APPENDIX A
RISK MANAGEMENT “MANUAL”
CONTRACT ANALYSTS – RISK ASSESSMENT
DETERMINING INDEMNIFICATION AND INSURANCE REQUIREMENTS

A) INDEMNIFICATION: see Chapter 16 and Appendix K of County Contract Manual. Indemnification is a legal principal that specifies an injured party should be restored to the same financial position as existed before a loss. “Contractual indemnification is a means by which parties to a contract may allocate the risks of liability and loss between themselves.”

The County by use of indemnification clauses and insurance requirements (indemnification creates a need for insurance) seeks to transfer the risk or place the responsibility for payment of losses on the appropriate contracting party (permittees, contractors, vendors, service providers or tenants) to the extent legally allowable. Exceptions to this may depend upon the parties relative economic position or leverage. In order to gauge the necessary levels of insurance or self insurance, a risk assessment needs to be performed for each contract or agreement.

B) A RISK ASSESSMENT is performed to judge the relative likelihood and severity of losses due to the activities of a contractor or vendor working on behalf of the County or a tenant leasing property from the County. From this risk assessment a response is formulated to address potential losses, this can include avoiding the loss, absorbing the loss, controlling the loss or transferring the loss to the other party (through indemnification) and requiring adequate insurance coverages and limits. The objective is to protect the County and the Public from potential injury or damage due to ordinary and catastrophic loss events.

When evaluating a contractor, start with their scope of work. What type of work or the operations are performed for the County? What types of harm or damage could arise as a result of their work?

Start by asking questions:
- What are the business operations of a tenant of the County?
- Are proper licenses and/or legal requirements in place?
- What are professional requirements of the work?
- Who might be harmed? To what degree?
- What is the maximum foreseeable loss for each activity?
- Will crowds be involved?
- What property can be damaged, and how severely?
- Any inherently dangerous activities (work with explosives or toxic agents)?
- Any pollution possible?
- To what degree is contractor working under direct supervision of County?
The Classification Guide
(See Exhibit #1)
Using the contractor or service provider’s scope of work, determine their proper description and classification. Reading across the Classification Guide chart (Exhibit #1), note the corresponding Grades of Hazard Exposures for basic insurance of General Liability Premises and Products, Automobile Liability, Property and Professional Liability. Workers’ Compensation is not included in the chart as it is understood that Workers’ Compensation is necessary for all classifications that have employees.

Risk Grading by Classifications
A hazard or risk grade reflects the expected costs of losses based on loss frequency (number of losses) and loss severity (the relative cost of each expected loss). A risk grade is also influenced by the complexity of the contractor’s operations or products.

Risk Classification and Hazard Grades
A description of Hazard Grades includes:

Grade 1, Low Hazard: low frequency and severity of loss. Operations are simple.
Grade 2, Limited Hazard: moderate loss frequency and low loss severity potential.
Grade 3, Moderate Hazard: moderate or average loss frequency and average loss severity potential.
Grade 4, High Moderate Hazard: higher than average potential for loss frequency and/or higher than average loss severity potential.
Grade 5, High or Severe Hazards: high potential for loss frequency, and significant potential for severe losses. Risks are complex, need special review.
Grade 6, Special Risks with Extreme Hazards: highly complex or unique exposures, high potential for severe losses or potential for catastrophic losses, see Risk Management.

GIVE RISK MANAGEMENT ADEQUATE TIME (60 days prior to contract signing) FOR EVALUATION OF RISK THAT EXCEED GRADE 4.

General Insurance Levels per Risk Grade:
See attached list of Classes in Exhibit #1. Classifications are ranked 1 to 6, from lesser to greater potential loss hazards, according to Risk Grade. The following general limits of insurance will apply:

- Risk Grades 1, 2 and 3: General Liability, Auto liability, and Professional Liability are at County minimums ($1,000,000 per occurrence and 2X aggregates where applicable) unless noted by footnote.
- Risk Grade 4: General Liability, Auto Liability and Professional Liability at $2,000,000 per occurrence limits, unless noted by footnote as higher.
• **Risk Grade 5**: General Liability, Auto Liability, and Professional Liability at $3,000,000 to $5,000,000 per occurrence limits or higher as indicated on Classification description.

• **Risk Grade 6**: Call Risk Management for a customized risk assessment.

**Other Factors Influencing Risk Insurance and Grading Criteria**

The setting of limits of insurance involves more than a mechanical choice of grades or points. A contractor with higher business standards is likely to have fewer losses. The following factors also need to be taken into consideration when assessing the loss potential presented by a contractor:

• **Management**: The most important aspect in judging whether a business is a success or a failure and whether it will be involved in any unnecessary losses is the quality of its management. A high hazard venture with exceptional management is often times less of a risk than a lower hazard venture with poor management. Poor management is seldom concerned with maintaining a safe place to work, having the knowledge to avoid common mistakes, or doing more than “put out fires” when moving from one emergency to another. Assessing management’s quality will not always be easy, some factors to consider include: your personal experience with the contractor, business reputation in the community, do they engage in outside socially activities, years in business, are their bid prices reasonable, or is there high employee turnover?

