

THE NUTS AND BOLTS OF
CERTIFICATE MANAGEMENT



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Welcome to the Independent Insurance Center (IIC) certificate team! We have been in the insurance industry for over 45 years and most of that time serving the needs of Contractors. The following article is our way of sharing that knowledge and experience with you.

This article is intended to be a guide to Certificates of Insurance, whether you are giving a certificate to a government agency, general contractor, homeowner or you are receiving a certificate from a general contractor or sub-contractor.

Attached you will find a Certificate of Insurance completely filled out. Please use this certificate as a basis of reference as we go through this article.

We made every effort to keep things simple and tried not to use too many insurance words, but insurance wording cannot be completely ignored.

Over the years we have seen three attitudes towards certificates of insurance.

1. The contractor understands the importance of the certificate and takes great care in making sure it is handled correctly and has a "system" in his office that monitors the certificates.
2. The contractor understands the importance of the certificate but is too busy to make sure it is done and hands the duties over to someone else in the office that is not trained to properly handle the job.
3. The contractor does not understand the importance of the certificate and does nothing.

The truth is, Certificates of Insurance, not handled properly can cost you hundreds of thousands of dollars.



Here are a few examples of how certificates can cost you money

1. At the end of your policy period, your insurance company has the right to audit your books. When the auditor comes in to look at your books he is trained to look for sub-contracted work. Since sub-contracted work is an expense to your company, it is very easy to find. He will then look for the certificate of insurance that corresponds to the work subbed out. If you cannot produce the certificate he will add the amount of sub-contracted work to your payroll, or gross receipts, in either case you will owe the insurance company an additional amount for your general liability insurance. *This can add substantial amounts owed to the insurance company.* This is an extra expense you did not plan on.
2. Successful contractors take the cost of insurance into account when bidding jobs. If you are audited and have to pay an additional amount to an insurance company, your cost of insurance has gone up and the "extra" is not in your bids. The result: You did not make as much money as you thought you did, or you lost more money than you thought you did! Either way it is a lose-lose situation.
3. In the event of a claim there are two ways to lose additional money.
 - If you do not get a certificate of insurance from a sub that does not have coverage and your policy does not cover subs, the cost of this claim will be directly out of your pocket!
 - If your sub does not have coverage and your policy does then the claim will go against you. When you purchase insurance for the coming years, that claim will show against your record, since your cost of insurance is partly based on your claims history, your insurance will go up.

Certificates of insurance are not to be taken lightly!

Starting on the next page we are going to go through each line of the certificate of insurance so you will have an understanding of what all of this means.

We have broken down the certificate into 14 parts; use the example given to assist you as we go along.

Acord Certificate of Insurance Item by Item

- 1. Date** - This is the date the certificate was typed. If you request a certificate of insurance in May 99 and the certificate is dated Dec 98 you should ask for a newer certificate. Why? A lot could have happened in the last 6 months. It also tells you that the contractor has had the certificates in his briefcase for months. Insurance agencies usually get a request from the contractor to send out a certificate on his behalf. You should receive the certificate from the insurance agency; not the contractor and it should be recently dated.
- 2. Producer** – This is the agency that wrote the policy. There should be an agency name, address, and phone number and sometimes the agent’s name that wrote the policy.
- 3. Insured** – This is the person or the company name that owns the insurance policy. The complete name and address must be in the box. If the name or the address is not listed, do not accept the certificate until it has been corrected.
- 4. Companies Affording Coverage** – *This section is important. Read it carefully!*

THIS CERTIFICATE IS ISSUED AS A 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.

This statement, which usually no one ever reads, is very important. The only way to actually know you are covered is to have a copy of the entire insurance policy, and the ability to interpret the exclusions. (We will talk about exclusions later on)

- **Company A** – This is the insurance company that is providing coverage. Look for the corresponding A in the co. ltr. Box on the left side of the certificate.
- **Company B** - This is the insurance company that is providing coverage. Look for the corresponding B in the co. ltr. Box on the left side of the certificate.
- **Company C** - This is the insurance company that is providing coverage. Look for the corresponding C in the co. ltr. Box on the left side of the certificate.
- **Company D** - This is the insurance company that is providing coverage. Look for the corresponding D in the co. ltr. Box on the left side of the certificate.

What do we know about these companies? Are they strong solid companies, or on the verge of bankruptcy?

There is a source of information on all these companies. The A.M. Best Company is used throughout the industry to evaluate the financial strength of insurance companies.

INSURANCE COMPANY RATING

Insurance Companies are given a grade. Just think about the grades you received in high school or college, A, B, C, D, or F. Insurance companies are given a financial report card by the A.M. Best Company.

