

VENDORS AND INSURANCE ISSUES

The Beven & Brock accounting office has been making a concerted effort to monitor the insurance status of all vendors who provide services. The reason for this is that if an Association utilizes vendors who do not carry either Worker's Compensation insurance themselves, or a liability policy that establishes that they are an independent contractor, that in the event of an injury on the property, in all likelihood, a determination will be made by the Worker's compensation Appeals board that the association will be responsible for the injured worker.

If a vendor has employees, but does not carry Workers compensation insurance the Association becomes liable for the employees of that vendor.

If there are no employees, it is important that the sole proprietor prove that he is truly an independent contractor, normally done by providing a liability policy, and a business license. If they are performing work that requires a license, they must also be licensed. For a list of trade areas for which a license is required, you may find that at:

<http://www.cslb.ca.gov/GeneralInformation/Library/LicensingClassifications/>

Our practice has been that if has not provided us evidence of insurance they were provided with a letter indicating this and it was attached to a recent check. The letter was copied in Green so that it would not be missed. Hopefully, the Treasurer sent that through along with the check. The letter indicated that we would not process any further checks until proof of insurance was provided.

We are now in the second stage of this process, where we, and possibly you are getting word that a vendor cannot be paid. There are a couple of solutions however to easily resolve this issue and make sure that the association is as fully protected as it can be:

- 1) The uninsured vendor can obtain insurance. We have referred many to an insurance agent who can help them. It is not expensive, although some have indicated they can't afford it. A liability policy is about \$1100.00 per year, and a Worker's comp policy would depend on payroll, but may start at about \$500.00 per year.
- 2) The association can utilize another vendor who has insurance.
- 3) The association can sign a form indicating that they are aware a specified vendor does not have insurance and the Board is authorizing payment anyway. This is not recommended unless the association also carries its own Worker's Comp policy as a part of its master policy. A typical minimum annual premium is about \$500.00 to \$700.00 and is generally available through your insurance agent. If you don't know if you carry a Worker's comp policy, check with your manager at Beven & Brock, or your insurance agent directly. This policy will act as an option of last resort, in case you want to use vendors who don't have insurance or if a vendor has insurance, but it lapses without notice, or if a vendor who has indicated he has no employees happens to pick up a day-worker, or asks a family member to take his jobs temporarily due to a family emergency.

The bottom line, all work conducted on your property, should be done by insured workers. If not the Association becomes responsible for any injuries that may result.

Associations are strongly urged to obtain Worker's Compensation insurance as a part of their Master Insurance package. This will provide for the best level of protection for the Association.

Our goal is to keep you informed, and to protect the Association.

Attached forms:

- 1) Pay Request - for boards to use to authorize payment without completed paperwork by a vendor
- 2) W-9 - Request for Tax Payer Identification number