has paid **\$2,787,266.20** because of Brownell workers' compensation claim: \$563,905.01 in indemnity benefits, \$1,964,229.19 in medical benefits, and \$258,532.00 in legal and investigative expenses. On November 2, 2011, the case was assigned to a Division detective to conduct an independent investigation to determine if a violation of Section 440.105 had occurred.

During the investigation, items reviewed included copies of Brownell's past and current medical records, sworn deposition transcripts and video surveillance discs. After carefully

reviewing all of the materials, an attempt was made to obtain a sworn statement from Brownell in relation to the allegations. Brownell's attorney declined to have Brownell provide a statement.

The investigation has revealed that Brownell provided false and misleading information to his treating physicians as is demonstrated by the video surveillance evidence obtained from 2009 through 2011. It became evident that Brownell is not dependent on oxygen "24" hours a day like he told his treating physicians. The video shows that Brownell is capable of conducting day-to-day activities without the use of an oxygen device. Specifically, **Brownell was captured on video performing in a band, playing guitar.** He was also captured on video attending a concert, smoking cigarettes, and driving himself to places in order to conduct daily routine tasks without the support of an oxygen tank. Finally, Brownell was deposed on August 11, 2010, and Brownell's testimony was also contrary to what he told doctors compared to what was captured on video. Had Brownell been truthful about his physical capabilities, he would not have been entitled to the benefits he received associated with his claim. Brownell was arrested by Division detectives, wearing his oxygen mask, and booked into the Hillsborough County Jail. His case is pending trial.



### **Case #3**

The Division of Insurance Fraud received a referral on August 23, 2011 which alleged that Yvonne C. Timmons, who claimed a work-related injury while working for Quintiles Transnational Corporation as a registered nurse/research associate earning \$95,000 per year, was receiving benefits while continuing to collect a salary, or, "double dipping."

Although Timmons maintained that her injury adversely affected her capacity to earn in the same or any other employment, she continued to collect full pay from Quintiles while also collecting indemnity benefits from Sentry Insurance. However in 2010, when Quintiles found out that Timmons was earning indemnity benefits, they stopped paying her. Timmons subsequently secured employment through Duke University performing the same job responsibilities that she had at Quintiles, but at a higher salary, and Timmons continued to collect indemnity benefits while employed with Duke.

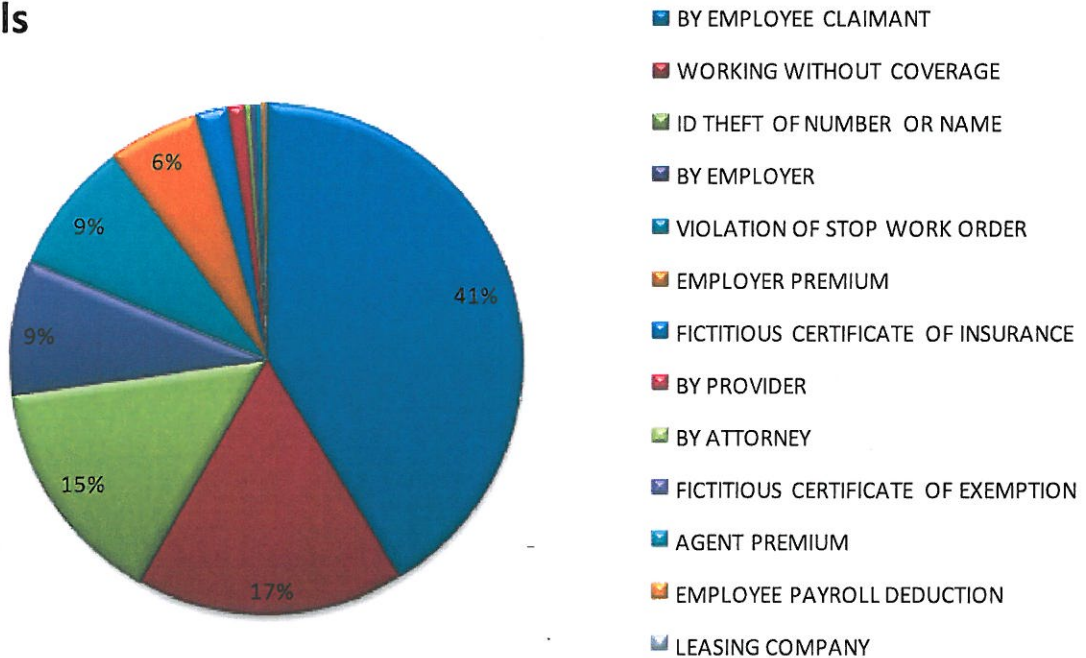
When Sentry denied Timmons further benefits, she petitioned the Florida Judge of Compensation Claims to have benefits, including indemnity pay, reinstated. Timmons signed at least five statements attesting that her on-the-job injury adversely affected her capacity to earn in the same way or find any other employment. Timmons was deposed on March 18, 2010 and March 24, 2011 where she testified, under oath, and denied that she was earning an income in the same capacity that she had prior to the injury. Sentry Insurance paid \$31,518.00 (indemnity) + \$30,408.70 (medical) + \$10,490.08 (attorney fees) - \$12,385.34 (subrogation recovery) = \$60,031.45 benefits that would not have been paid had Timmons been truthful. This case was presented to the Hillsborough County, DIF dedicated prosecutor on December 9, 2011. On March 26, 2012, Timmons was arrested and **on May 21, 2012, Timmons was convicted of insurance fraud** and ordered to pay Sentry Insurance **\$31,416.79** in restitution and the Division of Insurance Fraud \$2,681.19 in investigative costs.



