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# Is liability lurking when you hire a sub-contractor?

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Sub-contractors

Hiring a sub-contractor can affect your insurance coverage and premium. Here's what you need to know when you hire a sub-contractor:

- You should secure and retain proof from each sub-contractor in the form of a Certificate of Insurance. Be sure that they carry adequate insurance coverage of their own. What is adequate insurance?
- Adequate insurance should be at least 50% of the limits you carry, but no less than \$300,000 and \$500,000 is even better.
- If the sub-contractor doesn't have insurance and you don't have the Certificate of Insurance on file, you're liable to pay insurance premiums for any and all sub-contractors you hire to perform construction and/or services for your company as if they were your employees.
- Premium charges for uninsured sub-contractors are made when your Business Liability policy is audited in accordance with the terms and conditions of your policy and the rules in effect for your type of business. You could be in for a major financial surprise! (Define "surprise" as disaster)

If you wish to minimize your insurance premiums for your business liability, it is important that you:

- Request and obtain a current certificate of liability insurance for every sub you hire.
- Verify the fact that the certificate of insurance is for business liability, not some other type of insurance.

- Monitor when the certificates expire so you can be sure to order new certificates.
- Maintain an accessible file of certificates of insurance for the auditor to review when the auditor conducts the premium audit.

Let's look at the coverage area:

- With the Certificate of Insurance you know at least your sub has insurance for the negligent acts they perform. If your sub's name you as an "additional insured" on their policy, their policy will stand in your place and defend you and pay up to the limits of the policy if the court so finds.
- That would be ideal, but when you have 6 subs, you could have a conflict among insurance companies, each blaming the other for the problem. **Don't fall under the illusion that since you are named on the sub-contractor's insurance policy that you don't need your own policy. You absolutely do!**
- The sub's policy limits may not be sufficient to cover your assets. Your insurance policy becomes excess over the sub's when you are named on their policy. When you have a Certificate of Insurance that doesn't name you as an additional insured, the sub's insurance may be primary and your insurance secondary, but certainly, that is an uncertainty!

Sub-contractors complicate insurance costs and coverage. Be sure to cover your assets properly.

Call for your "sub" check up.