An Insurance company with less than an “A” rating can be a potential problem for two reasons: 1. There is a risk of the company going out of business, and, 2. If you work for the state, county or city, they will usually not accept any company with less than an “A” rating. Also, if you hire on as a subcontractor, most general contractors will not accept any rating less than an “A.” With some state government offices and general contractors not accepting your liability insurance, you will be limited to the type of jobs you can accept.

A. M. Best’s Ratings

A.M Best assigns rating opinions. The Best’s ratings (letter scale) involve a quantitative and qualitative evaluation of a company’s financial strength, operating performance and market profile.

Financial Strength Ratings (FSR)

The FSR is an opinion of an insurance company's ability to meet its obligations to policyholders.

<u>Secure Best's Ratings</u>	
A++ and A+	Superior
A and A-	Excellent
B++ and B+	Very Good
<u>Vulnerable Best's Ratings</u>	
B and B-	Fair
C++ and C+	Marginal
C and C-	Weak
D	Poor
E	Under Regulatory Supervision
F	In Liquidation
S	Rating Suspended

Not Rated (NR) Categories

Companies not assigned a Best's Rating opinion are assigned to one of five NR categories. The NR category identifies the primary reason a rating opinion was not assigned to the company.

NR-1	Insufficient Data
NR-2	Insufficient Size and /or Operating Experience
NR-3	Rating Procedure Inapplicable
NR-4	Company Request
NR-5	Not Formally Followed

Financial Size Category (FSC)

In \$ millions of reported capital, surplus and conditional reserve funds

FSC I	> 1	FSC V	10 to 25	FSC IX	250 to 500	FSC XIII	1,250 to 1,500
FSC II	1 to 2	FSC VI	25 to 50	FSC X	500 to 750	FSC XIV	1,500 to 2,000
FSC III	2 to 5	FSC VII	50 to 100	FSC XI	750 to 1,000	FSC XV	< 2,000
FSC IV	5 to 10	FSC VIII	100 to 250	FSC XII	1,000 to 1,250		

If you do not know your company rating feel free to call your insurance agent or broker. All Insurance offices should have an A. M. Best Rating Guide.

5. Coverage's

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.

EXCLUSIONS

First off lets get one thing clear...**all policies have exclusions.** You hear terms like **all risk, special form, comprehensive, full coverage.** Those phrases do not mean there are no exclusions.

In a contractors general liability policy all the exclusions are listed on the front page (also known as the Declaration page) of the policy or on the second page of the policy. The problem is they are usually listed by a form number, not by a name.

In order to make sure you understand the exclusions, look at the form numbers on the front page and go find that form (by number) in the policy. (Usually the form number is in the bottom left hand corner)

If you see a form number on the front of the policy but you cannot find that form in the policy, your policy is **not complete!** Someone forgot to add that form to the policy when the policy was put together. People make mistakes! If you find a form number on the front of the policy and cannot find that form in the policy, call your insurance broker and ask them for the missing page(s). It may be a very important exclusion.

The exclusions are critical, when you get a proposal for insurance the first thing you should look at are the exclusions.

For instance, if you are a concrete contractor and you do house pads and you have exclusions for foundation work in your policy, you have a problem. The worse thing is you will not find out about your problem until you have a claim and it is denied, by then it's to late.

Here is a list of exclusions we have found in many policies; this **list is by no means "all inclusive."**

Look over this list and see what exclusion would apply to your operation.

DESIGNATED WORK	Claims arising from any classification or class code not listed on the declaration page of this policy. For example: You are a roofing contractor and you get a quote that is 50% less than all other quotes. The policy comes in and your company is classified as a landscape contractor. Any claims will be denied because you were not classed correctly.
INDEPENDENT CONTRACTORS	Claims arising out of: The acts or omissions of independent contractors while working on behalf of any insured, or the negligent hiring or contracting, investigation, supervision, training, retention of any independent contractor for whom any insured is or ever was legally responsible and whose acts or omissions would be excluded. If you use subs, this exclusion can be a killer.
ASBESTOS	No Coverage for exposures to asbestos, asbestos fiber, or any material containing asbestos or asbestos products, including without limitation, the costs of asbestos removal or damage in the course of effecting such removal (Very common exclusion)
PROFESSIONAL LIABILITY	Claims arising out of the rendering of or failure to render any professional services by you or any engineer, architect or surveyor who is either employed by you or performing work on your behalf in such capacity. Professional services include: The preparing, approving, or failing to prepare or approve. Maps, shop drawings, opinions, reports, surveys, field orders, change orders or drawings; and Supervisory, inspection, architectural or engineering activities. For example, if you make a structural change without the architect's approval, there is no coverage. (Very common exclusion)