## Types of Workers' Compensation Referrals

WORKERS' COMPENSATION FRAUD	# of Referrals
BY EMPLOYEE CLAIMANT	572
WORKING WITHOUT COVERAGE	236
ID THEFT OF NUMBER OR NAME	203
BY EMPLOYER	118
VIOLATION OF STOP WORK ORDER	117
EMPLOYER PREMIUM	80
FICTITIOUS CERTIFICATE OF INSURANCE	28
BY PROVIDER	15
BY ATTORNEY	5
FICTITIOUS CERTIFICATE OF EXEMPTION	5
AGENT PREMIUM	4
EMPLOYEE PAYROLL DEDUCTION	3
LEASING COMPANY	2

### Referrals

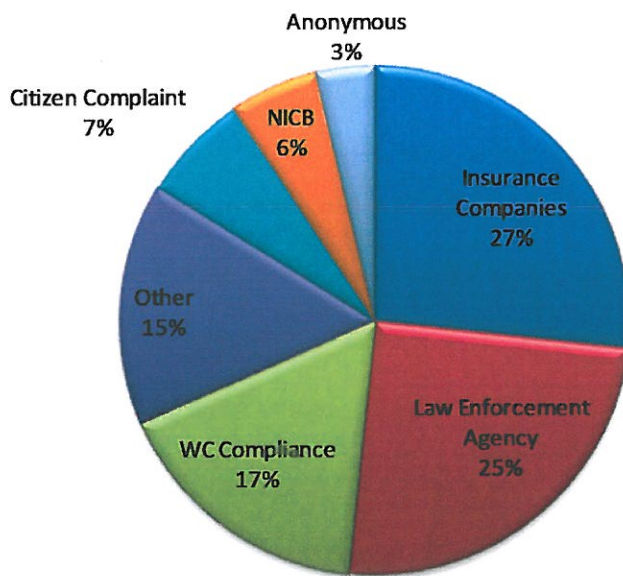


## Number of Suspected Fraud Referrals and Number of Cases Initiated

Source	Number of Referrals Received	Number of Cases Initiated
INSURANCE COMPANIES	383	145
ANONYMOUS	256	20
WC COMPLIANCE	176	91
LAW ENFORCEMENT AGENCY	168	135
CITIZEN COMPLAINT	156	37
NICB	121	31
OTHER	128	83

The Division of Insurance Fraud received 1,388 suspected fraud referrals for WC Fraud and opened 531 cases for investigation.

### Percentage of Workers' Compensation Referrals Received from Various Sources



## Types of Presentations and Arrests

<b>WORKERS' COMPENSATION FRAUD</b>	<b>Presentations</b>	<b>Arrests</b>
ID THEFT OF NUMBER OR NAME	107	59
BY EMPLOYEE CLAIMANT	106	78
WORKING WITHOUT COVERAGE	81	82
VIOLATION OF STOP WORK ORDER	26	22
BY EMPLOYER	17	16
FICTITIOUS CERTIFICATE OF INSURANCE	8	9
EMPLOYER PREMIUM	4	4
AGENT PREMIUM	2	2
FICTITIOUS CERTIFICATE OF EXEMPTION	1	2
BY ATTORNEY	0	0
EMPLOYEE PAYROLL DEDUCTION	0	0
LEASING COMPANY	0	0
BY PROVIDER	0	0
<b>TOTAL</b>	<b>352</b>	<b>274</b>

