



## Contract Insurance FAQs

### Insurance Terms:

**AI or AIE** – Additional Insured Endorsement

**CGL** – Commercial General Liability Insurance

**COI** – Certificate of Insurance

**PLI** – Professional Liability Insurance

**UI** – Umbrella Insurance

**WC** – Workers' Compensation

### Why does the City require insurance for contracts?

To protect the City from financial loss in the event of injury or damages. The limit of liability for public entities is set by ORS 30.272 and are adjusted every year on July 1. The City requires coverage in an amount equal to or greater than the potential loss it would be exposed to if a claim or lawsuit is filed.

### How does a contractor's insurance protect the City and what does it protect against?

When the City is named as an additional insured on a contractor's insurance, it provides the City protection from paying claims that are the result of the Contractor's negligence. This includes claims for bodily injury and property damage. This does not provide coverage to the City for negligent acts of City employees.

### What do we need the contractor to provide to demonstrate the City is an additional insured?

A **COI** and accompanying additional insured are the documents that demonstrate to the City that the contractor's insurance policy is extending coverage to the City. An additional insured endorsement demonstrates that the contractor's insurance policy has been modified to include the City.

### What types of contracts require coverage?

Almost all contracts require some insurance, including low dollar contracts because the potential risk related to the contract can far outweigh the value of the contract. If in doubt, please contact the City's Risk Manager.

### What types and amounts of coverage are required?

While every contract is unique, the City requires Commercial General Liability, Automobile Liability, and Workers' Compensation coverage on most contracts. Other types of coverages may be required. If a contractor requests reduction or a waiver of the requirements those requests must be reviewed and approved by the City's Risk Manager.

- **Commercial General Liability:** Most City contracts will require **CGL** in the amount of \$2 million per occurrence and \$3 million aggregate (limit the insurer will pay during the duration of the policy).
- **Automobile Liability Insurance:** If the contractor or its employees will be driving to or from City work sites or on behalf of the City while performing duties under the contract, automobile liability insurance is required. The amount requested is \$2 million.

- **Workers' Compensation Coverage:** If the contractor has employees, workers' compensation coverage is required. The amount is \$500,000 or statutory amounts for the contractor's home state.
- **Professional Liability Insurance:** Professional liability (sometimes referred to as errors and omissions insurance) is coverage that protects business professionals (doctors, attorneys, architects, engineers, software designers, management consultants, accountants, etc.) from claims of negligence, malpractice, mistakes, or misrepresentation related to the services they provide. (Professional Liability insurance does not require the City to be named as an Additional Insured.)
- **Pollution Liability Insurance:** Provides coverage for loss or damages resulting from unexpected releases of pollutants. Examples include work performed near a waterway or asbestos removal.
- **Cyber Insurance:** Provides coverage options to help protect the City from cyber attacks and data breaches involving sensitive information such as Social Security numbers, credit card numbers, account numbers, driver's license numbers, and health records.
- **Umbrella Insurance:** Umbrella insurance provides protection beyond the existing limits and coverages of other policies. For example, if a contractor only has \$2 million in commercial general liability insurance, they can purchase a \$1 million umbrella policy to meet the City's requirement of \$3 million aggregate. This type of coverage tends to be less expensive than increasing the limits on a liability policy.

#### **Is insurance required if the contract contains an indemnity clause?**

Yes. An indemnity clause is not a substitute for insurance as it only promises that the Contractor will protect and defend the City in the event the actions of the contractor or its employees expose the City to loss. This clause is only effective if the contractor has the funds necessary to pay for any defense, settlement, or award the City incurs. Insurance guarantees the availability of those funds.

#### **What if a contractor wants to waive an insurance requirement?**

Forward the contractor's request for an insurance waiver to the City's Risk Manager and the Risk Manager will work with the contractor to determine whether a reduction or waiver is warranted. A contractor can request that the amount of insurance be reviewed and in some circumstances the amounts could be reduced or even waived. Requirements will not be reduced or waived simply to reduce the expense to the contractor. There may be circumstances with the contract is not executed and is awarded to another contractor.

#### **Will Risk review my contract or RFP for insurance requirements before it is published?**

It is a good idea to ask the City's Risk Manager to review your RFP prior to publication so your bidders are aware what the insurance requirements are before they submit their proposal. Once an RFP has been published, the only way to change the insurance requirements is by an amendment.

#### **What else should I know?**

You must have the complete documents (fully executed contract, COI, and additional insured endorsement) in hand before permitting a contractor to begin any work. Without the correct coverages and endorsements, the City may be exposed to significant financial loss.