



## Hiring Subcontractors & Risk Transfer

A list of best practices for loss prevention to help Ohio Mutual agent partners and policyholders to correct the most common issues associated with safety in hiring subcontractors and risk transfer.

### Best Practices

Follow your “ABC’s” to help protect yourself and your business from the potential liability associated when utilizing subcontractors:

#### A

- Ask yourself the following questions: “How do I know this subcontractor?”, “How long have I known them?”, and “Who referred this subcontractor to me?”. If the subcontractor is not well-known to you, begin the vetting process by getting a list of their five most-recent jobs and check them out.
- Ask for financial statements (profit & loss statements, balance sheets, etc.) depending on the value of the work they will complete for you. Financial health is a solid indicator that a contractor will be able to finish the work they begin, and won’t have issues with paying their employees, having the right equipment, and their ability to pay for the materials.
- Ask for references.

- Ask for a current COI (Certificate of Insurance) that includes naming you as an AI (Additional Insured). Ensure that the limits are equal to or greater than yours (ideally) and don’t shy away from contacting their insurance agency to confirm the document they provide to you.

#### B

- Build your transfer strength by detailing specific coverage you want on a subcontractor’s insurance policy, e.g., Workers Compensation, Stop-Gap Liability, CCC, Voluntary Property Damage, NO&H, Contractor’s E&O, etc.
- Build your case for hiring subcontractors by requiring a resume. You might not get one, but they can be revealing as to a company’s expertise, experience, and pride in their work product.

- Be sure to check the following (on the Safer Report <https://safer.fmcsa.dot.gov/CompanySnapshot.aspx>): What authority do they hold?, Are their “Out of Service” ratings higher than national averages?, Is their safety rating satisfactory?, What is their insurance status?

- Background checks combined with credit reports and five years of prior insurance loss runs can provide a window into a subcontractor’s ability to get the job done.

- Bonding — are they able to secure a bond if necessary? Depending upon contract size, the ability to secure a bond is telling.

#### C

- Contracts, in the form of a subcontractor’s agreement, assist in transferring liability to the responsible parties. Ohio Mutual offers suggested items to include in your formal agreement, and boilerplate language is available, but you should consult with legal counsel to draft language specific to your entity. Ohio Mutual offers suggested items to include in your formal agreement (see attached document).
- Couple subcontractor’s payments to having all pertinent documents on file prior to the job site work commencing. Ensure your contract states this.
- Consider obtaining a copy of a subcontractor’s written safety program and confirm it is active, not dormant.
- Consider telling the subcontractor that Ohio Mutual and your legal representatives are requiring these details be in place, to help avoid any potential hard feelings or misunderstanding. Confirm what a subcontractor states they will do by verifying via job site inspections and keeping records of such.

