

To The Point Contractor Management

CHUBB®



Your company hires contractors from a wide range of trades. They do not have the same knowledge of your facility, operations, and procedures as your employees, making injury and property damage more likely. Structured oversight of contractor activities can prevent devastating accidents.

Contractor Selection

Everything begins by selecting the right contractor for the project. Doing the work up-front to select the best available contractor prior to awarding the contract is key. This will also save additional work as the project moves forward, having an experienced contractor can reduce delays and other project-related conflicts.

- Check the Better Business Bureau to determine past business practices of potential contractors.
- Check for appropriate licensing required for the work requested.
- Conduct an interview. Consider using a detailed Contractor/Subcontractor Pre-Qualification form. This form could include questions concerning OSHA citations, Recordable/Lost Workday Incidence Rate and fatality rates for the past three years.

- Inquire about their substance abuse and testing policies, and Return to Work programs.

Additional questions could include:

- Have they performed this work in the past? Get references from other companies in your industry. Word of mouth is still a valuable means of determining if a contractor is suitable for the intended work.
- Do they have the manpower to complete the work? If you know of certain employees within their organization who have the skill sets that you need, don't be afraid to ask for those employees.
- Will they be subcontracting out any of the work?
- Do they have the appropriate certificates of insurance with acceptable limits? Contractors might have insurance, but that doesn't mean that they are covered for damaged inventory or material shortages that may cause delays in completing the project.
- What are their safety procedures for the type of work to be performed? Does their commitment to safety match yours?

Risk Engineering Services

- Are the contractor's employees empowered with "Stop Work" authority in the event of a potential safety issue? What was a recent "Stop Work" incident?

Some contractors have been known to take shortcuts with generally accepted safety practices. In the case of a hot work contractor, this can result in the ignition of combustible material in the area where the cutting, welding, soldering, brazing, or other open flame work is being performed. The resultant fire often burns unnoticed until it's out of control. In the end, contractor negligence causes a major loss on the premises of the customer that hired them to do a job.

Contracts & Documentation

Once you have selected the contractor, it is important to formalize the contractor management processes and establish lists of responsibilities for all parties. Develop a binding and legal contract – a purchase order is not sufficient to detail the work to be performed. The written contract or statement of work should define the scope of the work, procedures, materials, time frame, and expected results. When available, require use of equipment and materials that are approved or tested by national laboratories such as Underwriters Laboratories (UL). Have legal counsel review your contract. The contract should not contain harmless agreements or waive subrogation in favor of the contractor, as these can reduce the care that the contractor may exercise at the site.

Request certificates of insurance for liability and workers' compensation with adequate limits from the contractor. The limits of liability should be commensurate with work performed and associated hazards. For instance, hiring a janitorial service requires significantly less limits than a crane operator working in a congested city center. If possible, have your company named as an additional named insured on the contractor's policy. If you experience resistance, consider using another contractor.

Preparation

Consider the impact of the work to be performed on your workplace and resources:

- What aspects of your operation will be impacted by the scope of work? Are there workplace hazards that may be created by this project?
- Are there utilities or critical systems that will be out of service during construction or repair? If so, are there outside parties that need to be contacted such as the fire department or insurance carrier?
- What staff will you need to provide oversight of the activity?
- What can go wrong? Conduct a comprehensive hazard analysis of critical activities.
- What emergency plans should be in place?

Be sure to secure the area of the job and advise plant personnel of the work to be performed.

Oversight

Designate at least one employee as a project manager to oversee the work and be responsible for the contractor while on site. This oversight minimizes the probability of an accident and documentation limits your liability in the event of an accident.

You would not substitute a new employee for a seasoned employee without orientation and safety training. Treat a contractor in the same way. Although highly skilled for the task, the contractor is not familiar with your facility and operations. Your project manager should instruct the contractor on the business and safety rules specific for your facility which may include:

- Emergency evacuation training
- Hazardous communication training
- Lockout/tagout training
- Confined space training
- Fall Protection training

Disciplinary action should be clearly spelled out for any infractions. Provide a sign-off with a unique employee identifier to record that each individual has received training and acknowledged safety rules.

Verify that the skills, equipment, and materials specified in the contract or statement of work are in use:

- Are the individual workers licensed as required?
- Have the appropriate permits been obtained?
- If applicable, is the equipment brought on site tested or approved by a recognized organization?
- Are the tools necessary to do the job effectively available?
- Is the specified material actually on site? Once the contractor is working on the project, periodic monitoring of the site is necessary.
- Are your safety rules being followed?
- Is the work staying within the defined scope?
- Has any aspect of the job site changed requiring a reassessment of the site?

Conduct a post contract evaluation when the project is completed.

Think of contractors as your extended employee workforce and demand the same standards of care and safety. It could make the difference between a job well done, and a regrettable and costly mistake.

Resources

Better Business Bureau
www.bbb.org/

Underwriters Laboratories
www.ul.com/

Connect With Us

For more information about protecting your business, contact your local Chubb Risk Engineer or visit us at www.chubb.com/engineering.

