

Did someone say contracts?

By Drew Brien

Public entities enter into numerous contracts as part of their operations. Whether with contractors, tenants, consultants or users of public property, **all contracts should contain insurance and indemnification requirements** commensurate to the risk associated with the activities involved. Included in the WCIA Liability Resource Manual is [ADM.21 Insurance Indemnity Requirements for Contracts](#), which is a guide to developing proper insurance requirements for the various contracts entered into by members.

Below is a quick reference to the types of insurance required, and the minimum amounts of coverage for a few common contracts members may come across. Information on additional contract types is provided in ADM 21.

Franchise Agreements - Grantee shall provide:

- Commercial General Liability: Coverage shall be at least as broad as Insurance Services Office (ISO) form CG 00 01. The public entity shall be named an additional insured using additional insured endorsement at least as broad as ISO endorsement form CG 20 122 05 09 if the agreement is considered a master permit, or CG 20 26 07 04 if it is not. Coverage shall be no less than \$5,000,000 each occurrence with \$5,000,000 aggregate.
- Automobile Liability: Insurance covering all vehicles with coverage at least as broad as Insurance Services Office (ISO) form CA 00 01 with minimum combined single limits of \$5,000,000 per accident for bodily injury and property damage.
- Contractors Pollution Liability: Shall be in effect throughout the entire agreement covering losses caused by pollution conditions that arise from the operations of the Grantee. Coverage shall be written in an amount of at least \$2,000,000 per loss, with an annual aggregate of at least \$2,000,000.
- Workers' Compensation: As required by Washington State Industrial Insurance Laws.
- Excess or Umbrella Liability: Shall be excess over and at least as broad in coverage as the Grantee's Commercial General Liability and Auto Liability Coverage. Public entity to be named additional insured. Coverage shall be written with limits of not less than \$5,000,000 per occurrence and annual aggregate.

Service Contracts - Contractor shall provide:

- Automobile Liability: Insurance covering all vehicles with coverage at least as broad as Insurance Services Office (ISO) form CA 00 01 with minimum combined single limits of \$1,000,000 per accident for bodily injury and property damage.

- Commercial General Liability: Coverage shall be at least as broad as Insurance Services Office (ISO) form CG 00 01. The public entity shall be named an additional insured using additional insured endorsement at least as broad as ISO endorsement form CG 20 10 10 01 for Commercial General Liability and form CG 20 37 10 01 for products completed operations. Coverage shall be no less than \$2,000,000 each occurrence with \$2,000,000 aggregate, and \$2,000,000 products completed operations aggregate limit.
- Workers' Compensation: As required by Washington State Industrial Insurance Laws.

Professional Service Agreements - Consultant shall provide:

- Automobile Liability: Insurance covering all vehicles with coverage at least as broad as Insurance Services Office (ISO) form CA 00 01 with minimum combined single limits of \$1,000,000 per accident for bodily injury and property damage.
- Commercial General Liability: Coverage shall be at least as broad as Insurance Services Office (ISO) form CG 00 01. The public entity shall be named an additional insured using additional insured endorsement at least as broad as ISO endorsement form CG 20 26. Coverage shall be no less than \$2,000,000 each occurrence with \$2,000,000 aggregate.
- Workers Compensation: As required by Washington State Industrial Insurance Laws.
- Professional Liability: Coverage should be appropriate to the Consultant's profession with limits no less than \$2,000,000 per claim with \$2,000,000 policy aggregate.

The member's legal counsel should always review and approve all contract provisions, including insurance and indemnification language. The above limits shown, as well as the limits in ADM.21 are the **recommended minimum** insurance limits. Higher limits should be required for activities with increased risk potential. In determining proper limits, evaluate potential risk exposure of the activity or project being contracted. Consider the loss exposure and not the value of the contract in determining the appropriate liability limits.

In addition to the types and limits of insurance required by the contract, additional provisions should be considered and addressed in the contract, including but not limited to:

- Acceptability of insurers,
- Verification of coverage,
- Notice of cancellation, and
- Failure to maintain insurance.

Upcoming learning opportunity: *"Taking the Mystery Out of Insurance and Indemnification Requirements for Contracts"* offered by Risk Services Manager Robin Aronson, will be presented on October 12 from 9:30 a.m. to noon. [Click here to register.](#)

In the event your public entity runs into a situation or a contract that falls outside the samples within ADM.21, contact your WCIA Risk Management Representative to discuss the associated risk and insurance requirements.