

Employers with 1099 Contractors Can Learn to Prepare for Workers Comp Claims

SAN DIEGO, Calif., Dec. 5, 2014 (SEND2PRESS NEWSWIRE) – We are all looking to operate as lean as possible and many employers turn to 1099 employees to reduce tax and insurance burden, says Jamie Reid, CEO of AccuSure. But a big question remains: if they file a work comp claim, would it be covered? Can the insurance company charge premium on a work comp audit? These are important for employers to know.

Here is the short answer: “Unless your 1099 contractor has its own work comp policy, he/she is likely to be considered an employee with respect to work comp, both from a coverage perspective and an audit perspective (charge by insurance company),” says Reid.

In 1983, a key decision was made in the case of George Elkins Company and Hartford Insurance Company, Petitioners v. Workers’ Compensation Appeals Board (WCAB) of the State of California and Connie Sillen, Respondents. The case featured Sillen, a REALTOR®, versus George Elkins Company, the REALTOR brokerage firm. Sillen’s employment was arranged as a 1099 contractor. When she filed a work comp claim, the WCAB found that she was entitled to work comp benefits.

This poses two key problems for employers with 1099 contractors who are not otherwise covered by a separate work comp policy:

Problem 1: REALTORS® are about as independent as a 1099 employee could possibly be. They take little to no direction from the brokerage and they usually earn income solely from commission. This case set the precedent that most 1099 contractors are covered under the employer’s work comp policy.

Problem 2: Most businesses do not understand Problem 1. Thus, they do not plan on paying work comp premium (again, should this be plural? on 1099 contractors. When your insurance company performs the work comp audit, the auditor will typically ask for “proof” of work comp insurance for each 1099 contractor (as well as any other contractors you pay or subcontract). If you are unable to produce this documentation the auditor will charge premium rate? Should this be plural for the monies paid.

“The moral of the story is that if your company utilizes 1099 contractors, make sure you obtain proof of workers compensation covering said contractors – or else plan to pay work comp premium on those individuals,” Reid adds.

To find out more about 1099 contractors, please find the following link to the IRS website:

<http://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Independent-Contractor-Self-Employed-or-Employee>.

About AccuSure:

AccuSure (<http://www.AccuSure.com/>) helps small- to medium-sized businesses find and manage business insurance through a time-saving, simplified and transparent process. The patented software walks businesses through the application process, matching them to local, pre-qualified brokers. It then organizes the quotes into an easy-to-use format that allows customers to make an unbiased, apples-to-apples comparison via the Quote Analyzer tool. This results in agents providing customers the most competitive quotes for their business.

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