• **Financial Strength**: Along with good management, having enough money to accomplish a business’ goals is a prime indicator for success and suitable control of potential loss exposures. A business without enough money to operate its day to day functions will not have enough money for safety or for doing its job correctly without cutting corners. If they are a large organization, what do business-rating organizations have to say about their financial condition? If they are smaller, do they pay their bills on time (any liens against them), what is the condition of their business equipment?

• **Relative Need**: Who needs whom more? The indemnification form and the type and limits of insurance are influenced directly by the relative “economic power” of County or Contractor. If there are many contractors in a particular field the competition will work to the advantage of the County, the contractor will accept a greater level of responsibility via indemnification and higher levels of insurance. On the other hand if the County is trying to contract with a party which has a unique product or is of such a size as to dominate the market, then that contractor can hold out for better contractual terms secure in the knowledge that the County must eventually deal with them if it wants a product or service they offer.

• **Size or Scope of Operations**: A contractor building a structure to house a bathroom at a park will need much less General Liability insurance than a contractor building a multi-story parking structure. Each is a construction contractor but the size, complexity and hazards are entirely different for each. A brain surgeon’s operations will have a higher level of risk than a podiatrist,
although both are doctors. And a convalescent home with 6 beds will have less an exposure than an acute care psychiatric facility with 60 beds. Size and complexity need to be evaluated within each class.

- **Insurance Availability:** The insurance industry is subject to “underwriting cycles” where insurance availability, coverage and price are either cheap and plentiful (soft market) or expensive and scarce (hard market). “Soft insurance markets” are generally the rule, however, when a “hard insurance market” occurs, prices can go up double or triple their normal rates. Hard markets occur about every 8 to 12 years and last one to two years. Hard markets are triggered by severe price competition among insurance carriers that drives down prices and leads to worsening insurance company financial results or poor loss experience which in turn leads to reduced capacity for insurance companies to write business. In short, hard markets are triggered by abrupt decisions of insurance companies to make up for losses which have been causing them to lose money over long periods of time, hard markets are typically sudden and severe and, in addition to much higher insurance prices, also involve carriers restricting the writing of more hazardous types of business and cutting back on the coverages offered on their policies.

(The insurance industry had entered a moderate hard market last year (2001) but today, as a result of 9-11-2001 terrorist attacks, we will likely see a much more severe and constricted insurance market with most policies curtailing sabotage and terrorist coverage, high property and liability limits being significantly reduced, and very substantial premium increases. Some insurance companies may go bankrupt due to this event.)

A (smaller) contractor for the County can limit the effects of a hard market by taking the following actions:

- Stay with their current insurance carrier (if its financially stable). If they have had many years of loss free experience, plead their case for limiting increases or changes.
- Consider insurance through an industry association. Especially with non-profits or professionals these associations can have the best available rates.
- Take higher deductibles. Larger contractors may consider self-insurance, pools, or off shore insurance arrangements.

- **Adverse Reactions to Insurance Requirements:** Insurance is a mechanism to spread the risk of loss over a large group of exposures (policy holders). Each pays a small amount, the premium, and receives a written assurance that they will either be made whole after a loss (such as a fire) or defended against liability suits and claims should they be accused of committing a wrong against another party. Insurance is an intangible and since it can’t be touched or consumed, and only comes into play when something goes wrong, many view insurance negatively. Until they have a loss. Claims are never a positive experience and at best are experienced as “neutral” by the parties involved. Also insurance is a societal or social device and many “individuals”
view an insurance requirement as an infringement on their personal freedom of action. Rebuttals to these viewpoints include:

- Individuals are responsible for their actions to society at large when these actions harm or injure others. They are also responsible to individual parties that they have injured.
- Insurance protects a business’ viability by paying its losses, insuring continuity of the business and maintaining good customer relations. Responsible well-managed businesses protect the community and their customers in addition to protecting themselves against loss.
- Some insurance is legally mandated: Workers’ Compensation and Auto Liability (in CA).
- Even if one “never would have a loss”, anyone can sue and defense costs would be paid for by an insurance company even if the suit were groundless.

“It’s too expensive.” “I’ve never had a loss and I don’t need insurance now.” “We’re just starting out and can’t afford insurance.” “You are insured, you pay for it.” “Take it or leave it.” Refusing to think about consequences doesn’t make them go away. Sometimes its best to walk away from a contractor, provider, or tenant with a bad attitude or poor business sense.

C) INSURANCE REQUIREMENTS EXHIBIT
(See Exhibit #2 for boilerplate copy of Insurance Exhibit. Explanation of Exhibit attached.)

You’ve assessed the risk and determined the necessary level of insurance. Ask for indemnification and insurance that provides the most protection for the County and the Public. If necessary, contract conditions can be negotiated. Remember if you ask for less than is adequate, seldom will the contractor come back with higher requirements.

