



Risk Bulletin - February 2026

## Contractual Risk Transfer

### Understanding the Importance of Contract Review

The phrase “No good deed goes unturned” perfectly illustrates the challenges that can arise when agreements are not carefully reviewed. It is crucial to thoroughly read any contract and fully understand its implications before acting.

#### Case Example: Skating Rink Agreement

In one notable instance, a city staff member signed an agreement related to a holiday event that included provisions for a skating rink, staff, a generator, and lighting. Unfortunately, this agreement was executed without first being reviewed by the Risk Management department.

This example highlights the potential risks and complications that can occur when proper procedures are not followed, emphasizing the importance of involving the appropriate departments in the contract review process.

The result was a loss of the vendors’ equipment (generator) and the city having to pay for the loss of \$4,848.00 as required by the terms of the agreement. The loss was a result of a theft.

The pertinent part of the vendors’ agreement is as follows:

**Damage/Accident:** The undersigned assumes all responsibility for any physical damage or loss to vendors’ equipment caused by the renter, member of the organization, guest or any third party. Electronic and other malfunctions are totally unpredictable and vendor cannot be held responsible for any such malfunctions or acts of God that might prevent us from providing the contracted equipment and/or services. Should your event be affected by such an incident, vendor reserves the right to substitute an item of equal or greater value. If an item cannot be substituted, a full refund shall be made of all moneys received and vendor shall not be held liable for further loss. Renter agrees that in the event of any accident, casualty resulting in bodily or property damages arising at the event, or any of the property becomes unsafe or in a state of disrepair, renter will immediately discontinue the use thereof and notify vendor. Renter shall not abuse, harm or misuse equipment. If renter is aware of any accident involving said equipment, renter shall provide vendor a written report of the accident within 24 hours including names and addresses of all persons involved and all witnesses.

In this particular case the city assumed all responsibility for loss of vendors’ equipment. Agencies are encouraged to review all contracts before signing. The loss could have been more. It is recommended that the agencies not use the vendors’ agreement as it is written to transfer the risk back to the agencies.

### Assumption of Responsibility and Recommendations for Contract Review

In this case, the city accepted full responsibility for any loss of the vendor’s equipment as outlined in the agreement. This example underscores the importance of carefully reviewing all contractual terms before signing, as the financial consequences could have been even greater.

Agencies are strongly advised to thoroughly examine every contract prior to execution. It is crucial to avoid accepting vendor agreements as written when they transfer risk back to the



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agency. Instead, agencies should ensure that risk transfer provisions are negotiated to protect their own interests and minimize potential liabilities.

#### Contacting ICRMA for Support

If, at any point during the contract review process, you are unsure about the terms or have questions regarding risk management, it is important to reach out for assistance. In situations where there is uncertainty, contact ICRMA for guidance and support. ICRMA can provide valuable insight and help ensure that the contract terms align with the city's risk management policies. Seeking assistance before signing any agreement can prevent costly mistakes and ensure that risks are properly managed.