## Number of Cases Presented for Prosecution that were Declined

<b>1st Circuit</b>	<b>2</b>
Prosecution Declined	1
Statute of Limitations Expired	1
<b>2nd Circuit</b>	<b>5</b>
Insufficient Evidence	2
Prosecution Declined	3
<b>3rd Circuit</b>	<b>0</b>
<b>4th Circuit</b>	<b>0</b>
<b>5th Circuit</b>	<b>1</b>
Insufficient Evidence	1
<b>6th Circuit</b>	<b>3</b>
Below Threshold	1
Prosecution Declined	1
Witness Failed to Cooperate	1
<b>7th Circuit</b>	<b>3</b>
Insufficient Evidence	3
<b>8th Circuit</b>	<b>2</b>
Prosecution Declined	1
Prosecution Unlikely	1
<b>9th Circuit</b>	<b>6</b>
Insufficient Evidence	2
Prosecution Declined	4
<b>10th Circuit</b>	<b>4</b>
Civil	2
Insufficient Evidence	1
Prosecution Declined	1
<b>11th Circuit</b>	<b>4</b>
Prosecution Declined	4
<b>12th Circuit</b>	<b>1</b>
Insufficient Evidence	1

<b>13th Circuit</b>	<b>1</b>
Insufficient Evidence	1
<b>14th Circuit</b>	<b>0</b>
<b>15th Circuit</b>	<b>4</b>
Insufficient Evidence	2
Prosecution Unlikely	1
Statute of Limitations Expired	1
<b>16th Circuit</b>	<b>0</b>
<b>17th Circuit</b>	<b>1</b>
Prosecution Unlikely	1
<b>18th Circuit</b>	<b>3</b>
Civil	1
Insufficient Evidence	2
<b>19th Circuit</b>	<b>0</b>
<b>20th Circuit</b>	<b>6</b>
Insufficient Evidence	4
Prosecution Declined	2
<b>Grand Total</b>	<b>46</b>

## Funded Detective Positions

Office Location	Workers' Compensation Funded Detectives	Vacant during Fiscal Year 2011/2012
PENSACOLA	0	
TALLAHASSEE	0	
JACKSONVILLE	0	
TAMPA	5	
ST. PETERSBURG	0	
ORLANDO	3	
WEST PALM BEACH SQUAD #1	4	1
WEST PALM BEACH SQUAD #2	3	1
FT. MYERS	0	
BROWARD SQUAD 3	0	
MIAMI SQUAD 3	3	
<b>TOTALS</b>	<b>18</b>	<b>2 out of 20 vacant</b>  <b>* Vacancy incurred due to normal attrition</b>

**The Mission of the Division of Workers' Compensation is to actively ensure the self-execution of the workers' compensation system through educating and informing all stakeholders in the system of their rights and responsibilities, leveraging data to deliver exceptional value to our customers and stakeholders, and holding parties accountable for meeting their obligations.**

The DWC is responsible for ensuring that employers comply with their statutory obligations to obtain appropriate workers' compensation insurance coverage for their employees. Ensuring employers adhere to workers' compensation coverage requirements results in coverage for employees that were previously without coverage due to non-compliance; ensures that covered employees with work-related injuries receive all statutorily required benefits; levels the playing field for all employers who are bidding jobs; and adds premium dollars to the system that were previously evaded due to non-compliance. The Division conducts investigations to determine employer compliance and assesses penalties against employers who fail to meet their statutory obligations.

The Division recognizes the importance of collaborative efforts with other state and local enforcement agencies, especially the Division of Insurance Fraud. The Division also has established partnerships with a variety of state and local agencies and industry-related associations and organizations to make the best use of resources, leverage data, and share information to increase employer compliance.

Pursuant to section 626.989(9), Florida Statutes, the Division provides the following report of workers' compensation enforcement and compliance activities and performance during FY 2011-2012.

### **Referrals to the Division of Insurance Fraud**

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**The Division of Workers' Compensation and the Division of Insurance Fraud maintain a close working relationship to carry out our respective statutory duties. The Bureau of Compliance uses the referral process to notify the Division of Insurance Fraud of employers who are possibly committing criminal violations of Chapter 440, Florida Statutes. Referrals are made to each division within 24 hours of suspected violations of the law and are considered a priority to be acted upon immediately.**

Not only do the divisions communicate with each other upon receipt of a referral, but the Division of Workers' Compensation often works jointly with the Division of Insurance Fraud on compliance sweeps seeking out employers that are not in compliance with the workers' compensation laws.

During the period of July 1, 2011 through June 30, 2012, the Bureau of Compliance and Division of Insurance Fraud made the following referrals:

The Division of Workers' Compensation referred 176 employers to the Division of Insurance Fraud for possible criminal investigation.

The Division of Workers' Compensation received 30 referrals from the Division of Insurance Fraud for civil violations under Chapter 440, F. S.