Choosing Insurance Coverages
- Consider that there is always a need for General Liability, Automobile Liability and Workers’ Compensation insurance.
- Where there is no insurable exposure, show “not applicable” under Minimum Limits of Insurance. (Call Risk Management for Auto or General Liability, see below).
- Judging when to ask for Professional or Errors and Omissions insurance:
  [    ] Does the work engage intellectual functions (brain vs. physical work)?
  [    ] Is work that of a learned profession (lawyer, doctor, accountant, etc.)?
  [    ] Would an error in work cause injury or damage the public?
  [    ] Would an error in work cause injury or damage to the County only?
  [    ] Is this a formally constituted business?
  [    ] Is their work a full time business?
  [    ] Is consulting incidental to an academic position? (describe)
- Adjust limits according to risk assessment.
• Judging when to ask for additional insurance coverages:
  [ ] Builder’s Risk/ Course of Construction. Is contractor or engineer building a structure for the County?
  [ ] Crime and/ or Fidelity. Does contractor handle money or securities for County?
  [ ] Liquor Liability. Does contractor or tenant serve and charge for alcoholic beverages?
  [ ] Watercraft Liability/ Marina Liability. Does contractor or tenant work with or around watercraft or marinas?
  [ ] Aircraft Liability/ Non-owned Aircraft Liability. Does contractor or tenant use aircraft in their work?
  [ ] Airport Liability and/or Hangarkeepers Liability. Does tenant engage in aviation services at airport and/or work on aircraft of others?
  [ ] Cargo Liability. Does tenant or contractor handle freight?
  [ ] Environmental Impairment/ Pollution Liability. Does contractor handle or work near chemicals or substances known as pollution hazards (gasoline, oil, toxic chemicals, asbestos, etc.)?
  [ ] Railroad Protective Liability. Any contractor working adjacent (within 50 feet) or under railroad property, rights of way, tracks or crossings?
  [ ] Pesticide or herbicide Applicator Coverage. Any contractors applying pesticides or herbicides?
  [ ] Workers’ Compensation, U.S.L. & H and/or Jones Act coverages. Any contractor working at, on or adjacent to a navigable waterway?
  [ ] Sexual Molestation Coverage (an endorsement to GL policy). Any children’s medical or social services provider? (Call Risk Management first)

• Where contractor has made changes or contests coverages or limits, highlight these changes and forward to Risk Management for review.

Insurance Exceptions
Exceptions will be made from time to time as conditions change. Minimum coverages and limits should be put forth first. See the Risk Classification List for notes that indicate variances from the minimums.

Reduced or Waived Insurance
• Automobile Liability: Where there are no “commercially owned” vehicles, personal lines automobile liability coverage is acceptable in the limits of $250,000 bodily injury per person/$500,000 bodily injury per accident and $100,000 Property Damage. Where a contractors’ or service providers’ vehicle is used as a “livery” vehicle or used directly in work for the County, the Automobile Liability minimum limits of $1,000,000 shall apply. Where a commercial contractor has no owned vehicles, they shall maintain commercial hired and non-owned auto coverage. Automobile Liability can only be waived for contractors who use public transportation or work solely from home.
Workers' Compensation and Employers' Liability can only be shown as "Not Applicable" when contractor is an individual proprietor with no employees or when contractor is a husband and wife partnership or regular partnership with no employees. Please note that relatives (other than a spouse) if not a partner or corporate officer must be considered employees and workers’ compensation provided.

Class Exceptions
The following criteria may warrant an insurance exception or waiver (for General Liability or Professional Liability (must meet all criteria, contact Risk Management):

[ ] Consultant or Contractor (personal services) working under constant direct supervision of County personnel.
[ ] Not a formal business.
[ ] Do not maintain own office.
[ ] Have no employees.
[ ] Do not work for other entities or businesses.
[ ] Do not generate independent study, data or programs. (Evaluations based on County parameters.)
[ ] Work at home or in County office setting.
[ ] Do not provide medical or legal or other professional services which could seriously affect third parties.
[ ] Trainers and instructors meet above criteria and make presentations only to County staff.
[ ] County Department is willing to take the ultimate responsibility for losses from activities of such contractors or service providers mindful that the County is self-insured for General Liability (first $2,000,000) and Professional Liability (no limit) losses and that this will be charged back to each department apportioned over a seven (7) year period.

Medical Providers
Certain Medical or Psychiatric professionals may qualify for waiver of professional (malpractice) insurance and/or general liability. Contact Risk Management for a determination of qualification. Note that medical clinics and offices are still required to maintain standard and professional liability coverages.

Self-Insurance
Certain other Governmental Entities may have insurance requirements waived or self-insurance "pre-approved". This depends upon the entity and the nature of the agreement entered into with the County. Call Risk Management with brief description.

Workers’ Compensation Waiver of Subrogation Endorsement
Why we want a W.C. Waiver of Subrogation Endorsement from Contractors: Waivers of Work Comp subrogation are useful as mechanisms to "prevent the disruption of important business relationships". With a Waiver of WC
Subrogation, the Contractor’s Work Comp carrier is precluded from suing the County, if the County is somehow partially at fault for a Contractor’s employee’s injury. Such endorsements are common in the construction industry and are meant to keep lawsuits between subs and contractors or owners (County) and contractors to a minimum. The other rationale for a WC Waiver of Subrogation is that contractors have already built in to their contracts charges for insurance premiums which the County pays for and to be required to pay for a loss a second time in subrogation would amount to a double charge. The charge for such endorsements is minimal, about 3% to 5% of the W.C. premium attributable to the specific contract.

