

4 Questions to ask before you sign that contract.

Volume

Insurance Whitepaper Series

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...other purpose whatsoever.
...representatives and assigns, and agree to hold harmless
...for whom he/she is acting, from any lia
...representatives, and assigns.

I hereby warrant that I am of full legal age and have the right
to execute this agreement, and all persons
familiar with the contents thereof, release, and agreement, p
representatives, and assigns. This release shall be binding

Name (Print) _____

Signature _____

Address _____

City _____

Witness Sign _____

Business Print _____

Description of Scen _____



If you're a vendor, contractor or service provider, here are four insurance questions to be sure you have the answers to, before you sign a contract with your client.

1) Do I have the right kinds of insurance?

Your clients want to make sure they are protected in the event you or your company causes an accident. One way this is done is to require insurance. Common types of required insurance include General Liability, Auto Liability, Workers' Compensation and Builder's Risk insurance. If you don't have the right kinds of insurance, and in the right amounts, you could be considered in breach of the contract.

2) Are there special insurance policy endorsements that I need?

Your clients might require special changes to your insurance policies, to protect the client's interests, which may be different than your interests. If these special changes are required, be sure to talk to your insurance agent. Sometimes, special endorsements cost extra, and sometimes, they are not available. Be sure to review the insurance requirements with your agent before you sign the contract. Here are some common insurance policy endorsements:

Additional Insured – Many clients ask their vendors to add the client as an Additional Insured to the vendors' liability insurance. This would protect the client if the client were named in a claim or lawsuit arising out of the vendor's operations. Contractors also require their subcontractors for this as well. There may be an additional premium to provide this.

If you don't have the right kind of insurance, and in the right amounts, you could be considered in breach of contract.

Waiver of Subrogation – Clients often require that vendors have their Workers' Compensation insurer "waive subrogation." This means that if the client is responsible for injuries to one of your employees, the insurance company can't recover the claims that they paid, from the at-fault client. This protects your client, but can drive up your insurance costs. There may be an additional premium to provide this as well. Waiver of Subrogation is also often required between a Landlord and Tenant for required property insurance in a lease agreement.

Primary and Non-Contributory – Clients may require that their vendors’ liability insurance be “primary and non-contributory.” “Primary” means that the vendor’s insurance policy will respond first, before the client’s policy would respond to a claim. “Non-contributory” means that the specific policy of the vendor will be the only policy that would cover a claim, and that the client’s policy would not respond to a claim. Your insurance company may not be willing to provide this language, or only for an additional premium.

It is critical to read your contractual agreements, and understand the costs and legal liability you may face.

Loss Payee and Mortgagee – When property such as equipment, tools, automobiles or buildings, are loan collateral, the lender often requires that they be named as a “Loss Payee” for equipment loans and as “Mortgagee” on building loans.

3) What does the indemnification clause do?

“Indemnification” means to guard or secure against an anticipated loss, or give security against potential future damage or liability. Clients often require vendors to “indemnify” the client, and protect the client from the costs of claims arising out of the vendors’ operations. The trouble with Indemnification

Clauses, is that the indemnification that you agree to provide can go beyond the coverage of your insurance policies. It is important to review any indemnification provisions with your attorney, and not simply accept the contract wording that a client or potential client offers to you.

4) Should I discuss the requirements with my insurance agent?

YES. Your insurance agent can help you decipher a contract’s insurance requirements, and help you meet the requirements before you sign the contract and start the work. Having the right insurance not only protects you from a potentially uninsured loss, it is often a requirement before your clients will pay you for your work.

By reviewing the contract before you sign, you can find out if there are any additional costs for special insurance clauses, and also make sure that you can get the insurance that is required. It is critical to read your contractual agreements, and understand the potential costs and legal liability you may face. Reviewing the contract beforehand also provides you the opportunity to renegotiate wording if the required insurance is simply not available. Taking the time to read, review and get comfortable with what you are agreeing to, will pay off in the long-run.

This information is not intended to provide legal advice, or advice for any specific fact, situation or circumstance. Contact legal counsel for specific advice.

For more information, please call Johnson Insurance at 1.800.236.5546. Johnson Financial Group is a premier financial services company offering comprehensive financial solutions in the areas of banking, trust, insurance and investment management through Johnson Bank and Johnson Insurance.

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