

Celebrating
our 60th
anniversary

Contracts
should be
created by
your attorney.

Lewis-Chester Assoc., Inc. / 908.273.6100

Risk Transfer to Contractors using written contracts and smart insurance requirements



When hiring a landscape contractor or contracting for snow removal, a substantial renovation or to build an entire new building for your organization, a written contract with each vendor or contractor should include insurance requirements, which

- 1. Transfer your risk arising from his operations back to the contractor.*
- 2. Make sure that he has the resources to pay for the damage he has caused.*

When the contractor in his contract with you agrees to hold you harmless and indemnify you he agrees to legally defend you and pay for claims made against you as a result of his work or control of your location. To be sure he has the resources to pay these claims he agrees to carry insurance with sufficient limits and terms to guarantee you will be protected.

To evidence this insurance protection the contractor provides you with a "certificate of insurance" which shows the name of his carriers and the limits he has purchased of the different types of insurance and also says that your entity is named as an additional insured on his policy.

For more information on this and other insurance subjects please visit:

www.affordablehousing.com



This information is provided as an educational tool to begin the process of creating a contract, which should be completed by your attorney.

Your insurance agent should be included in the process and can review the contractor's coverage's and certificates of insurance working with you and your attorney

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Indemnification

To the fullest extent permitted by laws and regulations, the CONTRACTOR shall indemnify, defend and hold harmless OWNER and the officers, directors, partners, employees, agents and other consultants and subcontractors of each and any of them from and against all claims, costs, losses, and damages (including but not limited to all fees and charges of engineers, architects, attorneys, and other professionals and all court or arbitration or other dispute resolution costs) arising out of or relating to the performance of the Work, regardless of whether or not caused in part by any negligence or omission of an individual or entity indemnified hereunder or whether liability is imposed upon such indemnified party by Laws and Regulations regardless of the negligence of any such individual or entity.

Certificate of insurance

A certificate should be provided to you and should include wording warranting that the contractor's policy shall cover you the additional insured certificate holder on a primary basis. "Certificate holder" is insufficient wording. Wording must at least include "Certificate holder as additional insured"

Coverage limits (Minimal)

In addition, you should require the contractor to carry minimum limits of Insurance. The minimum limits we recommend are General Liability \$1,000,000 per occurrence/ \$ 2,000,000 aggregate and must include products/completed operations cover. Additional limits of umbrella cover in the amount of \$ 4,000,000 excess should also be covered. If there is automobiles involved the Auto Liability limit must also be \$ 1,000,000. Worker's Compensation for statutory limits are necessary and should include coverage for sole proprietors, partners & LLC's if it is not a corporation. If they are not properly covered your Worker's Compensation policy will become primary and you will be charged an additional premium as if they were your direct employees.

Much higher liability limits are desirable. Larger contractors building on a large scale often carry \$25 Million to a \$100 Million and more. Remember also that their limits may be impaired or in other words other claims have already been made against their in force insurance. Remember their insurance expires and renewal certificates need to be requested prior to that "renewal date" each year.