See Exhibit #3, Glossary of Insurance Terms
D) VERIFYING INSURANCE STATUS

Certificates of Insurance
(See Exhibit #4, ACORD Certificate of Insurance Form)

Certificates of Insurance are prepared by a contractor/vendor/service provider’s insurance agent or broker. They are a record of the contractor’s insurance coverage as of the date issued; the actual insurance policy takes precedence if there are any coverage differences between the certificate and the insurance policy. Certificates are not legal instruments and cannot confer coverage. The standard insurance industry certificate of insurance forms is the ACORD CERTIFICATE OF LIABILITY INSURANCE.

THE ACORD Certificate of Liability Insurance has the following main components (see sample form ACORD 25-S (7/97):

1. **Producer**, is the certificate holder’s agent or broker, they issue the certificate.
2. **Notice**, or disclaimer which states policy not certificate governs coverage.
3. **Insurers**, these are the several insurance companies that provide the scheduled insurance coverages that follow.
4. **Insured**, is the certificate holder, your contractor or vendor.
5. **Notice**, this is a second disclaimer stating policy superceded certificate.
6. **Type of Insurance**: this column lists the coverages provided by the above insurers (A,B,C,D,E)
   a. **General Liability**, “claims made” or “occurrence” form, most times we should have an occurrence form (if claims made call Risk Management). General Aggregate: per policy, per project or per location. Many times nothing will be checked here; if we have a construction contractor we may want to see a “per project aggregate” endorsement checked.
   b. **Automobile Liability**: The “Any Auto” box should be checked for most commercial business auto policies, if not, either “all owned autos” or “scheduled autos” should be checked and in addition “hired autos” and “non-owned autos” should also be checked for coverage.
   c. **Garage Liability**: “any auto” needs to be checked. (Used by auto dealer and repair shops only.)
   d. **Excess Liability**: This is the Umbrella policy. It should be the same form, either occurrence or claims made, as the above underlying policies. The deductible or retention should be listed; but not all umbrellas have SIRs.
   e. **Workers Compensation and Employers’ Liability**.
   f. **Other**: Here you will see any other liability policies such as pollution liability or professional liability.
6.1) **Policy Numbers**: The policy numbers correspond to each insurance policy.

7) **Policy Effective and Expiration Dates**: This is self-explanatory. Be sure that insurance coverage doesn’t expire during the term of the contract. If it does, diary the insurance policy expiration date to check and see that coverage is being renewed. If you have an Umbrella which covers over the other liability policies, make certain that all of the effective and expiration dates match; if they do not, diary the policies for their expiration and check to see that they were renewed. (This verifies that coverage at agreed upon limits remains in force throughout the entire term of coverage.)

8) **Limits**: Each policy has different schedules of limits that need to be shown here. For Example, the General Liability limit section shows separate limits for General Liability Each Occurrence, Fire Damage, Medical Payments, Personal and Advertising Injury, General Aggregate and Products and Completed Operations Aggregate. Workers’ Compensation has a box for statutory limits that should be checked, and the area for limits per accident, each employee and policy limit refers to the Employers’ Liability limits and should be $1,000,000 each.

9) The **Description of Operations or Remarks** box should contain a list of any endorsements that materially affect any of the coverages such as additional insured endorsements, any exclusions, contract numbers, location addresses, or a brief description of the operation. Check here for coverage restrictions which affect your contract.

10) **Certificate Holder**: (If additional insured box checked, see if a copy of additional insured endorsement is attached with certificate.) This is the name and address of the certificate holder (County).

11) **Cancellation**: This fill-in should show thirty “30” days written notice not ten “10” days notice. Ten (10) days notice can be shown separately as: “except for notice of non-payment of premium which will take ten (10) days written notice”. If you are concerned about the insured’s shaky financial condition have the words “endeavor to” and “but failure to do so . . . “ stricken from the statement.

12) **Authorized Representative**: The insured’s agent’s signature should be in this space.

**INDIVIDUAL COMPANY CERTIFICATES** will show essentially the same information as the ACORD form: names of insured, cert holder and agent; insurance coverage in detail; a disclaimer is used on the front of the form and coverage specifications particular to the cert holder are noted.

### Additional Insured Status

Additional Insured status reinforces the risk transference accomplished by a hold harmless or indemnification agreement. It also may stop a contractor's insurer
from subrogating a loss against an additional insured and it allows for defense by
the contractor’s insurer. The additional insured endorsement provides the
additional insured with coverage under the insured’s general liability coverage for
bodily injury and property damage arising out of the named insured’s operations
or work. “The main reason for requesting additional insured status is to obtain
primary and noncontributory language; that is, the named insured’s policy will
respond first before the additional insured’s policies come into play.”

**Standard Additional Insured Forms include** (Insurance Service Office):

- **CG-2010 Additional Insured, Owner, Lessees or Contractors (Form B)**
  CG-2010 (10.93 and later) this form does **not** provide any coverage
  beyond the contractor’s ongoing operations. The form CG-2010 (11/85)
  does provide coverage for a contractor’s completed operations.