Construction Management Errors	* See Professional Liability
CONTRACTORS WARRANTY	This means that if you hire sub contractors, you must get a certificate of insurance from them. If you do not, the amount of your contract with the sub will be added to your payroll or gross receipts and you will be charged. In other words you will pay for the subs general liability. Some companies use a stricter version of this. They require the sub to have the same limits of insurance as you do.
FORMALDEHYDE	Claims arising directly or indirectly out of formaldehyde whether or not the formaldehyde is airborne as a fiber or particle, contained in a product, carried or transmitted on clothing contained in or a part of: any building, building material, insulation product or any component part of any building.
X, C, U	Explosion, collapses, and underground. Not a good exclusion for Grading, Excavation contractors.
CLAIMS IN PROGRESS	* See Prior Claims
KNOWN LOSSES	* See Prior Claims
ROOFING	Some roofing exclusions are plain and simple. NO ROOFING. Some are not as strict. You must read the exclusion carefully. Some roofing exclusions say there is no coverage while the roof is under construction or repair. For example: You tore off a roof, since the weather forecast called for sunny skies you decide there is no need to cover the roof overnight. It Rains... There is no coverage. Read all exclusions carefully.
DEMOLITION	Plain and Simple, No demolition
SUBSIDENCE	Insurance does not apply to any liability arising out of Landslide, Mud Flow, Earth Sinking, Earth Rising or Earth Shifting
LEAD	Claims arising out of the actual or alleged presence or actual, alleged or threatened dispersal of lead, lead particles or products containing lead.
EARTH MOVEMENT	See subsidence

NUCLEAR	Self Explanatory
MULTI UNIT RESIDENTIAL	Any work in connection with the pre-construction, construction, post-construction, reconstruction, exterior remodeling or repairs of any multi-unit residential building.
CONDOS	No condos
TOWNHOUSES	No townhouses
APARTMENTS	No apartments
EMPLOYMENT RELATED PRACTICES	Refusal to employ, wrongful termination, Coercion, demotion, evaluation, reassignment, discipline, defamation, harassment, humiliation, discrimination or other employment-related practices, policies, acts or omission
PRIOR CLAIMS	Claims that are in progress prior to the commencement of this policy
PESTICIDE, HERBICIDE AND FUNICIDE EXCLUSION	Not a good idea if you are a landscape contractor
Prior ACTS	This is a very severe exclusion. This says that any work you did prior to the policy date is not covered. For contractors this can be a death sentence on all prior work. 99% of all contractor claims occur years after building was built.
Exterior insulation and finish system	Exterior insulation and Finish system means the design, manufacture, construction, fabrication, preparation, installation, application, maintenance or repair, including remodeling, service, correction, or replacement, of an exterior insulation and finish system (commonly referred to as synthetic stucco) or any part thereof, or any substantially similar system or any part, including the application or use of conditioners, primers, accessories, flashing, coatings, caulking or sealants in connection with such a system when performed by you.
Pool Pop Up	The elevation of swimming pool due to high water table.
POLLUTION	Absolutely no Pollution.

FOUNDATION WORK

Claims arising out of foundation work, including but not limited to the design, specification, inspection, construction, installation, repair, replacement, improvement or reinforcement of any foundation or any part of a foundation. Foundation means the entire substructure below the first floor or frame of a building, including but not limited to any footings, footing beams, piers, grade beams, pilings, pilings or supports upon which the building rests.

Don't Panic!

Our Verification checklist System will solve these potential traps!

6. General Liability

- Commercial general liability must be checked.
- Occurrence box must be checked ***

Occurrence vs. Claims-Made.

Construction claims-made policies became popular in the mid 1980's and have been around ever since. The promise of these policies were lower rates, but at what long-term damage? In some instances there is no cost savings. Claims-made policies for a contractor are the worst possible policy you can buy. Let us explain: Claims-made policies allow you to make a claim on your policy only during the policy year they are in force. Contractors have claims down the road not in the same year as the project is built!

If you want to leave that company and go to another company you will have to purchase additional insurance to cover you for the next five years...*that's right FIVE years!* Why? Because the law allows customers to file a lawsuit for construction problems up to five years after the project was completed. [1]¹

- Here is an example:

You build a new room addition, everything goes well and you and your customer are very happy with the final outcome...four years later your

¹ 5 years in the state of Virginia

customer calls you and says that the roof is leaking and water came in the house and ruined his new \$25,000 grand piano. He expects you to repair the roof, the drywall, wallpaper, carpets and of course, replace the grand piano...

A claims-made **will not allow** you to file a claim four years later unless you stayed with the claims-made company the whole time. Your current non-claims made company may possibly be on this claim; it depends on the exclusions, **(See Prior Acts exclusion on page 10)**.

