

Why is it important to get certificates of insurance from subcontractors?

Restaurants hire contractors for various reasons including maintenance, cleaning, landscaping and entertainment. Obtaining certificates of insurance from contractors is critical in protecting your assets.

For Example, one restaurant had a fire start in the ductwork of the kitchen. The fire caused \$15,000 worth of damage and closed the restaurant for two weeks for cleaning and replacement of damaged property. Upon investigation, it was determined that the oven hood cleaning company did not properly clean the hood and the built-up grease caught fire, causing the damage. Because the restaurant hired an insured contractor (and received a valid certificate of insurance), the restaurant was reimbursed by the subcontractor's insurance company.

Another restaurant wasn't so fortunate. A restaurant hired a jazz band to entertain its clients on the weekend. The restaurant did not ask the band for a certificate of insurance and assumed they had insurance coverage. One night, the lead singer stepped off the stage during a break. The musician tripped over an instrument stand which caused the stand to fall onto a patron who was sitting at a nearby table. The stand fell on the patron's head causing him to black out and cutting his head. During the investigation, it was determined that the band had no insurance coverage. The restaurant's insurance company is paying the claim with minimal chance of recovery from the band.

Any time a contractor is hired, a certificate of insurance should be required and include evidence of Workers' Compensation, General Liability, Auto Liability and other insurance based on the type of work the contractor will be performing. Furthermore, work with your attorney to draft a contract between yourself and the subcontractor for additional protection.

Keep in mind, requiring certificates of insurance from all contractors and having appropriate contract language in place will protect your restaurant, its assets and your insurance program from potential loss.

For more information, contact Dave Mathews, CPCU at (404) 949-1075.