

## Contract Reviews

by Matt Hughes, Moody Insurance

The day to day life of a brewery owner is filled with a lot of things that aren't related to beer: dealing with payroll, fixing pumps, training new employees, tending to social media, or about a thousand other things.

So when someone asks you to sign a contract, whether that's to bring on a mobile canner or to participate in a beer festival, many will either simply sign the document or hand it off to their attorney.

Attorneys are great at making sure that you don't sign all of your rights away, but they're not always great at making sure that the insurance language in a document is properly written.

Let's start with the most common oversight, which is having a certificate naming you as an "Additional Insured" but not having a contract that requires it. This isn't just a problem for breweries. Most policyholders aren't aware of the issue that can arise in the absence of a properly worded contract.

Many commercial insurance policies grant automatic or blanket additional insured as it relates to general liability. But these policies typically have language that indicates that additional insured status must be required by a written contract.

Let's say that you hire a garage door contractor to install brand new shiny rolling doors leading out to your beer garden. You do your due diligence and ask them to name you as additional insured during the project and for their completed operations, which they gladly provide. The wording on the contractor's policy says "where required by contract" but you didn't bother signing one because you got the certificate and you were unaware of that wording in the first place.

The first day you get to use the doors starts off as a beautiful spring day, but a storm quickly rolls in and several customers are scrambling to get inside. As the last few are heading in, the garage door fails causing it to close too quickly and 3 of your guests are struck by the falling door.

Several days later when you are asked to pay for medical bills and lost wages from time missed at work, you tender the additional insured certificate to the contractor's insurance company.

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But since there was no written contract, the contractor's policy will not provide you any protection.

You will still have coverage through your own insurance policy, but now you have a significant claim against your insurance history that will impact your subsequent insurance renewals.

Other issues that we deal with often are lease contracts where the landlord's gross negligence is allowed, exorbitantly high liability limits are requested, or no insurance language exists at all.

Ideally, you will have an insurance broker with in-house counsel that can help you when it comes to reviewing your contracts. Contract review from these attorneys is often covered simply by the premiums that you pay to your broker, and is an important component to a measured risk management strategy.



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