

I work with _____ contractors _____ every day, helping them with their _____

general liability

_____ and

workers compensation insurance policies

_____ and I am struck by how many of them have heard of insurance certificates but how few really understand why they need them.

If you have anyone working on your job site without first having given you a certificate of insurance, you are probably increasing both your insurance costs and your liability exposure.

Here is a quick guide on what you need and why you need it when it comes to certificates of insurance.

As you probably know, your general liability and workers compensation policies are both rated based on the payroll your contracting business generates each year.

And if you don't know it already, you will soon: That payroll is audited each year and your insurance policy premium is adjusted to reflect the actual payroll you incurred that year.

So, the last thing you want to do is have that payroll number inflated by a subcontractor that you hired to help you out with a job that was a little bit outside of your specialty.

Let's take an example. Let's say you are a carpenter. You are hired to handle a kitchen remodeling job for one of your clients. |

In the process there is some minor plumbing work to be done and to help out your client, you find the plumber and just sub the work to him and you bill your client for his services.

That's all good business but you must remember to get that certificate of insurance from you

plumber before he sets foot on your job site.

Why?

Two reasons really.

First of all, that certificate of insurance will tell your insurance company that your subcontractor (in this case the plumber) did have insurance so the cost of the plumbing work won't be added to your total payroll at audit time. This will save you a lot of money in insurance premiums.

Secondly, you can take a moment to make sure that this plumber has the correct coverages with high enough limits to protect you. Look at the certificate carefully and make sure that your subcontractors are carrying limits at least as high as yours.

Next, make sure that the certificate is showing both [workers compensation](#) and [general liability](#) insurance coverage.

If not, you will be on the hook for the premiums for the missing insurance policies for your subcontractor.

Last of all, take a moment to make sure that there are no exclusions or policy coverage limitations spelled out in the certificate.

If your subcontractor has an excluded coverage and your policy covers it, you might find yourself on the hook for extra premium at audit time.

Many contractors remember to ask for certificates from the other contractors working on their job site. But a large number don't take the time to read the certificate and check to make sure that it meets all the criteria they need to protect themselves from an extra premium at audit or a large loss charged to their own policy. If you are a small [contractor and would like](#)

[help](#) understanding your insurance certificate or your insurance coverage, be sure that you are dealing with an agent who specializes in [con](#)

[tractors liability](#)

and

[workers compensation insurance policies](#)

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