



Risk Management Services

RISK TRANSFER - THIRD PARTY "CERTIFICATE OF INSURANCE" REVIEW

Risk Transfer is a strategy to avoid the risk by transferring it to other parties.

Risk Management is the process of identifying, measuring, or assessing risk and developing strategies to control it. Risk Management strategies include:

1. Avoiding the risk.
2. Reducing the negative effect of the risk.
3. Accepting some or all of the consequences of a particular risk.
4. Transferring risk to another through liability insurance. This technical bulletin focuses on Third Party General Liability insurance.

Certificate of Insurance – COI Best Practices

Your organization should require a "Certificate of Insurance" (COI) from contractors, vendors, and other parties that provide services to or on behalf of your organization, and various parties that use your organization's facilities. All such parties shall provide your organization an Acord™ COI stating that there is insurance in effect with certain specified minimum limits. This must occur PRIOR to commencement of work or activity. This form must be in the possession of your organization before the work or activity starts. The COI must be filed with the contract so that it can be retrieved in the event of a loss. It is commonly referred to as "proof of coverage." Punitive damages aren't covered under General Liability insurance policies because they're considered to be punishment for intentional acts.

Some examples of the various types of contractors / vendors where a COI should be required:

- Any contractor who provides you with a service (electrical, plumbing, etc.)
- Bus Company
- Inflatables Provider
- Resort/Campground
- Performer/Speaker
- Architects/Engineers
- Food Service
- Greek Organizations
- University or School
- Organizations that use your facilities; including non-profit organizations

All Certificates of Insurance - Minimum Requirements / Additional Insured Requirement

The COI should provide specific information as to the date and contract/activity/event for which the certificate is being issued. It may cover all operations of the contractor for your organization. Coverage must be written on an "occurrence" form and maintained throughout the term of any contract/activity/event. By endorsement, the COI must reflect "Your organization, its officers, employees, and agents as an additional insured as their interest may appear with regard to the activity and/or operations under the subject Contract or Agreement." By endorsement, the General Liability policy must include Waiver of Subrogation in favor of your organization.

Cancellation Notice

It is typically the responsibility of the agent or broker, not the insurer, to notify the insured(s) of any cancellation of coverage. Note that the usual Acord Cancellation Notice is very limited:

"Should any of the described policies be cancelled before the expiration date thereof, the issuing insurer will endeavor to mail 30* days written notice to the certificate holder named to the left, but failure to do so shall impose no obligation or liability of any kind upon the insurer, its agents, or representatives."

Each COI shall specify that should any of the above described policies be cancelled before the expiration date thereof, notice will be delivered in accordance with the policy provisions.

CERTIFICATE HOLDER	CANCELLATION
<p style="text-align: center;">YOUR ORGANIZATION 1234 ACME BLVD. LOS ANGELES, CA 90000</p>	<p style="text-align: center;">SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS</p> <hr/> <p style="text-align: center;">AUTHORIZED REPRESENTATIVE</p>

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Cancellation Notice – Contract Option

Our objective is to “strengthen” the notice of cancellation provided to your organization.

This can be added as a contract term:

“Should any of the described policies be cancelled or materially changed before the expiration date thereof, the *CONTRACTOR* shall provide your organization with not less than 30 days written notice of such change.”

Recommended Minimum Limits

General Liability insurance policies always state a maximum amount that the insurer will pay during the policy period, and this information is located on the Acord. Usually these policies also list the maximum amount the insurer will pay per occurrence and as an aggregate.

Commercial General Liability

- Each occurrence \$1M
- Products/Completed Operations Aggregate \$1M
- Personal and Advertising Injury \$1M
- General Aggregate \$3M
- Medical Payments (Any one person) \$10,000
- Products/Completed Operations Aggregate \$1M
- Personal and Advertising Injury \$1M

Special Events

Outside parties who use your organization’s facilities for their private events, including events open to members of the organization, are required to provide evidence of insurance.

Major Events

- General Liability: \$1M
- Business Auto: \$1M

Minor Events

- General Liability: \$100,000
- Auto: 15/30/5 limits are insufficient. Require 100/300/50 minimum; \$250,000 CSL

Coverage Requirements and Limits Subject to Change

At the discretion of your management, insurance agent, or insurance company (due to the nature of the contract, activity, event, or the number of people in attendance) higher limits or other requirements may be specified.

Commercial General Liability (CGL)

There are two types of General Liability coverages available: occurrence and claims-made.

Occurrence Coverage: An occurrence policy protects you from any covered incident that “occurs” during the policy period, regardless of when a claim is filed. An occurrence policy will respond to claims that come in – even after the policy has been cancelled – so long as the incident occurred during the period in which coverage was in force. In effect, an occurrence policy offers permanent coverage for incidents that occur during the policy period.

Claims-made Coverage:

Claims-made policies provide coverage for claims only when BOTH the alleged incident AND the resulting claim happen during the period the policy is in force. Claims-made policies provide coverage so long as the insured continues to pay premiums for the initial policy and any subsequent renewals. Each succeeding year the policy is continuously renewed, the “coverage period” is extended. Once premiums stop, the coverage stops. Claims made to the insurance company after the coverage period ends will not be covered, even if the alleged incident occurred while the policy was in force. A claims-made policy will cover claims after the coverage period ONLY if the insured purchases extended reporting period or “tail” coverage.