- **CG 2011 (any edition) Additional Insured – Managers or Lessors of
  Premises.**
  Provides additional insured status from tenant in favor of County.

- **CG-2015 (any edition) Additional Insured – Vendors.**
  Provides additional insured status to Purchaser of goods or products.
  Covers for product liability.

- **CG-2026 (any edition) Additional Insured, Designated Person or
  Organization.**
  This is a general additional insured endorsement for persons or
  organizations not covered under any other more specific additional
  insured endorsement.

**Other Commonly Used Liability Endorsements** (Insurance Service Office):

- **CG-2503 (any edition) Amendment-Aggregate Limits of Insurance Per
  Project.**
  This is a freely written coverage enhancement made without charge for
  most contractors. It extends the general liability’s aggregate limits to each
  job or project. Important if you have a contractor working on several large
  projects at one time; a catastrophe at one will not affect the limits at
  another.

**Managing Certificates and Endorsement Verification.**

1) Have Contractor’s agent or broker submit certificates of insurance (proof
of insurance) and copies of needed endorsements PRIOR to
commencement of contract or work.
2) Verify that coverage on certificates of insurance matches the insurance requirements. Check that named insured on certificate matches name of contractor.
3) If any ambiguity, call Risk Management for opinion.
4) Inform Contractor and their agent/broker that there are insurance deficiencies and request corrections before work commences. Or, if certificates check out, inform them that it is okay to proceed with work.
5) File insurance certificates with other contract papers for each contract. If there are expiration dates prior to the end of our contract, diary these dates to request renewal certificates from the contractor.
6) Keep a log and tickler file for outstanding certificates or endorsements.

E.) SPECIAL INSURANCE PROGRAMS

The County has several insurance programs available for:
A. Special Events Coverage for third parties that use County facilities.
B. County Contractors or Vendors who do not have appropriate general or professional liability coverage.
C. Specialized insurance coverages for County entities.

Special Event Liability Insurance Program

What is the Program?
• An insurance program to cover the General Liability exposures of special events/event holders who use County facilities or who exposure the County to liability from their activities.

Who is it Designed to Cover?
• Those without liability insurance for their event.
• Tenant/User Event: businesses or individuals who use County property to hold events (company picnics, wedding receptions, art shows, etc.)
• Instructor/Recreation Event: Come onto County property (community centers, parks, libraries) and give instruction or classes for a fee (art classes, exercise classes).
• Nominee Event: County sponsored event or co-sponsored event (lectures, banquets, job fairs, picnics). These take approval from insurance company prior to covering.

Positive Points
• Satisfies County Minimum Insurance Requirements (no Auto).
• Public entities and staffs are covered as Additional Insureds.
• Low paperwork, simple process.

Negative Points
• Surplus Lines Insurance Company, non-admitted. Covers losses but should carrier go bankrupt there is no insurance guarantee fund to pay losses.
• Insurance only covers specified event, not meant to take the place of a business’ general insurance needs.
• Some classifications need prior approval from insurance carrier.

See Exhibit #5 for Details of Special Event Insurance Coverage.

Vendor/Contractor Insurance Program

What is the Program?
• A contract specific insurance program for General Liability and for Professional Liability that runs for the duration of a contractor’s contract and is priced as a percentage of the contract’s value.

Who is it Designed to Cover?
Those vendors, contractors or service providers who are having difficulty finding regular insurance policies.
• Those without previous insurance.
• Those whose work for the County is to be covered outside of their regular insurance coverage.
• Those who are required to carry Professional Liability but don’t on a regular basis.

Positive Points
• Dedicated limits for each contract.
• Satisfies County Minimum Insurance Requirements (except for Auto).
• Higher limits of coverage available.
• Public entities and staffs are covered as Additional Insureds.
• Low paperwork, simple enrollment process.
• Permits smaller previously uninsured contractors to qualify to do County work.

Negative Points
• Does not cover all of a contractor's operations, just the County contract work.
• Better to select regular General Liability coverage if available since it would cover all of a contractor’s operations.
• Available only to designated contractors or vendors.
• Requires Insurance Carrier’s approval before binding (may find reasons not to provide coverage).
• All premium is due up front, no payment plans available.

SEE EXHIBIT #6 for details on Vendor/Contractor Insurance Coverage.
Miscellaneous Insurance Coverages
(Available through County’s Insurance Broker)

**Course of Construction/Builder's Risk Policy:** Individual policies issued for new construction projects based on completed values. Renovations (excluding bridges, overpasses, and waste water treatment plant) up to $25,000,000 automatically covered by County’s blanket property policy. General Contractors can also provide Builder’s Risk policies for projects. Call Risk Management Office for details.

**Owner Controlled Insurance Program (OCIP):** Also referred to as “Wrap-ups” or “Rolling Wrap-ups”. This is a centralized and coordinated insurance and loss control prevention program for job-site construction risks providing ‘all insurance coverages’ (property, liability, automobile, professional and workers’ compensation) for large construction projects (typically over $200,000,000 in size). Large projects benefit from administrative controls and premium cost reductions. Call Risk Management 120 days in advance of projected start date.

