

## Avoid common workers' comp mistakes

MISTAKES, ESPECIALLY WITH SUBCONTRACTORS, CAN COST CONTRACTORS BIG.

**P**AYING FOR WORKERS' compensation is likely a large percentage of your overhead. Unfortunately for people who work in the horticultural business, they are more likely to get hurt on the job than people who work in other environments, such as in an office or retail store.

Falling down and heavy lifting on the job are two common workplace injuries; while employees of any industry are susceptible, horticultural and construction workers are particularly at risk. Because of that, workers' compensation is a critical form of coverage and important considerations need to be made to ensure your financial protection and prevent common mistakes.

### Sub mistakes

A lot of small and even mid-sized landscape contractors go wrong in hiring subcontractors. Many big companies won't even let a sub onto their work-sites without first checking certificates of insurance, but smaller companies aren't as accustomed to going through this routine—or maybe they're just in a rush to get the job done. But failure to check that your subs are fully insured can be a big mistake.

"When you hire a subcontractor, if you don't have proof to your insurance company that they are insured for workers' compensation to the same level that you are, then you end up paying the premium for them just as though they were one of your employees," says Ken Von Forell,

CPCU, director of independent agents at Hortica Insurance & Employee Benefits.

Von Forell says this happens fairly frequently in the industry. "Hiring subcontractors is a real area of concern because a lot of landscape contractors do it on the fly and they don't get all the paperwork that's required," he says. "Whether it's because they just forgot to check the certificates of insurance or they didn't know they were supposed to, the liability still falls on them. Sometimes a manager who has the authority to hire subs will hire someone without good communication with the boss—and the boss finds out later he had an uninsured sub working. At that point it may be too late."

### Don't miscategorize workers

Many times workers' comp mistakes are made unknowingly and certainly without malicious intent. In most of those cases, the biggest consequence will be a financial hit. In more serious cases, such as workers' compensation fraud, there can be legal repercussions such as jail time. For instance, some landscape businesses are knowingly using incorrect

employee classifications to save a buck.

"Putting your employees into the wrong category—such as claiming a field person is an inside salesman since the rate is so much lower—is a serious offense," warns Von Forell. "When it's

found out that you've falsely classified an employee, particularly when it's seen as an ongoing pattern, it will be reported as fraud. Any time there's a suspicion that you're trying to hide payroll or misclassify your employees, investigations will be done and authorities will be called in."

There's no doubt that workers' compensation is an area where businesses can easily run into trouble. Most of the time it's a simple mistake, but the consequences may be severe.

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CERTIFICATE OF INSURANCE

### A CLOSER LOOK AT CERTIFICATES OF INSURANCE

It's important to ensure subcontractors' certificates of insurance are current by carefully examining them. Follow these steps.

**1 Check the date.** "Make sure the coverage hasn't already lapsed," says Ken Von Forell, CPCU, director of independent agents at Hortica Insurance & Employee Benefits. "Some subs may try to use a certificate from last year's policy, assuming that it won't be carefully checked. But you absolutely need to check dates."

**2 Verify the company name.** If the sub has changed companies, the wrong company may be listed. "If you have to file a claim against them it can be a hassle trying to figure out who was the insurance carrier at the time," he says.

**3 Keep it on file.** "If you plan to use the sub again, go back to the file and make sure you still have an up-to-date certificate," says Von Forell. "It's important if you have an office manager handling those duties that he or she is well informed of the importance of always checking that file. It can be a matter of preventing serious financial or even legal consequences."