



PROFESSIONAL INSURORS
AGENCY, LLC

Contract Risk Management 101



What you sign can impact your **Total Cost of Risk** as much as anything else you do. Yes, that signature you sign in haste just to get that invoice paid, or obtain that lease before anyone else, can be a huge risk to your business, because many business owners do not have anyone review their contracts before they sign them. **Below are just some of the contracts business owners sign that should be reviewed by an attorney and insurance broker or risk consultant:**

- Leases (property)
- Automobile or Equipment Leases
- Construction or Service Contracts – This includes subcontract agreements with any subcontractors or service providers or contracts where you may be the owner of the property for work being performed. An example of this might be you hiring a General Contractor to do a roofing project for you and he hires a subcontractor to do the work. You should review this contract as well.
- Distributor Contracts – whether you are the one selling the product or the buyer.

WHAT ARE WE LOOKING FOR?

An attorney should be looking at the entire contract including how you will be paid and when or how you can get out of the contract.



Contract Risk Management

Your Risk Consultant or insurance broker should be looking at:

- Indemnity Clauses or Hold Harmless agreements – are they fair? Are they insurable?
- Does your insurance cover as many of the exposures that you are assuming as possible – (many are uninsurable)
- Does the contract use modern Insurance Language - Many are still patterned after policies first introduced in 1973. Those were modernized in
- 1986 and much of the wording could be out of date if not modernized
- What can be taken out or changed that benefits you – If we can suggest changes in language that reduces your exposures, many times that can be negotiated before you sign the contract(s).
- What endorsements need to be added to your insurance to meet the requirements and how much will it cost you?

WHAT MAKES UP TCOR (TOTAL COST OF RISK)?

- **Preventative Cost**– Safety & Risk Management, Screening Employees, Safety Equipment, Wellness, Training, PPE
- **Direct** - Insurance, Managed Care, OSHA Fines, Deductibles, Legal Expenses, Loss of Productivity after Accidents
- **Indirect** - Reputation with Customers and Insurance Carriers, Reputation with Vendors, Loss of Morale, Loss of Productivity