

CONTRACTORS INSURANCE REQUIREMENTS

This letter is to advise you that your general liability and workers compensation insurance policies are subject to audit at the expiration date of your policy. The rating basis for determining the cost of your policy is based either on payroll or gross annual revenues or both.

At the inception date of each policy year, you estimate what your payroll and or gross revenues will be for the coming year. At the expiration date of your policy, you will be required to furnish your Insurance Company, either on a voluntary basis or by an actual physical audit, the exact payrolls or gross revenues and the prior years premium will be adjusted accordingly.

In addition, in the event you hire sub-contractors to work for you, you have additional requirements for your insurance policy. The Michigan Courts have ruled that in the event a sub-contractor is not insured, the client has a right to name you in a suit and your insurance policy, as you would wish, would need to respond to protect you. As a result, you need to obtain "Certificates of Insurance" from your sub-contractors showing that they do carry insurance themselves. If these certificates are not shown to your Company at the time of audit, your policy will be charged a premium for that sub-contractors exposure. In essence, you are providing their insurance coverage for them.

All contractors should carry General Liability coverage as there is no exemption for this type of exposure. It is my recommendation that you require your sub-contractor to provide you with a "Certificate of Insurance" with liability limits at least equal to what you have elected on your own policy.

A "Certificate of Insurance" should also be provided to you relative to Workers Compensation coverage. The type of document you receive from a sub-contractor for this coverage will vary depending on their legal entity status.

A sole proprietor with no employees is automatically exempt from the workers compensation law. Each contractor who is a sole proprietor and has no employees must complete a sole-proprietor statement which can be obtained from The White Agency.

Contractors whose legal entity status is that of a Corporation, LLC, or Partnership must provide you with a "Certificate of Insurance" showing their Insurance Company name, policy number, and policy dates of their coverage. In certain circumstances, these types of entities may possibly be exempt from workers compensation coverage requirements as well. In order to be exempt, they must obtain a "notice of exclusion" form number "BWC 337" issued by the Department of Labor, State of Michigan. Contractors who believe they are exempt from this coverage must call the Department of Labor at #517-322-1195 and request this exemption. If they are exempt, the State will issue the form stated above and the sub-contractor should furnish you a copy of this form.

This information is to be used as a guide and may not be all inclusive as to insurance requirements. We will be happy to discuss any questions you may have relating to this information. Please call us at any time to answer questions you may have.

Sincerely:

The White Agency, Inc.