



MEMBERSHIP ALERT

Subcontractors and Employee Leasing

If you use subcontractors who obtain their workers compensation coverage through an Employee Leasing Company (aka: Professional Employer Organization or PEO) you need to know that you may have serious employment exposures that you may not be aware of.

The subcontractor must report all of their employees to the PEO in order for them to be covered by the PEO's workers compensation policy. If all employees are not reported to the PEO, they could become your exposure. For every day that a subcontractor with coverage through a PEO works for you, you should request a list of the employees covered that day and then you should verify that **only** those employees listed by the PEO are on your jobsite(s).

Certificates of Insurance issued by PEO's can often be very difficult to verify. The coverage provided to the Client of the PEO is most often not tracked on the State of Florida Bureau of Compliance verification website www.fldfs.com/wc/index.htm. Verification is often only accomplished by calling the PEO or the Insurance Agency that may have issued the certificate. You should demand that all certificates of insurance include the phone number of the PEO and the Insurance Agency for verification. Effective and expiration dates of coverage are usually not provided on the certificates for the Client Company of the PEO. If coverage dates are provided, they are for the PEO's coverage and not that of the client. This can present problems for you at audit and potential additional premium exposures to you. The certificates of insurance usually indicate that coverage **does not** cover subcontractors, so if your subcontractor has other subcontractors, they may not have coverage and could/will become your responsibility for claims or additional premium exposures.

The coverage provided by a PEO is usually only good if a Client has paid their payroll to the PEO. If the client has not kept their payroll payments current, there could be coverage lapses for all of their employees.

As with all certificates of insurance, you should always verify the coverage, and not accept them at their face value. As a reminder, we have a service and we will attempt to do this for you **before** you use a subcontractor. All you have to do is fax or email the document to us and we will respond with our findings promptly.

Coverage for contractors who obtain their workers compensation through a PEO may work well for them as an independent business, and that business is then responsible for their own exposures. However, when subcontracting becomes involved, serious coverage voids can occur to the Primary/General contractor who hired that subcontractor. You need to be aware of this and protect your business!