### DWC Office Locations and Staff

The Division maintains seven districts offices statewide. The eastern regional offices are located in: Jacksonville, Orlando, West Palm Beach, and Miami. The western region consists of the following offices: Pensacola, Tallahassee, Tampa, and Fort Myers. The enforcement staff consists of 66 investigators, 7 district supervisors, and 2 investigation managers.

	Office Locations	Number of Investigators
District 1	Jacksonville – District Office	9
District 1A	Pensacola – District Office	10
District 2	West Palm Beach – District Office	12
District 3	Tampa – District Office	9
District 4	Orlando – District Office	10
District 5	Miami – District Office	8
District 7	Ft. Myers – District Office	8
	<b>Total</b>	<b>66</b>

### Average Caseload

For the period of July 1, 2011 through June 30, 2012, a total of 34,780 investigation cases were initiated resulting in an average caseload of 44 cases per investigator per month.

### Referrals to Other Agencies

The Division works with many local building and permitting agencies. The Bureau provides timely responses to local agencies' calls for assistance in verifying employers who are in violation of the Workers' Compensation laws. Joint operations have been conducted throughout the state with a number of city and county code enforcement offices, the Department of Business and Professional Regulation and the Division of Insurance Fraud.

In addition to the referrals for workers' compensation fraud, 75 employers were referred to other agencies where the employers were suspected of violating the laws regulated by those entities. Ninety-two percent (92%) of those referrals were made to the Department of Business and Professional Regulation. The two primary reasons for the referrals continue to be unlicensed activity for failure to be licensed to work in the trade in which the employer was working and failure to provide workers' compensation insurance to its employees, which is a violation of the condition for licensure. The Division also referred five employers to the Department of Homeland Security, Immigration and Customs Enforcement for hiring undocumented workers.

### Non-Compliance Referral Database

The Division's online Non-Compliance Referral Database enables the Division to receive referrals regarding employers who are suspected of failing to adhere to the workers' compensation coverage requirements. The database streamlines the process to initiate investigations promptly and provides real-time feedback to the person who made the referral.

The Division investigated 1,929 referrals submitted via the Non-Compliance Referral Database during FY 2011-2012. The investigations initiated by the referrals resulted in the issuance of 304 enforcement actions and \$3.4 million dollars in assessed penalties against non-compliant employers.

## Enforcement Activities and Workers' Compensation Exemption Statistics

### Stop-Work Orders

During the period of July 1, 2011 through June 30, 2012, through its enforcement and investigative efforts the Division:

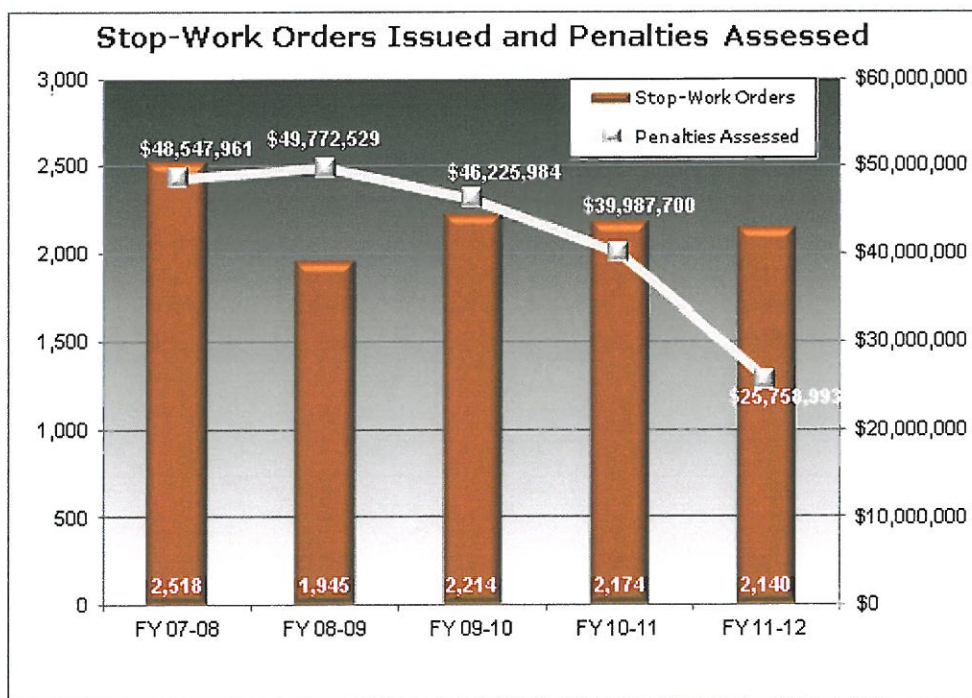
Conducted 34,780 investigations. The graphic below shows the total number of investigations conducted during the last five fiscal years. Investigations are physical on-site inspections of an employer's job-site or business location conducted to determine employer compliance with the workers' compensation coverage requirements.

