

Important Notice About Usage of Sole Proprietor Forms

Independent contractors should provide their own insurance for many reasons. Under the Michigan Workers' Disability Compensation Act, employers are responsible to insure their employees for injuries incurred on the job. Injured contractors without their own insurance may be covered under *your* Workers' Compensation policy.

If you do not report uninsured contractor payroll, you may have a higher experience modification factor. Any claim can negatively impact your experience modification factor the next 3 years. If members across the Fund regularly fail to report contractor payroll and claims are reported, higher claim payouts against lower premiums can also result in higher rates for all Fund Members.

Good risk management practices can alleviate some of this potential risk by following these procedures regarding contracted labor:

- When services are hired or a contract is signed, require that the contractor provide a current certificate of insurance, if they do have coverage (showing General Liability and Workers' Compensation). If they do not have Workers' Compensation coverage, their remuneration is considered part of your payroll, and must be reported when your policy is audited at the end of the policy term.
- If a certificate is not available because the contractor is an individual, provide the sole proprietor form for their signature. This Form Must Be Signed at the Time Services Are Requested or the Contract is Executed.
- Retain these documents (certificate or sole proprietor form) on file. When the payroll is audited, the municipality will not be charged premium for *insured subcontractors* or those with *sole proprietor signatures* on file.

Sole Proprietor Forms Are For Sole Proprietors, i.e. Individuals. The forms *cannot* be signed by owners of Limited Liability Companies (LLC's) or Corporations.

Should a claim arise, properly executed documents will expedite the claim handling process.

If you have questions about the usage of these forms call Kathleen Kennedy, Fund Underwriter, at 248.204.8530 or e-mail mml-fund@meadowbrook.com.