



Don't Let Vendor Liabilities Become Your Problem

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Is your facility about to undergo repairs or remodeling? What would you do if one of the contractors for the company you hired was injured on the job? Many business owners would think, "Wow. Too bad for the construction company. But in reality it just might be too bad for your business. If the contractors doing work at your facility aren't insured, an on-the-job injury could result in a lawsuit against your company.

How can you protect your business? First of all, be careful who you hire. The most important thing to remember is to only conduct business with reputable companies that are licensed and insured.

Making sure your vendors are licensed

It's not too difficult to find out if a contractor is licensed. All licensed contractors are required to display their state license number on their advertising and marketing materials. This includes flyers left on your car's windshield or at your front door, their ads in the phone book, their newspapers ads—even their logo painted on the side of their company vehicle.

Making sure your vendors are insured

Making sure they are insured may take a little more legwork on your part—but you'll thank yourself in the long run. It is vital that any contractor or vendor you work with has Workers Compensation and Commercial General Liability insurance. Commercial General Liability policies cover at least four things.

- **Bodily Injury:** This is simply a harm done to a person's body or physical well being
- **Property Damage:** This is damage to any type of real estate or personal property (such as furniture or equipment).
- **Personal Injury:** This includes libel or slander. It is defined as damage to a person's (or a business') reputation or basic rights.
- **Advertising injury:** This refers to liability for the harm caused by the insured's advertising (i.e., advertising that slanders another organization or business.)

Contractors should show you proof (i.e., certificates of insurance) that they have a Commercial General Liability policy. When contractors show you their certificates of insurance, don't forget to review the effective dates and expiration dates.

To cover all your bases, you might want to consider these tips:

- Insist that your company be added as an additional insured on the vendors' General Liability policy.
- A contractor's insurance agent should be able to send the certificates of insurance directly to your business to make sure this happens.
- Take the time to develop an approved vendor list, requiring certificates of insurance for each vendor included on the list.
- Do not lend any of your tools or equipment to contractors performing work at your business. A contractor's injuries that are caused by defective equipment could lead to costly lawsuits.
- Make sure the contractor's insurance limits are as high as your own.
- Contractors should agree to enter a written contract that indemnifies your company for a liability claim. These are often referred to as hold harmless agreements.

By taking steps like these, you can make sure your vendor's liabilities don't become your own. It's well worth the effort.