

# Obtain and Verify Insurance Coverage

As an owner of a restaurant it is inevitable that the need to utilize an outside contractor will arise. Whether you hire a company to maintain or service equipment (i.e., Deep Fat Fryer, Hood Cleaning, etc.) on an ongoing basis or for just one project, it is crucial to verify proper insurance information. This verification will ensure that you are protected in case of a loss or mistake that is a result of the contractor's work.

Workers Compensation as well as General Liability are the primary coverages that should be your concern. The minimum limits should be at least \$1,000,000 per occurrence; however, \$2,000,000 is preferred.

Many contractors will present proof of insurance; however, this document may be worthless if the insurance premium has not been paid. It is advisable to request that the contractor's insurance agent issue a copy of the policy naming your entity as an additional insured. It is important that the agent be contacted to confirm that the policy is in force and remains in force for the duration of the work to be done.

## Here are some examples of what can happen if insurance coverage is not properly verified:

1. Owner/Operator hires a landscaper to maintain the lawn and trim the hedges. An employee of the landscaper removes the access cover to the sprinkler system, which is located in the lawn immediately adjacent to the sidewalk. A customer accidentally steps into this open hole and fractures his ankle. A claim is made by the customer to both the restaurant as well as the landscaper. The landscaper is uninsured. Owner/Operator's insurance will have to pay this claim, which totaled \$45,000.
2. Owner/Operator hires an electrical contractor to do some exterior lighting work. Upon completion of the work, the contractor flips a breaker that had been taped closed and should not have been touched. This resulted in a fire that took the entire building down. This contractor did have insurance with coverage of \$1,000,000 per occurrence. The cost to rebuild the building as well as the loss of income and contents may well exceed the coverage that the contractor had. As noted above, \$1,000,000 of coverage is the least amount of coverage that would be acceptable; however, when there is exposure to the entire building a contractor with \$2,000,000 of coverage would be preferred.



# Obtain and Verify Insurance Coverage (continued)

3. Owner/Operator hires a contractor to complete a repair to the roof. The Owner/Operator requests and is provided with a copy of the contractor's insurance declaration page indicating that he does have a workers compensation policy in effect from 1/1/05 through 12/31/05. The Owner/Operator did not contact the agent to verify that the coverage was still in force, nor did he request a copy of the policy adding him as a named insured. One of the roofers fell from the roof and suffered serious injuries that required 6 months of rehabilitation. The injured worker was also out of work for 8 months. The Owner/Operator then received a letter from the injured worker's attorney indicating that the roofing contractor failed to pay his Workers Compensation premium after the first month of coverage, and there was no coverage in effect for the date of accident. In this case the Owner/Operator was held responsible for this loss, which resulted in a final settlement of \$212,000.

It is extremely important to utilize outside contractors that are adequately insured. Verification of their coverage cannot be overlooked. This is done by contacting the agent to request a copy of the policy, including the Owner/Operator as a named insured.

Should you have any questions or need further assistance, please visit our website, send an email or call us.



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