



**REAL-LIFE CLAIMS:
THE CASE OF THE DOUBLE SPILL**
What Your Club Needs to Know
Before Hiring Third-Party Contractors



Introduction to the Case

When people think of country clubs, the first thing that often comes to mind is a golf course. But those of us in the club and hospitality world know it takes a host of people doing a variety of jobs to keep the club running smoothly and keep guests happy.

With so many facets to the business, clubs are bound to rely on several services from third-party contractors—whether it's the yoga instructor who teaches on Tuesday and Thursday or the team that comes to collect the used grease from the kitchen. It might be easy to convince yourself that you and your club—along with your staff and clients—are protected should an issue arise on the third-party's watch, but that's not always the case.

In the story below—based on actual events—you'll see through the eyes of a club owner as they realize just how important it is to do your due diligence upfront when hiring a third-party contractor. We'll then provide some best practices to help protect your business.

The Case: Taking a Spill

It's been a great start to the season for your club so far. You've worked with a number of local businesses to expand different events and offerings, and the response from your patrons has been incredible. It's another beautiful day and you revel at the recent success as you're about to make your way to the club for work—then you get a phone call from Allison, one of your employees.

"Hi, Roger. I'm afraid I have some bad news and didn't want you to be blindsided when you got to the club," she says.

"What's going on?" you ask, a lump forming in your throat.

"Well, a couple of things," she says. Allison takes a deep breath and sighs before continuing. "During the early morning yoga session, Mrs. Halley had a fall and seems to have tweaked something. Jerry in maintenance drove her to the clinic."

"I hope she's okay. You said there were a couple of things?"

You hear Allison swallow before responding, "Yeah...see Jim came by to collect the kitchen grease, and...well...there's been a spill. Grease

was running down the drive and into the drain. I'm not really sure what happened. We called the fire department, and the HAZMAT unit is already here."

"Thank you, Allison. Can you have someone pull the files for the yoga instructor, Jim's company, and the client information for Mrs. Halley for me? I'll be right there."

When you get to the club, a large portion of the main drive is closed off as the HAZMAT crew goes about laying down sand and soak pads. You park and make your way on foot around the cordoned off area. The odor of the oil, rancid but with the remnants of Fish Fry-Day, drowns out the fresh grass smell you're more accustomed to.

You get to the building, and on your way to your office, you instruct one of the staff members to station themselves at the main drive and direct patrons to the alternate entrance until you can figure out what to do next.

Sitting down at your desk, you take a deep breath and thumb through the files you requested before picking up the phone and calling your insurance agent.

PROTECTING YOUR BUSINESS

As the old adage goes, when it rains, it pours. With so many third-party contractors part of day-to-day club business operations, there are plenty of scenarios that could lead to a potential claim—from your clients and patrons, your employees, or even the contractor. Fortunately, there are steps you can take to protect your business.

Signed Contractual Agreements

One of the best ways to ensure all parties understand the expectations of the contractor relationship is right there in the name—contract. Always have a signed contractual agreement in place. Ensure it clearly outlines the work, payment, completion date, site safety, and insurance requirements. It's always good to have your insurance agent or broker get involved at this point, as well as any legal counsel you may have access to.

Verify Insurance Coverage

Depending on the state and profession, insurance requirements for contractors can vary widely. Still, there are some general steps you can take. For example, obtain certificates of insurance for contractors you hire. And, if possible, ask to be named as an additional insured on their policy. This ensures both parties know which policy is responsible for what.

Liability and Workers' Compensation insurance are usually your primary concerns. However, consider the type of work the contractor will do for you. Grease, as featured in the case above, is classified as a pollutant and isn't covered under General Liability. It requires its own policy. A contractor with insufficient or nonexistent coverage can make your club vulnerable to claims. And, if a contractor lacks Workers' Compensation coverage, you'll likely have to pay for additional payroll on your policy at audit time.

Check Employee Classification

This didn't really come up in the case above, but it's worth mentioning. It might at first seem easy to tell whether someone working for you is an employee or an independent contractor, but it's actually more complicated than many think. Plus, in recent years, government and regulatory agencies have been increasingly concerned about misclassification of employees. Your club could face hefty fines or penalties if you classify someone as an independent contractor when they are actually an employee.

While there isn't a singular standardized test to determine the proper classification, you can read more about it and get guidance [from the IRS here](#). Your insurance agent or broker can also help you with employee classification questions. Remember, it's critical to carefully consider the correct classification for a contractor before you hire them.

Lean on Your Insurance Agent or Broker

As always, be sure to reach out to your insurance agent or broker with any questions. The earlier they're involved, the better. And, just like the story above, be sure to contact your agent, broker, or carrier the moment there's an incident that could lead to a claim. They can help walk you through next steps.

For more information about how you can minimize the risk for your club, and to ensure you have adequate coverage, reach out to your Account Manager or contact us today at info@vgminsurace.com or **800-362-3363**.

