



The Importance of Contractual Language: Be Sure to Transfer Risk

By: Margo Ely, Executive Director at IRMA

“Contractual Risk Transfer” is not the most interesting topic, but it is very important. Some of us may not even know what it means. When IRMA members enter into contracts with third parties, whether it’s to manage a rec center, a golf course, for a temporary employee or a construction project, the contractual language should always ensure that your municipality will not be held liable for the third party’s negligence. If the language is not strong, we may be faced with defending and indemnifying the third party for their negligence; this is wrong and should not happen. Unfortunately, we have been forced to do just that because contractual language was insufficient.

As summer approaches and the municipal festival season begins to heat up it is important to have effective contractual risk transfer language in your agreements with vendors participating in the festivals. All vendors should be required to provide liability insurance, additional insured status and defense and indemnification language protecting your municipality from their negligence while participating in the festival. Any vendor that may be selling or distributing liquor should be required to provide liquor liability insurance with your municipality named as additional insured.

One of the many benefits of IRMA membership is that we are available to review your contractual language to assure that it correctly holds third parties accountable for their negligence and protects not only IRMA members, but the entire pool, from unnecessary and easily preventable exposure. Contact us for assistance.