Investigations Conducted	
FY 07-08	27,674
FY 08-09	29,166
FY 09-10	33,235
FY 10-11	34,252
FY 11-12	34,780

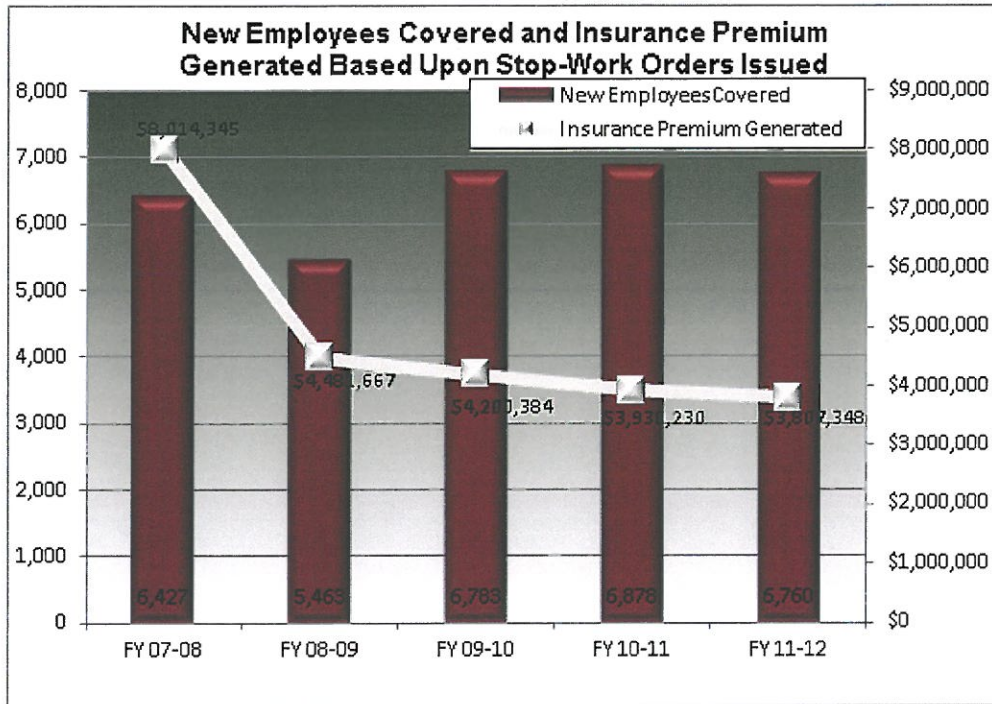


Issued 2,140 Stop-Work Orders. Stop-Work Orders are issued for the following violations: failure to obtain workers' compensation insurance, materially understating or concealing payroll, materially misrepresenting or concealing employee duties to avoid paying the proper premium, materially concealing information pertinent to the calculation of an experience modification factor, and failure to produce business records in a timely manner. Stop-Work Orders require the employer to cease business operations until the Division issues an order releasing the Stop-Work Order.

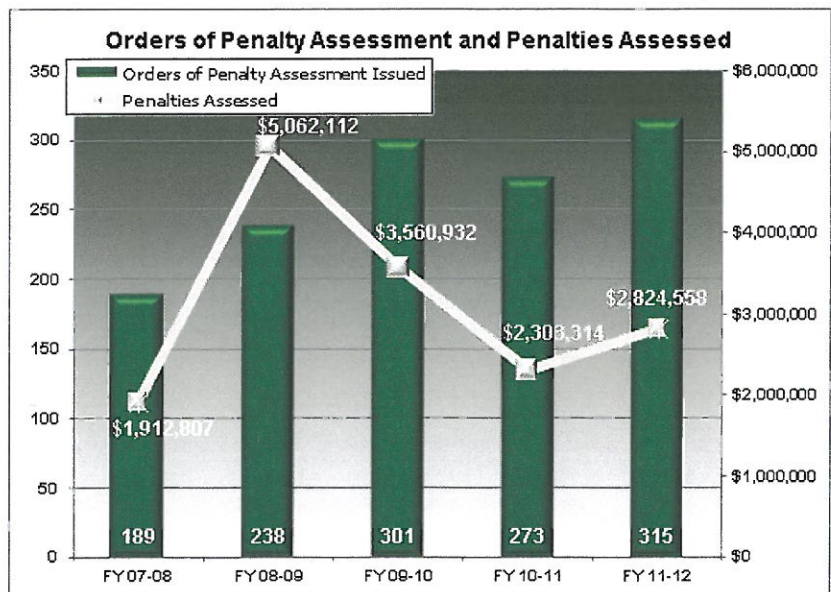
Additionally, the Division assessed \$25,758,993 in penalties. An employer who has failed to adhere to the workers' compensation coverage requirements is assessed a penalty based upon the methodology required by the Workers' Compensation Law. Assessed penalties are equal to 1.5 times what the employer would have paid in workers' compensation insurance premiums for all periods of non-compliance during the preceding three-year period, or \$1,000, whichever is greater. Penalty amounts vary and are dependent on the employer's payroll, risk classification, and period of non-compliance. The following graph represents the number of Stop-Work Orders issued and the amount of penalties assessed over the past five fiscal years. The penalties assessed this year decreased significantly due to reductions in employer payrolls during the non-compliance period.



