

# Important Information for Contractors

## Certificates of Insurance

If contractors perform work for you, it is important that you obtain a Certificate of Insurance from them, proving they have valid Workers Compensation and General Liability insurance. Your insurer will charge you for coverage when there is no proof that the contractor carries valid insurance.

The following business practices should/must be incorporated and maintained in order to protect your business interests and preserve your insurance coverage. You should retain these documents for five (5) years:

- **Signed Contracts** – This would apply both for the work you do for others as well as each contractor you engage to do work on your behalf. The contract defines your responsibilities and liability from beginning to end. It will help provide a defense if drawn into a liability suit which is outside your contractual obligations.
- **Hold Harmless Agreements** – Must be required of each contractor you engage to do work on your behalf. A similar agreement must be required by your subcontractors who subcontract any portion of their work to others.
- **Required Limits** – Subcontractors need to maintain limits equal to or greater than your General Liability limits. If they don't, you may be subject to an additional premium charge by your carrier. Keep in mind, if a claim is due to your sub's negligence and their limit is less than yours, your policy will have to pay the difference.
- **Additional Insured** – You should require your company to be named as Additional Insured on your subcontractors' policies. We also encourage certification of the subcontractors' policies as primary and noncontributory.

We have provided a sample indemnification, hold harmless and insurance agreement for you to use. If you prefer, you may use a hold harmless agreement recommended by your attorney, which achieves the same objectives.

## **Your Policy Premium – Audits**

The premium you were charged for your policy was an estimate because it is based on payroll and /or sales receipts amounts, which may fluctuate throughout the year. Since the premium was estimated, your policy may be subject to an audit at the end of the coverage period to determine whether the premium accurately represented your actual payroll and/or sales receipt amounts. Please be aware that this audit could result in an additional premium charge or a refund.

## **Payroll Classifications**

To help control insurance costs, it is important that you keep records for your specific operations.

For example, contracting classifications allow division of payroll by type of work, when separate payroll records are maintained. The same applies to certain products, allowing the receipts or payroll for installation or service to apply at different rates. Estimates and percentages cannot be used – your records must reflect actual payroll by type of work. Without this record keeping, we must charge the highest rated classification.

## **Other Payroll Information**

Many policies base premiums on payroll. This includes wages, commissions, bonuses, overtime, paid holidays, sick time, vacation, fair market values of food or lodging furnished by the employer or allowances for tools furnished by employees and used in their work.

Many states also permit an overtime deduction which varies if time and a half or double time is paid. Be certain to keep payroll records documenting such payments.

If you are the sole proprietor, partner, or executive officer of your business, please keep this information separate because you may be subject to a payroll limitation or a fixed payroll regardless of your actual earnings.

**INDEMNIFICATION, HOLD HARMLESS AND INSURANCE AGREEMENT**

**A. INDEMNIFICATION AND HOLD HARMLESS**

To the fullest extent permitted by law,

\_\_\_\_\_, (“Subcontractor”),

Agrees at its own cost to defend, indemnify and hold harmless

\_\_\_\_\_, (“Contractor”), its

officers, directors, shareholders, agents, representatives, managers, employees and affiliates from and against any and all claims, suits, liens, judgments, damages, losses and expenses including reasonable attorney fees and legal expenses and costs arising in whole or in part and in any manner from the acts, omissions breach or default of Subcontractor, in connection with the performance of any work by Subcontractors, its officers, directors, agents, employees and subcontractors. This agreement is continuous until terminated by either party with written notice.

**B. INSURANCE**

- Subcontractor hereby agrees that it will obtain and keep in force insurance policy/policies to cover its liability hereunder and to defend and save harmless Contractor in the minimum amount of \$500,000 per occurrence \$1,000,000 aggregate for bodily injury, property damage, and personal and advertising injury. In New York, the minimum limits are \$1,000,000 per occurrence \$2,000,000 aggregate.
- Said liability policies shall 1) name Contractor as an Additional Insured and 2) be primary and non-contributory to any other insurance policies which provide insurance protection to Contractor.
- Subcontractor will obtain and keep in force Workers Compensation insurance including Employers Liability to the full statutory limits.
- Subcontractor shall furnish to Contractor certificates of insurance evidencing that the aforesaid insurance coverage is in force.

SUBCONTRACTOR: \_\_\_\_\_

SIGNATURE: \_\_\_\_\_

DATE: \_\_\_\_\_