There would be coverage for this claim on the claims-made policy if you purchased "tail" coverage. Tail Coverage allows you to make a claim on a claims-made policy after the policy period. Tail coverage is not cheap and it is limited as to how long you can report a claim. To make matters more unsettling, some companies do not offer tail coverage.

If you decided not to buy the "tail" you will not be able to report a claim against the claims-made policy.

If you intend to shop other companies after the claims-made policy expires you must make a decision, since you cannot make a claim against a claims-made policy after the policy expires **unless you buy extended liability coverage called a "tail."**

When your policy comes up for renewal with a claims-made policy you must decide.

- Do I leave the company and pay the additional insurance for coverage for the next 10-year period or go without.
- Do I stay with the same company? Their prices on the New Year may stay the same or go up sharply.
- Do I switch to another company who has better rates and coverages?

This limits the marketplace for you, and makes it harder to accept a better bid from another carrier. **Claims-made policies may work in other lines of insurance, but for Contractors they are a disaster.**

Take time after reading this report to look for your policy and see if your current policy is either an occurrence form or claims-made...

7. Auto Liability



- **Any Auto** - means any owned, rented, leased or borrowed auto. It includes hired, non-owned, newly acquired, replacement and temporary substitute autos.
- **All Owned Autos** - means autos you own that are not of the private passenger type. It includes any trailer or semi-trailer while attached to that auto. It also includes newly acquired autos of the same type; replacement autos of the same type; and temporary substitute autos.
- **Hired Autos** - means any auto that you hire, rent, lease or borrow from others, other than your employees or members of their households.
- **Non-owned Autos** - means any auto that: you don't own, hire, rent, lease or borrow; and is used in the conduct of your business. It includes autos owned by your employees or partners or member of their households. But only while such autos are being used in the conduct of your business.

Why are these auto descriptions important?²

When hiring sub contractors it is important because the subs are bringing their cars to your jobsite. If a sub drives onto the job site and causes an accident, the sub is responsible. But if the sub does not have auto insurance, the general contractor is next in line. Why? Because you hired him and he is on the job site working on your project. When hiring a sub you should require him to have auto insurance. The next step is to require the sub to have high limits of auto insurance, if you have \$1,000,000 auto insurance so should the sub.

To protect yourself, you should require the sub to carry "Any Auto" coverage. When reading the description above concerning "Any Auto" you are covered if the vehicle he or she is driving is owned, rented, leased or borrowed, as opposed to the Owned auto, where only vehicles he owns is covered.

Additional problems occur when the sub brings along his employees who may or may not have insurance on their personal vehicles on your jobsite.

To fully protect your business, insist that the sub have "Any Auto" or Owned auto coverage **and** Hired Auto and Non-owned Auto.

² The wordings on the above auto coverages are from St. Paul / Travelers Insurance Company. Their wording is very liberal. There are other forms out there that are restrictive

It may seem that you are asking a lot from your subcontractors, but that is what it takes to protect your business.

- **Policy number** – Auto Liability policy number must be completed.
- **Effective Date** – Date must be completed.
- **Expiration Date** – Date must be completed.
- **Limits** – All limits must be completed.

8. Excess Liability – Optional

- Umbrella Form or Other than Umbrella Form

**What's all this umbrella talk?
Is it raining?**



Sometimes you will have to give a certificate of insurance to a general contractor or ask a sub contractor to increase the limits of his general liability. There are two different ways of doing this. Most people think an Umbrella Policy and an Excess Policy are one in the same but they are not.

Excess Policy – An excess policy is simple, you can add additional coverage to your **general liability**. You may have a \$1,000,000 limit but you are required to have \$3,000,000 for the project. An excess policy is written for the two additional million that you need.

Umbrella Policy- this is a little different, actually it is a lot different. You may be asked for \$3,000,000 liability and \$3,000,000 Auto liability also. In this case an Umbrella is needed. Umbrella policies increase your general liability and auto insurance liability.

- **Policy number** – Excess Liability policy number must be completed.
- **Effective Date** – Date must be completed.
- **Expiration Date** – Date must be completed.
- **Limits** – All limits must be completed

9. Workers Compensation



- **Are the proprietor/partners/executive officers included or excluded?**

Let's stop and think about this for a minute

If you receive a certificate from a sole proprietorship or a partnership and the **owners are on the jobsite**, the owners may not have work comp on themselves. Why? Because non-corporation owners are automatically excluded from the policy, unless, they elect to be included. So they may have workers compensation but only for their employees!

This is an area that is misunderstood by most contractors, and to make matters worse, most agencies do not mark the box at all. Make sure the box is marked, so you will know the situation...

