

What Contractors Need to Know About Venturing to Other Types Of Work

Contractors who are picking up projects to stay busy in a tough economy are starting to move into areas that they are not familiar with, which means they are taking more risks. Experts say that with such limited work opportunities, contractors are faced with having to change their operations. When contractors also decide to work with subcontractors on these projects, they are often taking on the risks of working with the sub's employees. In many cases, the employees are not properly trained, so they only contribute to the existing risks. Many of the areas contractors are choosing to migrate to have different legal implications, but some may not be aware of the risks involved in such a change.

Experts say that going out of a specialty area to take on new types of work is a mistake that many experienced contractors advise newer ones against. Acquisitions and mergers for contractors are happening more and more often in the tough economy. When contractors combine their work through mergers, it is important for them to involve their insurance underwriters and engineers to help in identifying risks.

Types of work that would have drawn less than five bidders in the past are drawing between 15 and 20 now, but many contractors who are bidding are unfamiliar with the work. They may think it sounds interesting and may be confident that they can complete it. However, getting involved in an entirely different type of work could be disastrous.

For example, a carpenter who decides building roads sounds more interesting would not have the right skills to make an immediate jump.

When contractors start working in states where they have not worked before, the exposures become even more complicated. In addition to rules and regulations, several aspects of construction can differ from one state to another. Some examples are different weather conditions and different soil. Moving to a new state also puts contractors in different selection pools. This means they will not be familiar with which subcontractors are reliable and which ones are not. It is important for contractors to stay alert and keep their insurers informed of their plans. This will help insurers identify risks before incidents happen that may result in uncovered claims.

When contractors who are not familiar with certain types of work are winning bids, it usually means they are undercutting specialists who know what it takes to do the job. The main issue for contractors moving into new areas is expertise. If they lack it, they should not bid on the job. Taking a job without the right expertise only harms the specialists who miss out, the party contracting for the job and possibly the environment or the neighbors of the contracting party. Contractors looking to change to a different area of work should ensure they receive the proper training before making such a switch.



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