**Special District Program (SLIP/SPIP):** Special Liability Insurance Program or Special Property Insurance Policy for commissions and other County entities which require their own separate liability or property policies. Unique needs or circumstances dictate that each coverage request by handled separately. Call Risk Management for consultation.
EXHIBIT #2, INSURANCE REQUIREMENTS EXHIBIT
This form was first written for standard “building trades” contractors doing work for the County. Some of its terms or conditions may not be applicable for all contractors or service providers; some of its terms are more critical than others. Any request for changes will need to be approved by Risk Management Office.

Paragraph #1
Contractor shall maintain insurance coverages. County can review coverages and require changes in forms, coverages and limits of insurance.

Verification of Coverage
Contractor shall provide County with certificates or evidence of insurance along with copies of additional insured or other required endorsements. County must approve self-insurance programs. County can ask for certified copies of insurance policies (but seldom does).

Minimum Scope of Insurance
List of basic coverages. Insurance coverages are to be as broad as the standard forms used by the “Insurance Service Office – ISO”. Other insurance coverages are added on an “as needed” basis (Call Risk Management). Automobile Insurance can be either Commercial or Personal.

Minimum Limits of Insurance
Shows necessary limits of insurance. Building Trades Contractors shall have General Liability endorsed to have their aggregate limits of insurance apply on a “per project” basis. Automobile Liability can have lower limits of insurance: 1) if there are no commercially owned vehicles and the business uses personally insured private passenger type vehicles and 2) if there is no use of vehicles to transport clients for the County or to drive extensively on business for the County.

Deductibles and Self-Insured Retention
County must be informed of and approve deductibles and self-insured retentions. This is normally for higher deductibles. County can insist on reducing deductibles if they don't appear reasonable.
Claims Made Professional Liability Insurance
This applies to Professional Liability policies. Not applicable to General Liability Occurrence forms. If you have a General Liability Claims Made form call Risk Management.

Other Insurance Provisions

Acceptability of Insurers
Requires that an insurance carrier have a A.M. Best rating of A- (Excellent) and VII (Financial Size Category $50 million to $100 million, surplus or reserves). B+ is sometimes approved, call Risk Management. “B” rating is unacceptable indicating significant financial weakness.

Maintenance of Insurance Coverage
Requires that the County is informed when Contractor’s insurance policy(s) are cancelled, non-renewed or materially changed. Notifications periods of 10, 30 and 60 days are statutory requirements in the state of California.

Additional Insured Status
County is named additional insured on Contractor’s General and Auto Liability policies (not Professional or W.C.). This affords County defense costs and insurance coverage where Contractor is liable, may preclude the Contractor’s insurance company from subrogating for a loss against the County and usually affords County notification if Contractor’s insurance coverage is cancelled for any reason.

Civil Code Provision
Applies only to construction agreements and/or building contractors. A public entity (County) is precluded from transferring liability to a building trades contractor through an indemnification clause for any of its own (County) “active” negligence.

Primary Insurance
States that Contractor’s General Liability and Automobile insurance pays first until exhausted.
Failure to Comply
This item was deleted from current Insurance Requirements as it was felt that it would be impossible to enforce.

Severability of Interest
County shall be provided a separate defense, where appropriate, under conditions of the insurance policy.

Subcontractors
This is to remind General or Prime Contractors that they need to protect themselves by requiring subcontractors who work for them to maintain their own insurance coverages. It can provide another layer of insurance protection before the County becomes involved in a loss. The same coverage as the General is not required of a subcontractor, just adequate insurance coverage.

Professional Liability
Clairifies purpose of professional liability coverage.

Workers’ Compensation Waiver of Subrogation
Protects the County from a contractor’s workers’ compensation insurance carrier trying to collect money back from the County for contractor’s employees injured at a County job site where they allege that the County is partially at fault. Contractors may state that their insurance carrier won’t provide this waiver, but they are wrong, it is a commonly used W.C. endorsement with premium charges anywhere from nothing to 8% of the job’s premium (based on payroll). We never waive this requirement because:
1) It’s a commonly provided W.C. endorsement.
2) County has already paid Contractor for the Work Comp coverage as a part of its contract price (to be subrogated against would have the County in effect paying twice for the coverage).
3) This keeps the County and its Contractors from being constantly embroiled in W.C. related lawsuits.
4) Contractor is primarily responsible for job site safety and should bear all of the W.C. related injuries for their employees.

Property Waivers of Subrogation
COC Waiver of Subrogation
This will only come into play when the County has a Contractor putting up a building and that Contractor is responsible for the builder’s risk or course of construction property coverage. It provides that the County is a loss payee and will not be subrogated against by the insurance company providing the coverage.
This property waiver of subrogation is routine and its approval by the insurance company is built into the property coverage form (if waiver is specified before a loss occurs).

**Inland Marine Waiver of Subrogation**
If the contractor has any other “mobile” property insurance, such as a transportation floater, contractors equipment floater, or an installation floater, for the performance of his work for the County, then we want that Insurance carrier to waive its rights of subrogation against the County. This is routine if done before a loss occurs.

