

6 Contract law tips for limiting risk on construction projects

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[Adopted from [Construction Law in North Carolina](#) 3/24/2010]



Anytime of year is a good time to take stock and clean out the junk in your life. When you have downtime on the job (or even if you don't), you should dedicate some time each year to cleaning up your systems for limiting your risk on construction projects. Here are a few things to think about as you attempt to improve your construction contracts:

1. **Do you have a standard written contract or proposal for every project**, no matter how small or how long the client has been doing business with your company? This should be your number one priority. If it is a standard form, it shouldn't be a big deal to use even on short projects. And if you think your longtime customers will be offended, blame it on the attorneys! That's what construction attorneys are here for-- we're tough and can take being the bad guys.
2. **Has your contract or proposal been reviewed by your insurance carrier?** This is an important step you can take to limit any risk issues in your contract. Many insurance carriers will review your contracts at no cost to you-- they view it as a good loss prevention measure. Check with your insurance agent or broker to see if your carrier offers this service. This is also a good time to see if your insurance coverage is sufficient for the amount of work you are currently performing.
3. Has your contract been reviewed by your attorney? If your insurance carrier has an attorney licensed in your jurisdiction review your contract, you can skip this step. Otherwise, strongly consider having the contract reviewed by a professional, preferably an insurance defense attorney. Measure twice and cut once applies to the legal world, too.

4. **Does everyone on your staff know to use the contract or form proposal** and where on your system to find it? It does you no good to have a great contract template that some of your employees don't use. Educate them on the importance of all contracts and proposals being produced in a uniform, systematic way.
5. **Is there a follow up procedure in place**, in case a construction contract or proposal is not returned executed by the client? Someone should be tasked with making sure a completely executed contract or signed proposal is obtained, and that it is filed in an easily accessible location for future reference. One idea: do not open a new client or matter number to bill against until the contract is in place.
6. **Consider whether it is worth getting current verbal agreements translated into written agreements**. If you have an ongoing project that is only based on a verbal agreement, consider the potential for risk on that project. It might be worth it to ask the client to execute a new written agreement. Again, you can blame it on the lawyers. This *may* not be possible, or it may simply be too awkward to ask for this in the middle of a project that is going well. But at least consider all of your current projects to see if this is a possibility.

Happy Cleaning!

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