



The right documents can save the day when hiring subcontractors



Don't let a little misstep in paperwork create an additional liability hazard for your business.

UFG Insurance has a simple solution to consider: Make sure you have proof of insurance and the right legal documents in place before you hire that subcontractor. Not only can the right documents help protect your business, but they might help you save on insurance premium, too.

★ Certificate of insurance

A reputable subcontractor should be able to provide a certificate of insurance without hesitation. This document proves they have insurance policies in place and verifies the applicable types of coverage, along with associated limits. Reviewing the certificate of insurance before hiring a subcontractor can help you make sure you've got the right company for the job.

Here's a general rundown of coverage types and limits that indicate the liability basics are covered. If UFG is your insurance carrier, these are also the limits to require from subcontractors you hire.



General liability

- Each occurrence: \$1 million.
- Damage to rented premises: \$300,000.
- Medical expense: \$5,000.
- Personal and advertising injury: \$1 million.
- General aggregate: \$2 million.
- Products – completed ops agg: \$2 million.



Umbrella liability or excess liability

- Occurrence based: \$1 million (an umbrella with larger limits may be desired due to project size and scope).



Workers compensation

- Employers liability (EL) each accident: \$500,000.
- EL disease – each employee: \$500,000.
- EL disease – policy limit: \$500,000.



Auto liability

- Combined single limit: \$1 million.

Another element of the certificate of insurance is a notice of cancellation. You don't want the subcontractor's coverage to lapse in the middle of a big job, so be sure to require at least a 30-day notice of cancellation (60 days is preferred).

Keep good records. When it's time for your company's premium audit, provide your insurance carrier with copies of the certificates of insurance to prove your subcontractors carried the appropriate limits of insurance. Sharing the certificates from the term of your insurance policy might allow exposures to be allocated differently, leading to a premium savings for your business. Subcontractors that do not provide you with proper proof of insurance, are uninsured or have inadequate limits, will likely increase the cost of your insurance.

★ Legal agreement

Working with your legal representative to create a subcontractor agreement can help ensure that your contract requests adequate limits of insurance, and has adequate verbiage for the following elements:

- **Hold harmless (indemnity)** — In the event of injuries or damage (typically due to actions by the subcontractor), this language can aid in preventing you from being held liable to someone else.
- **Additional insured** — Requesting additional insured status (on a primary, non-contributory basis for both ongoing and completed operations) can further protect your business from being held responsible for a loss due to negligence of the subcontractor.
- **Waiver of subrogation** — The waiver of subrogation prevents the subcontractor's insurer from seeking damages from you for specified types of damages.

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