

Using Outside Firms? Don't Forget to Get Certificates of Insurance!!!

If your business is using the services of an outside party to perform work either at your premises or on your behalf, make sure you're obtaining a Certificate of Insurance (COI) prior to the outside party beginning work. Utilizing an outside party to deliver services that are usual or customary to the type of work your company normally performs will likely result in those payments being included as chargeable payroll exposure at the time of audit unless you have secured a COI proving that the outside party had workers' compensation coverage in force at the time the work was performed.

We ran an article similar to this one in the June 2007 newsletter as our auditing firm was finding an increasing number of situations where members had not obtained COI's when contracting with outside firms to do work for them. Most members are now doing a good job securing COI's but we still receive occasional questions from some members asking why the auditor is including payments made for certain outside parties.

Remember, if no COI is on record at the time of the audit, the auditor has no choice but to assume that the contracted party did not have workers' compensation coverage in place. This results in a premium charge being made on the member's policy to pick up the exposure since the Trust would likely have been held responsible for covering this outside contractor's employees if they had been injured while performing work for your business.

Always be sure to seek the advice of your insurance agent or broker prior to entering into any contractual agreement or when requesting a COI. Following is a partial checklist of things to look for on a COI:

- Make sure the "Insured" named on the COI is the same name as the outside party that you are dealing with.
- Check the names of the "Insurers Affording Coverage" and make sure your agent or broker approve of these carriers.
- Check the "Policy Effective Date" and "Policy Expiration Date" to be sure that the coverage period will cover the time period that the outside party will be working for you.
- Check the types of coverage and the policy limits to make sure they are adequate for your business. Ask your agent or broker to advise you here. The Trust auditor will be looking specifically for proof of workers' compensation coverage.
- Make sure that your firm's name and address are listed correctly in the "Certificate Holder" section.
- Check the "Cancellation" section on the COI to be sure that the number of days notice is acceptable to you and your agent or broker.
- Make sure the COI is signed by an authorized representative

As noted above, our auditor will be looking to make sure the COI provides proof of workers' compensation coverage but your business may want to make sure that the outside party is also carrying other lines of insurance coverage as well, such as general liability, professional liability, auto liability, etc. Again, we strongly recommend that you check with your agent or broker to clarify any questions you have regarding COI's.

Remember, once you obtain the COI, be sure to keep it on file to provide the auditor with proof of coverage and also for your protection against any potential future claims that might be filed.