The insurance limits described herein should be considered to be the minimum required. It is suggested that you consult with your insurance agent to determine appropriate limits for your exposures. Exposures related to aircraft, watercraft, professional liability, and hazardous activities will require additional insurance and/or higher insurance limits.

CAUTION: Do not accept a policy that limits coverage to “ongoing operations” of the insured. The policy should also provide coverage for “completed operations” of the insured. NOTE: Generally you will not have this information on a COI. This requirement is important for major construction contracts.

CAUTION: Do not accept a policy that is written on an indemnification basis. With such a policy the “insured” must pay any claim before being reimbursed by the insurer.

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Read the Disclaimer - The Endorsement is Essential

IMPORTANT

If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

DISCLAIMER

The Certificate of Insurance on the reverse side of this form does not constitute a contract between the issuing insurer(s), authorized representative or producer, and the certificate holder, nor does it affirmatively or negatively amend, extend or alter the coverage afforded by the policies listed thereon.

Products and Completed Operations

This coverage provides that liability for real or alleged injury or damage to work performed by contractors is covered.

- Coverage includes liability incurred by a contractor as the result of improperly performed work (construction or installation) after a job has been completed
- Completed operations insurance is purchased by commercial insured's that provide services (e.g., plumbers, painters, carpenters)

Products and Completed Operations coverage is normally a part of the standard CGL policy. One way of confirming such coverage is to state the limits on the COI.

Explosion, Collapse, and Underground Hazard

Explosion, Collapse, and Underground Hazard (XCU) coverage is required for contractors who grade, trench, or dig underground, generally to a depth of greater than 12 inches.

CGL policies written by most insurers include coverage for both premises and products-completed operations. At times the latter may be removed by endorsement. This should not be done for contractors who excavate unless the risk is covered separately or in a wrap-up.

CGL insurance written by major insurers generally includes coverage for the explosion, collapse, and underground (XCU) property hazards.

When XCU protection is provided in the CGL policy, it may be removed by endorsement in whole or in part at the discretion of the insured or for underwriting reasons. Be sure this is not the case if you are contracting with anyone who may be doing this type of work.

Commercial General Liability (Description of Operations)

Regular Ongoing Business Relationship

- If you have a regular, ongoing business relationship with the contractor/vendor, you may request that the description of operation be broadly worded, i.e. "all work, operations or activities of the insured for or on behalf of your organization"

Short-term Business Relationship or Contract

- If the current business relationship is limited in scope, or if the contractor's insurer will not provide a broadly worded scope of work for the COI, you may limit the wording to the specific job that is the subject of the contract or agreement, i.e. "the work of the insured with regard to renovations being performed on your organization property located at that address"

CAUTION: The wording should reflect coverage as relates to "work performed" for your organization. Unless there is a written contract that clearly describes the scope of work, you should avoid the requirement that there be a "written contract" to trigger coverage.

Primary Insurance

For any claims related to any project, the contractor/vendor's insurance coverage shall be primary and noncontributory to your organization, its trustees, officers, employees, representatives, and assigns. Any insurance or self-insurance maintained by your organization, its trustees, officers, employees, or assigns shall be excess of the contractor's insurance and shall not contribute.

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Automobile Liability: Minimum Requirements

Commercial Entities: Business Automobile Liability with a combined single limits (CSL) not less than \$1M per occurrence. For a bus/transportation company, minimum per occurrence and aggregate limits are \$5M.

Individuals: \$300,000 CSL preferred. Liability of \$100,000 per person / \$300,000 per occurrence; property damage of \$50,000 per occurrence can be considered.

B	AUTOMOBILE LIABILITY	987654321	07/01/07	07/01/08	COMBINED SINGLE LIMIT (Ea accident)	\$ 1,000,000
	<input checked="" type="checkbox"/> ANY AUTO				BODILY INJURY (Per person)	\$
	<input type="checkbox"/> ALL OWNED AUTOS				BODILY INJURY (Per accident)	\$
	<input type="checkbox"/> SCHEDULED AUTOS				PROPERTY DAMAGE (Per accident)	\$
	<input type="checkbox"/> HIRED AUTOS					
	<input type="checkbox"/> NON-OWNED AUTOS					

Additional Insured Status: Additional insured status, as requested on a General Liability policy is not absolutely required on a Business Automobile Liability policy. You can generally ask for it, with wording as follows:

Your organization shall be named an additional insured for purposes of Business Auto Liability insurance in connection with all owned, non-owned, hired, or borrowed vehicles used in connection with work for the your organization, but only to the extent arising from the contractor or vendors negligence in performance of such agreement or contract.

800.873.4552

IMPORTANT NOTICE - The information and suggestions presented by Philadelphia Indemnity Insurance Company in this e-brochure is for your consideration in your loss prevention efforts. They are not intended to be complete or definitive in identifying all hazards associated with your business, preventing workplace accidents, or complying with any safety related, or other, laws or regulations. You are encouraged to alter them to fit the specific hazards of your business and to have your legal counsel review all of your plans and company policies.

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