

CONTRACTS: TURN PAIN TO GAIN

INFORMATION FOR **SMALL BUSINESS OWNERS**



**THE
HARTFORD**

Use contracts to effectively manage working relationships and protect your business interests



If hearing the word “contracts” makes you groan, you’re not alone. Many small business owners – particularly Specialty Trade Contractors – have told us that contracts and their impact on insurance are, to put it bluntly, a pain. But, having contracts in place with customers, subcontractors and suppliers can actually be a relief when questions of performance and liability arise.

continued

TOP 5 CONTRACT TIPS CHECKLIST

Keep these important tips in mind **before** you enter into a contract:

- 1. ALWAYS READ A CONTRACT CAREFULLY** – never skip the “fine print” because it may include important information that may not be in the best interest of your business.
- 2. NEVER ASSUME YOU KNOW WHAT IS INCLUDED IN A CONTRACT** – unless you or your attorney has drafted it.
- 3. TALK WITH AN ATTORNEY** –
 - **BEFORE** you sign a contract that your attorney has not reviewed
 - To understand what you are being asked to agree to
 - If you are asked to sign a contract that you are not familiar with
 - If you are asked to add or change provisions to your contract
- 4. YOU MAY NOT NEED TO CONSULT WITH AN ATTORNEY EACH TIME YOU ENTER INTO A CONTRACT** – if you use a standardized contract that has already been reviewed and approved by your attorney.
- 5. SPEAK WITH YOUR INSURANCE AGENT** –
 - If your contractual obligations require you to change insurance coverage
 - If you are hiring independent contractors or subcontractors

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The Value of a Good Contract

Just as “good fences make good neighbors,” a good contract can establish positive working relationships with suppliers, customers and subcontractors by:

- Setting clear expectations for performance
- Defining methods for measuring and rewarding performance
- Laying out processes for resolving differences between the contracting parties

The Impact of a Contract on Your Business Insurance

Often times, contracts require you to carry specific insurance coverages and amounts of insurance, and include provisions related to compensation in the event of injury or loss. In addition, your customer may require that you add them to your policy as a Named Insured or Additional Insured.

Although these types of requests are common, you should discuss them with your attorney and insurance agent before agreeing to them.

Contracts with Independent Contractors & Subcontractors

When working with independent contractors or subcontractors, it's always a good idea to require:

- A Certificate of Insurance from them demonstrating that they are carrying insurance
- That you be added to their insurance as an Additional Insured
- That you are not liable, or are held harmless, for any injuries or damages caused by an independent contractor or subcontractor

Taking precautionary methods, such as those listed above, can help reduce the likelihood that you will be held responsible for injuries or damages caused by an independent contractor or subcontractor on your behalf. These methods may also help avoid extra General Liability or Workers' Compensation premium charges that may be assessed if an independent contractor or subcontractor does not carry insurance.

REMEMBER: Be sure to contact your attorney for guidance. And, your Hartford insurance representative is also available to help ease the pain of contracts by showing you how to protect your business interests by managing risk.

Want More Information?

Contact your local Hartford agent or Hartford insurance representative. You can also visit The Hartford's website at thehartford.com.

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