

# Three Things You Need to Consider Before Signing on the Dotted Line



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Entering into a new contractual agreement with a payer, referral network, or other partner can be an exciting time for your business. Usually it represents growth and opportunity. But there are a lot of things to think about before signing any contract, including your risk.

You can make sure your business is properly insured and protected in your new relationship by carefully reading the entire contract and soliciting your insurance agent and legal counsel to review it as well. Read more below to learn about the three most important things to take into consideration.

## Contractual Risk Transfer

Beyond outlining how you will work together, a contract will also include clauses and provisions that describe the transfer of risk and liability. There are three main types of contractual risk transfer:

- **Indemnity provisions** – Also known as hold harmless agreements, these transfer the risk of future loss or damages from one party to another
- **Additional insured provisions** – Requirements to add third parties on to your insurance for additional coverage
- **Waivers of subrogation** – Subrogation is the legal ability of an insurance company to sue an at-fault party in attempt to recover losses it has paid out

Each of these offers different advantages and disadvantages in different situations and different types of businesses. For example, a waiver of subrogation may minimize lawsuits, but removing your insurance company's right to sue may increase your premiums.

Some types of clauses and provisions are required in some states. Your insurance agent can identify these types of clauses (or their absence) in your contract and determine if they are sufficient.

## Coverage Limits and Requirements

Contracts will use terms like “primary” and “noncontributory” to determine the order in which insurance policies respond to loss. For example, your policy might be required to pay for something before the other party's policy. It is important to know the order of liability indicated in your contract.

Examine the insurance limits and coverage requirements outlined in the contract and see how they compare to your own. Are your liability limits sufficient? Does the referral source require an Umbrella policy or Cyber Liability coverage you may lack? Work with your insurance agent to make sure your coverage meets their requirements.

## Weigh the Return on Investment

If you discover your current insurance is not sufficient to meet the requirements of the contract, consider the cost of adjusting it. How much will adding coverage or increasing limits raise your premiums? Are you being asked to add a high-risk product you're unfamiliar with? What happens to your coverage after your contractual relationship ends?

Weigh all of this against the revenue your new contract is projected to generate. Is the exposure worth it? Asking yourself hard questions now can save you a lot of headaches later.

Contracts are complicated documents, but VGM Insurance is here to help walk you through them. We can make sure you're covered and ready for your business to grow. For more information and guidance, contact your VGM Insurance Services Account Manager or contact us today at [info@vgminsurance.com](mailto:info@vgminsurance.com) or 800-362-3363.

