



House of Representatives

General Assembly

File No. 163

February Session, 2004

House Bill No. 5551

House of Representatives, March 22, 2004

The Committee on Insurance and Real Estate reported through REP. OREFICE of the 37th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

**AN ACT CONCERNING PENALTIES FOR CONCEALING
EMPLOYMENT OR OTHER INFORMATION RELATED TO WORKERS'
COMPENSATION PREMIUMS.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (g) of section 31-288 of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective*
3 *October 1, 2004*):

4 (g) Any employer who, with the intent to injure, defraud or deceive
5 any insurance company insuring the liability of such employer under
6 this chapter, (1) knowingly misrepresents one or more employees as
7 independent contractors, or (2) knowingly provides false, incomplete
8 or misleading information to such company concerning the number of
9 employees, for the purpose of paying a lower premium on a policy
10 obtained from such company, shall be guilty of a class D felony and
11 may be subject to a stop work order from the commissioner.

12 Sec. 2. Section 31-69a of the general statutes is repealed and the

13 following is substituted in lieu thereof (*Effective October 1, 2004*):

14 In addition to the penalties provided in chapter 557, this chapter
 15 and chapter 568, any employer, officer, agent or other person who
 16 violates any provision of chapter 557, this chapter or subsection (g) of
 17 section 31-288, as amended by this act, shall be liable to the Labor
 18 Department for a civil penalty of three hundred dollars for each
 19 violation of said chapters and for each violation of subsection (g) of
 20 section 31-288, as amended by this act, except that any person who
 21 violates a stop work order issued pursuant to subsection (g) of section
 22 31-288, as amended by this act, shall be liable to the Labor Department
 23 for a civil penalty of one thousand dollars and each day of such
 24 violation shall constitute a separate offense. The Attorney General,
 25 upon complaint of the Labor Commissioner, shall institute a civil
 26 action to recover such civil penalty. Any amount recovered shall be
 27 deposited in the General Fund and credited to a separate nonlapsing
 28 appropriation to the Labor Department, for other current expenses,
 29 and may be used by the Labor Department to enforce the provisions of
 30 chapter 557, this chapter and subsection (g) of section 31-288, as
 31 amended by this act, and to implement the provisions of section 31-4,
 32 as amended.

This act shall take effect as follows:	
Section 1	<i>October 1, 2004</i>
Sec. 2	<i>October 1, 2004</i>

INS *Joint Favorable*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 05 \$	FY 06 \$
Labor Dept.	GF - Revenue Gain	Potential Minimal	Potential Minimal

Note: GF=General Fund

Municipal Impact: None

Explanation

This bill provides that employers who misrepresent the number or type of employees for purposes of paying a lower premium for workers' compensation insurance may be issued a stop work order. An employer shall be liable \$1,000 for each day the employer violates the order. Any amount recovered shall be deposited into a separate non-lapsing account in the Labor Department.

OLR Bill Analysis

HB 5551

**AN ACT CONCERNING PENALTIES FOR CONCEALING
EMPLOYMENT OR OTHER INFORMATION RELATED TO
WORKERS' COMPENSATION PREMIUMS****SUMMARY:**

This bill adds to the penalties for employers who knowingly misrepresent employees as independent contractors or provide an inaccurate number of employees to an insurer in an effort to pay lower workers' compensation insurance premiums. The bill authorizes compensation commissioners to issue a "stop work" order to the employer. An employer must pay \$1,000 for each day he violates the order. By law, this type of insurance fraud is a class D felony, the penalties for which are imprisonment from one to five years, a fine up to \$5,000, or both.

EFFECTIVE DATE: October 1, 2004

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable Report

Yea 11 Nay 6