



Liberty Mutual Group

P.O. Box 8090
Wausau, WI 54402-8090

November 19, 2009

RE: Workers Compensation Insurance

Insured:
Policy number:
Effective date:

Dear North Carolina Policyholder,

The following information applies if you use subcontractors.

General Statute 9719 removes the requirement for Workers Compensation coverage for sub-contractors with no employees.

This statute states the principal contractor is liable for coverage of the employees of the uninsured sub-contractors, regardless of the number of employees the sub-contractor has. (Note that North Carolina Workers Comp Act requires Workers Comp if the employer regularly employees 3 or more people.)

Additionally, you could be liable for the premium of a subcontractor who has a worker's compensation policy, but decides to reject coverage from his/her policy, if an employer/employee relationship exists. General liability insurance certificates and/or written agreements are not sufficient as evidence of independent contractor status. In making our determination, we will consider the frequency of work, method of pay, type of work performed, extent of control, who supplied the tools and other factors.

To avoid billing issues, you should obtain workers' compensation certificates of insurance regularly from all of your subcontractors.

As your worker's compensation insurance carrier, we are entitled to collect premium for payments made by you to uninsured subcontractors. The premium basis used to calculate this charge would be the actual payroll for the employees of the uninsured subcontractors, if those records were available. If the complete payroll records for the subcontractor's employees are not available, we will use the subcontract price as the premium basis, subject to the following:

If the subcontract price does not reflect a definite payroll amount, we will use the full price for the work performed during the policy period as payroll.

If the subcontract price does reflect a definite payroll amount, we will use the amount indicated subject to the following:

If the job involves:

Mobile equipment with operators we will use not less than 1/3 of the contract price
Labor only we will use not less than 90% of the contract price
Labor and materials we will use not less than 50% of the contract price
Piecework we will use 100% of the contract price

Failure to pay premium for uninsured subcontractors may result in cancellation of your policy.

If you have any questions or concerns, please feel free to contact our office.

Sincerely,

Shannah Clements

Shannah Clements
Involuntary Market Operations

cc: SFI GROUP INC