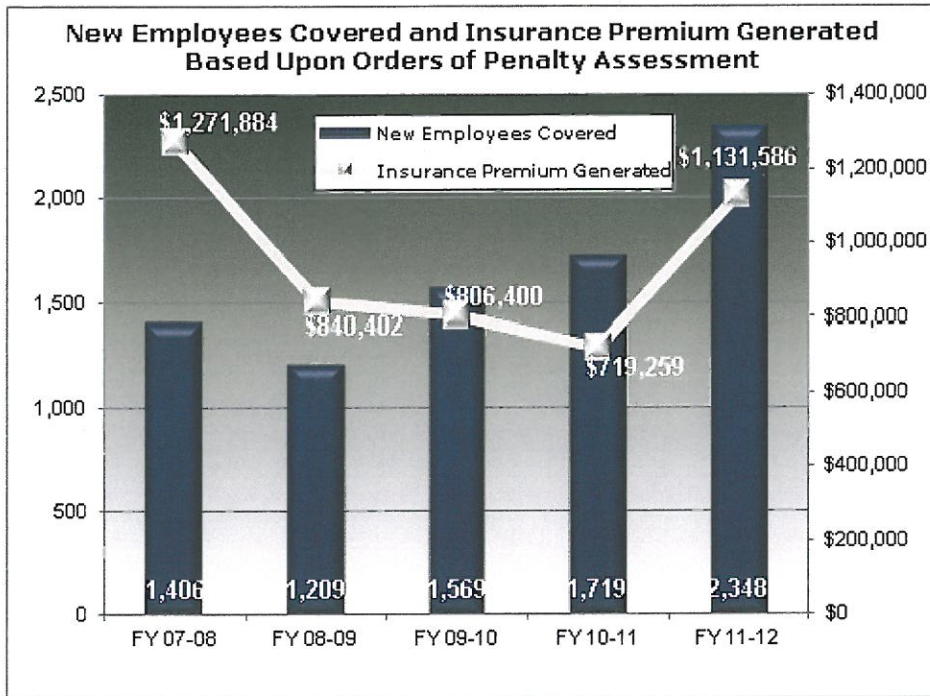
The following graphic reflects the number of employees covered as a direct result of the Bureau's enforcement efforts and issuance of Stop-Work Orders and the monies added to the workers' compensation premium base that had previously been evaded.



The next two graphics pertain to Orders of Penalty Assessment. In cases where the employer obtains coverage subsequent to the commencement of an investigation, an Order of Penalty Assessment for the failure to maintain coverage is issued in lieu of a Stop-Work Order. During FY 2011-12, 315 employers were issued an Order of Penalty Assessment with assessed penalties totaling \$2,824,558.



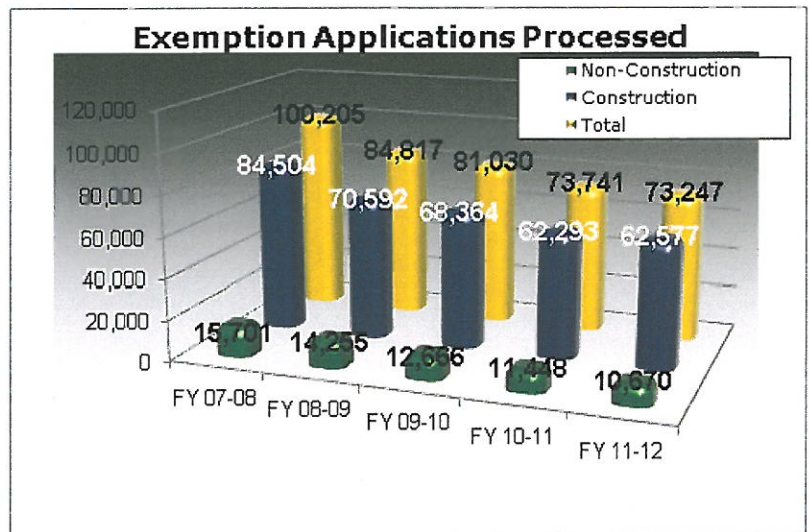
The following graphic reflects the number of employees covered as a direct result of the Division's enforcement efforts through the issuance of Orders of Penalty Assessment and the monies added to the workers' compensation premium base that had previously been evaded.



