**Mystery Solved: Workers Compensation Insurance**

**For Manufactured Home Community Owners and Retailers**

Workers compensation insurance is a mystery to many. People with employees ask me from time to time whether they need workers compensation insurance. My reply is meant to catch their attention, “Not if you can afford to pay an employee’s medical expenses and lost wages… for life.” When an employee is injured on the job, workers compensation insurance pays their wages and medical expenses for as long as they are injured. Also, those that carry workers compensation insurance cannot be sued in civil court for on the job injuries. When your business carries workers compensation insurance, its benefits are the employees’ only option. A few years ago, a Texas worker lost a finger in a work-related accident. As his employer didn’t carry workers compensation insurance, the employee was allowed to sue in civil court. His silver-tongued lawyer had the jury in tears and won a $21 million dollar judgment… for a finger! Had the employer had workers compensation insurance, the claim would have paid medical expenses (about $2,000) plus $7,200 of indemnity. Plus, it’s likely there would have been no trial.

Workers compensation insurance premiums are a function of payroll and job functions. While rates can vary significantly from state to state, the following are reasonable bench marks. In-office only personnel pay less than 1% of payroll. Park Managers who are in and out of the office, typically pay slightly less than 2% of payroll. Sales personnel at retail centers typically pay a little more than 1% of payroll. Park and retail center maintenance/service personnel pay about 5% of payroll. Toter drivers will often pay 6% to 8% of payroll. If an employee does more than one function, they are rated as the most hazardous function. In addition, a company’s safety history matters. Those with good loss records get discounts, and vice versa.

When buying workers compensation insurance, you pay a “deposit” up front. This is an estimated premium based on what you project your coming twelve months of payroll to total. In almost every instance, the workers compensation insurance company will ask for your actual payroll after the policy period has concluded. If you underestimated, you’ll be billed for the difference. If you overestimated, you’ll receive a partial refund. If you misclassified employees, they’ll be reclassified and rated accordingly.

Home retailers in particular can have large workers compensation insurance audit bills due when they fail to require their subcontractors to show proof of workers compensation insurance. In these cases, the retailer’s insurance company presumes they acted as the insurance provider for the subcontractor’s employees. Therefore, they charge the retailer for this additional risk.

To prevent painful audits, take these three steps. First, require all your subcontractors to provide you with a “Certificate of Insurance” that evidences they have workers compensation insurance. Second, have the subcontractor sign a contract stating that his workers are not your employees and that he will be wholly responsible for all workers compensation obligations associated with his workers. This should include language that if he fails to do so, you can deduct the insurance cost from his contract (There is a model “Performance Agreement for Subcontractors” at www.mobileagency.com in the “Forms” section for your use). Third, keep the above referenced documents in a safe convenient place. You’ll be thrilled you have them handy when your workers compensation auditor calls at year end.

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