

Loss Prevention

Please route to:

- Owner
- General manager
- Sales manager
- Service manager
- Office manager

Liability exposures: Use of contractors and vendors

A leak develops in the roof above the business office and must be repaired immediately. The manager looks in the phone book and calls a roofing repair company to come in and fix the leak. The contractor shows up quickly, but before any repairs are made, one of his employees falls off a defective ladder and is severely injured. Tough break for that guy and the roofing repair company?

It could also be a tough break for your business – in the form of a liability lawsuit. Your business will be protected from liability only if a representative of the roofing repair company signed a Hold Harmless Agreement before commencing work at the business office.

Landscaping crews, window washers, plumbers, heating/AC contractors and many assorted vendors may visit your business every day. Have you ever considered them to be a threat to your business? The fact is that your business can be held liable for injuries to their employees, or injuries to others that were caused by their employees. You could also end up paying for damages to your property that the contractor or vendor should be held accountable for.

The exposure created by using off-premises contractors can be equally significant. Any time contractors are hired to service, change or modify vehicles or other mobile equipment, you could be held liable for claims arising out of

their completed work. Many of these companies come and go, so it is important to choose contractors wisely. After an incident occurs it is often too late to find out how long they've been in business, what kind of reputation they have or to verify insurance (products/completed operations) coverage.

What you can do

Following these guidelines can help reduce the exposure created by hiring contractors and subcontractors, or when inviting vendors onto your property:

- Contractors, subcontractors and vendors should provide certificates of insurance as evidence of the following coverages:
 - Workers' Compensation
 - Commercial General Liability
 - Automobile Liability
 - Umbrella Liability
- Certificates should be mailed directly to you from the insuring company or agency.
- The "rule of thumb" is that the contractor, subcontractor or vendor's limits should be at least as high as yours.
- Review the effective and expiration dates and update the certificates as necessary.
- Include in all contracts a requirement that the other party add your company as an "Additional Insured" on their General Liability policy.

- Require the contractor, subcontractor or vendor to sign an "Indemnification and Hold Harmless Agreement."
- Develop an "Approved Vendor List" documenting all contractors, subcontractors and vendors approved to do business with your company and make certificates of insurance a requirement for being included on the list.
- Selection of a contractor or subcontractor should be based on experience and expertise, not price.
- Do not lend tools or equipment to contractors; injuries caused by defective equipment may be grounds for litigation.
- Make sure all subcontractors are held to the same standards as the general contractor.
- Transfer risk associated with contracts or agreements (e.g. sublet repairs).
- Require liability insurance to fund the transfer of liabilities.

Select a contractor or subcontractor based on:

- Expertise and experience.
- A proven track record.
- Compliance with all standards and codes.

Arrange a pre-project meeting with contractors and subcontractors to review:

- Specific safety requirements for critical items.
- Areas restricted to the contractor or subcontractor's employees.
- Condition of equipment to be used by the contractor or subcontractor.
- Safety considerations for installation of major equipment.

Having an "Approved Vendor List" in place will provide guidance to employees under ordinary circumstances and during emergencies. Remember, the best time for establishing a program for selecting contractors, subcontractors and vendors is prior to an emergency. Using the above guidelines can help protect your business and ensure the risk is retained by contractors, subcontractors and vendors, where it belongs.

Loss prevention information

For questions about this loss prevention topic, contact the Zurich Risk Engineering Department at 800-821-7803.

Product and service information

For more information on any of Zurich's products or services, visit www.zurichna.com/zdu.

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