

DO I NEED

A WORKERS COMPENSATION POLICY?



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...IF I AM A SOLE PROPRIETOR OR OWNER OF A SINGLE MEMBER LLC AND HAVE NO EMPLOYEES?

It is true that a sole proprietor or single member LLC, who have no employees are not required to carry work comp per Arizona law, but if you are doing work for a general contractor, they still have significant exposure when there is no work comp policy in place. The contract requires work comp for two main reasons...



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WORKERS COMPENSATION POLICY...

A work comp policy for a sole proprietor or single member LLC is not that expensive. You would expect to pay between \$500 and \$1,000 / year in premium depending on the type of work you perform. The bottom line... it is not that expensive to comply with a work comp requirement.

WORK COMP CLAIMS...

The second a sole proprietor brings a "helper" on a jobsite the general contractor assumes the risk of injury for that person. The injured person can file a work comp a claim with the industrial commission. If the sole proprietor or single member LLC do not have a work comp policy in place the Industrial Commission will look to file that claim with the general contractor's work comp policy. The claim will go on the general contractors work comp loss history, increase their EMOD for 3 years, cost them significant money in additional premium, and jeopardize their potential to compete for certain projects. The sole proprietor then runs the risk of fines from the Industrial Commission for not carrying work comp, which is legally required if they have employees. You might say you don't ever plan to bring any "helpers" on the job site, but there have been too many instances where general contractors have been told that only to later find out about the helper the hard way. It is not worth their risk.

WAIVERS...

We are aware there are forms a sole proprietor or a single member LLC can sign to waive their right to file a work comp claim, but that waiver won't stop the "helper" from filing a claim. Generally, insurance carriers have accepted work comp waivers from general contractors when they collect certificates of insurance at their audits. If there is no signed waiver on file, the general contractor's insurance carrier will charge the general contractor premium for the sole proprietor or single member LLC's exposure (cost of the job). Insurance companies, by law, don't have to accept the work comp waivers and we are seeing more and more carriers who won't accept them. Sometimes the general contractor won't find out until the audit that their insurance carrier won't accept them. If the carrier doesn't accept the waiver, the general contractor is charged a premium as if the sole proprietor or single member LLC is a direct employee.

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