

Insurance Claims and Risk Management Awareness

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The Tradesman Lawsuit: Insurance Claims and Risk Management Awareness

Last month the employees of The ALS Group sat down with our Senior Consultant of Claims and Risk Services, Maggie Ingels, during a lunch and learn to hear about one of the largest lawsuits happening in the claims world right now, dubbed the "[Tradesman Lawsuit](#)", which was filed March 1, 2024.

The initial lawsuit filed by Roosevelt Road Re, LTD (Roosevelt) and its affiliate Tradesman Program Managers, LLC (Tradesman) alleges that the 46 named defendants took advantage of vulnerable immigrant construction workers to employ what the suit calls the "Fraudulent Treatment Protocol" and profited from the fraudulent scheme related to New York City construction accidents. Physicians, healthcare providers, caregivers, healthcare facilities, law firms, and litigation funding companies, are all part of the alleged scam to file false claims estimated to be in the millions of dollars. As the case progresses, more are expected to be named as a second suit has already been filed by Tradesman.

The case alleges that the named firms are working with the injured workers to formulate the best way to engage in fraud and to identify potential parties to involve by holding OSHA seminars for construction workers in New York City.

- Once a staged incident is held, the worker responds to a lawyer before approaching any medical professional.
- A basic trip and fall incident that may normally cause a bruised knee or similar minor injury may be elevated, at least on paper, to something that leads to a multi-million-dollar permanent disability-style workers' comp claim.

Tradesman started the investigation in late 2020 when it noticed its overall Workers' Compensation (WC) payouts were increasing exponentially from year to year. The investigation included the review of numerous attorneys, medical providers, and other parties potentially involved in the scheme. According to Tradesman, the fraudulent scheme started at some point before 2018 and has continued uninterrupted since then.

The rise in WC payouts was followed by a significant increase in tort claims alleging an array of workplace 'violations' as the cause of purported injury. This created a ripple effect that impacted the reinsurer, Roosevelt.

Roosevelt saw around \$14 million in claim adjustment expenses in 2018 rise to more than \$142 million in 2022. During that time, construction accidents in New York City decreased from 759 in 2018 to 554 in 2022.

The lawsuit alleges that as many as 650 claims have been filed over the last four years that are fraudulent. This includes fake falls as well as embellishment of injuries.

The complaint says the median settlement amount for these claims was \$2 million. There has been a total of \$1.3B paid out, just for WC and does not include General Liability claims.

What does this mean for Insureds?

Disbursement of all the false claims in recent years has caused insurance premiums for many construction firms in New York to dramatically increase. According to an analysis by the Empire State Chapter of the Associated Builders and Contractors in 2010 about 4% of the cost of a \$100 million project in New York would go toward workers' compensation, general liability, and excess insurance.

In 2020, that cost was approximately 8.5% of that \$100,000,000 project and by 2023-2024 it is closer to 12.5% and expected to rise to 13% or 14% by 2025. This is a dramatic increase that is specific to rising premiums associated with construction costs.

To combat the potential fraud-related claims, a bill in New York state has been re-introduced that would make staging a construction-site accident for insurance fraud a felony.

If you have any questions on claims or incident response or want to discuss your company's claims process, please contact Maggie Ingels, Senior Consultant, Claims and Risk Services, at 732-395-4262 or mingels@thealsgroup.com.