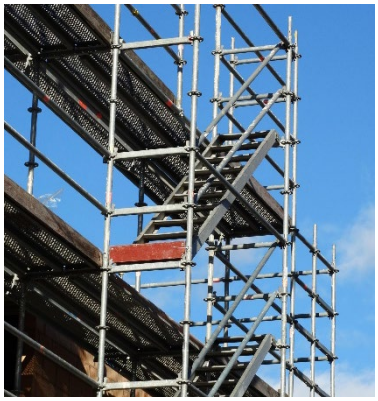
Assigned Risk Solutions

PO Box 40767
Lansing, MI 48901-7967
AssignedRiskSolutions.com

In a small but growing construction company in the Midwest, business owner Dan prided himself on operating efficiently. His company was placed in the Assigned Risk Pool for workers' compensation insurance due to a lack of claims history and some early missteps. His premiums were already high – and he was determined to keep costs down.

One summer, Dan secured a significant remodeling project. Eager to stay within the budget, he hired a few subcontractors who offered lower bids than their competitors. Dan did not ask many questions; he simply got them on-site and working. He assumed they were handling their own insurance since they were all independent contractors.



Three weeks into the job, one of those subcontractors, Mike, fell off a scaffold and fractured his spine. That's when Dan learned a painful lesson: Mike had no workers' compensation coverage of his own. Under state law, because Dan had not collected valid certificates of insurance, he was considered the statutory employer – and fully liable. The claim cost tens of thousands in medical expenses and wage replacement.

Dan's insurance carrier covered the claim but flagged the violation, which resulted in:

- An increase in premiums for Dan's company.
- While he remained in the Assigned Risk Pool, he had much lower access to carriers.
- Auditors began scrutinizing his payroll records and 1099 forms.
- Worst of all, his reputation took a hit, causing him to lose a major client.

Moral of the story:

- Always verify subcontractors' workers' compensation coverage. Collect certificates of insurance.
- Check expiration dates.
- Never assume you are off the hook just because someone is an independent contractor (Form 1099).

When it comes to risk, what you don't know can hurt you—and your business.

Assigned Risk Solutions is a division of AF Group. All policies are underwritten by a licensed insurer subsidiary. For more information, visit afgroup.com. © AF Group.

This scenario is hypothetical and provided for educational purposes only. Coverage obligations, workers' compensation requirements, and liability outcomes vary by situation and jurisdiction.