

UNDERSTANDING SUBCONTRACTOR WORKERS' COMPENSATION IN SOUTH CAROLINA: A GUIDE FOR GENERAL CONTRACTORS



Managing subcontractors impacts more than just scheduling and scope. It carries real risk for general contractors if the subcontractors' workers' compensation coverage is not properly verified.

This guide outlines what South Carolina general contractors need to know to protect their business, their team and their bottom line.

What Is the Statutory Employee Doctrine?

In South Carolina, the **"statutory employee doctrine"** means that if a subcontractor is performing work that is part of your business, their employees are considered your employees for workers' compensation purposes.

This applies regardless of the number of people employed by the subcontractor or the structure of the agreement.

If a subcontractor does not carry workers' compensation insurance, the responsibility shifts directly to the general contractor.

Why Coverage Verification Matters

Before any work begins, it is critical to confirm that every subcontractor has active workers' compensation coverage.

If coverage is not verified:

- Claims may be charged to your policy
- Your premiums can increase significantly
- You assume liability for injuries you did not directly cause

Verifying subcontractor workers' compensation coverage is best practice for protecting your business from unnecessary risk.

Key Risks for General Contractors

Without proper oversight, subcontractor relationships can expose your business to:

- Unexpected workers' compensation claims
- Increased insurance premiums
- Audit complications and additional costs
- Project delays due to non-compliance
- Legal and financial liability

Taking a proactive approach helps minimize these risks before they impact your operations.

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Best Practices Before Work Begins

To protect your business, SCHBSIF recommends the following steps:

1. Require Proof of Coverage

Obtain a current Certificate of Insurance (COI) before any subcontractor begins work.

2. Review Coverage Details Carefully

Confirm policy dates, coverage limits and that the subcontractor is properly listed.

3. Monitor Coverage Throughout the Project

Track expiration dates and request updated certificates before policies lapse.

4. Verify Coverage When Needed

If anything appears unclear, confirm coverage directly with the carrier or through available verification tools.

5. Apply Requirements to All Tiers

Ensure subcontractors extend these requirements to any lower-tier subcontractors they hire.

Stay Ahead of Audits and Surprises

Accurate records and consistent verification can help prevent audit issues and unexpected premium adjustments. Maintaining documentation for each project ensures you are prepared if questions arise later.

Supporting Your Business

Understanding how workers' compensation applies to subcontractors is essential to managing risk in South Carolina. With the right processes in place, you can avoid unnecessary exposure and keep your projects moving forward with confidence.

