



South Carolina Workers' Compensation Insurance Compliance Checklist

Essential Steps to Protect Your Columbia-Area Business and Employees

Why This Matters: Workers' compensation is REQUIRED BY LAW in South Carolina for businesses with 4 or more employees (including part-time and family members). Operating without coverage isn't just risky, it exposes you to devastating financial consequences. The SC Uninsured Employers Fund has paid out tens of millions of dollars for uninsured claims since 2008, and they WILL place a lien on ALL your business assets to recover every penny. Don't let one workplace injury destroy everything you've built.

Coverage Requirements & Compliance

Verify you have 4+ employees (including part-time and family members)

Example: Count ALL employees on your payroll, full-time, part-time, seasonal, and even family members who work for your business (paid or unpaid). If you have 3 full-time employees and 1 part-time worker who comes in twice a week, that's 4 employees and you MUST have workers' comp coverage.

Consequence if skipped: SC law is clear: 4+ employees = mandatory coverage. Operating without it is illegal. When an employee gets injured, the Uninsured Employers Fund pays their claim, then places a lien on ALL your business assets (equipment, inventory, property, bank accounts). The state WILL seize and sell your assets to recover every dollar paid plus collection costs. You could lose your entire business over a single workers' comp claim. **Benefit:** Compliance protects your business from asset seizure. Even if you have only 3 employees now, getting voluntary coverage prevents gaps when you hire that 4th person. Many businesses get coverage voluntarily to protect themselves even with fewer employees.

Purchase coverage from a licensed SC insurance carrier or through the assigned risk pool

Example: Work with a licensed insurance agent (like Safe Harbor Insurance Advisors in Lexington) to get quotes from multiple carriers. Most SC businesses pay around \$150/month in premiums (\$1.41 per \$100 of payroll on average). High-risk businesses that can't find private coverage can access the NCCI-administered assigned risk pool.

Consequence if skipped: Without a valid policy, you have ZERO protection when an employee gets hurt. The employee files a claim with the Uninsured Employers Fund. The state pays up to hundreds of thousands of dollars in medical bills and lost wages, then comes after YOUR business assets with a



lien that survives bankruptcy. Even if you file Chapter 7, the state can still collect.

Benefit: A valid policy transfers risk to the insurance carrier. For an average of \$150/month, you get unlimited medical coverage and wage replacement for injured workers. One serious injury could cost \$200,000+ insurance pays it, not you.

Display your workers' comp coverage information prominently in the workplace

Example: Post your insurance carrier's name, policy number, and claims reporting phone number in a visible location where all employees can see it (break room, employee entrance, time clock area). Include instructions on what to do if injured on the job.

Consequence if skipped: Employees don't know you have coverage or how to report injuries properly. This leads to delayed reporting, improper medical treatment, and claim complications. Late reporting can result in \$200 fines from the SC Workers' Compensation Commission.

Benefit: Clear communication ensures employees report injuries immediately and seek approved medical care. This reduces claim costs, prevents fraud, and demonstrates your commitment to employee safety. Proper notification avoids fines.

Understand employee classification rules (not all workers are covered automatically)

Example: Sole proprietors, LLC members, and partners are automatically EXCLUDED from coverage (but can opt in). Corporate officers are automatically INCLUDED (but can opt out by filing forms). Independent contractors you hire are NOT covered unless they have their own policies. Agricultural workers, railroad employees, and casual workers are exempt from the requirement.

Consequence if skipped: Misclassifying employees as independent contractors to avoid coverage is illegal and commonly prosecuted. If a contractor gets hurt and the state determines they're actually an employee, you're liable for ALL their medical bills, lost wages, and permanent disability costs potentially \$500,000+ for a serious injury. The state will pursue collections aggressively.

Benefit: Proper classification ensures coverage for all who need it and exempts those who don't. Many owners/partners voluntarily elect coverage for themselves (personal health insurance often denies work-related injuries). Correct classification prevents legal problems.