Solution?

Make sure the owners buy workers comp insurance on themselves. That way, if the owners are injured on the job, and they make a claim, you will not be responsible for the claim under your policy. However, if they don't include themselves, they can make a claim for work comp benefits under your policy. Will they win? Absolutely!

Hiring subs you know personally or come highly recommended will help to a certain degree. But let's face reality here; if a man is injured and he needs medical treatment and has no other means to pay for it, he will put a claim in under your workers comp.

If the sub you hire is a corporation, call and see if the owners are included or excluded. Because officers of a corporation are included automatically unless they elect themselves excluded. (We will explain how to do this in more detail later on)

- Policy number – Work Comp policy number must be completed.
- Effective Date – Date must be completed.
- Expiration Date – Date must be completed.
- Limits – All limits must be completed.

10. Description – This box is used to explain things such as:

- Name and address of project.
- Naming the additional insured. (This is discussed later on)
- Cancellations wording for non-payment or reporting of payroll.
- **Exclusions (Did we get your attention?)**

11. Certificate Holder – This is the person that the certificate is issued to. A Full name and address in mandatory!!!

12. Cancellation –

Should any of the above described policies be cancelled before the expiration date thereof, the issuing company will endeavor to mail ___ days written notice to the certificate holder named to the left, but failure to mail such notice shall impose no obligation or liability of any kind upon the company, its agents or representatives.

Will endeavor to is the problem here...

Will endeavor simply mean's the insurance company will try to let you know if the policy has been cancelled. For many certificate holders will endeavor to is not good enough. The reason is they want to be notified if a contractors insurance is going to be cancelled so they can ask the contractor for a new certificate or get him off the job site before his coverage runs out.

This may causes a problem because some insurance companies will not allow the agent to cross out will endeavor to wording. Read your contract, see what the requirements are and call your agent to work out an arrangement.

Even with the will endeavor to wording crossed out, there is no guarantee that you will get notice of cancellation.

13. Signature must be signed.

14. Acord form version –This should be Acord 25 or 25-s. There are other certificates of insurance other than the Acord form. Sometimes a city or county will have their own, or an insurance company may have their own. But all the information will be there. Maybe not in the exact order of the Acord form.

Everything we have talked about up to this point are part of the Acord Certificate of Liability Insurance form. Now let's talk about additional form(s) that must be attached to the Certificate form. (If they apply)

What is an Additional Insured Endorsement?

The primary reason for additional insured endorsements is defense coverage; another reason is to insulate your loss experience by making it unnecessary to make a claim under your own liability policy.

Here is an example: A general contractor hires an electrical contractor and asks the electrical contractor to name the general contractor as an additional insured on the electrician's liability policy.

Acceptance

Many governmental agencies, cities, general contractors and more and more, smart homeowners will ask to be added as additional insured. Why are they requiring that they be named as additional insured? For the answer lets look first to the CGL policy.

Comprehensive General Liability

The Comprehensive General Liability policy also known as the CGL, as part of its coverage, provides for bodily injury and property damage resulting from the insured's products and / or completed operations. The products themselves and completed operations of the insured are excluded but the resulting bodily injury or property damage would be covered. Now the insurance industry has an endorsement that includes an exclusion that is a **big problem** for the general contractor.

CG 22 94 – EXCLUSION - DAMAGE TO WORK PERFORMED BY SUBCONTRACTORS ON YOUR BEHALF

This endorsement when attached to the CG 00 01 removes the subcontractor exception from the CGL “damage to your work” exclusion. In other words, when the endorsement is in place, a general contractor has no coverage for damage to its work if a subcontractor performed the work or if a subcontractor’s work causes damage to other elements of the work. (In this sense, the title of this endorsement is misleading----it excludes far more than just damage to a subcontractor’s work.)

Endorsement **CG 22 94 10 01**(see page 20) eliminates an important component of completed operations coverage under the CGL. Contractors should resist having it attached to their policies.

This can mean BIG trouble....

Example: The insured, a general contractor has the CG 22 94 10 01 attached to their CGL policy. The electrical work, which was subbed, causes an electrical fire two years after the house was completed and the entire house burns to the ground. The homeowner files a claim with their insurance company and collects. The homeowner insurance company then subrogates back against the builder and the electrical contractor for the amount paid the homeowner. The CGL policy written for the electrical contractor would respond for him, except for damage to his work, which is excluded. The policy for the builder that included the CG 22 94 10 01 would not provide any coverage for the builder for subcontracted work. **Can you see how this would be a big problem???**

How can you as the builder protect yourself???

The builder must have a written contract with the subcontractor that requires the subcontractor to add the builder as an additional insured including products – completed operations. The subcontractor must be required to provide the builder with a certificate, which shows the form number(s) being used for this endorsement(s), along with a copy of the endorsement attached to the certificate.