Contractor Management Checklist

Answer these questions to assist with your contractor management process. If you answer “No” to any of these questions you may need assistance developing or enhancing your risk management program to help better protect your company’s assets.

Contractor Selection	Y	N
1. Does the contractor have the appropriate licensing to complete the work requested?	<input type="checkbox"/>	<input type="checkbox"/>
2. Can the contractor provide multiple, verifiable references attesting to the quality of their work specific to your requested project?	<input type="checkbox"/>	<input type="checkbox"/>
3. Does the contractor have adequate staff to complete the work with the needed skill set?	<input type="checkbox"/>	<input type="checkbox"/>
4. Does the contractor have adequate formal safety procedures/programming appropriate for your project?	<input type="checkbox"/>	<input type="checkbox"/>
5. Does the contractor have the same commitment to safe work practices as your organization?	<input type="checkbox"/>	<input type="checkbox"/>
6. Does the contractor have formal disciplinary procedures for safety and other infractions?	<input type="checkbox"/>	<input type="checkbox"/>
7. Will there be any subcontracting of work? If so, will the contractor confirm that all of the above items will apply to the subcontractor as well?	<input type="checkbox"/>	<input type="checkbox"/>

Project Preparation	Y	N
1. Has your organization conducted a pre-project risk analysis to determine:		
a. What aspects of your operations will be impacted?	<input type="checkbox"/>	<input type="checkbox"/>
b. What workplace hazards will be created by the project that will require additional protection for your employees and visitors?	<input type="checkbox"/>	<input type="checkbox"/>
c. Have outside agencies, such as your insurance company, the fire department, or your alarm monitoring service been contacted?	<input type="checkbox"/>	<input type="checkbox"/>
d. Have your emergency plans been modified to address the project for the safety of employees, visitors, and the contractor’s employees?	<input type="checkbox"/>	<input type="checkbox"/>
2. Is a least one of your employees appointed as the project manager to monitor adherence to safety procedures and contract requirements?	<input type="checkbox"/>	<input type="checkbox"/>
3. If chemicals are being utilized by the contractor, in addition to ensuring the contractor has safety procedures in place, has the exposure to your employees and visitors been contemplated?	<input type="checkbox"/>	<input type="checkbox"/>
4. Have you confirmed that the site protection procedures (fencing, barriers, floor opening protection) are adequate to protect your employees and visitors?	<input type="checkbox"/>	<input type="checkbox"/>
5. Contracted hot work can result in the ignition of combustible material in areas where cutting, welding, soldering, brazing or other open flame work is being performed. If hot work is to be completed do the contractor and all subcontractors adhere to a formal Hot Work Permit program?	<input type="checkbox"/>	<input type="checkbox"/>
6. If work with water sources, piping, pumping or drainage is part of the project, does the contractor perform pre-work evaluations to determine potential exposures that could result in building water damage, and take steps to mitigate those hazards both during and after the project (i.e., follow up to ensure piping/connections are not leaking)?	<input type="checkbox"/>	<input type="checkbox"/>
7. Before work begins, has the contractor obtained all of the appropriate permits and if necessary, licensing/certifications for the project?	<input type="checkbox"/>	<input type="checkbox"/>

Contracts and Documentation	Y	N
1. Does the written contract clearly define the scope of work, to include procedures, materials, time frame, and expected results?	<input type="checkbox"/>	<input type="checkbox"/>
2. Is a requirement that all equipment being used for the project be appropriate for the work being done, properly maintained, and has been approved or tested by appropriate certifying agencies, especially for critical equipment such as cranes or lifting devices?	<input type="checkbox"/>	<input type="checkbox"/>
3. Does the contract contain “hold harmless, defend and indemnify” wording that further states that indemnity will be to the fullest extent permitted by law?	<input type="checkbox"/>	<input type="checkbox"/>
4. Does the contract state that your company will be added as an additional insured that supports the indemnification wording and that their insurance, not yours, will be primary?	<input type="checkbox"/>	<input type="checkbox"/>
5. Does the contract contain a Waiver of Subrogation, which will prevent their insurance carrier from attempting to collect against your insurance?	<input type="checkbox"/>	<input type="checkbox"/>
6. Does the contract require Certificates of Insurance (COI) for all appropriate coverage areas (Workers Compensation, Commercial Auto, Commercial General Liability and Umbrella, at a minimum) with insurance limits that are appropriate for the work being completed and the exposures created by that work?	<input type="checkbox"/>	<input type="checkbox"/>
7. If subcontractors are being utilized, are they required to conform to the above items as well?	<input type="checkbox"/>	<input type="checkbox"/>
8. Has a documented legal review and approval by legal counsel licensed and experienced in the state where the operations are taking place been conducted to confirm, at a minimum, the above items?	<input type="checkbox"/>	<input type="checkbox"/>

In addition to this checklist, consider using a detailed Contractor/Subcontractor Pre-Qualification form. This form could include questions concerning OSHA citations, Recordable/Lost Workday Incidence Rate and fatality rates. Your industry association or legal counsel may be in a position to assist with this.

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