

Properly Monitoring Sub-Contractors' Coverage Can Save Money

Contractors never want the surprise of additional premium due at audit. Did you know that uninsured sub-contractors are the number one driver of additional premium owed to Builders Trust, post audit? You can eliminate this unplanned expense by carefully monitoring and verifying Certificates of Insurance for any sub-contractors.

By following these basic steps you can go a long way to preventing uninsured sub-contractor audit surprises.

1. Make sure subcontractors are adequately insured by obtaining a Certificate of Insurance. The safest way to do this is to get the certificate directly from the subcontractor's carrier. Do this before the sub starts working on your project.
2. When you receive a Certificate of Insurance check it to verify it covers workers compensation for the time frame the sub-contractor will be working with you. Depending on your sub-contractor's insurance renewal date, you may need to obtain a subsequent Certificate of Insurance to ensure coverage during the full time period the sub-contractor is on your job. Set up a diary so this isn't overlooked. Be sure you have certificates covering the entire period of your work with the sub-contractor. Also, don't forget Insurance coverage can be cancelled with only ten days notice for non-payment of premium. If your sub doesn't pay his premium you need to know about the cancellation. Having the sub-contractor request a "cert" directly from the carrier may help facilitate a subsequent notice to you of any such cancellation.
3. If a sub-contractor is unable to provide a valid Certificate of Insurance, (meaning you will be covering the risk on your policy), be sure you receive an invoice showing a breakdown between the sub-contractor's labor and materials. If Builders Trust has to charge a premium for your uninsured sub-contractor, you will only be charged for the sub's labor, but ONLY if you can show a properly divided invoice.

At Builders Trust our in-house audit professionals are available to answer any of your audit questions.