

# Helping Clients Understand Certificates of Insurance

For Subcontractors and Independent Contractors

Workers' compensation insurance can be complicated. Helping your clients understand their workers' compensation coverage builds confidence in their protection and prepares them for their annual audit.

One of the most important things you can do is consult with our mutual clients on their subcontractors' certificates of insurance (COI). That means educating them on the importance of having a current COI showing workers' compensation coverage on file for every subcontractor *before* any work begins, when the work has been completed by the subcontractor, and when payment is made. Without coverage, your client may be liable for losses that occur on the job. Just because a worker is classified as an independent contractor (or the employer files a 1099 rather than payroll), if the worker does not have their own coverage, then the employer may have to include that risk in their workers compensation policy.

## Workers' Compensation Requirements

Here are some requirements to consider when quoting a policy that will have contract labor.

- An employer who operates a business and pays payroll taxes.
  - The purpose of workers' compensation is to cover employers who have established a business operation.
- An independent contractor, 1099 contract laborer, freelancer, or self-employed individual who performs a unique or specialized job/assignment not within the hiring contractor's scope of work.
  - An individual who is compensated under a 1099 agreement of their employer could be considered an employee.

## Best Practice Tips

Help our mutual clients reduce risk and manage their workers' compensation coverage by:

- Advising them to ask if the individual they are hiring is included/excluded on their policy.
- Reminding them that when a subcontractor is excluded from their policy, there is not adequate coverage. While workers' compensation law allows owner/operators to exclude themselves from coverage on their own policies, the hiring contractor may accrue additional premium, and/or liability can be assessed if a loss occurs.
- Remind them that COIs will be reviewed during their annual audit. They must have current COIs on file for every subcontractor.
- **Encourage them to periodically verify subcontractor's workers' compensation status at [ewccv.com/cvs/](http://ewccv.com/cvs/) to be sure subcontractors maintain coverage throughout the project.**

Questions? Contact our Underwriting Department at 505.343.7722 or [underwriting@newmexicomutual.com](mailto:underwriting@newmexicomutual.com).

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