# RISK CONTROL SERVICES

## CONTRACTS: ACCEPTING LIABILITY


When properly written, a hold harmless or indemnification agreement imposes on one party the responsibility to pay all liability, damages, costs, expenses, and even attorney's fees for the other party's actions. While most states won't enforce this responsibility if the other party is solely or willfully negligent, a contract that includes a hold harmless or indemnification agreement can force the party who agreed to it to pay defense costs, whether the incident is insurable or not.

---

### Consider this example:

A property owner hires a property management firm to lease up the units it owns. The property management firm provides its standard agreement, which includes hold-harmless language as well as a demand to be named as primary in its indemnification clause.

Several months later, the property management firm is accused of discriminating against prospective tenants. The property owner wasn't involved in the transaction, so it considered the subsequent claim to be the property management firm's concern. Then, the property management firm representative hands the claim over to the property owner, pointing to the indemnification clause the property owner signed.

Unless it can be proven that the property management firm's employees willfully discriminated, the property owner will be responsible for hiring an attorney to defend the property management firm as well as its employees and possibly paying damages.

It can't be emphasized enough. Before signing any contract, read it in its entirety, especially any indemnification or hold harmless language. If you have questions regarding how the contract affects your insurance program, have your insurance representative review the language to ensure that agreements are aligned with your insurance program.

### Did You Know?

If your organization will be hiring a contractor in the near future, review our sample policy guidelines to learn how to transfer appropriate risks to the contractor.



HAI Group