**Exemption Statistics**

The Division processed 62,577 construction industry exemption applications and 10,670 non-construction industry exemption applications. As of June 30, 2012 there were 918,090 active exemptions. The Division processes an average of 99% of all exemption applications within 10 business days of receipt.

Also, the Division implemented an online exemption process July 1, 2012. Applicants now apply for their exemption via a web-based system. The Florida driver's license or Florida identification card is utilized to verify the applicant's identity.



## Division Initiatives

### Employer Education

The Division continues to provide free educational seminars to employers, contractors and a variety of organizations addressing workers' compensation issues. Instruction has been provided to a number of industry groups so as to assist them in understanding their statutory obligations under the Workers' Compensation Law. In addition, the Division hosts seminars and Webinars educating employers in workers' compensation and workplace safety duties by partnering with the U.S. Department of Labor, Office of Safety and Health Administration (OSHA), and the USF SafetyFlorida Consultation Program.

The Division is certified to provide instruction and continuing education credits for training on workers' compensation and workplace safety to employers who are licensed by the Department of Business and Professional Regulation, Construction Industry Licensing Board, Electrical Contractors Licensing Board and the Board of Accountancy.

This year, the Division introduced Webinars as an additional option for the educational seminars. This allows employers the convenience of attending classes when it is not feasible to travel to a classroom session. The Division conducted 11 Webinars to 816 employers.

The Division provided education to 2,505 business owners, and licensed contractors who attended 88 educational workshops around the state. These workshops were sponsored by both the Division and the following groups:

- Agricultural Labor Relations Board
- American Payroll Association
- Arizona Chemical Human Resources
- Big Bend Air Conditioning Contractors Association
- Building Officials Association of Florida (BOAF)
- County Licensing Officials Association of Florida (CLOAF)
- Ed Renzi Construction School
- Electrical Contractors – statewide
- Florida Association of Plumbing, Gas, and Mechanical Inspectors
- Hernando County Building Department – contractors and licensing officials
- Mike Holt Electrical Contractor School
- Palm Construction School
- Pinellas Association of Plumbing, Gas and Mechanical Inspectors
- Suwannee Hamilton Business Association
- Tampa Area Auditors Association
- Venice Contractors Association

### **Public Databases**

The Division has numerous databases that provide access to information for all stakeholders in the workers' compensation system. The Bureau recognizes the importance of providing stakeholders with as much information as possible to assist them in fulfilling their rights and responsibilities under the Workers' Compensation Law. The Proof of Coverage Database and the Construction Policy Tracking Database provide stakeholders with valuable tools to verify employer compliance. The database provides information regarding workers' compensation coverage and exemptions from workers' compensation. Data regarding workers' compensation insurance policies, endorsements, reinstatements, cancellations, non-renewals, and certificates of exemption can be accessed via the database.

Additionally, the Division has enhanced the Construction Policy Tracking Database to allow users to track certificates of exemption. The Construction Policy Tracking Database sends an automatic electronic notification to an employer concerning any changes to its subcontractors' workers' compensation policy. In addition to workers' compensation insurance, certificates of exemption from workers' compensation insurance represent proof of compliance with the Workers' Compensation Law. The database will allow users to track exemption records, including the renewal or revocation of certificates of exemptions. This new tracking feature creates a more comprehensive database which will provide users with a useful tool to monitor all coverage and exemption changes.

### **Collection Activities**

Employers have the option of paying their penalties in full or entering into a periodic payment agreement. Section 440.107(7)a., F.S., permits employers to submit periodic penalty payments pursuant to a payment agreement schedule. This year, the Division entered into 757 payment agreements, which represents 35 percent of employers that were issued Stop-Work Orders and assessed a penalty in FY 2011-12.

If an employer defaults on making their monthly penalty payments, the Division is responsible for notifying the employer and reinstating the Stop-Work Order issued to the employer. During fiscal year 2011-2012, the Division streamlined the notification, reinstatement and payment option processes, and as a result, the revenue collection rate increased by 61 percent when compared to the previous fiscal year's collection rate.

The Division filed liens against 702 employers to collect unpaid penalties associated with Stop-Work Orders and Orders of Penalty Assessment. Further, the Division referred 629 employers to collections vendors to collect unpaid penalties.

