

Use of Contractors

One of the many exposures to loss facing our KALF members is the use of contractors to perform construction and/or related services. Obviously, you cannot eliminate the fact that you will have to use a contractor for projects such as bridge rehabilitation, water/sewer installations, courthouse renovations, or the construction of a new jail. This letter will focus on how you can best insulate you, as the member, from claims resulting from the use of a contractor.

The key to any good risk management plan starts with identifying the exposure to the member. In this case, we are referring to the use of contractors. The identification of contractors should include any contractors currently being used, as well as any that are bidding on future projects.

Once you have developed your list of contractors, the next step is to establish the following risk management strategy. Any and all contractors should provide you with the following information:

- 1) Each contractor should provide the member with a certificate of insurance indicating at least General Liability, Auto Liability, and Workers Compensation coverage. (Umbrella or Excess Liability may also be needed if the limits of insurance carried by the contractor are below \$1M for General Liability or Auto Liability).
- 2) The certificate of insurance should name the member as an additional insured for whatever the project may be. The project should be clearly defined within the “comments” section of the certificate of insurance.
- 3) The limits of insurance carried by the contractor should be at a minimum of \$1M for General Liability and Auto Liability. It would be preferable if the contractor carried the same limits of insurance as the member for General Liability and Auto Liability, but in some cases that may not be realistic.
- 4) The final step in implementing this approach is to maintain copies of the certificates of insurance on file with your contract or bid information for the project.

If a contractor is unable or unwilling to provide the member with the above information, the member should find another contractor with whom to do business. If the contractor used by the member does not carry their own insurance, the member may be held responsible for any losses that may occur. ***It is important to note that the KACo All Lines Fund policy excludes losses for General Liability caused by independent contractors.*** Obviously, the liability exposure presented to the county is just too severe to allow a contractor to carry low limits of insurance, or worse, no insurance at all.

Unfortunately, no single risk management action can eliminate the potential for a claim. We will continue to provide you with loss prevention strategies as we see trends developing within our membership, as well as on a national basis. Please do not hesitate to call your KACo marketing representative if you have any questions or comments about any of this information.