We suggest that form **CG 20 33 07 04 (see page 23)** which provides liability for “bodily injury”, “property damage” or “personal and advertising injury” in the performance of your ongoing operations for the additional insured. In addition you should include the **CG 20 37 07 04 (see page 24)** which provides liability for “bodily injury” or “property damage” caused, in whole or part, by “your work” at the location designated and described in the schedule of this endorsement performed for the named additional insured and included in the “products-completed operations hazard. The insurance company will make a charge for these endorsements that may vary by company.

Currently the **CG 22 94 10 01** is mostly being used for residential contractors and not commercial builders but if you do commercial work you need to check your CGL policy each year to be sure that this nasty endorsement hasn't been added to **your renewal without providing you notice.** **Can you see how this would be a big problem???**

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**EXCLUSION – DAMAGE TO WORK PERFORMED BY
SUBCONTRACTORS ON YOUR BEHALF**

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

Exclusion I. of **Section I – Coverage A – Bodily Injury And Property Damage Liability** is replaced by the following:

2. Exclusions

This insurance does not apply to:

I. Damage To Your Work

"Property damage" to "your work" arising out of it or any part of it and included in the "products-completed operations hazard".

CG 22 94 10 01

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POLICY NUMBER:

**COMMERCIAL
GENERAL LIABILITY**

CG 20 10 07 04

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**ADDITIONAL INSURED – OWNERS, LESSEES OR
CONTRACTORS – SCHEDULED PERSON OR
ORGANIZATION**

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

Name Of Additional Insured Person(s) Or Organization(s):	Location(s) Of Covered Operations
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.	

A. Section II – Who Is An Insured is amended to include as an additional insured the person(s) or organization(s) shown in the Schedule, but only with respect to liability for "bodily injury", "property damage" or "personal and advertising injury" caused, in whole or in part, by:

1. Your acts or omissions; or
 2. The acts or omissions of those acting on your behalf;
- in the performance of your ongoing operations for the additional insured(s) at the location(s) designated above.

B. With respect to the insurance afforded to these additional insured's, the following additional exclusions apply:

- This insurance does not apply to "bodily injury" or "property damage" occurring after:
1. All work, including materials, parts or equipment furnished in connection with such work, on the project (other than service, maintenance or repairs) to be performed by or on behalf of the additional insured(s) at the location of the covered operations has been completed; or
 2. That portion of "your work" out of which the injury or damage arises has been put to its intended use by any person or organization other than another contractor or subcontractor engaged in performing operations for a principal as a part of the same project.

CG 20 10 07 04

COMMERCIAL GENERAL LIABILITY

CG 20 26 07 04

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**ADDITIONAL INSURED – DESIGNATED
PERSON OR ORGANIZATION**

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

Name Of Additional Insured Person(s) Or Organization(s)
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

Section II – Who Is An Insured is amended to include as an additional insured the person(s) or organization(s) shown in the Schedule, but only with respect to liability for "bodily injury", "property damage" or "personal and advertising injury" caused, in whole or in part, by your acts or omissions or the acts or omissions of those acting on your behalf:

- A. In the performance of your ongoing operations; or
- B. In connection with your premises owned by or rented to you.

CG 20 26 07 04

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THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**ADDITIONAL INSURED – OWNERS, LESSEES OR
CONTRACTORS – AUTOMATIC STATUS WHEN
REQUIRED IN CONSTRUCTION AGREEMENT WITH YOU**

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

A. Section II – Who Is An Insured is amended to include as an insured any person or organization for whom you are performing operations when you and such person or organization have agreed in writing in a contract or agreement that such person or organization be added as an additional insured on your policy. Such person or organization is an additional insured only with respect to liability arising out of your ongoing operations performed for that insured. A person's or organization's status as an insured under this endorsement ends when your operations for that insured are completed.

B. With respect to the insurance afforded to these additional insured's, the following additional exclusions apply:

2. Exclusions

This insurance does not apply to:

a. "Bodily injury", "property damage" or "personal and advertising injury" arising out of the rendering of, or the failure to render, any professional architectural, engineering or surveying services, including:

(1) The preparing, approving, or failing to prepare or approve, maps, shop drawings, opinions, reports, surveys, field orders, change orders or drawings and specifications; and

(2) Supervisory, inspection, architectural or engineering activities.

b. "Bodily injury" or "property damage" occurring after:

(1) All work, including materials, parts or equipment furnished in connection with such work, on the project (other than service, maintenance or repairs) to be performed by or on behalf of the additional insured(s) at the site of the covered operations has been completed; or

(2) That portion of "your work" out of which the injury or damage arises has been put to its intended use by any person or organization other than another contractor or subcontractor engaged in performing operations for a principal as a part of the same project.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**ADDITIONAL INSURED – OWNERS, LESSEES OR
CONTRACTORS – COMPLETED OPERATIONS**

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

Name Of Additional Insured Person(s) Or Organization(s):	Location And Description Of Completed Operations
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.	