Claims Management & Reporting

Report ALL workplace injuries to your insurance carrier within 90 days



Example: When an employee reports ANY work-related injury, even minor ones like a small cut or muscle strain, notify your insurance carrier immediately. Take photos, document witness statements, and preserve any evidence. File the Employer's First Report of Injury with both your carrier and the SC Department of Labor promptly.

Consequence if skipped: SC law requires injury reporting within 90 days or the employee forfeits their right to benefits. However, failing to file the Employer's First Report of Injury results in automatic \$200 fines from the Workers' Compensation Commission (though appealable). Delayed reporting also allows injuries to worsen, increasing claim costs dramatically.

Benefit: Immediate reporting gets injured employees the medical care they need quickly, which reduces claim severity and costs. Proper documentation protects against fraudulent claims. Timely reporting maintains compliance and avoids fines.

Direct injured employees to approved medical providers

Example: Maintain a panel of approved physicians and medical facilities that accept workers' comp cases. When an employee is injured, they can seek emergency care anywhere initially, but all follow-up treatment must be with approved providers. Provide employees with the approved provider list in writing.

Consequence if skipped: If employees seek treatment from non-approved providers after initial emergency care, the insurance carrier can DENY all medical costs and benefits. The employee then receives nothing, creating massive problems. Unapproved providers may charge excessive fees or extend treatment unnecessarily, inflating claim costs.

Benefit: Approved providers understand workers' comp procedures and keep costs reasonable. They provide proper documentation and return-to-work evaluations. This ensures claims are paid promptly and employees receive appropriate care.

Implement a formal return-to-work program for modified duty

Example: Create light-duty or modified work options for injured employees recovering from injuries. For example, if a warehouse worker can't lift heavy items but can sit, assign them to answer phones or do data entry. Document all modified duty offers and have physicians approve them.

Consequence if skipped: Injured employees stay home collecting 2/3 of their wages indefinitely, maximizing your claim costs. Extended time off worsens injuries, delays recovery, and creates permanent disability claims. Workers' comp costs spiral out of control when employees don't return to any form of work.

Benefit: Modified duty programs can reduce claim costs by 40-60%. Employees heal faster when active rather than sedentary at home. You maintain productivity and morale. Early return-to-work is the #1 factor in controlling workers' comp costs.



Cost Control & Safety

Ensure accurate employee classification codes (class codes)

Example: Workers' comp premiums are calculated based on job classification codes assigned by the National Council on Compensation Insurance (NCCI).

A receptionist has a much lower rate than a roofer. Make sure every employee is classified correctly. If someone performs multiple duties, they should be classified by their primary job function.

Consequence if skipped: Incorrect classification leads to overpaying premiums (if you classify everyone as high-risk when they're not) or MASSIVE retroactive bills during audits. For example, if you classified construction workers as office staff, your audit could reveal you owe \$15,000+ in back premiums plus penalties.

Benefit: Accurate classification ensures you pay the correct premium, not too much, not too little. This prevents surprise audit bills and maintains good standing with your carrier. Annual savings can be thousands of dollars for proper classification.

Implement and document a comprehensive workplace safety program

Example: Conduct regular safety training, provide proper protective equipment, maintain equipment properly, and document everything. Hold monthly safety meetings. Create written safety policies. Conduct job hazard analyses. A documented safety program can qualify for premium discounts up to 10-15%.

Consequence if skipped: More accidents mean more claims. More claims mean higher premiums. Your Experience Modification Rate (EMR) increases, potentially doubling your premiums for 3+ years. One serious injury can increase your premiums by \$5,000-10,000 annually for years. OSHA violations bring additional fines.

Benefit: Fewer injuries mean lower premiums. A strong safety program qualifies for immediate premium discounts. You protect employees from harm while protecting your bottom line. Some businesses reduce premiums by 20-40% through aggressive safety programs.

Review your Experience Modification Rate (EMR) annually

Example: Your EMR is calculated based on your claim history compared to similar businesses. An EMR of 1.0 is average. Below 1.0 earns discounts; above 1.0 increases premiums. If your EMR is 1.3, you pay 30% MORE than baseline rates. Request your EMR annually and understand what drives it.

