

## **Collect COIs to Manage Subcontractor Risk**

You carry insurance to protect your business from liabilities. If you use subcontractors and vendors, it's also important to make sure they have appropriate insurance. Collecting certificates of insurance is the best way to make sure they are covered – and that you're protected.

Certificates of insurance provide evidence that your subcontractors and vendors have insurance. They indicate the timeframe for which the subcontractor or vendor is covered and the amount of coverage. There are two main reasons it's in your best interest to collect these certificates.

### **1. You can be held liable for accidents or damages**

The primary reason to collect certificates of insurance is to make sure your company isn't held responsible if your subcontractor or vendor incurs uninsured liability. Since they are doing work for your benefit, you can be held responsible if something goes wrong. As you know, workplace accidents and damages can be extremely costly, so it makes sense to ensure your vendors and contractors are properly insured.

### **2. Your insurance rates could increase**

In addition to being held liable for accidents or damages that occur as the result of an action by an improperly insured subcontractor or vendor, you could also find your own insurance rates rising. Even if you don't end up covering liabilities for an uninsured subcontractor or vendor, some insurers audit clients' risk management practices. Collecting certificates of insurance indicates sound risk management practices, while failure to do so is a sign that such practices should be improved.

## **Getting the certificates you need**

So how do you make sure you obtain the insurance certificates you need to manage risk effectively? The best way is to ask for them up-front – before subcontracted work or vendor operations begin. Subcontractors and vendors are generally more forthcoming with documentation when they are actively engaged in trying to obtain your business. The subcontractor or vendor should be able to easily obtain a certificate of insurance from the company that provides the policy.

However, once you obtain the certificates you need, it's important to make sure they are up to date as long as subcontracting or vendor work for your company continues. Certificates of insurance indicate the coverage timeframe. When the coverage is set to expire, you'll need to get a new certificate of insurance for the renewed coverage. It's a good idea to keep track of coverage expiration dates so you can make sure you update your documentation.

## **Protecting your company**

Getting certificates of insurance from your subcontractors and vendors is an important way to manage risk for your own business. Having proper documentation helps ensure that you don't incur unexpected liabilities. It's also a positive sign that you take risk management seriously.

Reputable subcontractors and vendors should understand how vital this evidence is for your protection. And since obtaining certificates of insurance is a fairly simple matter, they should be able to supply the up-to-date documentation you require quickly and conveniently. It can take a little perseverance to make sure you get what you need, but it's well worth it.