



Introduction to Contractor Risk management

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Goals



- ◆ **Build upon our understanding of risk**
- ◆ **Extend our view of potential risks**
- ◆ **Define Risk Management process**
- ◆ **Integration of Risk management with Contractors**



What is Safety?

Freedom from Harm

**Only in the English language is there a
separate word for Safety and Security**

Risk: A potential variation in outcomes

- **Pure Risk: Only negative outcomes**
 - Accidents
 - Hazards

- **Speculative Risk: Negative or positive outcome**
 - Buying stock
 - Starting a business
 - Medical procedure



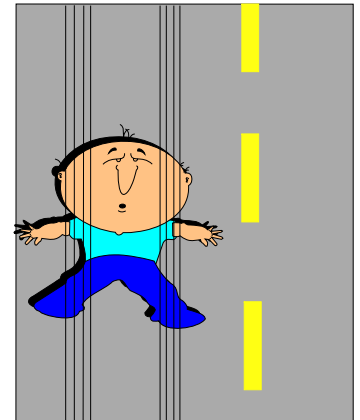
Risk Management

The process of making and implementing decisions that will minimize the adverse effects of accidental and business losses.



LOSS

- ◆ **Loss:**
 - **An event that changes the value of the organization**
- ◆ **Loss Exposure:**
 - **Anything that presents the possibility of a loss**



Risk management Program Objectives

- ◆ **Provide a safe environment**
- ◆ **Protect physical assets**
- ◆ **Minimize exposure to financial loss**
- ◆ **Minimize interruptions of service**
- ◆ **Ensure the survival of the organization**

5 Step Risk management Process

- ◆ **Identify potential risks (hazards)**
- ◆ **Pre-incident loss control (alternatives)**
- ◆ **Post-incident analysis**
- ◆ **Claims management**
- ◆ **Coverage issues (financing)**



AI I Contractors!

- ◆ **Building Construction and Maintenance**
- ◆ **Machine Installation and Maintenance**
- ◆ **Landscaping and Tree Removal Services**
- ◆ **Painters**
- ◆ **HCAC Contractors**
- ◆ **Temporary Services**
- ◆ **Trucking and Transportation**
- ◆ **Sprinkler Contractors**

Contractors Can Reduce Risk

- ◆ **Lack of Expertise within your Organization**
- ◆ **Task Requires Special Tools or Equipment**
- ◆ **Risk can be Transferred to Contractor**
- ◆ **Demand Surge**



Contractors Can Increase Risk

- ◆ **Use of Unskilled or Undocumented Labor**
- ◆ **Violating Safety Procedures**
- ◆ **Unfamiliar with your Facility**
- ◆ **Introducing New Hazards and Chemicals**
- ◆ **Security Concerns**



Ways to Address Risk

- ◆ **Avoidance**
- ◆ **Transfer (Physically or Contractually)**
- ◆ **Segregation or Separation**
- ◆ **Duplication**
- ◆ **Mitigation (Safety and Loss Control)**
- ◆ **Hedging**

Components of Risk Management

- ◆ **Risk Financing:**
 - **Obtaining the funds to pay for losses**

- ◆ **Risk Control:**
 - **Actions taken to reduce the frequency and/or severity of losses**

What Risks can be transferred?

- ◆ **Injuries to:**
 - **People at or near the site**
 - **Users of the completed operation**
- ◆ **Damage to property:**
 - **Under construction**
 - **Materials, supplies, equipment**
 - **Contractors equipment**
 - **Adjacent property**
- ◆ **Consequential loss:**
 - **Income**
 - **Extra expense**

Contractor transfer risk

- **Ensure they have proper insurance coverage's and limits. WC, GL, Builder's Risk, Auto, Liability**
- **Use the best indemnity clause you can**
- **Be an additionally named insured**
- **Have a 30 day written cancellation notice**
- **Verify you are insured for all the jobsites/projects .**



Minimum Insurance Requirements

- ◆ **Addendum to Contract**
- ◆ **Worker's Compensation**
 - **Statutory Limits**
 - **Employer's Liability Limits- \$1,000,000**
- ◆ **Commercial General Liability**
 - **\$1,000,000 per occurrence**
 - **\$2,000,000 aggregate**
 - **Additional Insured**



Minimum Insurance Requirements

- ◆ **Automobile Liability**
 - **\$1,000,000 per occurrence**

- ◆ **Umbrella Liability**
 - **\$5,000,000 each occurrence/annual aggregate**

- ◆ **Contractor's Equipment**
 - **“All-risk”**

- ◆ **Environmental Liability**
 - **\$2,000,000**



Minimum Information requested and reviewed...

- **Written safety program-copy**
- **OSHA recordable Incident Rate**
- **Delegation of Safety responsibility**
 - **To whom?**
 - **% of time to safety/job**
- **Experience modification factor**
 - **Any number over 1.00 must be reviewed**



Minimum Information requested and reviewed...Cont.

- **OSHA citations past 5 years**

- **Documented Inspections**
 - **Frequency**
 - **Corrective action**
 -

- **Documented safety training**
 - **Type**
 - **Frequency**



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