

Contract Language: Business Owners Choose Your Words Carefully

If your business uses outside service providers to perform work at your location, you may be held financially responsible for injuries or property damage that you are not even aware of! This can lead to costly claims. You can avoid this exposure by having proper contractual controls in place.

Start by examining your operations to see what type of business relationships you have with outside service providers. Do you use outside service providers for services such as: pool maintenance; building repairs; catering; temporary staffing; special events, or snow removal?

Your business must be adequately protected with a well-outlined contract and clearly defined insurance agreement with any outside service provider. For example, if you hire an outside service provider to perform building or roof repairs, you don't want your business held responsible for injuries to guests or employees from the actions of the contractor or damage to your building from faulty workmanship.

Questions to consider when any outside service provider works on your property or for your business:

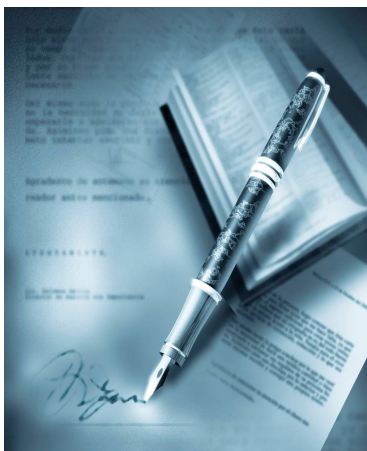
Does the service provider have appropriate insurance and coverage amounts?

Do you have a formal, well-written contract with the service provider?

Is the service provider sub-contracting any work to another service provider?

Did the appropriate person at your business sign the contract?

Having a good, proactive contractual review process can help avoid costly legal situations. The guidelines discussed here apply to any outside service provider doing work for your business or on your property.



Basic Elements

Below are the basic elements of a contractual liability loss prevention program:

ALWAYS have formal contracts signed with all vendors working for you or on your property. Never assume casual relationships with outside companies or persons.

ALWAYS involve your legal counsel in any contract work. Use attorneys

familiar with contract law in your state.

Limit the authority to sign contracts to only senior management or corporate level executives.

Obtain ORIGINAL Certificates of Insurance

ANNUALLY for all persons or companies working on your premises or for your business.

General Insurance Requirements

Below are some suggestions pertaining to insurance:

Verify that the service provider has both worker's compensation and general liability insurance. Also keep in mind that other coverages may be necessary, such as automobile liability, liquor liability, and professional liability. Consult your legal counsel and insurance agent to determine the coverages needed.

Verify the limits of insurance are adequate. We generally recommend the service provider have limits equal to or greater than yours.

Require the service provider to add your business as an "additional named insured" on their general liability insurance policies.

Require the service provider to be insured by a company with appropriate financial strength.

Verify, in writing, that the service provider's insurance carrier provides a minimum notice of 30 days before cancellation or non-renewal and that the insurance carrier waived their subrogation rights.

Specific Contract Recommendations

Below are some suggested contractual provisions that may benefit your business:

Include the insurance requirements listed above as part of the formal contract.

Ensure that the contract clearly states the duties, responsibilities, and expectations of all parties involved, to the extent that they have control.

Include language holding your business harmless from any and all liabilities arising from the vendor's duties or work, regardless of fault.

Include wording that says the service provider will indemnify and defend your business for all losses arising from the work that they performed.

If the service provider is doing work requiring federal or state licensure or certifications, include language requiring the service provider to provide proof that every person sent to your business has the proper and required professional training and are qualified to perform the work they are doing.

Consider performing a financial analysis of the service provider to ensure they can pay their insurance and meet their contractual obligations.

Include time commitments and expectations that are clearly stipulated (who does what by when). This includes any work being done by sub contractors.

These are some basic contractual and insurance requirements to help protect your business. Always consult legal counsel who is well versed in the contract laws of your state and your insurance agent before working with outside vendors.

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