

## Air Conditioning and Refrigeration Service Contracts

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Modern air conditioning and refrigeration (AC&R) equipment can be very sophisticated and can require a high degree of training and experience to properly perform required maintenance and repair tasks. Some tasks may be performed by properly trained in-house staff, however, a qualified outside service contractor may be better equipped to perform certain tasks.

A good maintenance program can help achieve the high reliability and efficiency needed to run your operations with the goal of minimizing downtime or potential problems. Consider the following information when working with AC&R contractors and establishing service contracts.

### AC&R Service Contractors

Although reliability can be achieved with well-qualified and experienced in-house maintenance personnel, many facilities may benefit from some degree of involvement by AC&R contractors. Contractors may have more experience working on larger, more complex equipment, and may have ready access to replacement parts. Original equipment manufacturers (OEM) may also be able to provide workmanship and material warranties

### Contractor Considerations

An advantage of contracting with the OEM is their access to technical resources for your specific equipment, use of original equipment parts and training. However, if your equipment is obtained from a number of manufacturers, an independent contractor may have a more comprehensive understanding of the various makes and models of your equipment. When establishing a service contract, it is a best practice to evaluate prospective companies to ensure they are qualified and reputable.

### Service Contracts

The type of service contract that best serves each individual facility depends on the equipment type, its complexity, and condition, as well as the ability of in-house maintenance personnel to properly service the equipment.

If you conduct repeated work throughout the year with a preferred contractor, you may consider entering into a service contract. This may allow you to call upon their services with short notice or have preference service is needed during periods of high demand.

With any service agreement, it is critical to carefully read and understand the agreement. Make sure the agreement provides all the services that are required and carefully scrutinize any specific limitations or restrictions for these services in the agreement

### Risk Transfer/Control Considerations

A contractual liability risk management program can help address the risks associated with an unexpected equipment breakdown on your premises if a contractor is involved in servicing the equipment. This program may include, but not be limited to, the following:

- Indemnification requirements: For example, the requirement that all service contractors agree in a signed contract to hold harmless, indemnify and defend legal actions arising from their work to help protect your business interests.
- Insurance requirements:
  - > Outline a contractor's insurance requirements in the service agreement, including details about coverages, insurance limits, additional insured status, etc. Consult with your insurance agent and/or legal counsel to determine what would be appropriate for your business and situation.
  - > Make sure contractors and sub-contractors have appropriate workers compensation insurance in place if performing work on your premises.

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- > Obtain certificates of insurance from companies before work begins. Review the certificate to ensure it matches the requirements of the service contract.
- Legal aid: Have legal counsel review any contracts and also the contractual liability risk management program itself.
- Security: Establish rules for contractors regarding who can be onsite and when.

This information is provided to assist you in developing a program specific to your operations. There are many factors that may affect contractual liability, such as variations in equipment type and use, location, occupancy and regulatory requirements, that should be considered when developing your risk management program.



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