

How to Reduce Your Insurance Premiums by Controlling Your Contractors

No contractor* should be permitted to enter your job site without first providing an up-to-date Certificate of Insurance. The ACORD Certificate of Insurance form has become industry standard. It provides a brief summary of your contractor's coverage that is in force when it is issued. If your contractor does not have coverage or has insufficient coverage your organization has assumed insurance responsibility for that contractor. Therefore, when your insurance audit is conducted your insurance company will charge you for that assumption of risk. (Specifically, your contractor's payroll is included in your insurance costs.) This is commonly known as a bad audit.

To avoid bad audits and minimize your exposure you may use written contracts between you and your contractors. These contracts should include risk transfer elements, one of which should specify insurance limit requirements for your contractors. Contractors must provide evidence of insurance requirements via the ACORD Certificate of Insurance. The Certificate should include your organization as Additional Insured and should name your organization as Certificate Holder. (Example is attached below.) This information has been provided as a guideline and you should consult with your legal counsel and insurance agent to implement a risk management program and either draw-up or review a contractor agreement.

*"Contractor" in our typical situation may include someone you hire to do work on or for your co-op property.

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Source: Loss Control: Nationwide Insurance

Make sure to review the certificate.

Insurance requirements will often be written into a contract, but you may also want to supply a required insurance coverage form to the contractor or other party (see “Required insurance coverage” section below). Always obtain the certificate before any work is performed. Most businesses require certificates before the contractor can even set foot on their property.

After obtaining the certificate, review it for the following information:

- **The name of the insured**
- **The proper coverage(s) being provided**
- **The required limits**
- **The effective dates**
- **Your name as the certificate holder**

Required insurance coverage.

Before providing a service or product to you, the party with whom you are doing business must provide a certificate of insurance that names you as the certificate holder and meets the minimum requirements listed below.

Please note: If the other party either does not provide you with a certificate of insurance or if they provide one with limits lower than the requested minimums, you should discuss this with your agent before work begins.



General liability

\$1 million each occurrence/\$2 million general aggregate/\$2 million products-completed operations aggregate; \$1 million personal and advertising injury each occurrence.



Workers' compensation and employers' liability

\$500,000 bodily injury by accident, each accident; \$500,000 bodily injury by disease, each employee; \$500,000 bodily injury by disease, policy limit.



Auto

\$1 million CSL (combined single limits).



Umbrella liability

\$1 million each occurrence.

For an explanation of how these limits would be applied in the event of an actual loss, consult with your agent.

What you can learn from a certificate.

Most certificates of insurance are issued on an ACORD 25 form, a standard form used by the insurance industry. Here's a brief description of each section of the form with a sample to review (on the next page):

Identification section.

This section identifies the agent/broker, the insured and the insurance company providing coverage.

- 1 The date the certificate was issued by the agent/broker or insurance company.
- 2 The name of the insurance agent/broker. Their address, contact name and phone number should be listed in case you need to ask additional questions or confirm coverage.
- 3 The name of the insured. Be sure to verify that it is an exact match to the name of the person or company you are hiring.
- 4 The names of insurers. One insurer often provides insurance for all coverages, but at times, different insurers are used for different policies.

Coverages section.

This section lists the names of the insurers by coverage provided. Make sure the insurers meet your minimum requirements for financial strength and are reputable carriers.

- 5 The insurer for a particular coverage, keyed to the corresponding letter in item #4.
- 6 The type of coverage. Ensure that the person or company you are hiring has, at a minimum, general liability and workers' compensation insurance.
- 7 Additional insured column. Verify that a "Y" appears to indicate you have been added as an additional insured for ongoing and products/completed operations. Best practice is to ask for copies of the additional insured endorsement to ensure that coverage complies with your insurance requirements.
- 8 The policy number. Identifies the number of the policy in force between the policy effective date and expiration date listed in the next two columns on the form.
- 9 The policy coverage dates. Check these to ensure they cover the period in which work will be performed. If a policy is set to expire before the job is completed, request another certificate for the renewal policy.
- 10 Coverage limits. Make sure the limits held by the contractor meet the limits you require.
- 11 Description of operations/locations/vehicles. Make sure you understand the meaning of any comments made here and how they may impact your project's insurance program.

Certificate holder section.

- 12 Identification of certificate holder. Make sure your company's name appears here.
- 13 Notification procedures if the policy is canceled. Ask to see the policy provisions or endorsements regarding how notice will be given, to whom, and how many days advance notice will be provided. Make sure they meet your contract requirements.
- 14 Signature of authorized representative. Make sure the certificate is signed here by the agent or other individual representing the person or company you are hiring.



CERTIFICATE OF LIABILITY INSURANCE

DATE **1** (YYYY)

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. 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).

PRODUCER 2	CONTACT NAME:	
	PHONE (A/C, No, Ext):	FAX (A/C, No):
	E-MAIL ADDRESS:	
	INSURER(S) AFFORDING COVERAGE	NAIC #
INSURED 3	INSURER A:	4
	INSURER B:	
	INSURER C:	
	INSURER D:	
	INSURER E:	

COVERAGES **CERTIFICATE NUMBER:** **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
5	6 COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR GENL AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC OTHER: _____			8		9	10 EACH OCCURRENCE \$ DAMAGE TO RENTED PREMISES (Ea occurrence) \$ MED EXP (Any one person) \$ PERSONAL & ADV INJURY \$ GENERAL AGGREGATE \$ PRODUCTS - COMP/OP AGG \$ \$
	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS						COMBINED SINGLE LIMIT (Ea accident) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
	UMBRELLA LIAB <input type="checkbox"/> OCCUR EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED RETENTION \$						EACH OCCURRENCE \$ AGGREGATE \$ \$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below						<input type="checkbox"/> PER STATUTE <input type="checkbox"/> OTH-ER E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

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CERTIFICATE HOLDER 12	CANCELLATION 13 14 WOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.
	AUTHORIZED REPRESENTATIVE

To learn more about certificates of insurance and why they are important to your business, contact your agent today.