**Notification of Claim**
States that contractor shall give prompt notice to the County when they become aware of any loss which may be related to their performance of the agreement with the County.
EXHIBIT #2, RM MANUAL, INSURANCE EXHIBIT

EXHIBIT B to Agreement
between the COUNTY OF SACRAMENTO,
hereinafter referred to as "COUNTY," and
____________________, hereinafter referred
to as "CONTRACTOR"

COUNTY OF SACRAMENTO
INSURANCE REQUIREMENTS FOR CONSTRUCTION OR DESIGN
FIRMS

Without limiting Contractor's indemnification, Contractor shall procure and maintain for the duration of the Agreement, insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the Agreement by the Contractor, its agents, representatives or employees. County shall retain the right at any time to review the coverage, form, and amount of the insurance required hereby. If in the opinion of the County Risk Manager, insurance provisions in these requirements do not provide adequate protection for County and for members of the public, County may require Contractor to obtain insurance sufficient in coverage, form and amount to provide adequate protection. County's requirements shall be reasonable but shall be imposed to assure protection from and against the kind and extent of risks that exist at the time a change in insurance is required.

Verification of Coverage

Contractor shall furnish the County with certificates evidencing coverage required below. Copies of required endorsements must be attached to provided certificates. The County Risk Manager may approve self-insurance programs in lieu of required policies of insurance if, in the opinion of the Risk Manager, the interests of the County and the general public are adequately protected. All certificates, evidences of self-insurance, and additional insured endorsements are to be received and approved by the County before performance commences. The County reserves the right to require that Contractor provide complete, certified copies of any policy of insurance including endorsements offered in
compliance with these specifications.

**Minimum Scope of Insurance**

Coverage shall be at least as broad as:

1. **GENERAL LIABILITY**: Insurance Services Office’s Commercial General Liability occurrence coverage form CG 0001. Including, but not limited to Premises/Operations, Products/Completed Operations, Contractual, and Personal & Advertising Injury, without additional exclusions or limitations, unless approved by the County Risk Manager.

2. **AUTOMOBILE LIABILITY**: Insurance Services Office’s Commercial Automobile Liability coverage form CA 0001.
   a. Commercial Automobile Liability: auto coverage symbol “1” (any auto) for corporate/business owned vehicles. If there are no owned or leased vehicles, symbols 8 and 9 for non-owned and hired autos shall apply.
   b. Personal Lines automobile insurance shall apply if vehicles are individually owned.

3. **WORKERS’ COMPENSATION**: Statutory requirements of the State of California and Employer's Liability Insurance.

4. **PROFESSIONAL LIABILITY** or Errors and Omissions Liability insurance appropriate to the Contractor's profession.

5. **UMBRELLA** or Excess Liability policies are acceptable where the need for higher liability limits is noted in the Minimum Limits of Insurance and shall provide liability coverages that at least follow form over the underlying insurance requirements where necessary for Commercial General Liability, Commercial Automobile Liability, Employers’ Liability, and any other liability coverage (other than Professional Liability) designated under the Minimum Scope of Insurance.

**Minimum Limits of Insurance**

Contractor shall maintain limits no less than:

1. General Liability shall be on an Occurrence basis (as opposed to Claims Made basis). Minimum limits and structure shall be:

   General Aggregate: $2,000,000
   Products Comp/Op Aggregate: $2,000,000
   Personal & Adv. Injury: $1,000,000
   Each Occurrence: $1,000,000
Fire Damage: $ 100,000

Building Trades Contractors and Contractors engaged in other projects of construction shall have their general liability Aggregate Limit of Insurance endorsed to apply separately to each job site or project, as provided for by Insurance Services Office form CG-2503 Amendment-Aggregate Limits of Insurance (Per Project).

2. Automobile Liability:
   a. Commercial Automobile Liability for Corporate/business owned vehicles including non-owned and hired, $1,000,000 Combined Single Limit.
   b. Personal Lines Automobile Liability for Individually owned vehicles, $250,000 per person, $500,000 each accident, $100,000 property damage.


4. Employer's Liability: $1,000,000 per accident for bodily injury or disease.

5. Professional Liability or Errors and Omissions Liability: $1,000,000 per claim and aggregate.

**Deductibles and Self-Insured Retention**

Any deductibles or self-insured retention that apply to any insurance required by this Agreement must be declared and approved by the County.

**Claims Made Professional Liability Insurance**

If professional liability coverage is written on a Claims Made form:

1. The "Retro Date" must be shown, and must be on or before the date of the Agreement or the beginning of Agreement performance by Contractor.

2. Insurance must be maintained and evidence of insurance must be provided for at least one (1) year after completion of the Agreement.

3. If coverage is cancelled or non-renewed, and not replaced with another claims made policy form with a "Retro Date" prior to the contract effective date, the Contractor must purchase "extended reporting" coverage for a minimum of one (1) year after completion of the Agreement.
Other Insurance Provisions

The insurance policies required in this Agreement are to contain, or be endorsed to contain, as applicable, the following provisions:

All Policies:

1. ACCEPTABILITY OF INSURERS: Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A-VII. The County Risk Manager may waive or alter this requirement, or accept self-insurance in lieu of any required policy of insurance if, in the opinion of the Risk Manager, the interests of the County and the general public are adequately protected.