Section II – Who Is An Insured is amended to include as an additional insured the person(s) or organization(s) shown in the Schedule, but only with respect to liability for "bodily injury" or "property damage" caused, in whole or in part, by "your work" at the location designated and described in the schedule of this endorsement performed for that additional insured and included in the "products-completed operations hazard".

The above endorsements are a sample of the forms available but not all insurance companies will use all the forms and the premium charged will vary by company.

Many insurance agencies will put the following wording in the descriptions of operations portion of the certificate only. That is not good enough! The Additional Insured endorsement filled out completely with your company name must be a separate form (shown on the previous pages) and attached to the certificate.

What is a Primary Endorsement?

(See enclosed Gray form)

Primary Endorsements – along with the above Additional Insured Endorsements, many people are asking for primary endorsements, 99% of all insurance companies have an additional charge for these as well, mostly from \$30- \$250 each.

Primary insurance wording are issued in conjunction with additional insured endorsements.

Stop here and go read the Primary wording. **(Page 27)**

Using our general contractor and electrician example above. The general contractor wants to be sure that regardless of what insurance he has (general contractor) the electricians insurance company is first (primary) on any claim.

It also goes on to state that the liability is determined to be solely the negligence or responsibility of the electrician.

THIS ENDORSEMENT CHANGES THE POLICY, PLEASE READ IT CAREFULLY.

ADDITIONAL INSURED PRIMARY COVERAGE

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

It is agreed that any person or organization described below is an additional insured, but only with respects to liability arising out of the operations performed for the additional insured by or on behalf of the named insured, and caused by or contributed to a negligent act or omission by the named insured, its agents or employees. The insurance afforded to such additional insured is primary. Any other insurance with such additional insured may have will be non-contributing.

Any other endorsement, provisions, conditions and exclusions of this insurance shall remain unchanged and apply to the additional insured described.

ADDITIONAL INSUREDS:

Giant Contractors
12345 Main Street
Anytown, CA 92807

IIC's

Certificate of Insurance Checklist And Verification Procedures

We know we have been throwing all this information at you and now its time to sort it out. The first thing you must do is to set a standard set of insurance requirements that all sub contractors must meet in order to work for you.

Ok, here we go step-by-step.

Step #1

ESTABLISH SUB-CONTRACTOR INSURANCE REQUIRMENTS

What insurance requirements are you going to ask of your subs?

The certificate of insurance on the back page of this article is a good example of insurance limits that most general contractors require. (Except for the umbrella option). Look it over, adopt this as your requirement or make changes. Remember to require your subs to name you as additional insured and primary.

Remember that these requirements are yours. Asking for these limits and endorsements allow you to protect your biggest asset, **YOUR BUSINESS!**

Step #2

WHO'S IN CHARGE

Someone in your office must be in charge of certificates of insurance. Depending on the size of your operation, it can be the owner or a person designated by the owner to handle the job. It has been my experience that contractors like to build things; they do not like to handle paperwork. If you are a one-man operation, make this a priority!

If you have employees, designate someone to do the job. (After, you both sit down and read this article)

P.S. Another good reason for the owner not to handle the certificates is that certificates need to be verified. To verify a certificate you need to make a phone call. An office person is better suited for this job than an owner who is in the field.

Step #3

NO EXCEPTIONS

DO NOT MAKE EXCEPTIONS FOR ANYONE...Not your brother, uncle, father, best friend since high school, current girlfriend or boyfriend, good buddy who is down on his luck right now, **NOBODY...**

Step #4

NOBODY STEPS ON THE JOBSITE WITHOUT A CERTIFICATE

NOBODY goes on the jobsite until you have received his or her certificate of insurance and it has been checked and verified.

Step #5

TELL THE SUB-CONTRACTORS YOUR REQUIREMENTS IN ADVANCE

When you send out your specs for the subs to bid, include a copy of the certificate of insurance (with your requirements typed in) and the additional insured endorsement(s) and primary endorsement you require in order for them to bid on your project.

Starting on the next page we have put an example of an insurance packet you can include with the job specs.

Use our sample packet or devise your own.

A good time to get your certificates of insurance file in good order is when you are not busy, maybe when you are between jobs. This way when your jobs start you will be ready and you will not hire subs and have to wait until they get their certificates to you. You will already have them on file and ready to go.

