

Insurance Tip #4

Subcontracting work to others can have a significant impact on your business

What you, as a contractor, must know to protect yourself from the potential of financial disaster



Did you know that if work completed by your subcontractor is not done properly and a loss occurs, you and your insurer may have to pay for the loss? For this very specific reason, you should always request a certificate of insurance from each and every subcontractor you hire. An old fashioned handshake won't protect you!

Let's take a step back and explain what a certificate of insurance is. A certificate of insurance is used by many different types of businesses to verify and confirm coverage by containing the insurance details for a policyholder. One should always be requested for each subcontractor being used so you may verify the details of his liability coverage. A certificate of insurance should be requested prior to each job and in some cases where you have "regulars" that work for you ask for one annually.

Whether or not a subcontractor has insurance it is important to know how he can impact your business and damage your reputation. Be aware of these key points below:

- If your insurance company becomes involved in a claim due to your hired subcontractor not having insurance, or inadequate coverage, you can be impacted in the following ways:
 - * You may have to pay a deductible
 - * Your deductible may increase
 - * Your premiums may increase
 - * Your loss history will be impacted
 - * Your ability to maintain or obtain insurance can be affected
- Don't let the subcontractor pass off the cost of doing business to you. Consider not hiring him without proper insurance.
- If he does not have adequate insurance coverage, consider having him increase his policy limits as a condition of securing the job.

Now that you are aware of how the subcontractor can impact your business from an insurance perspective you can now be smarter about how you deal with them. Working together and developing a good business relationship with your subcontractors can reduce your loss exposure and protect your bottom line.

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