

Defined

Spring 2018 Newsletter



Ascend Construction

Business Insurance Solutions

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When is a Bona Fide Subcontractor actually a Labour only Employee?

There are some areas that need consideration when employing subcontractors and the potential exposure to your insurance arrangements.

Many clients use subcontractors in the course of their business. This is quite normal of course and the client will expect to be insured for their use.

But do they know the potential pit falls?

Subcontractors fall into two classes. What are they and how do you insure?

Labour only subcontractors are individuals who are to all intents and purposes temporary employees but not paid via your

payroll. Tax and insurance treatment may differ but the main qualifier in the insurance world is that they work under your day to day control – where and when you direct and without the right to subcontract their work or provide a substitute for their labour. They may or may not provide their own tools and they may or may not hold their own Public Liability insurance.

You are responsible for their welfare and their actions while they are working for you and you must insure as if they were employees.

You will need to advise your insurer of payments to labour only sub-contractors or, on headcount based policies, the number of contractors involved.



Cyber Insurance Explained

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Watch out for:

Business description

- Your policy business description must allow for the inclusion of their activities. E.g. if your policy says Plastering you can't employ a labour only subcontractor to do electrical work and expect your insurance to respond.
- If your policy is headcount based with an optional extension for temporary workers be careful – regardless of your policy business description the extension may exclude temporary employees (and their actions) when employed for some types of work. Even if you are insured for that work using employees on your payroll any claim you may make could be effected.

Bona-fide subcontractors are all others contracted to perform on your behalf work which you have yourself contracted to perform.

You will need to advise your insurer of payments to subcontractors

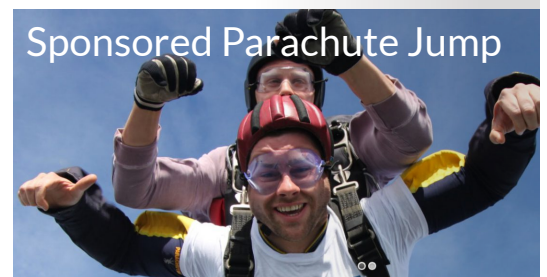
Watch out for:

Policy conditions in relation to use of bona-fide subcontractors. These will probably include:

- A requirement to discover and record their insurance details to ensure they are insured for the time they work for you and for the type of work done
- A requirement that they insure for at least the same Public Liability limit as you do.

Remember, these conditions are standard for all buyers of that policy with your insurer and your broker may be able to negotiate changes in your own case.

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A Different View



Claim Denied - Does your business description fully describe your activities?

Does your business description on your policy documentation fully describe all your business activities? We often discover inaccurate or incorrect descriptions which could make a policy void in the event of a claim, we explain more...

A man is working on a building site somewhere in Essex. A trained operator, he is digging a hole with a JCB excavator. Unnoticed by him a fellow employee climbs into in the hole and he catches him a blow on the chest and arm with the bucket of the machine then, panicking, he hits him again on the head.

The man is rushed to hospital. He is severely injured and will never work again but he survives. The estimated cost of a claim is assessed at £2million.

Shouldn't happen but of course these things do from time to time and that's

what insurance is for, right? The employer, a subcontractor, has Employer's Liability insurance for £10million. But the insurer denies the claim. Why?

Because the business description on the policy is 'Bricklayers' they say. That doesn't include use of a JCB or excavation. No-one ever told them the insured might do this kind of work and they wouldn't have insured him if they had known.

So – over to the main contractor – he has overall responsibility for site safety and has Public Liability insurance for £5million. But 'not us' says his insurer – the policy has conditions around the use of sub-contractors, you must check that they are insured for the work to be undertaken – they weren't and you didn't.

The main contractor and sub-contractor are both out of business

[Read more](#)

Ascend 24/7 app is launched

We are pleased to announce the launch of our ground breaking client app and web portal providing you with immediate access to our back office making day to day administration of your portfolio as simple as can be.

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