### **Investigative Leads Initiative Through Data Mining**

The Division is utilizing available data sources to identify non-compliant employers. This effort includes the use of information and data from other state agencies. For example, by utilizing payroll and employee information provided from the Department of Revenue to cross match with the Division's policy data, the Division is able to create lists of suspected non-compliant employers. The Division also reviews policy cancellation information to identify employers whose policies have been cancelled and no subsequent coverage has been obtained. Lastly, the Division acquires county and city permitting information to identify jobsites where construction activity may be occurring.

These initiatives are allowing the Division to focus its investigative efforts on identifying non-compliant employers to maximize its resources for the benefit of the citizens of this state.

### **Investigator Training**

The Division's training programs are an integral component of activities to aid investigators in identifying and administering enforcement actions for employers that are not in compliance. During the period of July 1, 2011 and June 30, 2012, the Division conducted numerous workers' compensation training sessions. The primary focus of the training sessions was to give each staff member greater technical skills to enhance their enforcement efforts by reviewing and updating policies and procedures, comparing and analyzing data and identifying areas of improvement within the enforcement process. The training sessions are summarized below:

**40 on 440 Training Workshops** – This is a 40-minute WebEx training series developed to educate Compliance Investigators, Penalty Calculators and Exemption staff members on the workers' compensation law, administrative rules, and new and existing procedures and policies. The Division held 12 training workshops during FY 2011-2012.

**Penalty Administration Training Workshops** – This is a WebEx training series designed primarily for the Division's Penalty Auditors. This training focuses on laws, procedures and policies related to calculating penalties for non-compliant violations. The training is important in ensuring consistent application of the penalty calculation procedures statewide. Penalty Auditors are required to attend these training workshops. The Division has held 12 training workshops.

**New Investigator Training Program** – As new investigators are hired, the District Supervisors provide individualized training on policies and procedures, processes, forms, databases, customer service and the investigative process. This 10-week training program was developed and implemented specifically for new investigators. The investigator and the District Supervisor sign an acknowledgement form after each portion of the training program has been completed. The investigator is then assigned to accompany experienced investigators in the field prior to being assigned to perform enforcement action independently.

### **Division of Workers' Compensation Website & Databases**

The Division of Workers' Compensation Website is located at: [www.myfloridacfo.com/wc/](http://www.myfloridacfo.com/wc/) and it contains links to several databases that are helpful to employers. The following is a list and description of databases within the Division's website.

#### **Proof of Coverage Database**

The Proof of Coverage Database is available to the public and is particularly helpful to employers in both the construction and non-construction industries. An employer can determine if a subcontractor, or other entity, has a Workers' Compensation insurance policy, enabling them to assess their own liability for providing coverage for unprotected workers, as required by section 440.10, F.S. This database is accessed more than 37,000 times per month.

**Compliance Stop-Work Order Database**

The Compliance Stop-Work Order Database, which is accessed through the Division's website, lists employers that have been issued Stop-Work Orders for failing to comply with the coverage requirements of Chapter 440, F.S. The database contains each employer's name, the date the Stop-Work Order was issued, the date the Stop-Work Order was released and the type of non-compliance violation.

**Online Penalty Payment Service**

The Online Penalty Payment Service is available for employers to whom a Stop-Work Order or Order of Penalty Assessment has been issued. This free service allows employers to pay their penalty payment in full or submit monthly periodic payments as required in their Periodic Payment Agreement. The Penalty Payment Service is convenient, simple to set up and easy to use.

The Division also has an online Employer Instructional Manual available, which contains general information about the Online Penalty Payment Service and step-by-step instructions on setting up an online payment account. The Instructional Manual is provided to employers to whom a Stop-Work Order or Order of Penalty Assessment has been issued. In addition, employers can view and download the Instructional Manual from the Division's homepage.

**Construction Policy Tracking Database**

The Construction Policy Tracking Database continues to be helpful to contractors and other interested parties regarding the workers' compensation coverage and exemption status of the subcontractors they use. The system is designed to send automatic electronic notification to an employer concerning any changes to the subcontractors' coverage and/or exemption status.

This database is also a useful tool for local permitting and licensing officials and insurers. As of June 30, 2012, a total of 8,310 Construction Policy Tracking Database registrants are tracking 36,151 workers' compensation policies.

**DWC e-alerts**

As newsworthy events or important announcements are available, subscribers are sent email alerts. Events such as the promulgation of rules, announcements regarding employer seminars, and changes to the laws are examples of how the e-alert system is used. This is very helpful to employers who need to remain current with the changes in regulations governing their businesses.