

# Contractors Insurance *Update*

A free report for clients of

Security-Victor Insurance Agency

**M**any Contractors have been asking us about how to keep sub-contractors off of their payroll when it comes time for their annual workers compensation audit. Did you know that there is a law regarding sub-contractors? We have provided you with the parameters of the law below. Please review and ask your sub-contractors to provide you with the appropriate documentation you need to prove they are in fact sub-contractors and NOT your employees!

## According to MN Statute 176.042

Independent contractors doing commercial or residential building construction or improvements in the public or private sector are employees unless all of the following criteria are met.

- The independent contractor maintains a separate business with the independent contractor's own office, equipment, materials, and other facilities;
- The independent contractor holds or has applied for a federal employer identification number (FEIN);
- The independent contractor operates under the contracts to perform specific services or work for specific amounts of money and under which the independent contractor controls the means of performing the services or work;
- The independent contractor incurs the main expenses related to the service or work that the independent contractor performs under contract;
- The independent contractor is responsible for the satisfactory completion of work or services that the independent contractor contracts to perform and is liable for a failure to complete the work or service;
- The independent contractor receives compensation for work or service performed under a contract on a commission or per-job or competitive bid basis and not on any other basis;
- The independent contractor may realize a profit or suffer a loss under contracts to perform the work or service;
- The independent contractor has continuing or recurring business liabilities or obligations; and
- The success or failure of the independent contractor's business depends on the relationship of business receipts to expenditures.

If all of the above criteria are not met, the independent contractor will be considered an employee and premium will be charged. A statement that all of the above criteria are met is not sufficient; you will need to provide actual documentation that the criteria are met. Policyholders may contact the company servicing their policy for early evaluation as to whether the above criteria are satisfied; otherwise the evaluation will be done at audit following policy expiration.

**QUESTIONS? Call Security-Victor Insurance at 651.462.3724**

**Are we insuring all of your business needs?** Many of our business clients come to us for all of their business insurance needs. ARE YOU ONE OF THEM? Below is a list of the types of insurance we can coordinate for your business. Call us today!!

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- Buildings & Personal Property
- Tools & Equipment
- Inland Marine
- Auto
- Life, Health & Disability
- Workers Compensation
- Directors & Officers
- Errors & Omissions
- Business Interruption
- Employment Practice Liability
- Employee Dishonesty