

Best Practices When Working with Subcontractors



Workers' compensation insurance protects you, your business, and your workers from losses due to on-the-job accidents and job-related illness. Subcontractors, people you hire to help you complete a project, are legally required to have workers' compensation insurance and to provide a certificate of insurance (COI) verifying coverage. Just because you classify a worker as an independent contractor, or you file a 1099 rather than payroll, if they do not have their own coverage, you may be responsible for their workers compensation under your policy.

As an employer, it's your responsibility to verify that every subcontractor has workers' compensation coverage. Doing so not only confirms that all parties are protected, but it also ensures you have the required paperwork for your annual New Mexico Mutual audit, which includes a COI review by your auditor, and may protect you from unexpected additional premiums.

Best Practice Tips

Protect yourself, your company, and your subcontractors.

- Require workers' compensation coverage for all subcontractors (including owner/operators) in your contracts.
- Confirm every subcontractor has workers' compensation coverage on their COI before work begins and payment is made. You may be liable for losses and additional premiums at audit if the subcontractor is uninsured or excluded from coverage on their policy.
- Remember, 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.
- Consider periodic COI checks, especially during long projects, to ensure that all subcontractors maintain their coverage.



Scan this QR code to check a subcontractor's workers' compensation coverage status or visit ewccv.com/cvs/.