Consequence if skipped: You could be paying massive premium penalties without realizing it. A business with \$50,000 in annual workers' comp premiums and an EMR of 1.4 pays an extra \$20,000 annually. That's \$20,000 wasted every year due to poor claims management.



Benefit: Understanding your EMR lets you address issues driving it up. Challenge incorrect claims, implement safety improvements, and work toward discounts. Reducing your EMR from 1.3 to 0.9 could save \$20,000+ annually.

Consider pay-as-you-go workers' comp (if you have fluctuating payroll)

Example: Traditional policies require large upfront premiums based on estimated payroll, followed by audits. Pay-as-you-go links premiums directly to actual payroll each pay period. Great for seasonal businesses, construction companies, and businesses with variable staffing. Avoids surprise audit bills.
Consequence if skipped: Traditional policies require \$10,000-30,000 upfront deposits for estimated premiums. If you underestimate payroll, year-end audits can demand \$15,000+ in additional premiums immediately. This cash flow hit can devastate small businesses.

Benefit: Pay-as-you-go requires minimal upfront costs and spreads premiums throughout the year. No surprise audit bills. Better cash flow management. Particularly valuable for businesses with seasonal fluctuations.

Special Considerations for Columbia-Area Contractors

Verify subcontractors carry their own workers' comp coverage (CRITICAL)

Example: If you're a general contractor, you are legally responsible for injuries to subcontractors' employees if the subcontractor lacks coverage. ALWAYS get certificates of insurance from every subcontractor before they start work. Keep copies on file. Many require subcontractors to name you as certificate holder.

Consequence if skipped: If a subcontractor's employee gets hurt on your job site and the sub has no coverage, YOU are liable for ALL medical bills, lost wages, and permanent disability costs. One serious injury could cost \$300,000-500,000. Your insurance may not cover it if you didn't verify the sub's coverage.

Benefit: Requiring proof of coverage transfers liability to the subcontractor's carrier. This protects you from devastating claims. Your own premiums stay lower because you're not covering uninsured subs. This is standard practice for good reason.

Understand statutory employee rules for construction

Example: In SC, employees of subcontractors are considered statutory employees' of the general contractor. This means if the sub lacks coverage, the general contractor is automatically liable. This applies even if you thought you hired an independent contractor.

Consequence if skipped: You hire a painter as an independent contractor to save money. They fall off a ladder and suffer permanent injuries. The state determines they're actually a statutory employee. You owe \$400,000 in medical bills and permanent disability. Your business goes bankrupt.



Benefit: Understanding statutory employee rules prevents financial disasters. Either require all subs to carry coverage OR include them in your own policy. This protects you from unexpected liability.

Annual Review & Maintenance

Review your policy annually and shop for competitive rates

Example: Workers' comp rates vary significantly between carriers. Review your policy 60-90 days before renewal. Update payroll estimates, verify classification codes, and get quotes from multiple carriers. An independent agent like Safe Harbor Insurance Advisors can shop multiple carriers for you.
Consequence if skipped: Many businesses stay with the same carrier for years, paying 20-40% more than necessary. Your business changes, but your coverage doesn't. You could be wasting \$5,000-15,000 annually in overpayments.

Benefit: Annual shopping ensures competitive rates. Independent agents access multiple carriers and find the best coverage at the lowest cost. Even if you don't switch carriers, negotiation often yields savings.

Verify coverage remains in force and hasn't lapsed

Example: Set calendar reminders for premium payment due dates. Ensure autopay is working properly. If your policy lapses even for one day, you're operating illegally and exposed to full liability. Check your certificate of insurance quarterly to confirm active coverage.

Consequence if skipped: A missed premium payment causes a lapse. An employee gets injured during the lapse. Your carrier denies the claim. The Uninsured Employers Fund pays out \$150,000. The state places a lien on **ALL** your assets and begins collection proceedings.

Benefit: Continuous coverage eliminates gaps. Set up autopay and verification systems. Your agent should send renewal reminders 60 days in advance. Never risk a coverage lapse.

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- ✓ We shop multiple carriers to find you the best rates
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- ✓ Claims support and safety program recommendations
- ✓ Pay-as-you-go options available for better cash flow

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