

LOSC OR BFSC

What's the difference?



Subcontractor relationships are common in many trades and industries, but not all subcontractors are treated the same in the eyes of insurance. Whether your client works with Labour-Only Subcontractors (LOSCs) or Bona Fide Subcontractors (BFSCs) – understanding the difference is crucial to ensuring accurate cover and avoiding costly claims disputes.

LOSC or BFSC: What's the difference?

Labour-Only Subcontractors (LOSCs)

LOSCs work under the direct control and supervision of your client. They typically use your client's tools, materials and equipment, and are paid hourly or daily – just like an employee. That's why, for Employers' Liability (EL) purposes, they must be treated as employees. They should be included in wage roll declarations and disclosed correctly.

Bona Fide Subcontractors (BFSCs)

BFSCs, on the other hand, are independent. They bring their own tools, use their own materials, and work without direct supervision. Crucially, they are responsible for carrying their own EL and Public Liability (PL) insurance. They're not classed as employees, but they do present a PL risk to your client.

Why getting this right matters

Failing to correctly classify subcontractors can put your clients at risk of:

- **Claims being declined** under their EL or PL policies
- **Under-declared premiums** and potential breaches of policy terms
- **Regulatory breaches** under the Employers' Liability (Compulsory Insurance) Act 1969
- **Gaps in cover** if a BFSC doesn't have the suitable insurance required

What brokers should be advising

Help your clients protect their business and stay compliant by encouraging them to:

- Regularly review subcontractor arrangements
- Assess control and integration – who decides what gets done and how?
- Collect proof of insurance from all BFSCs, including valid EL and PL certificates
- Declare all LOSCs as employees for EL and wage roll purposes
- Disclose use of BFSCs to ensure PL exposure is fully understood

37% of buildings insurance claims were

REJECTED

often due to consumer misunderstanding of coverage, exclusions or policy terms

Which?



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