

TOP 10 TIPS WHEN USING VENDORS AND CONTRACTORS

Dealer Forum 3 | March 31, 2010 | Yale Club
Selecting Vendors and Contractors: Are you aware of the risks?

Speakers:

| | |
|---------------------|---------------------------------|
| Fritz Dietl | Trey Martino |
| Dietl International | The Travelers Insurance Company |
| fdietl@dietl.com | tmartino@travelers.com |

1. Ensure that your vendor/contractor has General Liability and Workers Compensation policies and understand what limits they carry. Are their limits adequate for the nature of the work they will be doing for you?
2. Always ask for a Certificate of Insurance from all contractors and vendors.
3. Ensure that you have sufficient general liability for your own business and protection.
4. Never take on risk that you cannot control yourself.
5. Never make verbal agreements; everything should be in writing.
6. Know the difference between an Employee and an Independent Contractor.
7. Educate yourself as to what is covered under your own Package/Liability policy. Ask your broker for a Schedule of Insurance which will highlight your basic coverage, limits, locations, etc.
8. Frequently discuss your insurance coverage with your broker. Tell your broker if you have any major changes in your business (name change, sale of business, changing locations, updated lease, etc.).
9. Forward any contracts between you and Vendors/Contractors to your insurance broker for review of the insurance section.
10. When in doubt ask your broker for advice.

SELECTING VENDORS & CONTRACTORS: ARE YOU AWARE OF THE RISKS?

Presented by Fritz Dietl, Dietl International, & Trey Martino, the Travelers Insurance Companies

Items to Consider When Selecting a Vendor or Contractor to work with

- Asset vs. Non-Asset; Domestic vs. International
- Selection Criteria
 - One stop shopping vs. specialization
 - Define your needs and match them to your selection
 - Skill sets
 - Core competencies
 - Service
 - Quality
 - Delivery
 - Terms
 - Value
 - Need to know who they are – look beyond the website
 - Seek referrals
- In addition to the skills of the handlers, other important factors are
 - The facility
 - Vehicles
 - Compliance
 - With Insurance requirements
 - Get a Certificate of Insurance from each Vendor—and know what you’re looking at. Ask your broker to review the certificate to ensure adequacy of limits/coverages.
 - With Government regulations
 - DOT
 - TSA
 - Customs
 - Operation
 - Facility/Equipment Maintenance

- Staff Training
- Remember: you get what you pay for
 - Cost of compliance
 - Continuously review vendor’s status
 - Validity of their insurance, training, updating records
 - Security
 - Price matters, but it should not be the only consideration

Third Parties and How They Relate to Your Insurance

- Who is a Third Party?
 - *Anyone* is a third party
 - Interns, employees, independent contractors, maintenance contractors, packers & shippers, caterers, bar tenders, consultants, independent appraisers, customers, etc...
 - Main Types of Third Party Insurance Coverage for Fine Art Risks
 - General Liability (part of a Package or Business Owners Policy)
 - Workers Compensation (Compulsory in most states; for full or part-time employees)
 - Legal Liability (part of Fine Art)
 - International Liability (if you have international exposures: employees who travel overseas or if you attended international art fairs)
 - Automobile Liability (for rental/IC auto use)
 - Special Event Liability
- Third Parties and Your Insurance
 - You purchase the insurance to cover yourself for various losses
 - Bodily Injury (if someone slips & falls)



- Property Damage (during an installation, for example)
- Property of Others in your Care, Custody or Control
- Host Liquor Liability (Do you check ID's at gallery openings? Do you charge for alcohol or charge for an event where alcohol is being served?)
- Injured Worker (Employee vs. Contractor issues)
 - Workers Compensation is a "no fault" insurance policy
- Ways to Mitigate or Transfer Your Risk
 - Execute Hold Harmless/Indemnification Agreements with the people with whom you do business
 - A sign of mutual respect – you won't sue each other
 - Only do this with those you trust
 - Ask for Certificates of Insurance – the Third Party's proof that they are properly insured
 - Make sure you know what you are looking at
 - If you don't, ask your broker for help
 - Asked to be named Additional Insured on the Third Party's policy
 - In the event of a loss, you can work directly with the insurance company
 - Waiver of Subrogation
 - Ask that the Third Party's insurance company Waive Rights of Subrogation against you for losses to property of others in your care, custody, or control
 - Friend or not, get a contract
 - Put everything in writing
- When in doubt, ask your broker!

Recommended Insurance Coverage/Limits for Vendors/Contractors

- General Liability = \$1,000,000 (any vendor, contractor, subcontractor)
- Commercial Auto = \$1,000,000 (for any vendor, contractor, or subcontractor pulling a truck up to your space). You should ask to be named as Additional Insured under their policy.
- Workers Compensation = statutory limits (any vendor, contractor, subcontractor)
- Umbrella = you should consult with your broker, but generally request \$5,000,000 - the riskier the job, the higher the limit you should require
- Errors and Omissions = proof of coverage from any architect, engineer, consultant, lawyer – anyone who is providing you with professional advice