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# Contractor Faulty Workmanship Loss Prevention

Under certain circumstances, damages or injuries resulting from faulty products or faulty workmanship can be covered under your General Liability policy.

These are classified as Completed Operations losses. For a complete understanding of your General Liability coverage, you should refer to the policy wording and/or your Risk Services Coordinator. These types of losses are preventable with the proper policies and procedures in place. They include:

## Employees

The first factor in preventing these types of losses is to have staff, both managerial and technical, that are experienced and qualified to perform the required contractor specialties. Hiring the right people, training them and supervising their activities are all critical to ensure the work is completed properly.

## Safety Program

Safety-mindedness, the state of being constantly alert to dangers and to correcting and warning of unsafe conditions, begins with your tradesmen's awareness of the dangers that can affect their safety. If your workers are well versed on jobsite safety and how it can affect them personally, that alertness will carry-over to a general awareness for the safety of others and to an awareness of how the quality of workmanship will affect the safety of the end users of the work. Implementing a Safety Program is the best way to provide the understanding and awareness of how injuries and damage can occur. Your safety program should include safety policies, and an organized system to identify, communicate and control

hazards. Safety handbooks are an excellent addition to your program.

It is recommended that each day start with a site meeting. It should be clear to each worker the scope and hazards of the job. With a clear idea of all the work activities occurring, employees are in a better position to apply the safety and loss prevention program and control the systematic inspection of the work as it progresses. Although safety and work quality is plainly in everyone's best interest, it is primarily the responsibility of your management team to implement and enforce.

## Quality control

Quality control procedures are necessary to ensure consistency in the work and limit errors. Testing and inspection procedures must be adequate to assure compliance with specifications, codes, and standards. In some cases, building codes, or even the terms of your contract, may call for independent inspection and testing by outside firms, by municipal inspectors or by other government authorities.



**Knowing your business matters.**

All phases of the testing and inspection must be fully documented including deficiencies and any remedial action taken. Checklists are an excellent method to document these procedures.

Encourage and reward your workers to bring defects to the attention of management. To some degree, it is usually advantageous to empower workers with the authority to correct defects, perhaps with cost limitations or with the stipulation that such corrections be brought to management's attention and recorded.

Certification by others does not relieve your responsibility for damage caused by defects in your work or products. Work inspected by others still requires your attention to the controls and record keeping required by a good loss prevention program.

### **Record Keeping**

It is very important to keep records of the quality control measures in place and how they were applied to each project. Completed Operations claims arise long after the job is finished and your best defence is clear and well-maintained records that document the preventative steps that were taken to ensure quality work. These records may well be the foundation of a legal defence, months or even years down the road.

Documentation should display how you manage your loss prevention programs prior to doing any work – safety booklets, training, safety meetings, manuals, etc. Even more important is the need for a written record to demonstrate how these safety features are implemented as work progresses. The documentation can be dated records showing faults with corrective actions, photos of unsafe conditions reported, copies of work inspection checklists, etc. Pictures are an excellent record keeping method.

By implementing these types of policies and procedures your business can avoid costly faulty product and workmanship claims.

### **Partners In Prevention**

At Federated Insurance, we believe Loss Prevention is a critical component of your Risk Management Program. Your Risk Services Coordinator together with our Loss Prevention Team is available to assist you in developing and implementing guidelines to help protect you against Faulty Workmanship claims. Working together to reduce your loss exposures protects your bottom line!

For more information, contact your Risk Services Coordinator, our Loss Prevention Department at 1-800-665-1934, or visit our website at [www.federated.ca](http://www.federated.ca)

Federated Insurance provides this Loss Prevention Bulletin as a service to our policyholders and their business advisors. The information provided is intended to be general in nature, and may not apply in your province. The advice of independent legal or other business advisors should be obtained in developing forms and procedures for your business. The recommendations in this bulletin are designed to reduce the risk of loss, but should not be construed as eliminating any risk or loss.