(On your company letterhead)

Insurance requirements for Sub Contractors

Dear Sub-Contractor

In order to work for (Your Company), we have a set of insurance requirements that must be met before you can start on our jobsite.

Please look over the requirements before bidding, to make sure you can comply. If you do not comply, your bid will not be considered.

A sample of the certificate of insurance, additional insured endorsements, (CG 20 33 07 04 edition) and (CG 20 37 07 04 edition) must be attached along with along with the wording that all coverage will be primary and non-contributory. If you are not sure if you have the required insurance and endorsements, fax a copy to your insurance broker for confirmation.

Your insurance broker can quickly tell you if you have the correct coverage or will need additional coverage to comply.

We are looking forward to your bid.

**Thank You,
(Name of certificate person in your office)
Phone Number and Fax Number**

********Make sure you provide a certificate of insurance with your requirements and a copy of the CG 20 33 07 04 and CG 20 37 07 04 plus a copy of the primary and contributory endorsement, along with this letter***

Step #6

USE THE CHECKLIST

Now we have a copy of the sub-contractors certificate of insurance, additional insured endorsement, and a primary endorsement on our desk.

Using the checklist, go through each section of the certificate and see if anything is missing, misspelled or the dates are wrong. If there are errors, call the insurance agency that gave you the certificate and ask them to make the corrections and fax a new one back to you.

Step #7

THE EXTRA STEP - EXCLUSIONS

This is the area that can cause a problem and the only way to find out in advance is to ask.

Each state is different; there may be areas of construction in your state that are a problem. You know what they are, and if you don't, call and ask your broker.

EXAMPLES:

If you are hiring a concrete contractor for house pads, a good question to ask is, are there any exclusions on the concrete contractors insurance regarding house pads?

If you are hiring a landscaper who is going to use chemicals, call and ask regarding the use of chemicals.

If you are hiring a grading or excavation contractor, ask about exclusions regarding earth movement.

Look at our list of exclusions and look at your own policy for exclusions to formulate your questions.

We realize this is more work, but the question is do you want to know about these potential problems before or after the claim?

IIC's Certificate of Insurance checklist

Subcontractor Name: _____ Trade: _____ Lic. #: _____

- Contract signed
- Certificate received
 - Company's are A rated
- ✓ General liability section
 - Occurrence box marked
 - General liability limits \$1,000,000
 - General Liability expiration date current
- ✓ Auto Section
 - Auto Liability limits \$1,000,000
 - Any auto or all owned or scheduled auto marked
 - Non owned auto checked marked
 - Auto expiration date current
- ✓ Excess liability Section (optional)
 - Excess liability expiration date current
 - Excess limits correct
- ✓ Workers Compensation Section
 - Proprietor/partners/executive officers Included/Excluded
 - Workers compensation expiration date current
 - Workers compensation limits \$1,000,000
- ✓ Description of operations
 - Certificate holder is named as additional insured
 - Location of job specified
- ✓ Certificate holder
 - Is your company name spelled correctly
 - Is endeavor to crossed out?
 - 10 or 30 days notice of cancellation
- ✓ Signature
 - Is certificate signed
- ✓ Additional Insured Endorsement
 - Is additional insured endorsement attached
 - Is your name typed on the additional insured endorsement
 - Is the policy number typed on the additional insured endorsement
 - Name of person or organization typed in
- ✓ Primary Endorsement
 - Is primary endorsement attached
 - Policy number typed in.
 - Name of person or organization typed in.
- ✓ Verification
 - Called to verify exclusions

Verification performed by _____ Date _____

ORGANIZATIONAL SUGGESTIONS

- ❑ Buy a three ring binder; Label the Binder SUB-CONTRACTOR INFORMATION.
- ❑ Three hole punch the Certificate of Insurance, Additional Insured Endorsement and the Primary Endorsement and put them in the Binder. It is much easier to keep track of things this way instead of putting the information in a file and filing it away.
- ❑ Have a packet of your company's certificate requirements already made up in advance so you can quickly send it out.
- ❑ You must have a way of keeping track of the expiration dates of the sub-contractors insurance. Remember, when you get a certificate of insurance, all the subs insurance policies may not expire on the same day. The General Liability may expire in March, the auto may expire in July and the work comp may expire in October.

There are many ways of doing this, depending on how many subs you use, a wall or desk calendar, computer system, appointment book, etc. Pick the best one for you.

Final thoughts...

Over the years, our customers have asked us, what do I look for on the Certificates of Insurance?

Well we sat down and wrote it all out. If you have a question regarding anything in this article or have something to add, please give us a call, we are always looking for new material.

Come visit me on the web www.insure4contractors.com

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