



# CAMBRIDGE

## PROPERTY & CASUALTY

### SPECIAL REPORT

## WORKERS' COMPENSATION FOR THE HOMEOWNER AND SMALL EMPLOYER

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A great deal of confusion centers around who must secure Michigan workers' compensation insurance.

Too often only after an asset-threatening claim does a homeowner or a small commercial employer discover that absent a workers' compensation policy, his/her liability insurance cannot or inadequately responds.

Also, Department of Labor fines and penalties often apply because of such failure.

The following questions and answers may provide guidance for those in doubt.

### **Question:**

What does the law say?

### **Answer:**

The Michigan Workers' Disability Compensation Act mandates that workers' compensation insurance must be carried by all private (not municipal) employers with:

1. One or more employees 35 hours or more per week for 13 weeks or longer during the preceding year; or

2. Three or more employees at one time. (This includes part-time employees.)

### **Question:**

What if I have not met the "preceding 13 weeks" test?

### **Answer:**

If you expect to have one (or more) employee(s) on your payroll for 13 consecutive weeks now and into the future, the historical test should be ignored and you should buy workers' compensation immediately.

While some homeowners policies provide limited medical payments, they do not cover lost wages. Therefore, homeowners policy coverage is certainly far too limited to offer true protection.

Why risk cancellation of your homeowners policy because of a large lawsuit? The potential for large uninsured wage losses and medical bills should certainly be an incentive to purchase workers' compensation.

**Question:**

What about domestics?

**Answer:**

The law defines a domestic as one “who engages in work or activity relating to the operation of a household and its surroundings.”

The law excuses domestics for workers’ compensation eligibility:

1. If they work less than 35 hours a week for 13 weeks or longer during the past year, or
2. If they are live-in relations (wife, child, others).

The law does allow voluntary purchase of workers’ compensation for domestics by “private employees.”

**Question:**

We are already required to deduct federal, state and local withholding and PICA. Are these not the same as workers’ compensation?

**Answer:**

No. Federal Income Tax, Michigan Income Tax and FICA (Social Security) have nothing to do with workers’ compensation insurance. Workers’ compensation must be purchased separately.

**The Inevitable Question:**

Is workers’ compensation expensive?

**Answer:**

A workers’ compensation policy for only one part-time inservant can be as little as \$150 annually or for only one full-time inservant is \$350 at current rates.

**SUMMARY**

We recommend that small employers and householders not rely on luck or liability coverages which exclude workers’ compensation. Instead, you should secure workers’ compensation coverage in order to be fully protected.