



# Multi-agency task force conducts statewide underground economy sweep

News: 2014 Press Release

For Release: June 13, 2014

Media Calls Only: 916-492-3566

## **Multi-agency task force conducts statewide underground economy sweep**

Homeowners warned of their responsibility to verify workers' compensation coverage

**SACRAMENTO, Calif.** - A multi-agency task force, consisting of more than 100 detectives and investigators focused on curbing California's underground economy, conducted a sweep across major metropolitan areas statewide issuing more than 60 citations for various violations and six work stop-orders. Investigators also took the opportunity to educate homeowners about their responsibility to verify contractors have a license and workers' compensation insurance before they hire them.

Homeowners who hire contractors or vendors that do not have proper licenses or workers' compensation insurance may risk their home and assets if someone is injured on their property or shoddy work results in damage to their home.

Many homeowner policies have a criminal activity clause that means the insurance company may not cover damage caused by shoddy work performed by an unlicensed contractor or liability coverage if a worker is injured and the contractor does not have workers' compensation insurance.

"Homeowners must be aware of their obligation to verify that contractors they hire have proper licenses and valid workers' compensation insurance," said Insurance Commissioner Dave Jones. "It is not worth risking your home or other assets because you hired an unlicensed contractor or didn't take the time to verify their license and insurance coverage. A few minutes spent ensuring your contractor or vendor is following the law is a small investment to protect yourself and your assets."

At a private home in the Los Angeles area investigators found a sub-contractor working on the job site without workers' compensation insurance. According to detectives, the homeowner was surprised to learn he was responsible for verifying not only the general contractor's workers' compensation insurance, which he had done, but also for all sub-contractors.

Other violations found among the nearly 100 businesses contacted included no workers' compensation insurance, no valid contractor's license, serious safety violations cited by the Division of Occupational Safety and Health, including one with an estimated \$20,000 regulatory fine. The Contractors State License Board found six violations, ranging from advertising to safety issues. The Employment Development Department identified 15 possible administrative violations.

"California's underground economy results in a multi-billion dollar hit to California's economy," said Insurance Commissioner Dave Jones. "This fraudulent activity hurts legitimate businesses that play by the rules. The coordinated effort of this multi-agency task force is an ongoing effort to level the playing field by putting a stop to the illegal activities of business owners that cheat the system at the expense of law abiding businesses and consumers."

Information and leads regarding illegal activity often come from the business community. If you are aware of or have any information regarding a contractor or business operating without the proper insurance or someone that has committed workers' compensation fraud, you are encouraged to call our hotline at 1-800-927-HELP (4357).

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#### **Media Notes:**

Detectives and investigators from the Department of Insurance, Contractors State License Board, Department of Industrial Relations (Division of Occupational Safety and Health; Division of Labor Standards and Enforcement), the Franchise Tax Board, Employment Development Department and district attorneys' offices in Santa Clara, Alameda, Los Angeles, San Bernardino, Riverside and Ventura all participated in the statewide sweep. Information on criminal clauses and homeowner policies provided by the Insurance Information Network of California. Contact Pete Moraga at 213-210-7099 or [pmoraga@iinc.org](mailto:pmoraga@iinc.org).

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The California Department of Insurance, established in 1868, is the largest consumer protection agency in California, regulating the \$123 billion insurance marketplace. In 2013 the California Department of Insurance received more than 170,000 calls from consumers and helped recover over \$63 million in claims and premiums. Please visit the Department of Insurance web site at [www.insurance.ca.gov](http://www.insurance.ca.gov). Non-media inquiries should be directed to the Consumer Hotline at 800.927.HELP or 213.897.8921. Telecommunications Devices for the Deaf (TDD), please dial 800.482.4833.

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