Three is the Magic Number!

The 2012 in-depth investigative series published by the News & Observer regarding the N.C. Rate Bureau’s database of insurance policies revealed that 30,000 or more businesses in North Carolina did not have the proper insurance to cover their employees who are injured on the job.

The professionals at First Benefits Insurance Mutual (FBIM) believe that better education of the state’s workers’ compensation laws should be part of the solution. Having worked with agents and insureds for over 20 years, the FBIM staff believe that it is highly unlikely that every uninsured employer is uninsured intentionally. Yet, every employer puts his employees at risk when they fail to have adequate coverage.

FBIM is a monoline workers’ compensation carrier that specializes in writing workers’ compensation policies in North Carolina. Our staff primarily work with independent insurance agents, but in our dealings with the insureds we do find that many times a new business owner or small business owner is simply unaware of the state’s requirement that the business provide workers’ compensation insurance if they have three or more employees.

As they are currently written, the state’s laws often are confusing to small business owners. The North Carolina Industrial Commission’s website attempts to explain, but there is still a misconception in the marketplace of how many employees are needed to meet the requirement to carry workers’ compensation insurance.

If a business is a sole proprietorship, partnership, LLC, estate, or trust, then it is required by law to carry coverage once it has three (3) employees who are regularly employed, in addition to the sole proprietor, partners, formulators of the LLC, executor of the estate, and bearer of the trust. It does not matter if these employees are full time, part time, regular seasonal or family members.

However if a business is incorporated, including all forms of corporations and those which have non-profit status, then it is required by law to carry coverage once it has a total of three (3) people in the corporation. Everyone is included in the headcount, including corporate officers.

An agricultural operation must carry coverage when there are ten (10) or more regular, non-seasonal employees. Any other business entity not mentioned above would use the three (3) or more employees rule. Certainly there are bad apples in any basket, but a focus on public education of the issue and the horrible consequences of an uninsured accident happening [for both the employer and employee] should be one of the first steps in closing the gap between insured and uninsured.

In addition to being personally responsible for the loss costs, business owners can be charged with a Class H felony for failing to carry workers’ compensation, and they can be fined as much as $100 a day for each day they go without coverage.

Instead of finger-pointing, FBIM staff suggest that the public focus more on what is most important here - protecting employees AND their employers. Workers’ compensation is a balance in protecting the employee in the event of an unfortunate on-the-job accident, while at the same time it protects the employer from exorbitant costs related to litigation, medical expenses and other business expenses related to workers injuries.

What’s more even small businesses not required by law [less than three employees] could be put out of business by one workplace accident. It just makes good business sense to be insured.

About First Benefits Insurance Mutual:
First Benefits Insurance Mutual (FBIM) is a North Carolina-based mutual insurance company that specializes in providing workers’ compensation insurance. With over 20 years of experience, FBIM prides itself on personal service, sound underwriting and aggressive claims management. www.firstbenefits.org