2. 
MAINTENANCE OF INSURANCE COVERAGE: The Contractor shall maintain all insurance coverages in place at all times and provide the County with evidence of each policy's renewal ten (10) days in advance of its anniversary date. Each insurance policy required by this Agreement shall be endorsed to state that coverage shall not be canceled by either party except after thirty (30) days' written notice for cancellation or sixty (60) days' written notice for non-renewal has been given to the County. For non-payment of premium 10 days prior written notice of cancellation is required.

Commercial General Liability and/or Commercial Automobile Liability:

1. ADDITIONAL INSURED STATUS: The County, its officers, directors, officials, employees, and volunteers are to be endorsed as additional insureds as respects: liability arising out of activities performed by or on behalf of the Contractor; products and completed operations of the Contractor; premises owned, occupied or used by the Contractor; or automobiles owned, leased, hired or borrowed by the Contractor. The coverage shall contain no endorsed limitations on the scope of protection afforded to the County, its officers, directors, officials, employees, or volunteers.

2. CIVIL CODE PROVISION: Coverage shall not extend to any indemnity coverage for the active negligence of the additional insured in any case where an agreement to indemnify the additional insured would be invalid under Subdivision (b) of Section 2782 of the Civil Code.

3. PRIMARY INSURANCE: For any claims related to this agreement, the Contractor's insurance coverage shall be endorsed to be primary insurance as respects the County, its officers, officials, employees and volunteers. Any insurance or self-insurance maintained by the County, its officers, directors, officials, employees, or volunteers shall be excess of the Contractor’s insurance and shall not contribute with it.

4. SEVERABILITY OF INTEREST: The Contractor's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.
5. **SUBCONTRACTORS:** Contractor shall be responsible for the acts and omissions of all its subcontractors and shall require all its subcontractors to maintain adequate insurance.

### Professional Liability:

**PROFESSIONAL LIABILITY PROVISION:** Any professional liability or errors and omissions policy required hereunder shall apply to any claims, losses, liabilities, or damages, demands and actions arising out of or resulting from professional services provided under this Agreement.

### Workers’ Compensation:

**WORKERS’ COMPENSATION WAIVER OF SUBROGATION:** The workers’ compensation policy required hereunder shall be endorsed to state that the workers’ compensation carrier waives its right of subrogation against the County, its officers, directors, officials, employees, agents or volunteers, which might arise by reason of payment under such policy in connection with performance under this Agreement by the Contractor.

### Property:

**COURSE OF CONSTRUCTION (COC) WAIVER OF SUBROGATION:** Any Course of Construction (COC) policies maintained by the Contractor in performance of the Agreement shall contain the following provisions:

1. The County shall be named as loss payee.
2. The insurer shall waive all rights of subrogation against the County.

**INLAND MARINE WAIVER OF SUBROGATION:** Any Inland Marine insurance policies maintained by the Contractor in performance of the
Agreement shall be endorsed to state that the insurer shall waive all rights of subrogation against the County.

Notification of Claim

If any claim for damages is filed with Contractor or if any lawsuit is instituted against Contractor, that arise out of or are in any way connected with Contractor's performance under this Agreement and that in any way, directly or indirectly, contingently or otherwise, affect or might reasonably affect County, Contractor shall give prompt and timely notice thereof to County. Notice shall be deemed prompt and timely if given within thirty (30) days following the date of receipt of a claim or ten (10) days following the date of service of process of a lawsuit.

### ACORD™ CERTIFICATE OF LIABILITY INSURANCE

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<tr>
<th>PRODUCER</th>
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<th>INSURERS AFFORDING COVERAGE</th>
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<td>The insured</td>
<td>The insurer will be identified here.</td>
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This notice confirms the certificate is issued as matter of information only and confers no rights upon the certificate holder. This certificate does not amend, extend or alter the coverage afforded by the policies below.

COVERAGES

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. Aggregate limits shown may have been reduced by paid claims.
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<tr>
<th>TYPE OF INSURANCE</th>
<th>POLICY NUMBER</th>
<th>POLICY EFFECTIVE DATE (MM/DD/YY)</th>
<th>POLICY EXPIRATION DATE (MM/DD/YY)</th>
<th>LIMITS</th>
<th>DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/EXCLUSIONS ADDED BY</th>
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This notice again states that the policy supersedes the certificate form.

This section and those immediately below show the type of coverage provided through the agent or broker identified in above. If the insured uses more than one broker, this certificate will not identify all existing.

These two columns show inception and expiration dates for policies identified. Pay special attention that coverage does not expire before or during your project or lease.

This column identifies limits per occurrence and aggregate for each type of coverage afforded. Pay special attention to low aggregate limits for public works-type contractors. Losses on other jobs may reduce your coverage.

This section will usually be used to restrict coverage to a specific job or lease. Watch for restrictions that would omit the coverage required by your specifications.

Cancellation provisions

Certificate

The authorized representative of the

Certificate Holder

ADDITIONAL INSURED; INSURER LETTER: ___

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL ____ 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.