

## 6 ESSENTIAL SUBCONTRACTOR MANAGEMENT TOOLS

**4 Certificate of Insurance:** Obtain currently-dated certificates of insurance (COI) from your subcontractors before work proceeds to serve as evidence that the subcontractor has active coverage and is carrying the required limit of insurance.

**5 Additional Insured Endorsement:** Ensure you are listed as an additional insured on your subcontractor's general liability policy. This provides another layer of protection for you in the event of a lawsuit, and the court nullifies the hold harmless agreement referenced in the written contract.

**6 Recordkeeping:** Keep adequate records of the work performed by the subcontractor, the materials used and all executed contracts and payments. If electronic records are kept, backing up documents and storing them for 10 years is an effective practice and vitally important in the unforeseen event of a claim.

**Review your subcontractor management business practices and policy coverage forms today with your insurance agent.**



FOR MORE INFORMATION  
or to contact an underwriter:  
**CBIC.COM**



CONTRACTORS BONDING AND  
INSURANCE COMPANY

Rated A+ by AM Best  
Rated A+ by Standard & Poor's

FOR MORE INFORMATION:

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RLI | CBIC

CONTRAC PAC®

**HIRING SUBCONTRACTORS:  
ARE THESE MANAGEMENT  
TOOLS IN YOUR TOOLBOX?**





## CONTRAC PAC® PROGRAM FEATURES

The Contrac Pac® Program by RLI | CBIC is designed to meet the needs of general and trade contractors specializing in residential and light commercial construction.

With more than 40 years serving contractors, we are experienced in underwriting construction risks, providing coverage and resolving claims.

We understand that maintaining valuable relationships with your customers, vendors and subcontractors are key to the success of your business. You take pride in the quality of your work which, by extension, includes the quality of your subcontractors' work. **Therefore, it's important to consider potential unique circumstances when hiring subcontractors.**

## POTENTIAL BUSINESS LIABILITIES WHEN HIRING SUBCONTRACTORS

Just as construction projects come with potential operational and financial risks, working with subcontractors can, too. Be aware of the following liabilities when hiring subcontractors:



1. If the subcontractor does not carry insurance, or carries inadequate insurance, you can become liable for their mistakes and claims.



2. Some insurance policies may have coverage provisions or exclusions regarding work performed on your behalf.



3. Your subcontractor's practices could pose increased risk to your business's financial strength, resulting in insurance claims and higher policy premiums.



## 6 ESSENTIAL SUBCONTRACTOR MANAGEMENT TOOLS

Proactively protect your construction business by developing and reviewing best practices when hiring subcontractors. The following strategies are requirements of your Contrac Pac® insurance policy, and effective tools for minimizing risk.

- 1 **Written Contract:** Obtain a signed contract\* from each subcontractor prior to the commencement of any work to serve as a point of reference surrounding the scope of work, timelines, insurance requirements and more, in the event there is a disagreement or miscommunication between you and a subcontractor.
- 2 **Indemnification Clause:** Include an indemnification clause (hold harmless agreement) in your written contract to aid in shifting responsibility back to the subcontractor for the work they perform. This clause may reduce the potential financial burden on your business if you are held liable for a subcontractor's actions and/or negligence.
- 3 **Insurance Specifications:** Require general liability limits from subcontractors equal to or greater than \$1,000,000 for each occurrence. This can reduce the likelihood of your business experiencing increased insurance premiums and costly claim payouts.

\*RLI | CBIC strongly encourages insureds to consult with their own legal counsel regarding the creation and use of contractual agreements.

